

REIMAGINING **THE FUTURE** TOGETHER

THOUGHT LEADERS
VALUE CREATORS

STATUS-QUO CHALLENGERS

EXPLORERS

DOT CONNECTORS
IMAGINATIVE

CRITICAL THINKERS

PROBLEM SOLVERS

SYSTEM THINKERS

ADAPTABLE

INFLUENCERS

COLLABORATORS

CURIOUS

CONTINUOUS LEARNERS

CREATIVE



NAAMSA PRESENTATION

2019 DRAFT INCOME TAXATION AMENDMENT BILL

■ Michael M. MABASA: NAAMSA CEO

■ Wednesday, September 18, 2019 @10:00

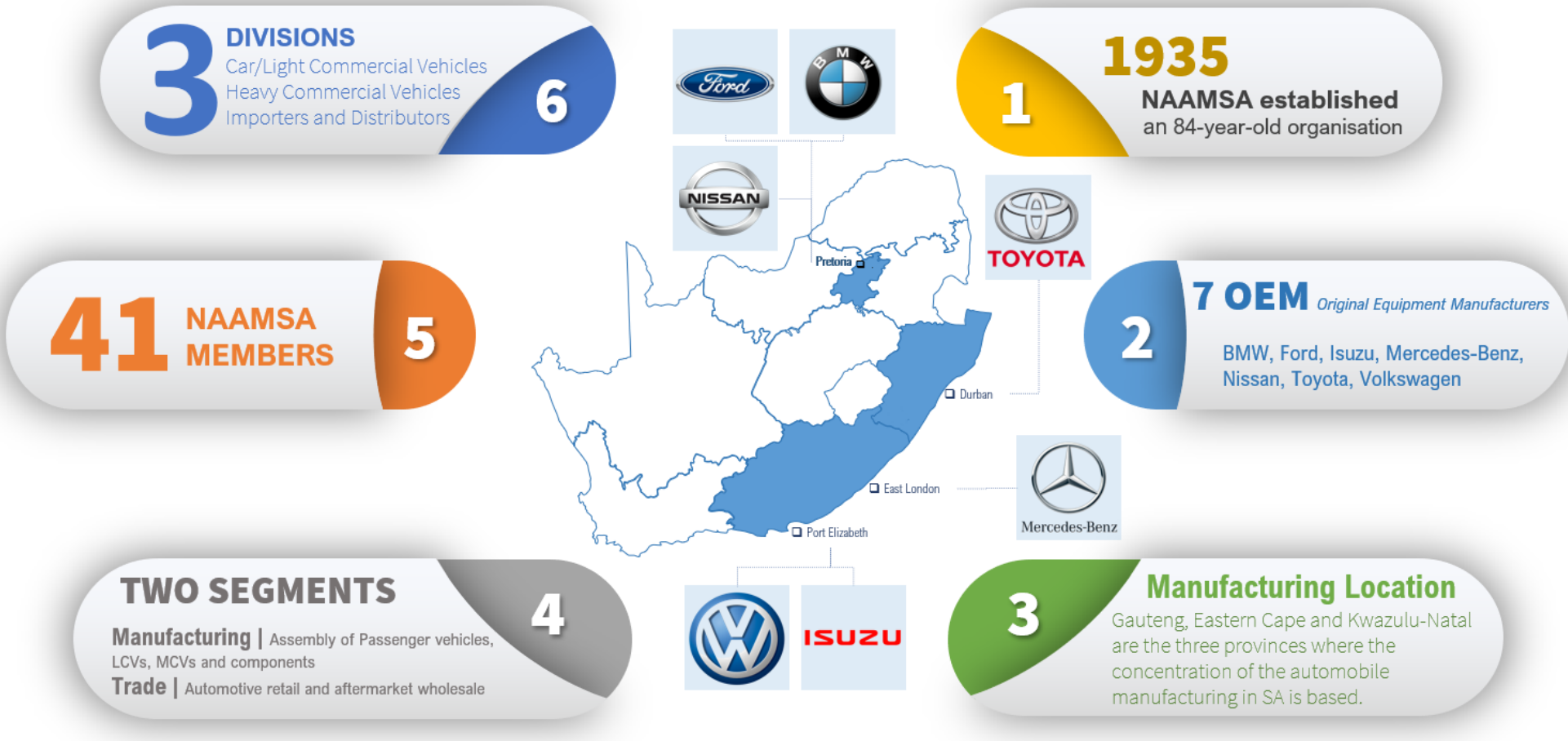
■ **S12A | SA Parliament | CAPE TOWN**

NAAMSA actively and responsibly represent, advance and protect the collective and non-competitive interests of 41 members from major Original Equipment Manufacturers [OEMs] with production facilities in the country; Heavy Commercial Vehicles [HCV]; and importers and distributors.

