

PRESENTATION TO THE STUDY GROUP and PORTFOLIO COMMITTEE ON TRADE AND INDUSTRY

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Chief Commissioner ITAC

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MANAGEMENT STRUCTURE AND CONTACT DETAILS

CHIEF COMMISSIONER

Meluleki Nzimande

012 – 394 3713

DEPUTY CHIEF COMMISSIONER

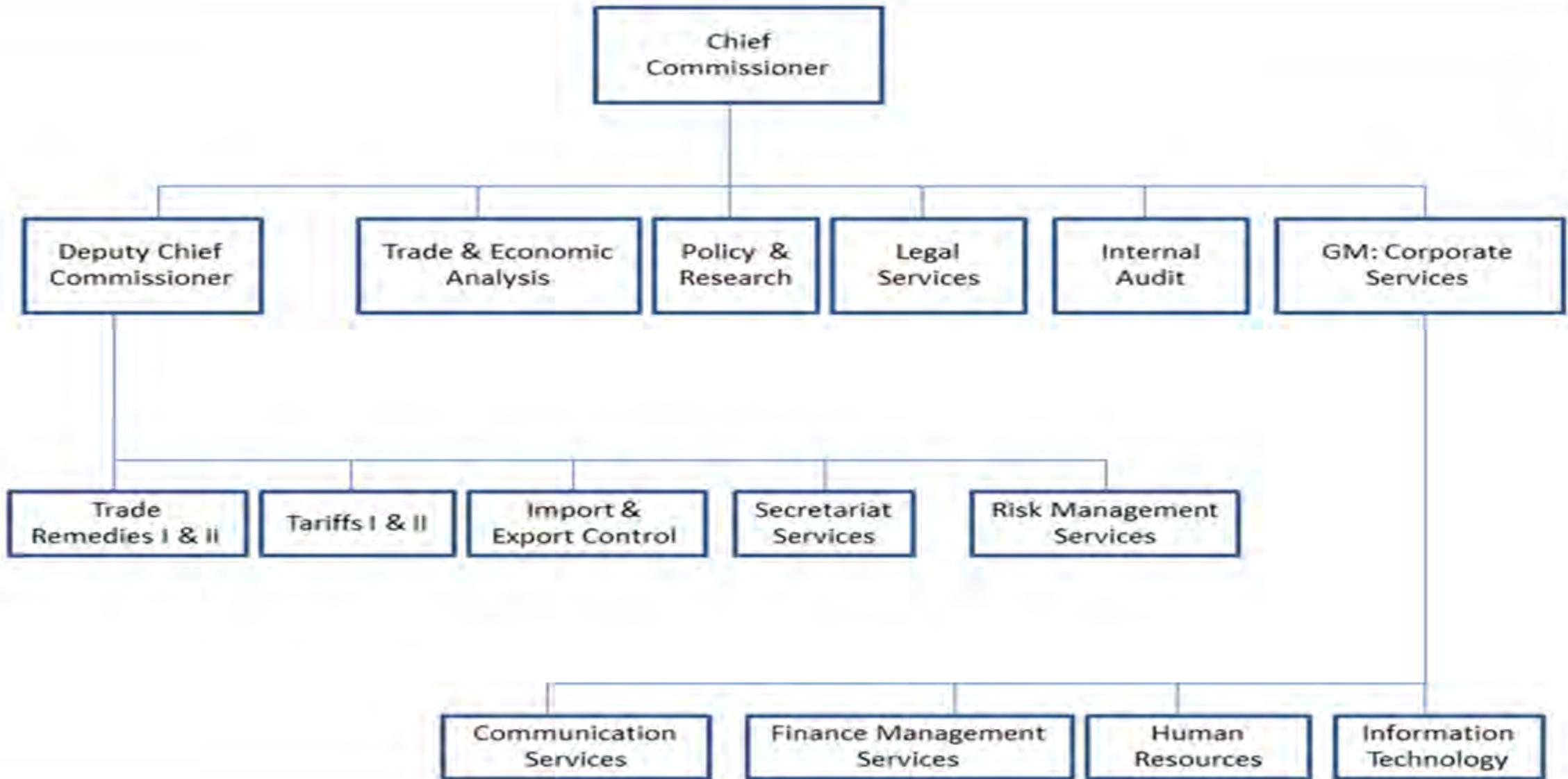
Dumisani Mbambo

012 – 394 3743

GENERAL MANAGER: CORPORATE SERVICES

Phillip Semela

012 – 394 3734



BACKGROUND

- ITAC is a public entity established in terms of the ITA Act that came into force on 1 June 2003. ITAC replaced its predecessor, the Board of Tariffs and Trade (BTT) that was established in 1986. The predecessor of the BTT is the Board on Trade and Industries (BTI) that dated back to 1924.
- **Structure:** The Commission is constituted of 2 full-time Commissioners (Chief Commissioner and Deputy Chief Commissioner) and 10 Part-time. The Commission meets monthly to evaluate investigations and make recommendations to the Minister of Trade and Industry. The administrative arm of the Commission has a staff compliment of 131.
- **Reporting Lines:** The administration of the ITA Act was transferred through Presidential Proclamation to the Minister of Economic Development (Policy and Oversight) except for decision making powers on individual tariff and trade remedy investigations that have been retained by the Minister of Trade and Industry. The withdrawal of the proclamation is awaited in order for ITAC to report only to Minister of Trade and Industry following the announcement by the President, incorporating EDD into the DTI.

MANDATE, VISION, MISSION, AND CORE FUNCTIONS

Mandate

The aim of ITAC, as stated in the Act, is to foster economic growth and development in order to raise incomes and promote investment and employment in South Africa and within the Common Customs Union Area by establishing an efficient and effective system for the administration of international trade subject to this Act and the SACU Agreement.

Vision

An institution of excellence in international trade administration, enhancing economic growth and development.

Mission

ITAC aims to create an enabling environment for fair trade through: efficient and effective administration of its trade instruments; and technical advice to the Economic Development Department and thedti.

Core Functions

Tariff Investigations, Trade Remedies, Import and Export.



KEY STRATEGIC OBJECTIVES, PERFORMANCE AREAS & SERVICES

Ensure contribution to employment creating growth and development through effective delivery of international trade instruments

International Trade Instruments

What will be pivotal in improving the provision of customs tariffs, trade remedies, and import and export control will be the quality and turnaround times.

Customs Tariff Investigations
