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THE FUTURE OF MOBILITY

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AUTOMOTIVE REPORT 2021

THE FUTURE OF MOBILITY

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ABBREVIATIONS AND ACRONYMS

* The term bakkie, known in other markets as a pickup, is used throughout the report, with no distinction made between the terms

AAAM	Africa Association of Automotive Manufacturers
AfCFTA	African Continental Free Trade Area
Afreximbank	African Export-Import Bank
APDP	Automotive Production and Development Programme
BAIC	Beijing Automotive International Corporation
BEV	battery electric vehicle
BMW SA	BMW South Africa
CF2	Clean Fuels 2
CKD	complete knockdown
DTIC	Department of Trade, Industry and Competition
EV	electric vehicle
EU	European Union
FC	fuel cell
FMCSA	Ford Motor Company of Southern Africa
ICE	internal combustion engine
IDC	Industrial Development Corporation
ISP	independent service provider
IMSaf	Isuzu Motors South Africa
MBSA	Mercedes-Benz South Africa
MoU	memorandum of understanding
Naacam	National Association of Automotive Component and Allied Manufacturers
Nada	National Automobile Dealers Association
Nissan SA	Nissan South Africa
OEM	original-equipment manufacturers
PV	photovoltaic
Sapia	South African Petroleum Industry Association
SEZ	special economic zone
SKD	semi-knockdown
SUV	sports-utility vehicle
TASEZ	Tshwane Automotive Special Economic Zone
TSAM	Toyota South Africa Motors
Tips	Trade and Industrial Policy Strategies
VWSA	Volkswagen South Africa



KEY DEVELOPMENTS

July 2020: Work starts at the Toyota Parts Distribution Warehouse in Boksburg, Gauteng, where Toyota South Africa Motors is doubling the facility's size.

August 2020: Volkswagen South Africa chairperson and MD Thomas Schäfer leaves the local arm of the German carmaker to join ŠKODA Auto as its new global CEO.

September 2020: BMW South Africa appoints charging infrastructure specialist GridCars as its official electric vehicle charge point operator.

November 2020: Volkswagen South Africa celebrates the assembly of its four-millionth vehicle at its plant in Kariega (Uitenhage), in the Eastern Cape.

December 2020: Ford Motor Company of Southern Africa pays an estimated R2.50-million in compensation to 53 Kuga owners. Ford agreed to pay each consumer R50 000 as compensation, if their vehicle was distributed between 2014 and 2017 and was one of the 56 vehicles that caught fire.

December 2020: The Competition Commission issues final automotive aftermarket guidelines, which will come into effect on July 1, 2021.

January 2021: Automotive manufacturer Nissan Motor sets a goal of achieving carbon neutrality across its operations and the life cycle of its products by 2050. By the early 2030s, every all-new Nissan vehicle will be electrified.

January 2021: South African-born Peter van Binsbergen becomes CEO of BMW Group South Africa and sub-Saharan Africa, succeeding Tim Abbott.

January 2021: The National Association of Automobile Manufacturers of South Africa elects Toyota South Africa Motors CEO Andrew Kirby as president, following the retirement of BMW Group South Africa boss Tim Abbott.

February 2021: Mercedes-Benz South Africa postpones the local introduction of its first fully electric vehicle, the EQC, until 2022.

March 2021: Nissan South Africa announces a delay to the start of production and sales of the Nissan Navara one-ton bakkie to June 2021, citing operational issues related to the Covid-19 pandemic.



March 2021: The National Association of Automobile Manufacturers of South Africa announces a change in its naming conventions to represent a wider community of stakeholders than only vehicle manufacturers. The association is now referred to as naamsa | the Automotive Business Council.

March 2021: Vehicle retailers report significant stock shortages, impeding growth in the new-vehicle segment. The shortages are because of importers underestimating the recovery of the South African vehicle market and component availability impacting on local manufacturing.

May 2021: Dr Johan van Zyl returns to Toyota Motors South Africa to serve as executive chairperson, having stepped down as Toyota Motors Europe president and CEO.

May 2021: The Department of Trade, Industry and Competition issues a Draft Green Paper on the Advancement of New-Energy Vehicles in South Africa. The aim is to finalise the strategy within 90 days.

June 2021: Nissan South Africa starts production of the new Navara one-ton pickup at its Rosslyn plant, in Pretoria, Gauteng.



OVERVIEW

The automotive industry plays an important strategic role in the overall economy, contributing 4.90% to gross domestic product – 2.80% from manufacturing and 2.10% from retail. This is a decrease from the industry's 6.40% contribution in 2019, which reflects the impact of Covid-19 on automotive manufacturing.