CAR/LCV	HCV		IMPORTERS AND DISTRIBUTORS				
							
							
							
 Mercedes-Benz		 Mercedes-Benz				 Mazda	 Mercedes-Benz
	 POWERSTAR <small>trucks built to last</small>					 OPEL	 PEUGEOT
 TOYOTA	 TATA	 TOYOTA	 PORSCHE	 RENAULT	 smart	 SUBARU	 SUZUKI
	 VSL	 VOLVO	 TATA	 HINO		 VOLVO	

SUSTAINABLE INDUSTRY: INCENTIVE PROGRAMME

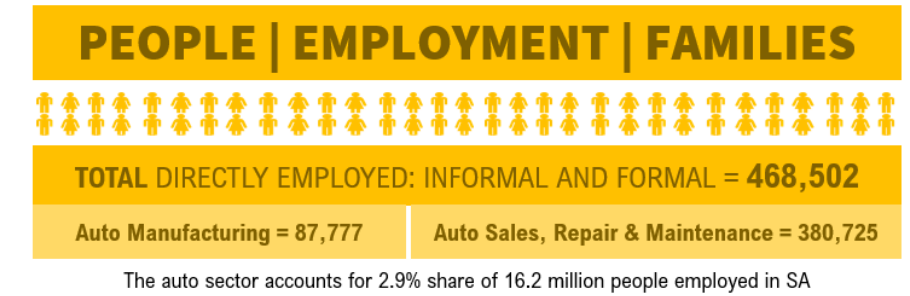
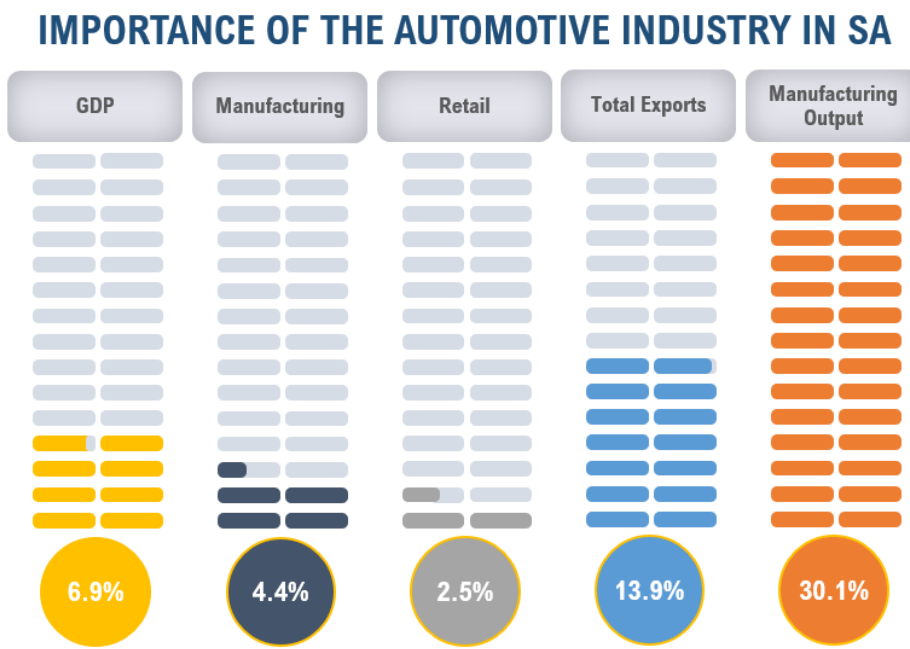
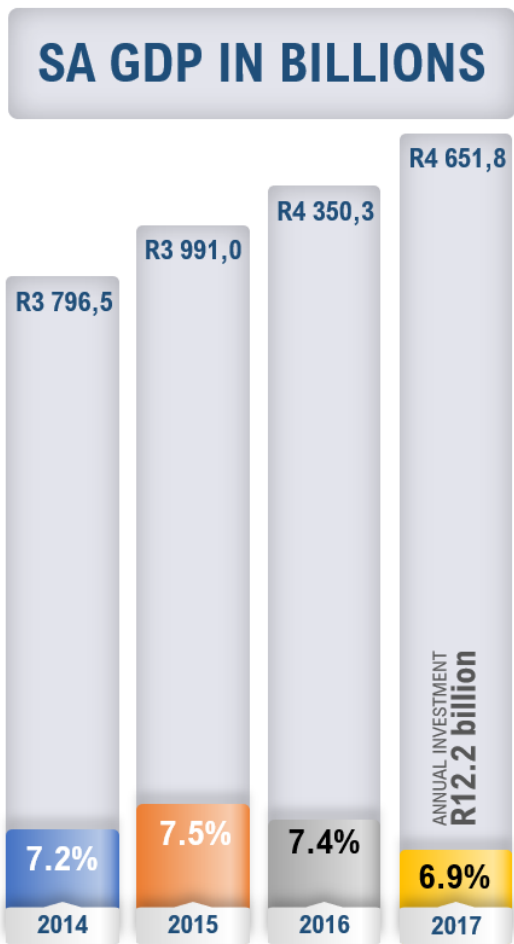
The rebating of Customs and Excise duties has always been an inherent aspect of the TRIM and represents a promise from Government to support OEM's that comply with the TRIM dispensation.



