

# Presentation to the Portfolio Committee on Trade, Industry and Competition

## ITAC Q1 Financial and non-Financial Performance (2022/2023)

Presented by ITAC Acting Chief Commissioner  
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09 November 2022



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## INTRODUCTION

- ITAC was established through an Act of Parliament, the International Trade Administration Act, (Act 71 of 2002) which came into effect on 1 June 2003.
- 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 Southern African Customs Union (SACU) Agreement.
- In recent years government has sought to follow a coordinated approach to assisting industry, which approach seeks to use complementary measures to support growth. This approach continued in the period under review and will continue into the future. The International Trade Administration Commission of South Africa (“**ITAC**”) continues to administer trade instruments in a manner that contributes to inclusive economic growth, in particular, an increase in investment, employment and incomes. Consistent with this, ITAC will intensify its monitoring of performance against reciprocal commitments by those industries which receive support from ITAC.
- ITAC administers trade instruments on behalf of Member States of the Southern African Customs Union (“**SACU**”), being South Africa, Botswana, Lesotho, Namibia and Eswatini. During the quarter under review, ITAC finalized increases in ordinary customs duties on Aluminium shower doors; Review of Worn clothing for manufacturing wiping rags and rebate for used overcoats; and rebate application on certain components used in the manufacturing of appliances. On Trade Remedies front, two anti-dumping preliminary determinations (Welded Chain Link; Garden Tools) and one implementation of final sunset review (Cement) determination were made. There were 4475 import and 3764 export permits issued against the quarterly target of 4000 and 3000 respectively.

## TARIFF INVESTIGATIONS

### INVESTIGATIONS COMPLETED BY ITAC DURING THE PERIOD UNDER REVIEW

APPLICANT	PRODUCT	TYPE OF AMENDMENT
Bell Equipment Company South Africa (Pty) Ltd (KZN)	Articulated Dump Trucks (ATDs)	Increase
Macsteel Services SA	Steel Sheet pilings	Rebate
Ferro Coating Resins	Tall oil fatty acids	Rebate

### INVESTIGATIONS IN PROCESS DURING THE PERIOD UNDER REVIEW

APPLICANT	PRODUCT	TYPE OF AMENDMENT
Daltron Forge (Pty)Ltd	Rock drilling or earth boring tools	Increase
ITAC	Automotive batteries	Review with a view to increase customs duty
SAFLIA	Footwear	Increase
Printing SA	Thermal paper, including thermocopy paper, in rolls	Increase
Clear Creek Trading 167 (Pty) Ltd Trading as Wireforce	Welded Wire Mesh	Increase
Clear Creek Trading 167 (Pty) Ltd Trading as Wireforce	Stay Wire	Increase
XA obo Sensient Technologies	Onion powder	Rebate
The Lamphouse (Pty) Ltd	Other light fittings, containing light emitting diodes (LED) as a source of illumination	Rebate
Dunlop Belting Products (Pty)Ltd	Steel cord for the manufacture of conveyor belting reinforced with steel	Rebate
Dunlop Belting Products (Pty)Ltd	Textile fabric for the manufacture of conveyor belting reinforced with textile	Rebate

## AUTOMOTIVE PRODUCTION AND DEVELOPMENT PROGRAMME (APDP2)

- The APDP2 is a government programme to support the manufacture of motor vehicles in South Africa. The Department of Trade, Industry and Competition (“**thedtic**”) is the policy making authority for the APDP2 and ITAC administers it. The programme consists of tariff support, production incentive, volume assembly localisation allowance and the automotive investment scheme (“**AIS**”). The AIS is administered by **thedtic**.
- The objective of the programme is to support the vision of the South African Automotive Masterplan of creating a “*globally competitive and transformed automotive industry that actively contributes to the sustainable development of South Africa’s productive economy, creating prosperity for industry stakeholders and broader society*”. This vision will guide the development of the South African automotive industry to 2035, with all the policy elements of Phase 2 of the APDP targeting its realization.
- APDP2 elements includes the following:
  - Stable Tariff Support - Customs duties for components and vehicles remained stable at 20% and 25% respectively onwards.
  - Production Incentive - Benefit earned by final manufacturers of automotive products i.e. vehicles, components and tooling, based on the level of local value add. The incentive can be used to rebate duties payable on both imported vehicles and components.
  - Volume Assembly Localisation Allowance (VALA) – An incentive afforded to vehicle assemblers to offset customs duties on imported original equipment components received and any surplus VALA will be rolled over to the next quarter and/or may be used to rebate duties on specified motor vehicles imported.
  - Automotive Investment Scheme – A non-taxable cash grant of 20% and 25% of the value of qualifying investment in productive assets by vehicle assemblers and component/tooling manufacturers, respectively.

