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GOVERNMENT OF PAKISTAN
APPRAISEMENT COLLECTORATE
CUSTOM HOUSE, KARACHI

CC-45/2005 (A)

Dated: 19/12/2005

PUBLIC NOTICE NO. 33 /2005(A)

SUBJECT:- CLASSIFICATION RULING -IRON & STEEL COBBLE PLATES.

Classification of iron & steel cobbler plates came up for discussion before the classification committee on 10.12.2005. The meeting was attended by the representatives of the trade, the Directorate General of Intelligence & Investigation (Customs & Excise) Karachi, the clearing agents, FPCCI and the Appraisement Collectorate. Reportedly the dispute of classification of subject item arose on seizure of a consignment of said goods lying in the private bonded warehouse of M/s. Zainab Corporation. The seized goods were earlier released by the Appraisement Collectorate as semi finished iron & steel products classified under PCT heading 7207. The seizing agency mainly relied on a report purportedly issued by Pakistan Steel Mills to whom the representative samples of impugned goods were forwarded by the agency. It was urged by the representative of the Directorate of Intelligence & Investigation, Karachi that:-

- i) cobbler plates are not the outcome of continuous casting process rather the defective goods found before the process of coiling are called cobbler plates;
- ii) since the imported goods have under gone rolling process hence, they are correctly classifiable under PCT heading 7208;
- iii) as reported by Pakistan Steel Mills, Cobble plates being a non-standard product are not defined anywhere in the available literature and standards. However, mis-rolled material in between rough reduction of slabs to finished hot rolled coils is termed as M.S. Thick plate by Pakistan Steel. The M.S. Thick plate / Cobble plates are not classified as primary or secondary material, in fact cobbler plates are mis-rolled material without any specification or quality certificate except for its grouping into various sizes. The average sale price of Pakistan Steel's "thick plates" is Rs.27,000/- excluding sales tax. Further these plates can be re-rolled. M/s. Pakistan Steel however shown its inability to ascertain correct PCT classification of said items.

2. The representatives of the trade however refuted the Directorate's views and urged that the goods cobbler plates are semi finished products classifiable under PCT heading 7207 on the following grounds:-

- i) that as per practice cobble plates are being imported and cleared regularly under PCT heading 7207;
- ii) that these are not ready to use product. That being semi-finished items, there is no criteria to categorize the same as of primary or secondary qualities. Also these are mainly imported by industrial importers;
- iii) that the imported goods will be used for making strips, MS bars etc. by further rolling;
- iv) that the same cannot be compared with hot rolled plates. The goods seized by the Directorate are mostly lying at re-rolling mills where further process involved on such goods can be physically verified;
- v) that the meaning of "cobble" as available in dictionaries is "un-even". The imported goods have surface variation and these are not mis-rolled.

3. - The representative of Appraisement Group-III explained the process of casting and re-rolling of iron and steel products and stated that since the imported goods have not yet undergone the re-rolling process hence they cannot be termed as finished articles under the purview of PCT 7208. Iron and steel cobble plates are the continuous products of solid section, whether or not subjected to primary hot rolling, roughly shaped by forging, including blanks for angle shapes or sections and fall within the definition of "Semi Finished Products". These products of iron and steel do also contain slabs, blooms and billets besides cobble plates and all these alike products possess an inherited physical appearance which may include surface defects, trimmed and un-trimmed edges, uneven thickness, width, length and weight and must require further manufacturing processes which may include trimming, re-rolling and re-melting processes etc. and as such these products are not directly useable by the end consumer other than industrial consumer. The aforementioned definition clearly reflects that such iron and steel products are manufactured and sold only in one quality (i.e.) semi finished quality and in literary term there exists no concept of prime or secondary quality grade in "semi finished products" quality. The term prime or secondary grades is available only in all type of "finished products" and as such "the semi finished" itself is an independent quality grade.

4. Keeping in view the above arguments it was deemed appropriate to re-examine the under-reference goods and to go through the actual process involved in further finishing of the product involving the re-heating and hot-rolling thereof to become a consumer usable finished product as stated by the representatives of the trade and Appraisement Group.

- i. The following officials were deputed to examine the goods lying at bonded warehouse of M/s. Zainab Corporation.
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|----|--------------------------|-----------------|
| 1) | Mr. Javed Ahsan | PA Group-IV |
| 2) | Mr. Javed Akhter | PA (Audit). |
| 3) | Mr. Altaf Hussain Miran | PA (Port Qasim) |
| 4) | Mr. Shahid Hussain Rizvi | PA (Group-II) |
- ii. The above members examined the under reference goods including other categories of semi finished and finished products lying at the aforesaid bonded warehouse and stated details as under:-
- Iron & Steel Slabs:** Thick blocks rectangular shaped product obtained through casting process, with variable casting marks and affects on its surface and rounds semi round edges giving raw material look.
 - Iron & Steel Cobol Plates:** Thick rectangular plates obtained through primary reduction of slabs having variable surface variations including pin holes, roller marks and waves of uneven thickness, round and moulded oval shaped edges, giving unfinished product look
 - Iron & Steel Hot Rolled Plates:** Rectangular plates, obtained through hot re-rolling, having smooth and even surface without defects with sharp edges and even thickness giving finished products look.
 - Iron & Steel Hot Rolled Coils:** Smooth sheet rolled in coils without apparently visible surface defects giving finished products look.
- iii. The inspection committee unanimously was of the view that the goods at (a) & (b) above fall in category of un-finished or semi finished products requiring further process of re-heating and hot rolling to make them consumer usable finished goods. However, the products indicated (c) & (d) above were found to be finished products in view of their physical appearance. In order to see the physical process of manufacturing of under reference products, the above team visited Peoples Steel Mills. After having seen the re-heating and re-rolling process involved and thorough deliberation with the technical staff of said Mills, it was observed by the team members that cobble plates are an accidental and unplanned iron & steel product obtained through rough reduction of slabs during the process of primary rolling and categorized as semi finished products which may be used