The industry accounts for 27.60% of the country's manufacturing output and is the fifth-biggest exporting sector, accounting for 15.50% of total exports.

The automotive industry consists of 22 companies involved in the production of cars and commercial vehicles. There are seven major original-equipment manufacturers, including BMW, Ford, Isuzu, Mercedes-Benz, Nissan, Toyota and Volkswagen, as well as several heavy commercial and bus manufacturers that also assemble vehicles locally.

About 500 automotive component suppliers, including 187 first-tier suppliers, operate in the country. There are also 21 companies involved in the importation and distribution of new motor vehicles.

The manufacturing sector came to a standstill in March 2020, under Level 5 of the national Covid-19 lockdown restrictions. After consultations with government, vehicle production eased back into partial operation under Level 4 in May 2020 and was able to restart full operations under Level 3 in June 2020.

Production and sales were severely affected in 2020, which industry association naamsa | the Automotive Business Council describes as the "most turbulent year" in the history of the motor industry globally and for South Africa.

The sector was shaken to its very roots, with new vehicle sales plunging 29.20% and vehicle exports by 29.90%.



Car bodies on production line



VEHICLE SALES

According to statistics published by naamsa | The Automotive Business Council, new-vehicle sales fell from 536 612 in 2019, to 380 449 in 2020; a decrease of 29.20%. Although the sharp contraction could be attributed to the Covid-19 pandemic and accompanying lockdown, new-vehicle sales have been on a downward trend for several years.

The 29.10% contraction in new-vehicle sales in 2020, followed a 2.80% drop in sales in 2019. The new-vehicle sales market is now almost 40% smaller than in 2015 – a level last seen 20 years ago.

A 300-basis point interest rate cut during the year did little to soothe the pain of the pandemic, as the country had entered a recession before the advent of Covid-19, which meant that middle-class disposable income was already under pressure. The premium car segment experienced significant pressure during 2020, says naamsa | the Automotive Business Council.

The vehicle rental industry, which is a major seasonal contributor to the new-vehicle sales market, also remained dormant, owing to lockdown restrictions on business travel and tourism for most of the year.

- New-passenger-vehicle sales dropped by 30.60%, to 246 784 units.
- Light-commercial-vehicle sales fell by 27.60%, to 110 929 units.
- Medium-truck sales declined by 22.50%, to 6 736 units.
- The sale of heavy trucks and buses declined by 17.20%, to 16 000 vehicles.

New-vehicle exports from South Africa contracted, to 271 288 units in 2020. The value of automotive exports, meanwhile, declined by R26-billion in the year, from a record R201.70-billion



Vehicle and asset finance provider WesBank predicts a continued worsening economic impact on new-vehicle sales in 2021

in 2019, to R175.70-billion, according to the Automotive Industry Export Council's 2021 Automotive Export Manual. This happened as Covid-19 impacted on economic activity in every region of the world.

Domestic new-vehicle sales recovered gradually in the latter part of 2020, from the low of 574 units sold in April 2020, when South Africa was in a hard lockdown. New-vehicle sales have been recovering and in the first five months of 2021, when an average of more than 38 000 vehicles a month were sold. There was also an upward momentum in vehicle exports.

Several setbacks are clouding the industry's rebound, key among them stock availability, as many importers underestimated the recovery of the South African vehicle market, and a global shortage of steel, resin and rubber, as well as semiconductors – tiny but critical computer chips used to calibrate cars' fuel injection, run infotainment systems or provide the technology for cruise control.

Sales of passenger cars and commercial vehicles – 2016 to 2020

Year	Passenger cars	Light commercial vehicles	Medium and heavy commercial vehicles and buses	Total new vehicle sales
2016	361 265	159 316	26 971	547 552
2017	368 114	163 317	26 273	557 703
2018	365 247	159 525	27 455	552 227
2019	355 379	153 221	28 012	536 612
2020	246 784	110 929	22 736	380 449

Source: naamsa | the Automotive Business Council



While the South African Reserve Bank's forecast of a domestic economic growth rate of 3.60% for 2021 bodes well for a rebound of the new vehicle market, naamsa | The Automotive Business Council warns that a full recovery to pre-Covid-19 new-vehicle-sales levels could take up to three years as the macroeconomic effects of the pandemic will continue to undermine business and consumer confidence and inhibit sustainable economic growth over the medium term.

Vehicle and asset finance provider WesBank agrees that while the market will perform better in 2021 than in 2020, the underlying fundamentals are not healthy. Economic and sociopolitical challenges – as a result of Covid-19 and those evident in trends already being experienced before 2020 – continue to have a negative impact on the motor industry.