## AUTOMOTIVE PRODUCTION AND DEVELOPMENT PROGRAMME (APDP2)

- Certificates issued by ITAC under the APDP2:
  - Eligible Production Certificates (EPCs) - confirm the eligibility of a company and certain automotive products under the APDP2. ITAC issued 100% of the EPCs within the set timeframe (10 working days).
  - Production Rebate Credit Certificates (PRCCs) - indicate the Rand value of the production incentive earned by a participant. ITAC issued 89% of the certificates within the set timeframe (30 days).
  - Production Rebate Certificates (PRCs) – represents a duty credit earned by a participant. ITAC issued 87% of the certificates within the set timeframe (30 days).

## AUTOMOTIVE PRODUCTION AND DEVELOPMENT PROGRAMME (APDP2)

- Verifications conducted under the APDP2:
  - Calculation of benefits under the programme is complex and detailed, thus requiring on-site verification of financial information to ascertain compliance with requirements of the programme. Verification is necessary to ensure the integrity of the programme and prevent undue benefit to participants at the expense of the fiscus.
  - ITAC conducted 100% of the verifications within the set timeframe (90 days).
- Company Specific Percentages (CSPs)
  - The CSP is determined by ITAC, which percentage/s will be applied by SARS to determine the Volume Assembly Localisation Allowance (VALA) for each registered Original Equipment Manufacturer (OEM) only where a registered light motor vehicle manufacturer achieves a minimum production level of 10 000 units over the most recent four quarters. During the period under review, 100% of the CSP certificates were issued within the set timeframe (10 working days).
- The minimum annual plant volume threshold for participation under the APDP is 10 000 units. The VALA is based on local value-addition and not manufacturing sales value. The VALA percentage is set at 40% from 2021 of local value add for OEMs above 10 000 units produced and this is measured over the most recent four quarters total per plant. Transition is set at 40% in 2021 and will reduce annually to 35% by 2026.

## TRADE REMEDIES

- Trade Remedies are trade defence instruments endorsed by the World Trade Organisation (“WTO”) for use in combatting material or serious injury caused by imports. They are described briefly below.
- **Anti-dumping Measures:** Used to counter “dumping” ie the exportation of products at prices which are lower than the domestic selling prices or cost of production in the exporting country, thereby causing material injury (eg. loss of sales, jobs etc.) to producers of like products in the importing country/territory. Measures endure for 5 years unless renewed following a Sunset Review in which it was determined that the removal of anti-dumping measures will result in the recurrence of dumping and material injury. “Injurious Dumping” constitutes an unfair trade practice.
- **Countervailing Measures:** Used to remedy material injury caused by subsidised imports. Countervailing measures endure for 5 years unless renewed following a Sunset Review in which it was determined that the removal of countervailing measures will result in the recurrence of subsidised imports and material injury. “Subsidised exports” constitute an unfair trade practice.
- **Sunset Reviews:** These are investigations conducted at the end of the five year period over which anti-dumping countervailing duties have been in force in order to determine whether there will be a continuation or recurrence of injurious dumping or injurious subsidised exports if the protective measures were to be removed.
- **Safeguard Measures:** Used if, as a result of unforeseen circumstances and the effect of the obligations of a WTO Member Country under the WTO, there is a surge in the volume of imports which causes serious injury to the manufacturers of like or directly competitive products in the importing WTO Member Country. These measures apply to both fair and unfair trade practices.



## TRADE REMEDIES

### ANTI-DUMPING INVESTIGATIONS

Product	Country	Applicant	Type	Status and Duties initiated
Welded Chain Link	PRC	McKinnon	Anti-Dumping	Provisional measures imposed. Rudong 11,6% Residual 16,13% Investigation on-going
Garden Tools	India, PRC	Lasher Tools	Anti-Dumping	Provisional measures imposed. Spades <200mm 58,56% Spades>200mm 155,09% Picks 152,91% Other 67,23% Forks 127,93% Investigation on-going

### REVIEW

Product	Country	Applicant	Type	Status and Duties initiated
Cement	Pakistan	Concrete Institute	Sunset Review	Final measures imposed. Lucky Cement 25% Residual 62,69%

# IMPORT AND EXPORT CONTROL

## IMPORT PERMITS ISSUED

- During the quarter under review, 4 475 import permits were issued against the target of 4 000.
- Majority of the permits were issued in respect of imported products used in the following sectors:
  - Marine Resources
  - Mineral fuels and oils
  - Chemicals
  - Rubber and tyres
  - Metals
  - Capital Goods and Mechanical Appliances
  - Automotive

