South Africa Automotive Masterplan: Progress on Implementation

Briefing to the Select Committee on Trade and Industry, Economic Development, Small Business, Tourism, Employment and Labour

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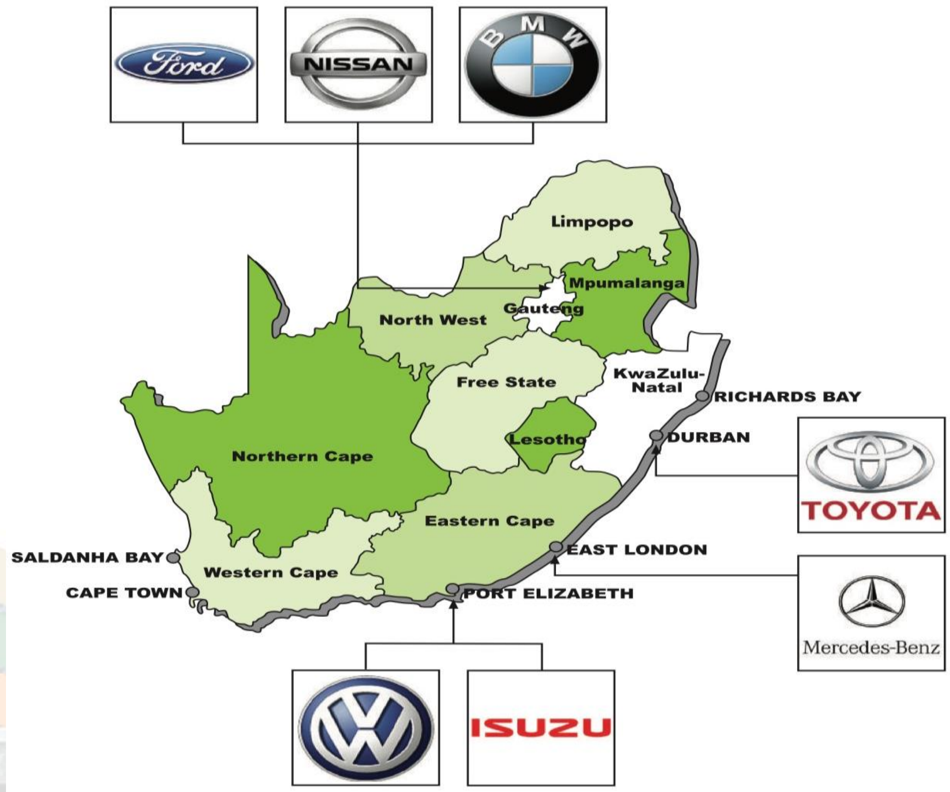
Structure

European light motor vehicle manufacturers represented in SA - Mercedes Benz, BMW, and Volkswagen are all wholly owned subsidiaries.

Japanese and American manufacturers, Nissan, Toyota, Isuzu, and Ford are also 100% controlled subsidiaries

Other major marques imported - European (Peugeot/Citroen, Volvo), Japanese (Daihatsu, Honda, Subaru), Korean (Hyundai/Kia), Indian (Tata, Mahindra), with Chinese brands also growing in the SA market



Automotive Clusters

Key Automotive Features (2018)	Gauteng	KwaZulu-Natal	Eastern Cape
Manufacturing plants (light motor vehicles)	BMWSA Nissan SA Ford Motor Company of Southern Africa	Toyota SA Motors	Volkswagen Group SA Mercedes-Benz SA Isuzu Motors SA
Number of component firms	200	80	150
Motor vehicle parc as % of South Africa's total parc of 12,46 million	38.5%	13.3%	6.6%
Light vehicle production as % of total production of 582 183 units	33.2%	23.5%	43.3%
Light vehicle exports as % of total exports of 350 003 units	34.6%	14.8%	50.6%

Performance in 2020

- Contributed 4.9% to GDP (2.8% manufacturing & 2.1% retail) down from 6.4% in 2019.
- Accounted for 18.7% Manufacturing output & 13.9% of Exports.
- Employs about 106 726 people in vehicle and component production down from about 110 250 in 2019.
- Annual investment by vehicle assemblers at R9.2 billion and R2.4 billion by component producers.
- 0.58% of global production (447 218 units) and 62.1% of Africa's production down from 631 921 units in 2019.

