

ITAC'S Q4 Financial And Non-financial Performance Presentation to the Portfolio Committee on Trade and Industry

Presented by the ITAC Deputy Chief Commissioner,
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ABBREVIATIONS

#	Abbreviation	Descriptions
1	AC	Audit Committee
2	AGOA	Africa Growth and Opportunity Act, 2000
3	AGSA	Auditor-General South Africa
4	AIS	Automotive Investment Scheme
5	APDP	Automotive Production and Development Programme
6	CC	Chief Commissioner
7	DBRP	Dollar-Based Reference Price
8	EDD	Economic Development Department
9	EPA	Economic Partnership Agreement
10	EPC	Eligible Production Certificates
11	GDP	Gross Domestic Product
12	IPAP	Industrial Policy Action Plan
13	ITA Act	International Trade Administration Act, 2002
14	ITAC	International Trade Administration Commission of South Africa
15	MIDP	Motor Industry Development Programme
16	NDP	National Development Plan
17	NGP	New Growth Path
18	PFMA	Public Finance Management Act, 1999

#	Abbreviation	Descriptions
19	PI	Production Incentive
20	PPPFA	Preferential Procurement Policy Framework Act, 2000
21	PPS	Price Preference System for Scrap Metal Exports
22	PRCC	Production Rebate Credit Certificates
23	RMC	Risk Management Committee
24	SACU	South African Customs Union
25	SAPA	South African Poultry Association
26	SCM	Supply Chain Management
27	WTO	World Trade Organisation
28	thedti	Department of Trade and Industry
29	TPSF	South African Trade Policy and Strategy Framework
30	TWG	Technical Working Group
31	VAA	Volume Assembly Allowance

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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 4th Quarter of the 2021/2022 financial year, ITAC recommended increases in ordinary customs duties mostly on downstream steel products. Regarding trade remedies, ITAC was in the process of conducted anti-dumping investigations on frozen bone-in chicken from Brazil, Denmark, Ireland, Poland, Spain; chain links from the People’s Republic of China; garden tools from the People’s Republic of China and India; frozen potato chips from Netherlands, Belgium, Germany; tyres from the People’s Republic of China and laminated safety glass from the People’. ITAC imposed provisional anti-dumping duties on laminated safety glass from the People’s Republic of China and final anti-dumping duties on garlic from the People’s Republic of China and on pasta from Egypt, Latvia, Lithuania and Turkey. There were 4788 import and 4146 export permits issued against the quarterly target of 4000 and 3000 respectively.
- ITAC’s finances were well controlled during the quarter under review, which assisted ITAC to successfully navigate an extremely challenging financial environment.

POLICY FRAMEWORK

- The National Development Plan (“**NDP**”) sets out the long-term socio-economic vision for South Africa.
- The National Growth Path (“**NGP**”), Industrial Policy Action Plan (“**IPAP**”), and the South African Trade Policy and Strategy Framework provide policy parameters within which ITAC should execute its mandate. ITAC’s recommendations are also guided by the DTIC’s master plans for the different sectors.
- All call for developmental trade policies and the use of trade policy to contribute to positive structural changes in the economy. The NGP places employment creation at the center of economic policy, which means that tariff policy has to be sensitive to employment outcomes. Tariffs (i.e. ordinary customs duties) are an instrument of industrial policy and not revenue generation.
- A developmental approach to tariff setting is followed for both agricultural and industrial goods. Decisions to amend tariffs are evidence-based and depend on the circumstances of each case, as opposed to being rigid blanket determinations. Tariffs may therefore be increased (with provision for rebates where appropriate) or reduced. The key consideration is the desired outcome i.e. increased domestic production, investment, job retention and creation, as well as international competitiveness. This approach is typically applied goods used in sectors that drive employment creation such as infrastructure, agriculture, mining, green goods and manufacturing.