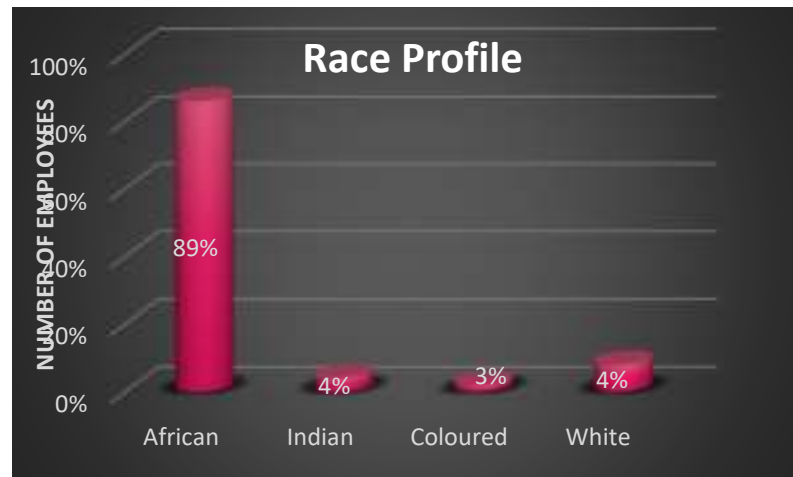
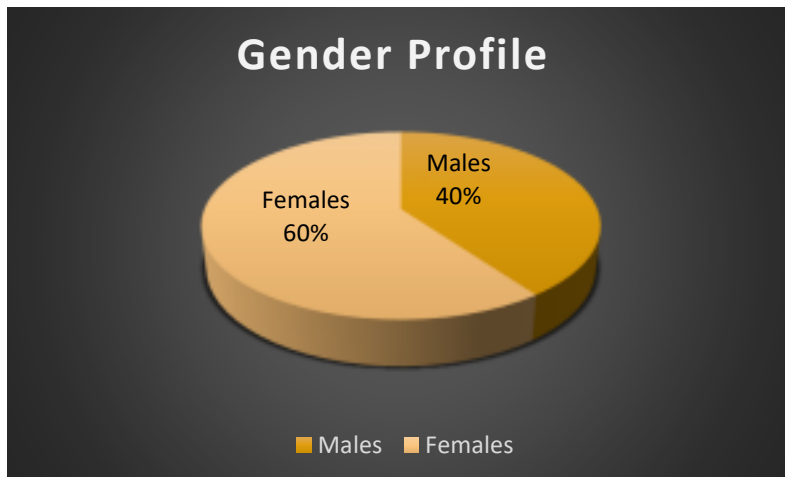
## EXPORT PERMITS ISSUED

- Export permits issued in the quarter under review amounted to 3 764, against the target of 3 000. The largest categories of export permits issued are listed in the table below.

Description	Permits Issued
Used motor vehicles	2 295
Ferrous and non-ferrous waste and scrap	761
Organic and inorganic chemicals	362
Mineral fuels and products of their distillation	194