Since the Motor Industry Development Programme [MIDP] in 1996, global OEM's have established effective operating models in South Africa based on the prevailing Government-sponsored Trade Related Investment Measures [TRIM]. These incentive measures were introduced to allow OEM's to rationalise production platforms, increase production volumes and to become more competitive to facilitate exports.

"A GOOD STORY TO TELL"

INDUSTRY'S CONTRIBUTION TO SOUTH AFRICA



Vehicles and components going to **155** international markets

Export earnings R164.9bn

5th largest of all 104 exporting sectors

Share in total SA exports 13.9%

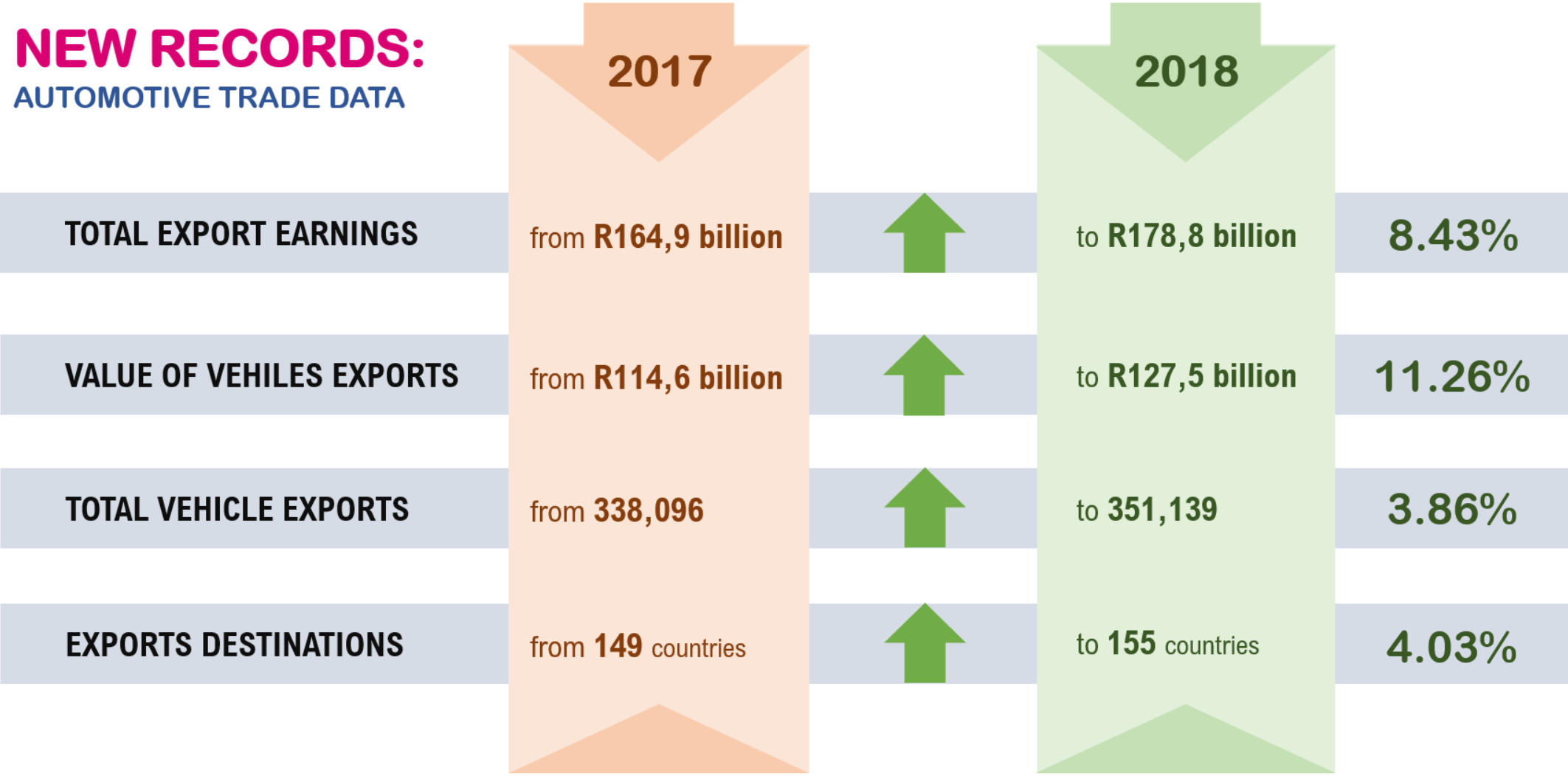
610,854
Vehicles produced [2018]



