

ORGANIC SOLVENTS, PAINT VARNISH REMOVER EXPORTS FROM KWAZULU NATAL

1. Description of the Industry

The paint and coatings industry can be broadly divided into two categories.

- **Decorative** - Professional and Do It Yourself (DIY) Decorative coatings include interior and exterior coatings, both solvent-based and water-based coatings and also include stains, varnishes, clears, lacquers and primers.
- **Industrial** - Automotive coatings, industrial wood coatings, coil coatings, powder coatings, packaging coatings, general industrial coatings and protective coatings. As can be seen, industrial coatings are used for applications, primarily in the construction, industrial and automotive industries. Most automotive paints in South Africa are imported from Germany, Italy, United States and Egypt. Freeworld is the only local manufacturer of automotive coatings for the Original Equipment Manufacturers (OEM).

2. Industry Supply Chain

Although some raw materials are sourced locally, the South African paint industry mainly uses imported raw materials, which are derived from petrochemicals, minerals and metals. This is because of the approximately 80 000 types of basic or pure chemicals currently manufactured on a commercial basis in the world, South Africa only manufactures about 300. Local suppliers include the chemical industry which supplies raw materials such as resins, additives, pigments, oils, paint driers, magnesium products, acrylic and vinyl. For example, Duco Specialty Coatings, a subsidiary of the AECI Group, supplies specialty and industrial chemicals

3. Size of the Industry

The paint and coatings industry in South Africa was worth approximately R7.3bn in 2010, with the coatings market, which uses 400 million litres of coatings annually, valued at more than R5bn. The total market for protective and marine paint coatings during 2010 was estimated at R679.7m. Mining, followed by the chemicals and petrochemicals sectors, account for about 53% of the protective and marine paint sector, while high-value infrastructure and water and associated pipelines account for 26%.

The leaders in the decorative paint market in South Africa are Freeworld Coatings Ltd (Plascon) and ICI Dulux (Pty) Ltd, a subsidiary of AkzoNobel with a combined market share of about 60%. Freeworld is the only local manufacturer of automotive coatings supplied to the Original Equipment Manufacturers (OEMs) in South Africa, while other suppliers import products procured by the OEMs.

Freeworld sells its automotive coatings to OEMs through a joint venture with DuPont. Stoncor Africa (Pty) Ltd, which is a subsidiary of US company RPM International, has about 45% of the protective coatings market while BASF and Becker are the two main producers of coil coatings used in South Africa.

4. Regulations

The South African paint industry is governed by various regulations including:

- Asbestos Regulations (R773 of 10 April 1987);
- Occupational Health and Safety Act 1993 (ACT NO. 85 OF 1993);
- Lead Regulations fall under section 43 of the Occupational Health and Safety Act, 1993 (Act No. 85 of 1993). Lead content in decorative paint should be less than 0.06%;
- Environmental Regulations for workplaces GN R2281 of 16 October 1987 amended to
- G.N.R489 of 18 March 1994; and Hazardous Chemical Substances Regulations (R.1179 of 1995).

5. Barriers to Entry

Entering the decorative paint market as a small manufacturer is not capital intensive if inferior and thus cheaper raw materials are used. Unlike the decorative paint market, the powder coating market is characterised by high entry barriers mainly due to customers' strict quality requirements and the shortage of local technical skills in the field. According to Sigma Coatings, entry barriers in the local protective coatings market are high, "since an international brand and support backup, a record, local manufacturing, and good and established distribution are all requirements for any supplier wanting to secure a sizeable market share."

6. Product

Description as per product code: 3814001011 - Organic composite solvents and thinners and prepared paint or varnish removers, based on butyl acetate (excl. nail varnish remover) : Ethyl alcohol produced from agricultural products (as listed in Annex I to the Treaty on the Functioning of the European Union), denatured or undenatured, excluding products with a water content of more than 0,31% (m/m) measured according to the standard EN 15376, but including ethyl alcohol produced from agricultural products (as listed in Annex I to the Treaty on the Functioning of the European Union) contained in blends with gasoline with an ethyl alcohol content of more than 10% (v/v) For use as fuel

Product & code	Trading partners	Barriers to entry					Trade Agreements	Key Industry Role Players
		Tariffs			Non-Tariffs			
		Tariff Regime	Applied tariff	Total ad valorem equivalent tariff	Non Tariffs Measures (NTM) Code	Measures applied by importing country	Preferential tariff for SA	
HH 381 400	Netherlands	MFN duties (Applied)	6.5%	6.5%	B310**	Labelling requirements	Rules of origin	Medal Paints
		Preferential tariff for SA	0%	0%	B 330**	Packaging Requirements	Text of the agreement	Plascon Paints
	United Arab Emirates	MFN duties (Applied)	5%	5%	B310**	Labelling requirements	Rules of origin	Dulux paints
		Preferential tariff for SA	0%	0%	B 330**	Packaging Requirements	Text of the agreement	Prominent paints
	Belgium	MFN duties (Applied)	6.5%	6.5%	None recorded	None recorded	None recorded	
		Preferential tariff for SA	0%	0%				
	India	MFN duties (Applied)	10%	10%	None recorded	None recorded	None recorded	
		Preferential tariff for SA	None recorded	None recorded			None recorded	
	Singapore	MFN duties (Applied)	0%	0%	None recorded	None recorded	None recorded	
		Preferential tariff for SA	None recorded	None recorded				

** <http://www.macmap.org>

7. Industry Associations

SAPMA (South African Paint Manufacturers' Association)

Tel: +27 11 455 2503

Email: sapma@sapma.org.za

Website: www.sapma.org.za

SAPITI (South African Paint Industry Training Institute)

Tel: +27 11 455 2503

Email: sapiti@sapma.org.za

Website: www.sapma.org.za

Chemical and Allied Industries Association (CAIA)

Tel: +27 11 482 1671

Website: www.caia.co.za

Surface Coatings Industry Employers' Association

Website: www.surfacecoatings.org.za

Chemical Industries Education and Training Authority (CHIETA)

Tel: +27 11 726 4026

Email: headoffice@chieta.org.za

Website: www.chieta.org.za