



SOUTH
AFRICA

Factsheet

2020

Investing in South Africa's Automotive, Components, Yellow Metals and Heavy Vehicles Industry

Driving manufacturing growth



the dti

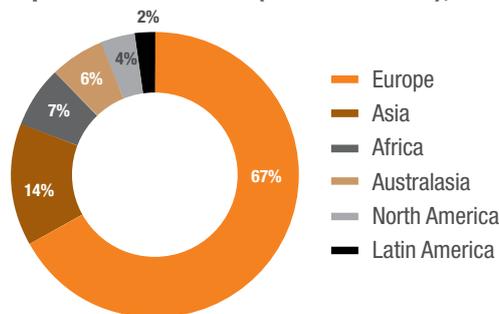
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Automotive, Components, Yellow Metals and Heavy Vehicles Industry in SA

- > South Africa is home to Africa's most advanced automotive industry. Seven major original equipment manufacturers (OEMs) with operations in South Africa produce over 50% of all vehicles produced in Africa.
- > The broader automotive industry contributes approximately 7% to the country's GDP (4.4% manufacturing and 2.5% retail). Vehicle and component production accounts for about 14% of South Africa's manufacturing output.
- > In 2018, more than 550 000 vehicles were registered in South Africa, more than anywhere else on the continent.
- > With about 370 000 passenger vehicles sold per year, South Africa accounts for more than 40% of Africa's passenger vehicle market.
- > In 2018, automotive-related exports accounted for US\$12.9bn, equating to approximately 14% of total South African merchandise exports. Europe and in particular Germany are key destinations for South African new vehicle exports.
- > In 2018, South Africa produced approximately R33bn worth of agricultural, mining and construction machinery.
- > According to the Construction and Mining Equipment Suppliers' Association (CONMESA), more than 5 600 new units of yellow metal equipment were sold in 2017, an 18% increase from the previous year.

Export destinations (% of vehicles), 2018



Passenger cars and commercial vehicles production and sales, 2018-25f

		2018	2019f	2020f	2021f	2022f	2023f	2024f	2025f
PASSENGER CARS	Production (million units)	0.32	0.33	0.34	0.35	0.33	0.31	0.32	0.33
	Sales (million units)	0.37	0.37	0.38	0.37	0.35	0.34	0.34	0.35
COMMERCIAL VEHICLES	Production (million units)	0.29	0.3	0.3	0.31	0.29	0.28	0.29	0.29
	Sales (million units)	0.19	0.19	0.2	0.19	0.19	0.18	0.18	0.18

50% of vehicle production in Africa

7% of South Africa's GDP

Why invest?

Rising demand for SA-made mining-related equipment

The 2018 Mining Charter requires mining companies to procure 70% of its mining equipment from South Africa-based manufacturers with at least 60% local content. This is expected to drive localisation and the demand for local inputs and for locally-made heavy vehicles and yellow metal equipment.

70% of procurement spend

Supplier proximity and local content

With about 500 Tier 1, Tier 2 and Tier 3 suppliers, OEMs are able to source a wide range of parts and components within the South African market.

500 supplier companies

Duty-free access to **1bn** consumers

Preferential market access

Thanks to a number of trade agreements South Africa-based OEMs enjoy duty-free access to consumer markets in the US, EU and Southern Africa.

Policy certainty

Expansion of production capacity

Over the two years 2017-18, the major vehicle manufacturers recorded more than R15bn in capital expenditure. Investments in capacity expansion will increase the demand for inputs including parts of components.