WesBank's prediction for the 2020 market prior to the pandemic was a decrease of 3.50%, to 518 000 units. The reality was a 29.10% slump to 380 449 units for the year. "If we look at the performance in the first two months of 2020 and impute that for the whole year, and combine it with the actual economic degradation, we think we would have seen a market that would have been down 5.70% for the year, or a theoretical market of 506 056 sales," says WesBank CEO Chris de Kock.

Based on this normalised baseline, WesBank predicts a continued worsening economic impact on new-vehicle sales in 2021, which will result in a market total of 426 000 units, or a decline of 15.80%. In actual terms, but relative to 2020 sales, this would, however, represent growth of 12%.

"Looking at these figures in the context of annual sales since 2000, one would have to go back to 2009/10 to find the last time we had figures similar to these, showing how new-car sales have been negatively impacted on by the slowdown in the South African economy," says De Kock.

The National Automobile Dealers' Association (Nada) believes that the most effective way to increase sales will be to make



new vehicles more affordable by reducing the "huge portion of the purchase price that goes to government in various forms of taxation".

Citing an example, Nada says the tax on the purchase price of a vehicle with a price tag of R450 000 is currently 42% (R189 000). This comprises mainly customs duties and an ad valorem duty on a sliding scale, of more than 30% for vehicles costing more than R1-million.

There is also a carbon tax, value-added tax and additional tax accounting to a portion of unrebated import duties. Most vehicle manufacturers pay tax on imported vehicles as they do not have sufficient production rebate credit certificates to rebate the full import duty of 25%.

naamsa has taken a strong stance on taxation and has requested government to cut taxes by removing the carbon tax on exhaust emissions and reducing the ad valorem duty, which is a value-based tax on items considered a luxury in South Africa. This has the potential to reduce the 42% cumulative tax amount to between 35% and 38%.

In a presentation to government, naamsa has shown that making vehicles more affordable could boost new sales by about 28 000

Grey imports displace new car sales – naamsa

Grey imports, used vehicles that are intended for transshipping to neighbouring countries that permit their sale, have a negative impact on the automotive ecosystem in South Africa and are estimated to cost the fiscus about R3.80-billion a year in uncollected taxes.

naamsa | the Automotive Business Council states that more than 300 000 of the 12.70-million cars on South African roads are grey imports. This figure is increasing by 30 000 vehicles a year.

"Unquestionably, this displaces new car sales and harms the country's economy," naamsa said, in response to the February 2021 Budget, which allocated R1.80-billion to curb grey imports and illicit cross-border activities.

"To put the grey import challenge into perspective from a business side of things, the average new vehicle market for 2020 is 28 500 units. Grey imports represent an extra month's sales per annum. Effectively, grey imports represent 7.50% of total market and would be the third-biggest brand in South Africa by volume," said naamsa CEO Mikel Mabasa.

Source: naamsa | the Automotive Business Council



units a year. The presentation also shows that the reduction in ad valorem tax will have a neutral impact on taxes as the tax on increased sales will offset the lower rate of tax per vehicle. The current tax shortfall on new vehicles amounts to about R1.20-billion a month based on 12 000 fewer cars being sold each month.

Heavily taxed fuel is another burden for vehicle-users, affecting sales. Taxes and levies on fuel currently contribute about 70% of the fuel price.

EXPORTS

Vehicle exports are important to sustain the viability of the domestic automotive industry.

Following a record year for exports in 2019, the global pandemic had a severe impact on exports in 2020. According to the 'Automotive Export Manual 2021', compiled by the Automotive Industry Export Council, exports declined by 29.92%, from 387 092 units in 2019, to 271 288 units in 2020.

The export value also slumped from R148-billion in 2019, to R121.20-billion in 2020. Passenger car exports comprised 178 788 units (65.90% of total exports), light commercial vehicles comprised 91 942 units (33.90%) and medium and heavy commercial vehicles and buses comprised 91 942 units (33.90%).

The top light vehicle exporters are Volkswagen, Mercedes-Benz South Africa, BMW South Africa, Ford Motor Company of Southern Africa and Toyota South Africa Motors. Of the total 423 907 light vehicles manufactured in 2020, 63.90% were exported.

Exports of medium and heavy commercial vehicles and buses comprised only 0.20% of total vehicle exports in 2020. Component exports improved in 2020, reaching a record of R54.50-billion, from R53.70-billion in 2019.

South African vehicles and components are exported to 147 countries, with the UK being the top destination in volume terms. Germany is South Africa's top automotive trading partner, taking into account imports and exports, while the European Union is the top automotive trading region.