[Increasing Duties, Reducing Duties, & Creation of Rebates]

Trade Remedies Investigations
[Antidumping, Countervailing & Safeguards]

Import & Export Control
[Permits & Enforcement]

Ensure strategic alignment and continued relevance with the Economic Development Department and national agenda

International Trade Technical Advice

ITAC will become more proactive in the provision of technical inputs and contributions to trade and industrial policy implementation, as well as trade negotiations at bilateral, regional and multilateral levels.

Technical Inputs on Trade and Industrial Policy including Sector Strategies

Technical Inputs on Trade Agreements
[WTO, SADC & SACU] ;
Bilateral Agreements
[EU, EFTA, MERCOSUR, & INDIA]

Ensure organisational efficiency and effectiveness of ITAC

Business Support Services

The performance of the institution will be driven through appropriate business solutions, efficient and effective utilisation of material, human and information technology resources.

- ❖ Human Resources
- ❖ Finance
- ❖ Information Technology
- ❖ Legal Services
- ❖ Policy and Research
- ❖ Office of the Chief Economist

LEGAL FRAMEWORK

- **Domestic Law:** International Trade Administration Act, 2002 (ITA Act, Tariff Investigations Regulations, Anti-Dumping Regulations, Countervailing Regulations, Safeguard Regulations, Customs & Excise Act, and Promotion of Administration Justice Act (PAJA).
- **Multilateral Agreements (WTO):** Bound rates, Anti-Dumping Agreement, Countervailing Agreement, Safeguards Agreement .
- **Regional Agreements (SACU and SADC).**
- **Bilateral Agreements (EU/EPA, EFTA & MERCOSUR).**

CORE BUSINESS UNITS

Tariff Investigation I

Rika Theart

- Agriculture & Agro-processing
- Chemicals and plastics
- Textiles and clothing
- Leather, Footwear and pharmaceuticals

Tariff Investigation II

N. Somdaka

- Motors
- Metals and Machinery
- Automotive Production Development Programme (APDP)

Trade Remedies I

Z. Xabendlini

- Anti-dumping
- Countervailing
- Safeguards

Trade Remedies II

C. Van Vuuren

- Anti-dumping
- Countervailing
- Safeguards

Import and Export Control

M. Collins

- Import Permits
- Export Permits
- Enforcement

POLICY FRAMEWORK

- The NDP provides the long-term vision.
- The NGP, IPAP and the South African Trade Policy and Strategy Framework provide clear policy parameters within which to execute our mandate.
- All the said frameworks are consistent in their call for developmental trade policies and how trade policy should contribute to structural changes in the economy.
- The NGP places employment creation at the center of economic policy, which has meant that tariff policy has to be sensitive to employment outcomes.
- The Commission follows a developmental approach to tariff setting for both agricultural and industrial goods.