An extraordinary contribution to South Africa's prosperity - Without the current auto TRIM benefits, local vehicle manufacturing would not exist considering the size of the domestic and regional markets and SA's geographic dislocation from its major customer markets. The success of the various SA Auto TRIM's is attributable to the level support it afforded the industry and its policy stability which laid the foundation for investment.

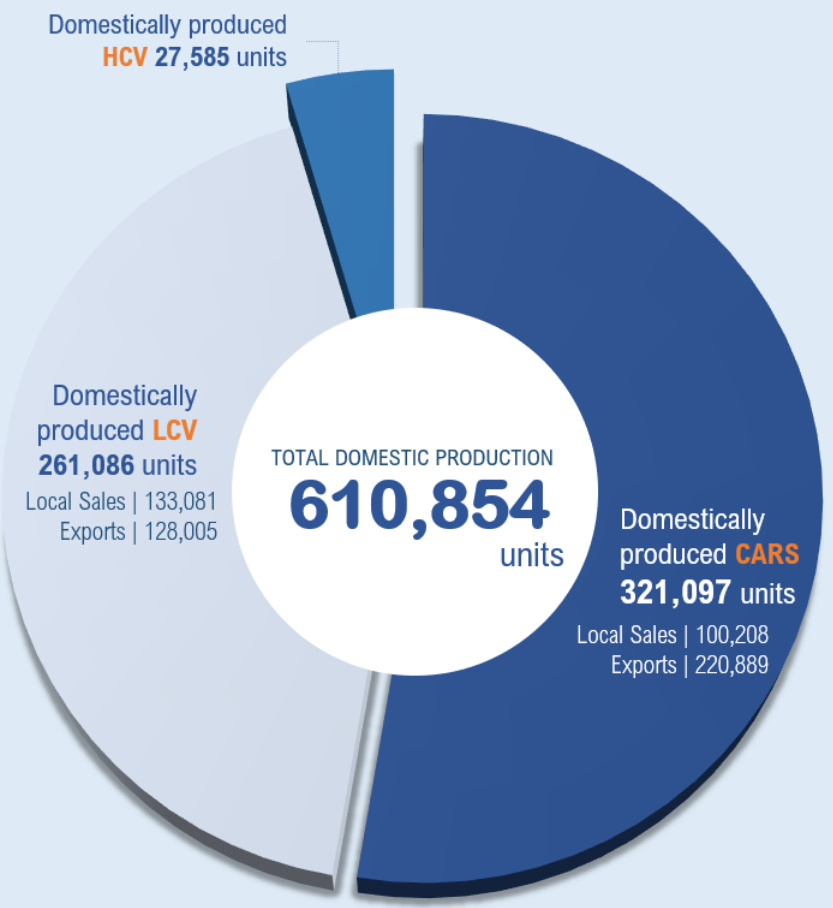
KEY INDUSTRY PERFORMANCE INDICATORS

NEW RECORDS: AUTOMOTIVE TRADE DATA



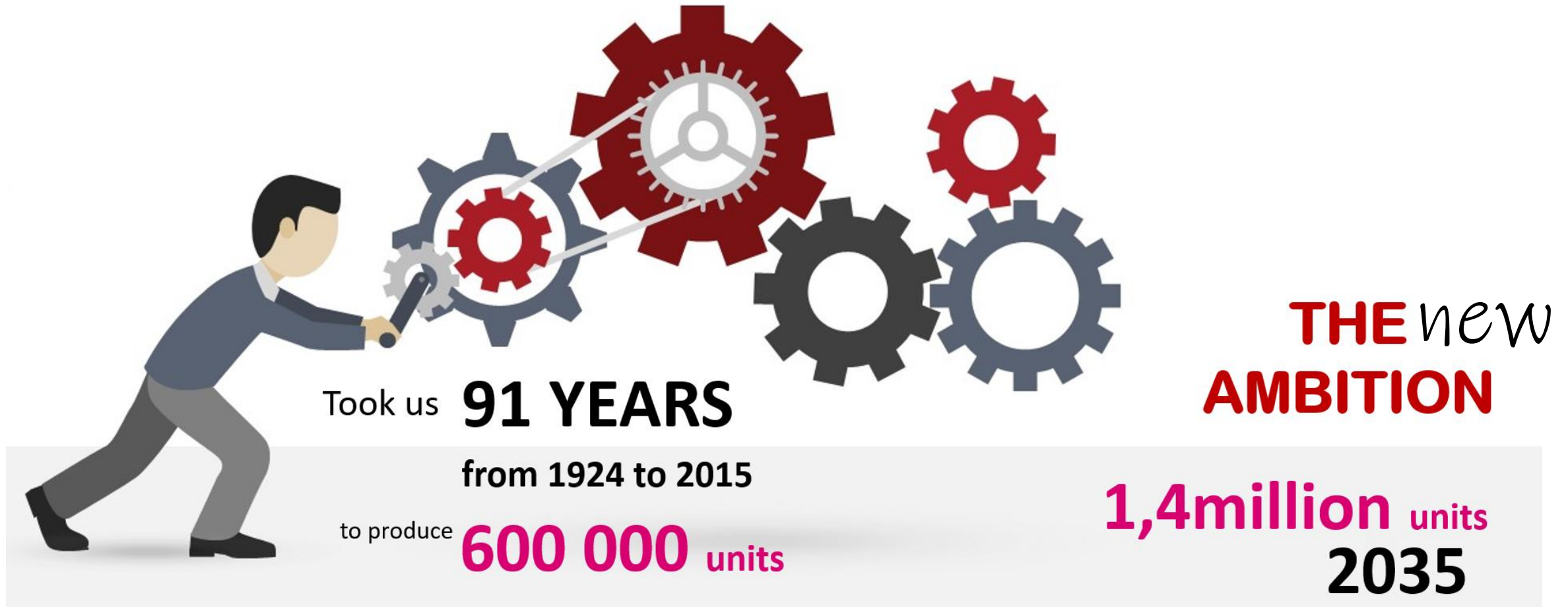
Despite tough economic conditions, the industry continues to break records - The current TRIM programme [APDP] affords the industry the support levels that helps maintain the competitiveness of SA's exports, which in 2018 made up over 60% of all local production.