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 Department of Trade, Industry and Competition; 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 Negotiations
[WTO, SADC & SACU];
Bilateral Agreements
[EU, EFTA, MERCOSUR, & INDIA]

Ensure organisational efficiency and effectiveness of ITAC

Business Support Services

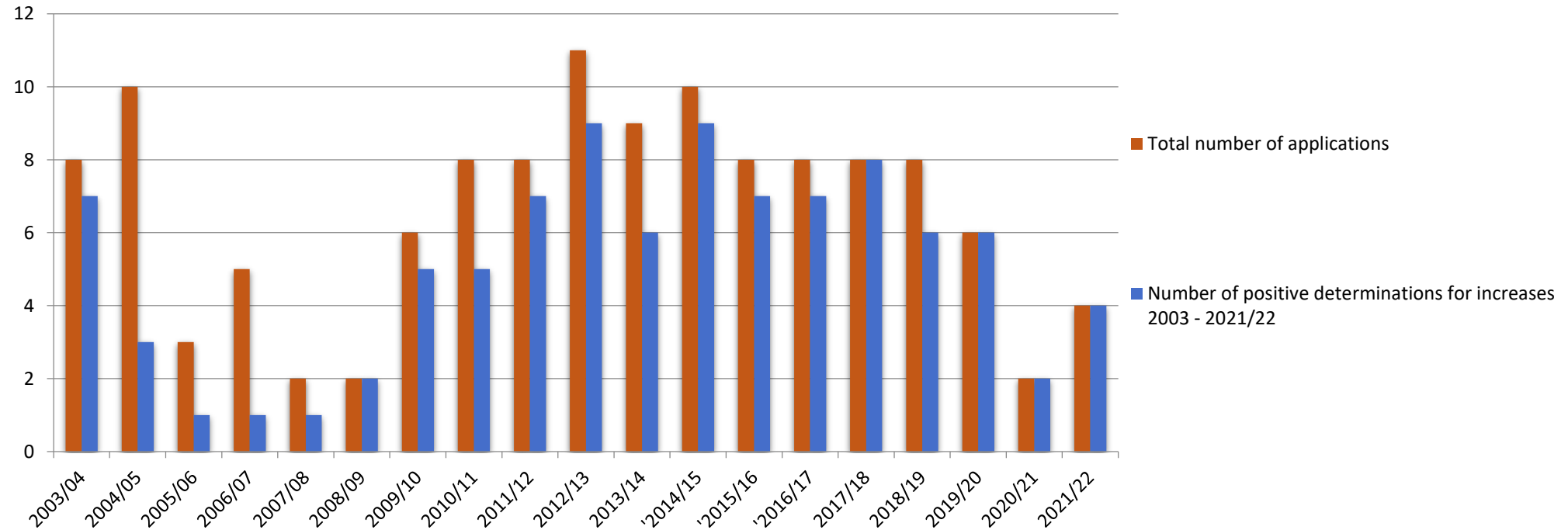
The performance of the institution will be driven through appropriate business solutions, efficient and effective utilisation of material, human and information technology resources.

- Human Resources
- Finance
- Information Technology
- Legal Services
- Policy and Research

TARIFF INVESTIGATIONS

Trend Analysis of Tariff Increases for the Period 2013 - 2022

TREND ANALYSIS OF TARIFF INCREASES FOR THE PERIOD 2003/04 - 2021/22



TARIFF INVESTIGATIONS

INVESTIGATIONS COMPLETED DURING THE PERIOD UNDER REVIEW

APPLICANT	PRODUCT	APPROVED AMENDMENT	TYPE OF AMENDMENT
Bell Equipment Company South Africa (Pty) Ltd (KZN)	Articulated Dump Trucks (ATDs)	From free of duty to 10% <i>ad valorem</i>	Increase
Macsteel Services SA	Steel Sheet pilings	Rebate	Rebate
Ferro Coating Resins	Tall oil fatty acids	Rebate	Rebate

INVESTIGATIONS IN PROGRESS DURING THE PERIOD UNDER REVIEW

APPLICANT	PRODUCT	TYPE OF AMENDMENT
Daltron Forge (Pty)Ltd	Rock drilling or earth boring tools	Increase
XA obo Sensient Technologies	Onion powder	Rebate
Printing SA	Thermal paper, including thermocopy paper, in rolls	Increase
The Lamphouse (Pty) Ltd	Other light fittings, containing light emitting diodes (LED) as a source of illumination	Rebate
SAFLIA	Footwear	Increase
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
ITAC	Automotive batteries	Review with a to increase customs duty