Challenges

- South Africa remains a small market (< 0.6% global market)
- Regional market has major potential, but undermined by lack of common automotive regime and pre-owned vehicle imports

- South African average vehicle local content low at about 40%

- Stricter emissions standards in major export markets
- Growth of telemetry and movement towards autonomous vehicles

- Empowerment levels relatively poor

South Africa Automotive Masterplan (SAAM): Vision 2035

- *A globally competitive and transformed industry that actively contributes to the sustainable development of South Africa's productive economy, creating prosperity for industry stakeholders and broader society*

Industry workshopped and agreed : NAAMSA, NAACAM, NUMSA, Government

SAAM 2035 Objectives

1. Produce 1% of global production (projected to be 1.4m units in 2035)
2. Increase local content in South African assembled vehicles to 60% (from <40%)
3. Double employment (to 224,000)
4. Improve manufacturing competitiveness levels to that of leading competitor levels
5. Transform the industry across the value chain in areas of identified opportunity
6. Deepen value addition, especially in respect of regional market supply

The SAAMP's eight focus areas

1. **Local market** optimisation (to 1.2m units)
2. **Regional Market** Development (to over 1m units)
3. **Localisation** (to 60% local content)
4. **Infrastructure** development (to leading international competitor standards)
5. Industry **transformation** (in identified areas of opportunity)
6. **Technology** & associated **skills** development (focusing on future industry needs)
7. Institutionalising the masterplan for improved **monitoring & evaluation** and to ensure implementation accountability
8. Supportive **policy** (amendments to the APDP post 2020)

Achievements to-date

- EOC and 7 Working Groups operational since 2019
- Automotive Industry Transformation Fund operational
- SKD Kit exports included for support under the APDP to promote exports onto the continent and support regional value chain development
- APDP 2 Regulations published for 1st July 2021 implementation
- AIS guidelines ready for July 2021 implementation

APDP post-2020 Amendments

1. Stable, moderate **import tariffs** since 2012
   – 25% for Completely Built Up Vehicles (CBUs)
   – 20% for components used by vehicle assemblers

2. Change the current Volume Assembly Allowance to a Volume Assembly and Localisation Allowance (VALA) that will be based on a vehicle price but exclude all imported content. At current local content levels this would mean a reduction in benefits by almost a third (from 3.6% to 2.4% of sales).

3. Increase the Production Incentive from the current 10% to 12.5% of manufacturing value added in order to encourage further localization.

4. Automotive Investment Scheme (AIS):
   – 15 to 35%, with stronger focus on encouraging use of local tooling

Matters yet to be resolved

- New Energy Vehicle Policy
- Motorcycle Policy
- Used Tyre Imports
- Used vehicle imports

SAAM 2035 Focus Areas

Work Stream	Interventions
Local Market Optimisation	• Preferential Procurement of Light Motor Vehicles • Used Tyre Imports • Used vehicle imports
Regional Market Development	• Terms of engagement under AfCFTA (Rules of Origin)
Localisation	• Continuous identification of components for localisation and materials for beneficiation
Infrastructure development	• Port efficiency study • Rail efficiency study
Industry Transformation	• BBBEE requirements for participation in APDP • At least 12 applicants being evaluated by AITF
Technology Development	• NEV Roadmap
Skills Development	• Identification of Scarce Skills (Skills Audit)

Conclusion

- The industry is showing signs of recovery from the devastation of Covid-19 lockdowns
- Localisation efforts are being pursued
- Competitiveness enhancing initiatives continue
- New Energy Vehicle support framework being developed

Thank you!!