SA VEHICLE PRODUCTION IN 2018



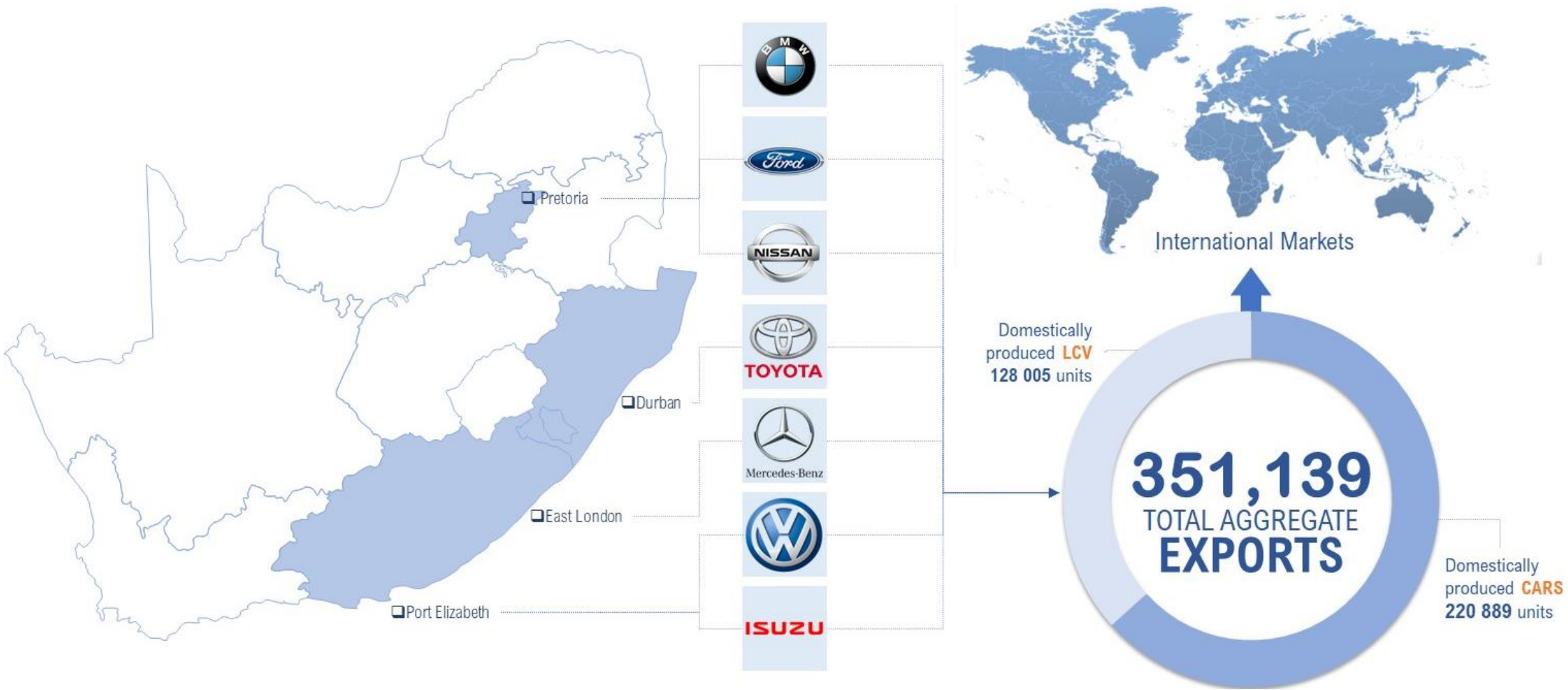
Without significant exports volumes, local vehicle manufacturing and the local supplier chain would not be economically feasible. A key incentive since the MIDP in 1996 and more so since the APDP in 2013 has been the incentives available from the use of rebate certificates in the form of customs & excise duty reductions.

OUR NEW AND AUDACIOUS **AMBITION**



The continual reduction in these incentives will erode the SA auto industry competitiveness to the detriment of local volume production. The move in 2021 to a very reduced TRIM package [APDP phase 2] combined with a further benefit reduction in rebates on excise duties will substantially impair competitiveness and the ability for the local OEM's to compete with more cost effective countries such as Turkey who are favourably geographically located to the European markets where a significant portion of local vehicle production is exported.

OUR LOCALLY PRODUCED EXPORTS



The APDP is a duty rebating programme and the rebates earned from local value addition can only be realised [i.e. 'encashed'] by importing parts and vehicles. The point where the rebates are earned is not necessarily where the benefits are used, but what is clear is that the package of benefits offered by the APDP all contribute to the competitiveness of SA's OEM exports.