AUTOMOTIVE PRODUCTION AND DEVELOPMENT PROGRAMME (APDP)

- The APDP is a government programme to support the manufacture of motor vehicles in South Africa. The Department of Trade, Industry and Competition (“**thedti**”) is the policy making authority for the APDP 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 thedti.
- 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.
- APDP 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 – An incentive afforded to vehicle assemblers to offset customs the duty 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%-35% of the value of qualifying investment in productive assets by vehicle assemblers and component manufacturers.**
- Certificates issued by ITAC under the APDP:
 - Eligible Production Certificates (EPCs) - confirm the eligibility of a company and certain automotive products under the APDP. ITAC issued 99% of the EPCs within the set timeframe (10 days).
 - Production Rebate Credit Certificates (PRCCs) - indicate the Rand value of the production incentive earned by a participant. ITAC issued 99% of the certificates within the set timeframe (30 days).

AUTOMOTIVE PRODUCTION AND DEVELOPMENT PROGRAMME (APDP)

- Verifications conducted under the APDP:
 - 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 VALA for each registered OEM only where a registered light motor vehicle manufacturer achieves a minimum production level of 10 000 units over the most recent four quarters.
- **The minimum annual plant volume threshold for participation under the APDP is 10 000 units. The Volume Assembly Localisation Allowance is based on local value-addition and not manufacturing sales value. 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.**
- **The value of the Production Incentive (PI) is determined by local value addition. The PI factor of 50% and 62.5% is applied on the value addition for the qualifying automotive components or automotive tooling and qualifying specified motor vehicles respectively. The value of the PI is further adjusted by the applicable customs duty.**

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
Chicken	Brazil, Denmark, Ireland, Poland, Spain	SAPA	Anti-Dumping	On-going
Chain links	PRC	McKinnon	Anti-Dumping	On-going
Laminated safety glass	PRC	PFG	Anti-Dumping	Provisional payments implemented on 17 March 2022. On-going
Garden Tools	India, PRC	Lasher Tools	Anti-Dumping	On-going
Frozen Potato Chips	Netherlands, Belgium, Germany	ITAC self-initiation	Anti-Dumping	On-going
Tyres	PRC	SATMC	Anti-Dumping	On-going
Pasta	Egypt, Latvia, Lithuania and Turkey	Pioneer; Tiger Brands; Bolux and Namib Mills	Anti-Dumping	Final determination published on 17 March 2022.
Garlic	SAGGA	Sunset Review	PRC	Final determination published on 18 February 2022.

REVIEW

Product	Country	Applicant	Type	Status and Duties initiated
Garlic	PRC	SAGGA	Sunset Review	Final determination published on 18 February 2022.

IMPORT AND EXPORT CONTROL

IMPORT PERMITS ISSUED

- During the quarter under review, 4 788 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