- It is neither a rigid blanket increase nor blanket reduction in tariffs. Tariffs are instruments of industrial policy. The Commission's recommendations are evidence-based and conducted on a case-by-case basis. In some cases tariffs are increased, in others reduced and also rebates are created. The focus is on the outcomes: increased domestic production, investment, job retention and creation, as well as international competitiveness.
- The ITAC strategy also highlights the approach ITAC has taken and will take on the relevant "jobs drivers" (Infrastructure; Agriculture; Mining; Green Goods; Manufacturing)
- ITAC is placing more focus on measuring the outcomes of its interventions through impact assessments. Putting more emphasis on trade monitoring, conditionalities, proactive initiatives and coordination with relevant government agencies.
- The principle of reciprocity – the tariff amendments are conditional, beneficiaries have to commit on how they will perform against the government's set policy objectives, including plans to improve competitiveness, increase in production and employment creation and retention.

PERFORMANCE (QUARTER 3)

TARIFF INVESTIGATIONS

Performance (Quarter 3)

In the quarter under review, three tariff applications (1x customs duty reduction; 1x customs duty increase and 1x rebate amendments) were **finalized**. These are listed in the table below.

APPLICANT	PRODUCT	APPROVED AMENDMENT	TYPE OF AMENDMENT
Defy Appliances (Pty) Ltd	Hoods having a maximum side not exceeding 120cm.	From 15% ad valorem to free of duty	Reduction*
Defy Appliances (Pty) Ltd (Eastern Cape)	Side by side refrigerators	From 25% to 30% ad valorem	Increase**
Sappi Tugela Mill in KZN	Sodium hydroxide for uncoated paper	From 15% to 30%	Rebate***

*A reduction or removal of duties is considered, in cases where intermediate goods, consumption goods, or capital goods are not manufactured domestically or unlikely to be manufactured domestically.

An **increase in the rate of customs duties is considered for the purpose of granting relief for domestic producers that may be experiencing threatening import pressures to adjust and restructure so that in the medium to long term they could become internationally competitive without any support in the form of customs duty protection.

***Linked to customs duties as a trade policy instrument are duty rebate and drawback provisions for products for which detailed separate tariff lines are impracticable for tariff administration purposes. The primary aim of these provisions is to provide a customs duty waiver and therefore an availability at world competitive prices of products that attract duties but are not produced or insufficiently produced domestically as an industrial or agricultural input for certain critical applications, as capital item, or as an agricultural product for consumption.

There were in total 23 tariff amendment applications in progress in the quarter under review i.e. (2 x customs duty reduction; 8 x customs duty increase and 13 x rebate amendments).

TRADE REMEDIES Performance (Quarter 3)

On the Trade Remedies front, 4 x Sunset Review investigations; 2 x Anti-Dumping investigations; and 2 x Safeguard investigations were in progress in the quarter under review. These are listed in the table below.

Product	Country	Applicant	Type
Soda Ash	USA	Botswana Ash	Sunset Review
Wire Ropes and Cables	Germany, China, UK	Scaw	Sunset Review
Gypsum Plasterboard	Thailand, Indonesia	Saint Gobain	Sunset Review
Potato Chips	Belgium and Netherlands	Natures Garden	Sunset Review
Fasteners	All	SAISI	Safeguard
Set Screws	Inclusion of Thailand as imports above 3%	SAISI	Safeguard
PET	China	Hosaf	Anti-dumping
Clear Float Glass	Saudi Arabia and UAE	PFG	Anti-Dumping

SAFEGUARD INVESTIGATIONS ON SET SCREWS AND HEXAGON NUTS

SAFEGUARD INVESTIGATIONS ON SET SCREWS AND HEXAGON NUTS

- Following an investigation where safeguard measures were imposed on set screws and on hexagon nuts, the industry provided progress report on developments in the industry which indicated the following.
 - Production increased significantly to June 2019 on prior year.
 - Sales increased significantly for Hexagon Screws and for Nuts (consider this was previously an imported item).
 - Investment commitments worth millions were made.
 - Employment increased more than 20%. Skills development went hand in hand with this increase.
 - Industry received local orders with millions from specific projects.

IMPORT AND EXPORT CONTROL Performance (Quarter 3)

ITAC also administers import and export controls on selected products, mainly for health, safety, environmental and strategic reasons. During the reporting period, **4 385** import permits were adjudicated and issued against a target of **4 000**, while **4 215** export permits, which include **1 791** permits issued for scrap metals in terms of PPS, were adjudicated and issued against a target of **3000**. The number of permits issued depends on the number of applications received.