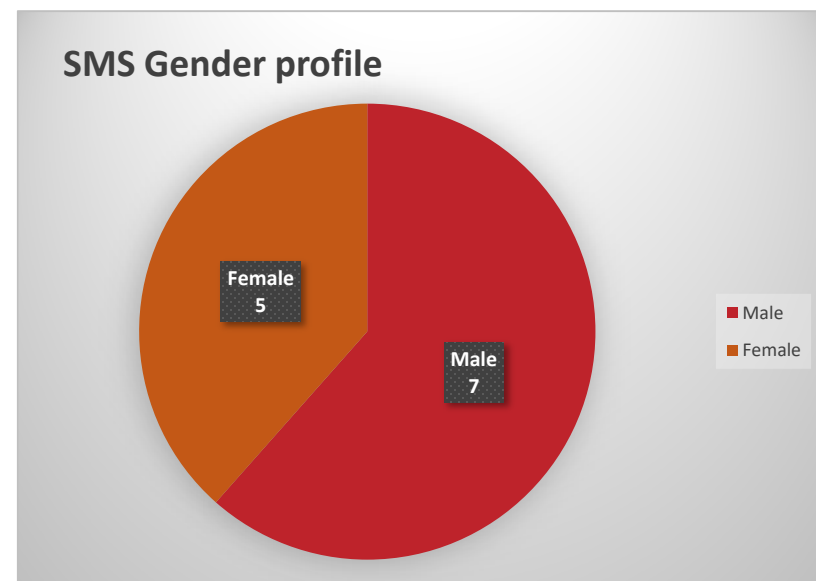
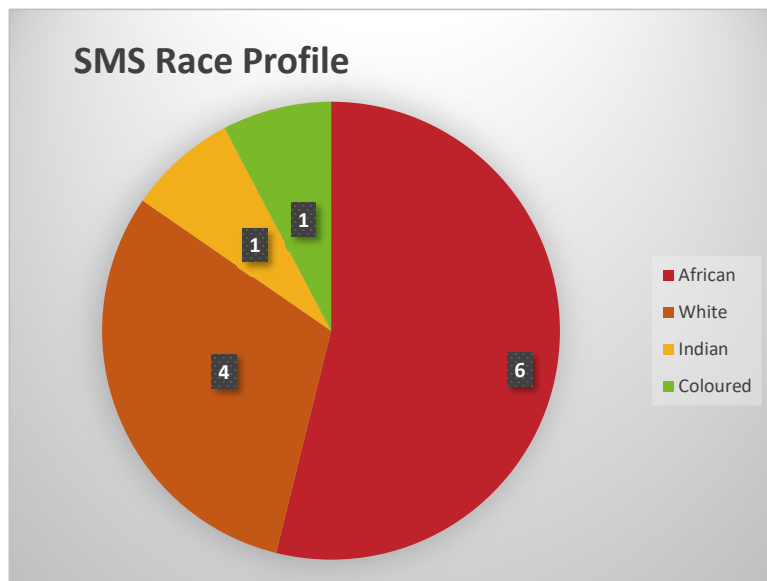
## HUMAN RESOURCES MANAGEMENT

- As at 30 June 2022 ITAC's organizational structure consisted of 131 approved posts with 98 filled posts and 33 vacant posts. Of the 98 positions filled, 51 are in Core business, 45 in Support Services and 2 executives (Deputy Chief Commissioner, and GM: Corporate Services). In addition, there were 9 contract employees which includes two Interns for the period under review.
- The graphs below present ITAC's employee profile in terms of gender, race, and job category.