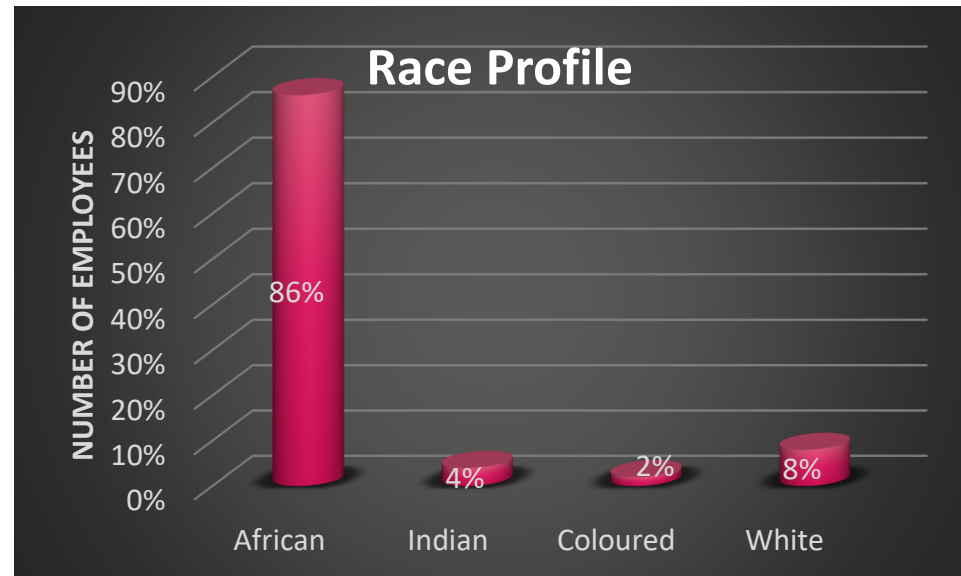
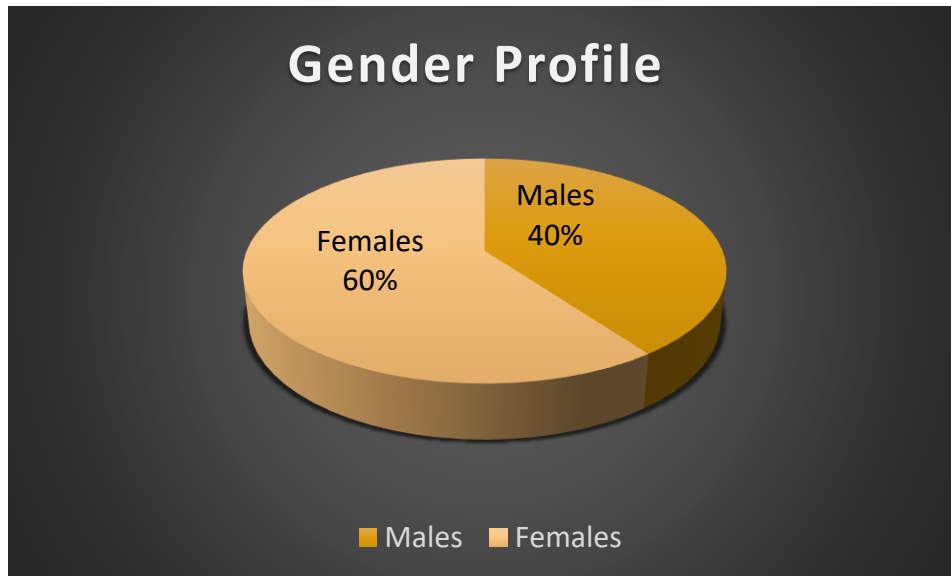
EXPORT PERMITS ISSUED

- Export permits issued in the quarter under review amounted to 4 146, against the target of 3 000. The largest categories of export permits issued are listed in the table below.

Chapter	Description	Permits Issued
87	Used motor vehicles	2 515
72 - 81	Ferrous and non-ferrous waste and scrap	875
28 & 29	Organic and inorganic chemicals	287
27	Mineral fuels and products of their distillation	424