OUR LOCALLY PRODUCED EXPORTS

No EXPORTS before 1995

a major industrial activity under the MIDP and current APDP

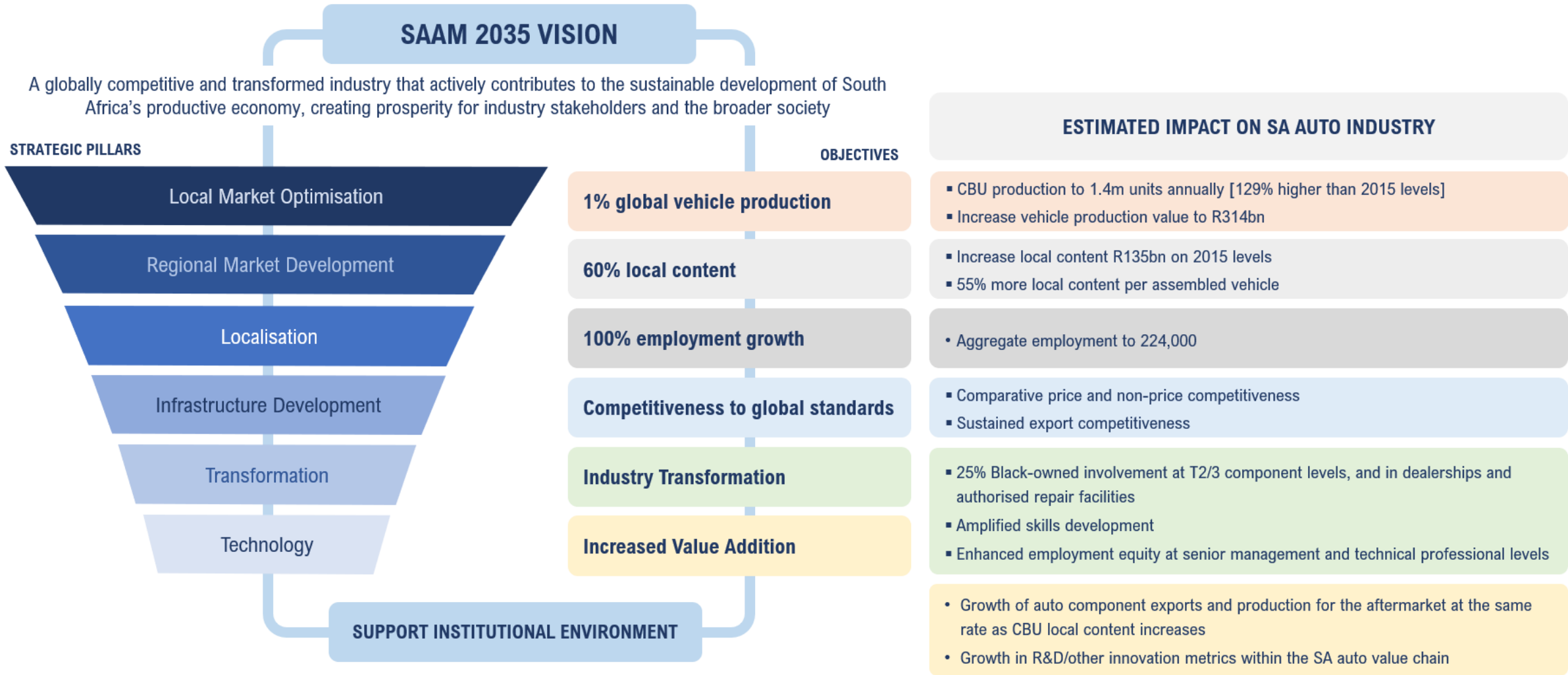
to date, we have exported

4 332 623 vehicles

South Africa is not the only African country offering incentives for local vehicle production as the economic multipliers are very attractive. Recent legislative developments in Morocco, Nigeria, Ghana, Kenya, Algeria and Ethiopia [all closer to the European market with cheaper cost of logistics] indicate a growing appetite to by those Governments to forfeit duties and offer related incentives for local component manufacturing and vehicle assembly to boost their local industrial ambitions.

South Africa dominates the continent's auto industry, but in time the growth in vehicle demand in Africa will dictate where vehicles are assembled. This will present a real threat to the our OEM's unless they can remain competitive by manufacturing and exporting vehicles and/or Knock-Down [KD] kits and so retain significant local value addition. **TRIM incentives are central to retaining manufacturing in SA** to service these burgeoning Africa markets and the deterioration in these benefits will introduce the risk of vehicles and KD kits being sourced from more competitive countries [i.e. Thailand exports to Eastern African markets].

THE MASTERPLAN 2035



The Government sponsored SAAM is built on a number of pillars and aspirational targets. Of significance is the need to stimulate domestic market demand that has stagnated for a number of years. OEM's and Importers participating in the local market leverage the full benefits of the TRIM in a number of different ways depending on their business models.

On behalf of our members, NAAMSA strongly recommends that the proposed changes to the calculation of ad valorem duty as published under the 2019 Draft Income Taxation Amendment Bill should be withdrawn by the National Treasury.

We submit that the damage that this amendment will have on the competitiveness of local OEM vehicle manufacturing and all retail sales in South Africa will be substantial.

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