## HUMAN RESOURCES MANAGEMENT

- ITAC's senior management employee profile in terms of gender and race

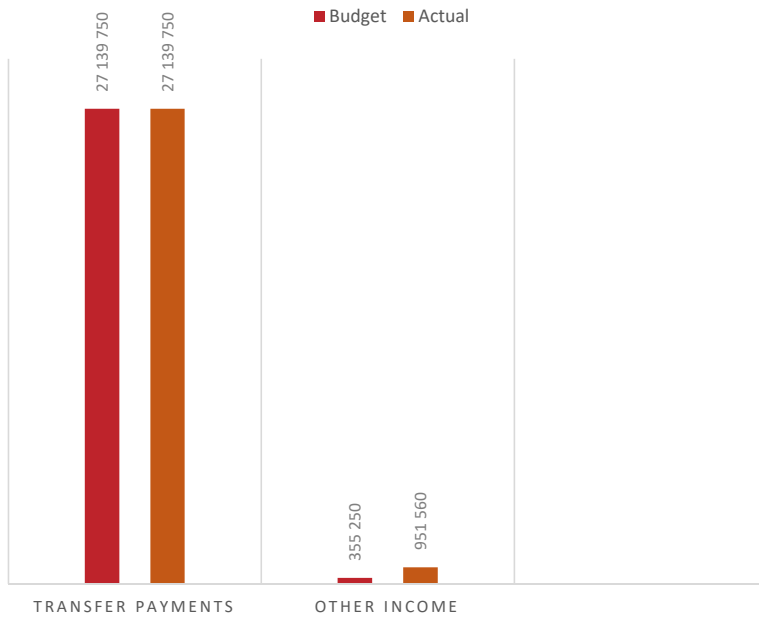


## FINANCIAL PERFORMANCE – QUARTER 1

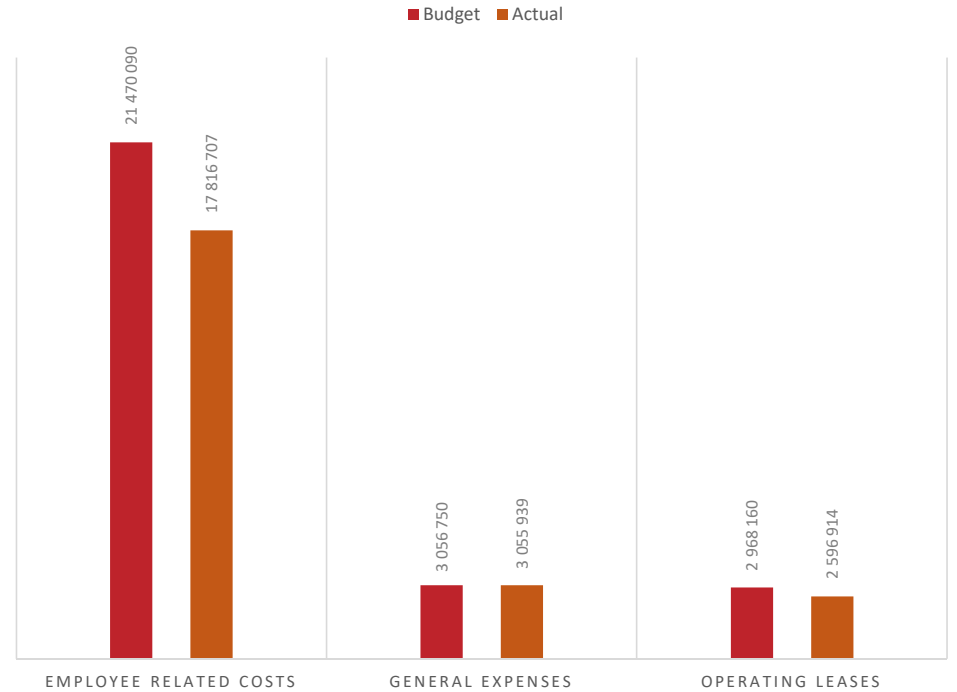
	Annual Budget	Budget - Quarter 1	Actual - Quarter 1	Variance %
<b>REVENUE</b>				
Transfer Payments - dtic	108 559 000	27 139 750	27 139 750	0
Interest Received	1 198 000	299 500	901 272	(201)
Other Income	223 000	55 750	50 288	10
<b>TOTAL REVENUE</b>	<b>109 980 000</b>	<b>27 495 000</b>	<b>28 091 310</b>	<b>(217)</b>
<b>EXPENDITURE</b>				
Salaries and Wages	90 324 358	21 470 090	17 816 707	17
Other Staff Costs	681 541	170 385	40 160	76
Subsistence & Travel	810 000	202 500	141 425	30
Admin Expenses	2 650 495	662 624	528 501	20
Rental and Leases	10 327 000	3 056 750	3 055 939	0
Professional Fees	1 286 606	504 152	503 249	0
External audit	1 537 000	860 250	859 740	0
Legal Fees	1 690 000	422 500	401 850	5
Publication Costs	90 000	-	-	0
Repairs and Maintenance	30 000	7 500	-	100
Depreciation	553 000	138 250	121 990	12
<b>TOTAL EXPENDITURE</b>	<b>109 980 000</b>	<b>27 495 000</b>	<b>23 469 560</b>	<b>15</b>
<b>Surplus for the quarter</b>			<b>4 621 750</b>	

# BUDGET VS ACTUAL QUARTER 1

## REVENUE



## EXPENDITURE



## VARIANCE EXPLANATIONS

- The variance on employee related costs was as a result of higher vacancy rate, recruitment process are in progress.
- Other staff costs was underspent as the recruitment processes were not yet finalized and the work skills plan for the 2022/23 financial year was not yet implemented.
- Travel and subsistence expenditure was low during the quarter as some verifications were performed virtually.
- Administrative expenses were low as most employees continued to work from home during the quarter.
- Legal fees represent actual work performed on active cases.
- Annual report will be finalized in 2<sup>nd</sup> quarter.
- No repairs and maintenance was required during the quarter.

# FINANCIAL POSITION – QUARTER 1

	2023	2022
<b>Assets</b>		
<b>Current Assets</b>		
Inventories	89 608	84 635
Receivables from exchange transactions	277 401	226 726
Prepayments	247 621	156 971
Cash and cash equivalents	123 715 209	37 806 720
	<b>124 329 839</b>	<b>38 275 052</b>
<b>Non-current Assets</b>		
Property, plant and equipment	1 164 560	1 262 270
Intangible assets	2 452	2 581
	<b>1 167 012</b>	<b>1 264 851</b>
<b>Total Assets</b>	<b>125 496 851</b>	<b>39 539 903</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Operating lease liability	644 750	859 667
Payables from exchange transactions	4 305 560	3 117 825
Provisions	3 138 769	2 758 507
Transfer payment	81 419 250	-
Employee benefit obligations	8 238 825	9 675 957
<b>Total liabilities</b>	<b>97 747 154</b>	<b>16 411 956</b>
<b>Net assets</b>	<b>27 749 697</b>	<b>23 127 947</b>
<b>Accumulated surplus</b>	<b>27 749 697</b>	<b>23 127 947</b>



Thank you