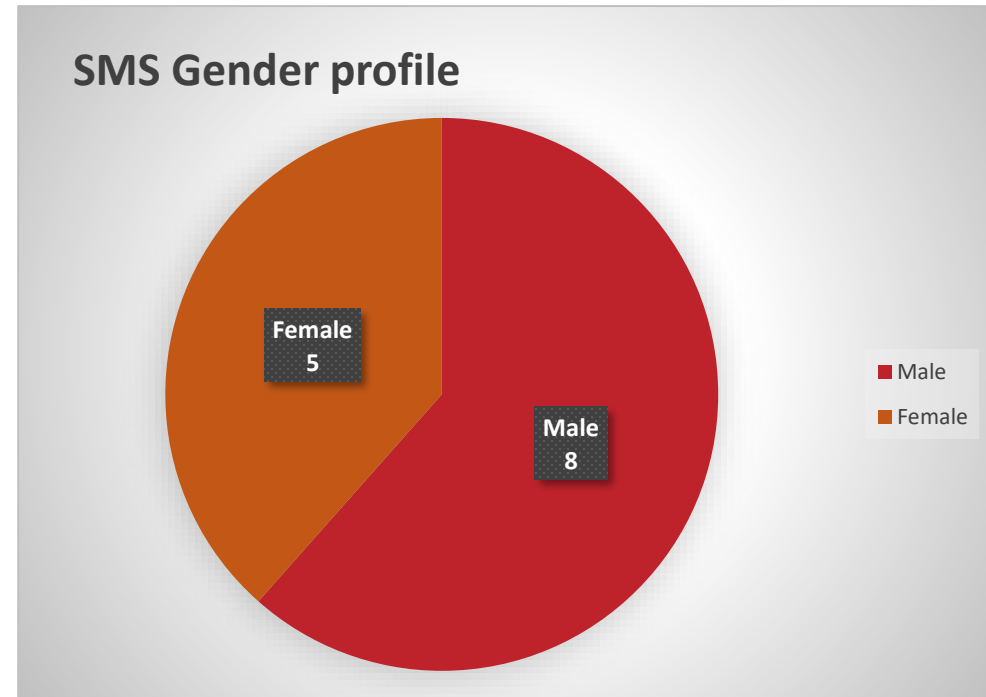
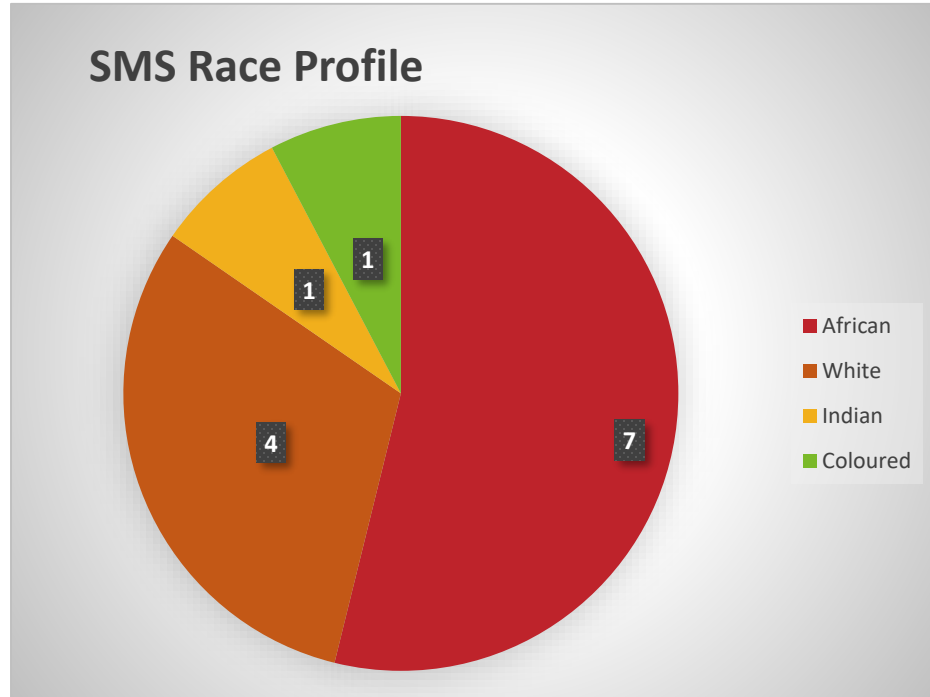
HUMAN RESOURCES MANAGEMENT

- As at 31 March 2022, 98 people were employed at ITAC: Core business - 52; Support services – 43; and 3 executives (Chief Commissioner, Deputy Chief Commissioner, and GM: Corporate Services). In addition, there were **7 contract** and **2 internship** employees in 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

