



FTC Comments on Policy Regarding Imported Used Tyres

Submitted to the Ministry of Industry, Investment & Commerce

David Miller, Executive Director
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The comments referenced a letter dated March 10, 2010, from the Manager, Industry Liaison Unit of the Jamaica Customs Department.

In the fourth paragraph of the letter, it is noted that “used tyres, whether imported for retreading, remoulding **for any other purposes** have been assigned a zero percent rate of duty”; and the penultimate paragraph states that “...new pneumatic tyres are classified separately in heading 40.11 and only those tyres intended for use on motor cars, buses and lorries attract import duty, with cars attracting 25% while buses and lorries attract 15%.”

In discussing the matter with the Manager, Industry Liaison Unit, it was pointed out that imported used tyres are classified as “non-competing intermediate inputs”, a designation which implies that these items ought to be used as inputs for a manufacturing process. The FTC’s information is that the used tyres that were imported were not subject to any form of a manufacturing process; and are being sold directly to final consumers. This means that suppliers of imported used tyres are competing directly with suppliers of new tyres.

Note that the FTC’s interest is whether the policy which governs imported tyres is such that it could distort competition in the market for tyres, by affording one group of suppliers a cost advantage over their rivals. Specifically, a policy that results in a cost advantage to importers of used tyres that are not subject to any manufacturing process before being distributed is likely to distort competition in the market. Any advantage gained by an enterprise that is not as a result of that enterprise being more efficient than its rivals will lead to market distortion, which ultimately harms consumers.

The FTC, therefore, recommends that representation be made to the relevant authority to have the rates of duty for imported new tyres and imported used tyres that are not subject to any manufacturing process before distribution, adjusted such that they are equivalent.