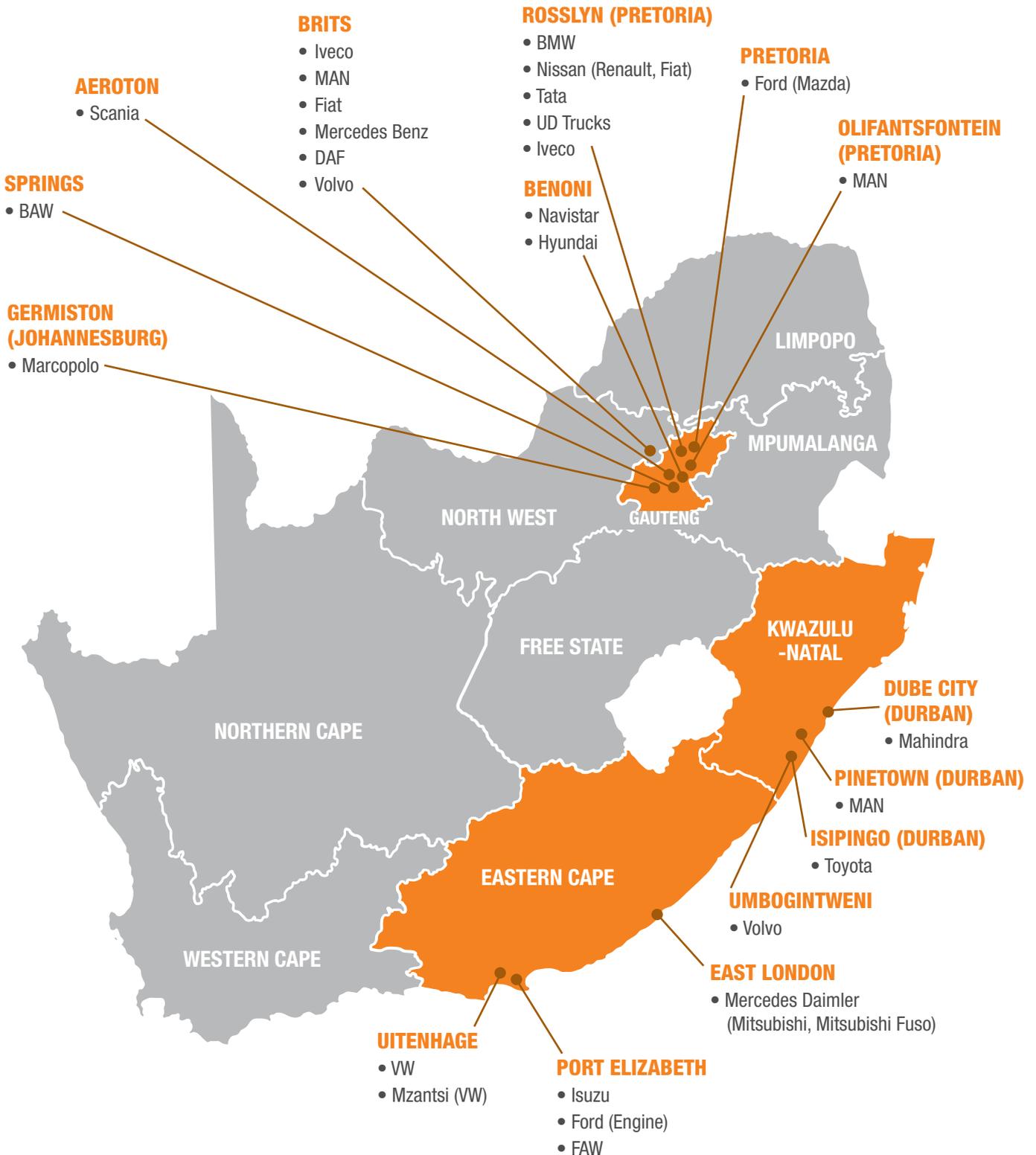
Over **R15bn** invested

Attractive policy environment

The Automotive Production and Development Programme (APDP) and the South African Automotive Masterplan (SAAM) 2035 provide a clear vision and direction for South Africa's automotive industry. The well-developed SAAM contributes to the attractiveness and competitiveness of local industry, offering incentives and support to OEMs and suppliers.

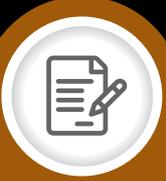
Where to invest?

- > Automotive and components manufacturing is concentrated in the Eastern Cape, Gauteng and KwaZulu-Natal.
- > The key automotive and component manufacturing facilities are located in Silverton, Rosslyn (both in Gauteng), Uitenhage, Port Elizabeth, East London (in Eastern Cape) and Durban (KwaZulu-Natal).
- > The Coega IDZ in Port Elizabeth, the East London IDZ in Eastern Cape, Dube TradeZone in Durban and the Automotive Supplier Park in Rosslyn north of Pretoria cater to the needs of OEMs and supplier companies.