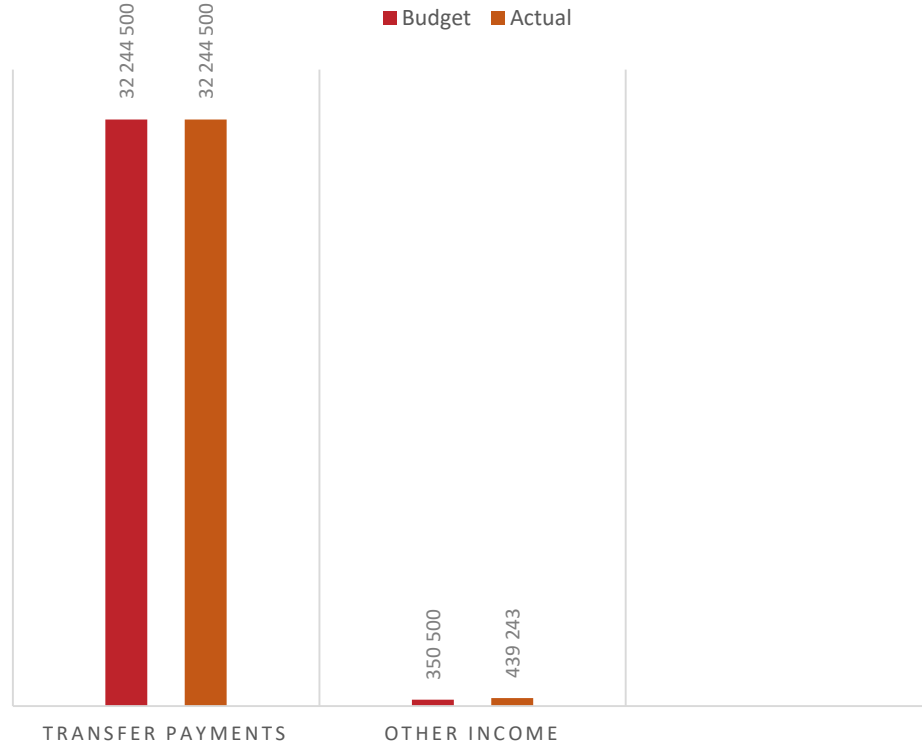


FINANCIAL PERFORMANCE – QUARTER 4

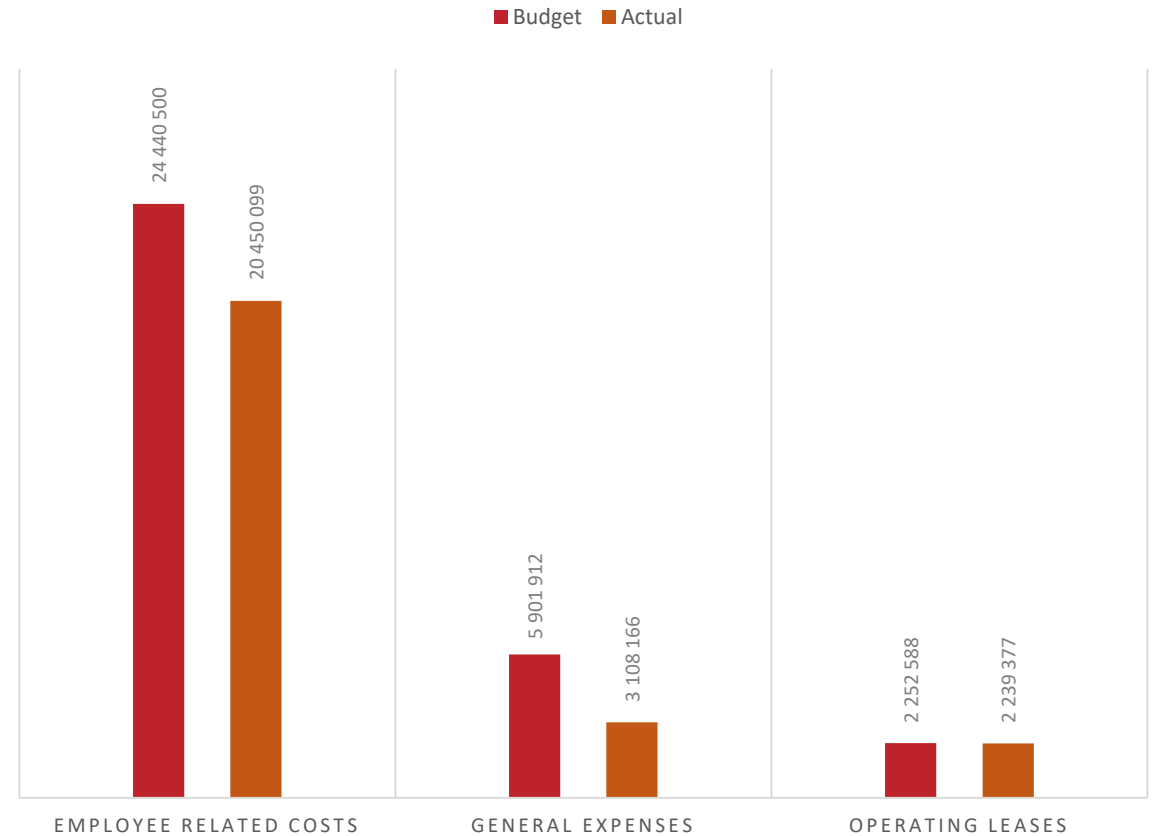
	Annual Budget	Budget - Quarter 4	Actual - Quarter 4	Variance %
REVENUE				
Transfer Payments - dtic	112 478 000	32 244 500	32 244 500	0%
Interest Received	1 182 000	295 500	416 246	-41%
Other Income	220 000	55 000	22 997	58%
TOTAL REVENUE	113 880 000	32 595 000	32 683 743	0%
EXPENDITURE				
Salaries and Wages	92 262 000	24 440 500	20 450 099	16%
Other Staff Costs	859 757	714 939	259 274	64%
Subsistence & Travel	1 729 500	932 375	575 258	38%
Admin Expenses	3 556 402	911 601	917 198	-1%
Rental and Leases	9 010 351	2 252 588	2 239 377	1%
Professional Fees	2 398 000	1 623 690	679 426	58%
External audit	1 024 190	-	-	0%
Legal Fees	2 500 000	1 606 857	595 643	63%
Publication Costs	90 000	-	-	0%
Repairs and Maintenance	25 800	6 450	-	100%
Depreciation	424 000	106 000	81 367	23%
TOTAL EXPENDITURE	113 880 000	32 595 000	25 797 642	21%
Surplus for the quarter			6 886 101	

BUDGET VS ACTUAL

REVENUE



EXPENDITURE



VARIANCE EXPLANATIONS

- R5.5 million was received from the dtic for assisting ITAC to implement the Price Preference System for scrap metal.
- Interest received exceeded budget as a result of an increase in cash balances. Although the interest rates offered by financial institutions remain low, the increased cash balances had a positive impact on the interest received.