As part of ensuring compliance with permit conditions and provisions of the regulations, the Import and Export Control unit conducted **111** scheduled and **968** unscheduled inspections, and also carried out 2 investigations of permit non-compliant activities detected.

HUMAN RESOURCES Performance (Quarter 3)

- ITAC's workforce as at 31 December 2019 (end of Quarter 3) was 106, Core business: 57; and Support services: 46. In addition, there were 9 contract employees in the period under review.
- Below is the employee profile breakdown:
 - ❖ Gender: Males (40.6%); and Females (59.4%).
 - ❖ Race: African (86.8%); Whites(5.7%); Coloured (2.8%); and Indians (4.7%).
- The vacancy rate for the period under review was 19.08%. (there were 25 vacant positions as at the end of quarter 3). ITAC still has put a moratorium on the filling of vacancies notice due to financial constraints.

Financial Performance (Quarter 3)

- ITAC's budget for the 2019/20 financial year amounts to R108.9 million. Transfer payments received amounted to R80 196 000 (99%) with total revenue of R81 363 752. During the third quarter of the 2019/20 financial year, the budgeted expenditure was R81 675 000 while actual expenditure amounted to R79 497 925 (97.3% of the total budget). The largest portion of the budget (79%) was spent on employee related costs, while goods and services amounted to 21%.
- Below is the table that shows ITAC's financial performance as at 31 December 2019

Revenue

	Annual	Period Ended Budget	Period Ended Actual Revenue	Period Ended 31 December 2019 Variance (Fav) /Unfav	Variance %	Remaining Budget	Forecast
REVENUE	Budget	Budget	Actual Revenue				
Transfer payments - EDD	106 928 000	80 196 000	80 196 000	0	0	26 732 000	111 028 000
Interest Received	1 745 000	1 308 750	1 076 073	232 677	18	668 927	1 526 073
Other income	227 000	170 250	91 679	78 571	46	135 321	92 250
TOTAL REVENUE	108 900 000	81 675 000	81 363 752	311 248	38	27 536 248	112 646 323

FINANCIAL PERFORMANCE (QUARTER 3)

Expenditure as at 31 December 2019

	2020 Annual Budget	Period Ended Budget	Period Ended Actual expenses	Period Ended Variance (Fav) / Unfavorable	Variance	Remaining Budget	Forecast
Salaries and Wages	(86 978 000)	(65 233 500)	(62 736 772)	(2 496 728)	4	(24 241 228)	(89 830 155)
Other Staff Cost	(384 796)	(288 597)	(153 957)	(134 640)	47	(230 829)	(448 772)
Subsistence and Travel	(2 941 828)	(2 206 371)	(1 722 400)	(483 971)	22	(1 219 428)	(2 941 828)
Admin Expenses	(3 859 916)	(2 894 937)	(1 637 982)	(1 256 955)	43	(2 221 934)	(2 859 916)
Rental and Leases	(8 503 076)	(6 377 307)	(5 759 030)	(618 277)	10	(2 744 046)	(6 666 239)
Professional Fees	(1 019 812)	(764 859)	(1 904 966)	1 140 107	-149	885 154	(2 752 656)
External Audit Fees	(1 726 030)	(1 294 523)	(1 232 276)	(62 247)	5	(493 754)	(1 726 030)
Legal Fees	(3 300 000)	(2 475 000)	(3 599 400)	1 124 400	-45	299 400	(4 300 000)
Communication Costs	(110 249)	(82 686)	(153 276)	70 590	85	43 027	(306 553)
Repairs and Maintenance	(76 293)	(57 220)	(12 671)	(44 549)	78	(63 622)	(25 342)
Depreciation	-	-	(585 195)	585 195	-100	-585 195	(788 832)
Total Cost and Expenses	(108 900 000)	(81 675 000)	(79 497 925)	(2 177 075)	3	(29 402 075)	(112 646 323)
Surplus for the period			1 865 827				

Financial Performance (Quarter 3)

Expenditure as at 31 December 2019

- The over-spending on professional fees and legal fees were as a result of an increase in labour related matters and active cases in relation to ITAC's core functions.

Financial Position as at 31 December 2019

- ITAC achieved a net asset position of R6 136 746. This is an increase in net asset position from the previous financial year of R919 429. For the period under review, total assets amounted to R22 278 279 and total liabilities of R16 141 533.
- Cash and cash equivalents for the period amounted to R20 349 331.

THANK YOU

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