What support exists?

- > Given the sector's strong contribution to employment creation, investment attraction and overall economic growth, the South African government is committed to creating an enabling manufacturing environment for both local and international investors in the sector.



Government Support Programmes

- South African Automotive Masterplan (SAAM) 2035
- Automotive Production and Development Programme (APDP)
- The Automotive Supply Chain Competitiveness Initiative (ASCCI)
- Automotive Industry Development Centre (AIDC).



National Incentive Programmes

- Volume Assembly Allowance (VAA)
- Production Incentive (PI)
- Automotive Investment Scheme (AIS)
- Medium and Heavy Commercial Vehicles Automotive Investment Scheme (MHCV-AIS)
- People-Carrier Automotive Investment Scheme (P-AIS).



Innovation Support

Innovation support is available through programmes such as the Support Programme for Industrial Innovation (SPII), the Technology and Human Resource for Industry Programme (THRIP) and the SEDA Technology Programme (STP). Other funding programmes are available through the Technology Innovation Agency (TIA).



Skills Development Support

- South African Universities and Technical and Vocational Education and Training (TVET) colleges offer courses in mechanical engineering, electrical engineering, artisan training etc.
- Through its Skills Development and Training (SD&T) Department the Automotive Industry Development Centre (AIDC) focuses on bridging potential skills gaps in the sector.

In 2017, 7 major OEMs invested a record R8.2bn, along with a substantial R4bn investment by the automotive component suppliers.

In 2018, South Africans were able to choose from 49 passenger car brands and 3 716 model derivatives, providing them with the widest choice to market-size ratio in the world.

What are the opportunities?

- > Opportunities are found in the development of local content and component manufacturing. There is a need to develop existing OEMs that are already in the market and also to attract more OEM investments to boost local production and replace imports of finished products

Key opportunities in the automotive value chain include:

- **Engines, radiators, filters**
- **Air conditioning/climate control systems**
- **Alarms and tracking devices**
- **Axles and transmission shafts**
- **Body parts and panels**
- **Catalytic converters, silencers, exhaust systems** and components
- **Seats** and related parts, seatbelts, leather covers
- **Suspension** and shock absorbers, springs and other related parts
- **Steering wheels, columns and boxes**
- **Ignitions**, starting equipment, gauges and instrument parts
- **Lighting equipment**
- **Wiring harnesses**, instrument panels, vehicle interiors, electronic drive components and parts

How to invest?

Opportunity identification

- 1 Conduct feasibility study for your product or service
- 2 Evaluate outcome of feasibility study
- 3 Take investment decision
- 4 Decide on investment strategy in order to best align to the market opportunity

Go ahead



Location identification



Resourcing requirements (HR, capital, finance, IT)



Compliance and legal affairs

Investment preparation

- ✓ Decide on geographic location most suitable for investment
- ✓ Consult property specialists, real estate agents to identify suitable offices for operations
- ✓ Conduct site visits of suitable locations
- Consult with HR/recruitment agencies about staff requirements
- Determine immigration requirements
- Determine funding model (e.g. self-funding, debt, equity)
- Consult with IT systems providers
- Determine corporate structure
- ✓ Determine licensing and permit requirements
- Consult with labour lawyers
- ✓ Consult with InvestSA to identify eligibility for incentives, skills and other support initiatives

Investment execution

- Acquire/lease site, rent office space
- Apply for municipal services (e.g. water, electricity)
- Conduct interviews, hire staff
- ✓ Apply for work permits for expatriate staff
- Open a bank account
- Apply for finance
- Set-up IT infrastructure/systems
- ✓ Register company
- ✓ Apply for licenses and permits
- ✓ Apply for National Level Incentives Schemes, Skills and Other Support Programmes

✓ InvestSA ready to assist

“We are confident in the capabilities of our workforce as we have sound labour relations, founded on the basic principles of our in-house labour agreement and the commitment from our employees attested to by the 99% attendance rate.”
Mercedes-Benz South Africa Ltd,
2019



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Information sources

AIEC, various years; BMI, various years; Capital Equipment News, 2018; Deloitte, 2019; **the dti**, various years; EIU, various years; MarkLines, 2019; OICA, various years; Oxford Economics, various years; Statista, 2019;

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