- Employee related cost was below budget as a result of a number of vacant positions. The recruitment process was initiated to fill some of the vacant positions during quarter 4, but was not yet finalised by the end of quarter.
- A number of procurement requests above R30 000, which affects general expenses were halted after National Treasury published Advisory Note: Preferential Procurement Regulations, 2017 – Minister of Finance vs Afribusiness NPC (2022) ZACC4. The suspension of procurements activities with a transaction value of above R30 000 also resulted in an increased surplus. ITAC's exemption request was approved by National Treasury after year end. ITAC will apply for surplus retention from National Treasury.

FINANCIAL POSITION – QUARTER 4

	2022	2021
Assets		
Current Assets		
Inventories	87 023	88 196
Receivables from exchange transactions	265 713	263 722
Prepayments	144 331	137 977
Cash and cash equivalents	37 806 720	24 169 765
	38 303 787	24 659 660
Non-current Assets		
Property, plant and equipment	940 635	350 712
Intangible assets	3 280	8 938
	943 915	359 650
Total Assets	39 247 702	25 019 310
Liabilities		
Current Liabilities		
Operating lease liability	859 667	832 802
Payables from exchange transactions	2 711 424	2 796 475
Provisions	15 789 676	14 416 270
	19 360 767	18 045 547
Total liabilities	19 360 767	18 045 547
Net assets	19 886 935	6 973 763
Accumulated surplus	19 886 935	6 973 763

Thank you