for manufacturing of shapes and sections and after slick cutting can be used for manufacturing of de-formed and reinforced bar rods and wire rods. After passing through the process of extrusion or drawing this product may also be used for flat rolling after re-heating process to make flat rolled iron & steel sheet or coils. Although it is an unplanned, accidental product but the same is obtained / manufactured through primary rolling process or rough reduction of slabs, therefore, the same is always categorized as semi-finished product which can be used for re-rolling after re-heating the same.

- iv. The committee members physically witnessed the complete process of manufacturing of standard slabs, mis-rolled blooms, flat rolled plates, cobble plates and rejected products usable for re-rolling after re-heating upto 1250 degree centigrade and re-melting upto 1600 degree centigrade and above temperatures. It was physically ascertained by the team that cobble plates are not the intentional product rather it can be termed accidental product owing to certain factors which includes fault in production, mis-management of raw material etc. Further the mis-rolled plates were also seen by the members of the team at People Lab. These mis-rolled plates are subjected to re-rolling while putting them to furnace for re-heating and subsequent re-rolling to remove the defects. They stated that it was considered expert opinion of Peoples Lab that these plates are never subjected to rotate rolling which is an essential character to create finished product.

5. The classification committee considered PCTs 7207 and 7208 for possible classification of the under reference goods in the light of above facts and relevant explanatory notes to heading 7207 read with Chapter Note 1(ij) to Chapter-72 according to which the semi-finished products are products which have been subjected to a rolling operation which has given them a rough appearance. The heading covers blooms, billets, rounds, slabs, sheet bars, pieces roughly shaped by forging, blanks for angles, shapes or sections, and all products obtained by continuous casting. Further, the criteria to differentiate between products obtained by continuous casting and other products, para-III of the general explanatory notes to Chapter-72, inter-alia, explains as follows:-

"After they have solidified and their temperature has been equalized, the ingots are rolled into semi-finished products (bloom, billets, round, slabs, sheet bars) on primary cogging and roughing mills (blooming, slabbing etc.) or converted by drop hammer or on a forging press into semi finished forgings. An increasing amount of steel is being cast directly into the form of semi-finished products in continuous casting machines. Their cross sectional shape may, in certain cases, approach that of finished products. Semi finished products obtained by the continuous casting process are characterized by their external surface appearance which usually shows

transverse rings of different colours at more or less regular distances, as well as by appearance of their cut cross section which usually show radial crystalline resulting from rapid cooling."

6. Considering all the aspects and the Explanatory Notes referred as above, the classification committee has observed that the under reference products are in fact accidental or undesired product produced during the process of finished products. However, these could not achieve the status of finished product and, thus, do not fulfill the requirements of flat rolled products given at clause (k) of Chapter Note to Chapter 72 HS. Further these also do not conform to the definition of waste and scrap generally used for recovery of metal by re-melting or from the manufacture or mechanical working of metals as provided under section note 8(a) of section XV of the explanatory notes to H.S, as these can be directly used for re-rolling just by cutting them in small width.
7. In view of above, the classification committee unanimously decided classification of Iron & Steel Cobble plates under PCT heading 7207.

Smt. Reewa C 19/12
(Dr. Sarfraz Ahmad Warraich)
Additional Collector / Chairman
Classification Committee

Copy to:

1. The Member (Customs), Central Board of Revenue, Islamabad.
2. The Chief Customs Tariff, Central Board of Revenue, Islamabad.
3. The Secretary, Customs Tariff, Central Board of Revenue, Islamabad.
4. The Secretary, International Customs, Central Board of Revenue, Islamabad.
5. The Director, Directorate General of Intelligence & Investigation, Customs & Excise, Karachi.
6. The Collectorate of Customs, Preventive, Export, Port Qasim, Hyderabad, Lahore, Peshawar, Quetta, Rawalpindi, Multan, Sambrial, Gujranwala, Faisalabad.
7. The Deputy Collector of Customs, Appraisalment Group-IV, Custom House, Karachi.
8. The Federation of Chamber of Commerce and Industry, Karachi.
9. The Karachi Chamber of Commerce and Industry, Karachi.
10. The Karachi Customs Agent Group, Custom House, Karachi.
11. All concerned.