MANUFACTURING AND INVESTMENT

South Africa's share of global vehicle production for 2013 to 2019 (in millions)

	2014	2015	2016	2017	2018	2019	2020	Change 2020/19
Global output	89.77	90.84	95.06	96.67	96.87	92.18	77.62	-15.80%
South Africa output	0.568	0.617	0.600	0.601	0.61	0.63	0.45	-29.20%
Share of global production	0.63%	0.68%	0.63%	0.62%	0.64%	0.69%	0.58%	-15.90%

Source: naamsa | the Automotive Business Council

South Africa is the world's twenty-second biggest automotive manufacturer, with a market share of 0.58% of the 77.62-million vehicles made in 2020. The country was ranked fifteenth globally for light commercial vehicle production and has a market share of 1.08%.

Following the record vehicle production in 2019 – supported by record vehicle export performance – 2020 vehicle production declined by 29.20% to 447 218 units, naamsa | the Automotive Business Council reports. The sharp decrease is because of the temporary suspension of vehicle production under Level 5 of the nationwide Covid-19 lockdown restrictions during the year.

First quarter of 2021 vehicle production improved by 10.60% year-on-year as the domestic and global new vehicle environment improved.

The industry is one of the most visible sectors receiving foreign investment, with the seven original-equipment manufacturers (OEMs) investing R9.23-billion in 2020 – the highest yearly figure on record.

The continued high levels of capital expenditure are owing to investment projects by manufacturers in terms of the Automotive Production and Development Programme (APDP), which are spread over multiple years and are linked to higher levels of production for export markets.

Although naamsa CEO Mikel Mabasa said at the beginning of 2021 that it would be difficult to speculate on how the year would pan out in terms of capital investments by automotive OEMs, the industry had started 2021 on a powerful note.

US automotive giant Ford Motor Company has announced a R15.80-billion expansion of its automotive manufacturing facilities in South Africa to produce the new Ranger and a bakkie for Volkswagen. This is the biggest investment in Ford's 97-year history in the country and represents one of the biggest-ever investments in the South African automotive industry.

The local arm of Japanese automaker Toyota has also committed to invest almost R3-billion in South Africa to produce the new Corolla Cross sports-utility vehicle.

A Chinese heavy commercial vehicle manufacturer is also said to be weighing investing in South Africa in 2021.

BMW SOUTH AFRICA

BMW South Africa's (BMW SA's) vehicle manufacturing plant is in Rosslyn, near Pretoria, Gauteng. The plant has the capacity to produce 76 000 units a year.

The Rosslyn facility currently produces the BMW X3 – a sports activity vehicle that is exported to Europe.

South African-born Peter van Binsbergen is the new CEO of BMW SA. He returned to South Africa after having worked abroad for 18 years.

Van Binsbergen is the first South African CEO in the group's history on the continent making his return to the same place where he started his career with the BMW Group almost 27 years ago.

Vehicle manufacturing industry capital expenditure: 2014 to 2020

2014	2015	2016	2017	2018	2019	2020
R6.92-billion	R6.60-billion	R6.41-billion	R8.17-billion	R7.25-billion	R7.27-billion	R9.23-billion

Source: naamsa | the Automotive Business Council



His most recent position before returning to BMW SA was VP for customer support at BMW in Germany. Van Binsbergen succeeded Tim Abbott, who left the BMW Group at the end of 2020 to focus on transformation and conservation projects in South Africa.

NISSAN SOUTH AFRICA

Africa is a critical region for Nissan and is one of the fastest-growing territories for the company globally in terms of industry volume, with an estimated potential for about 500 000 units in the next five years.

The Japanese carmaker has united its operations on the continent under one region, namely Africa. Several leadership changes have been made as part of the restructuring, effective December 2020.

Former Nissan South Africa (Nissan SA) MD and Africa South chairperson Mike Whitfield has been appointed Africa Regional Business Unit MD.

In his new role, Whitfield reports to Joni Paiva, divisional marketing and sales VP for the Africa, Middle East, India and Oceania region, and operates out of Rosslyn, in Pretoria, and Cairo, in Egypt.

Kabelo Rabotho has been named Nissan SA country director. He replaced Nissan SA MD Shinkichi Izumi, who had been reassigned to a new position at Nissan in Japan.

A key part of Nissan's growth strategy for South Africa is to strengthen its light commercial vehicle base to become the manufacturing base for the newly formed Africa regional business unit.

At its Rosslyn plant, Nissan SA produces the NP200 half-ton and the NP300 one-ton bakkie models and is preparing the facility to produce the NEXT generation Navara pickup. The new Navara will be produced alongside the NP300 for only a short time, as the vintage one-tonner will be discontinued by November 2021.

In 2019, the company confirmed a R3-billion investment to facilitate the local production of the new Navara pickup.

The Rosslyn plant will produce single-cab and double-cab Navaras for the local market and 42 export markets in Africa. About 40% of production will be exported. Nissan SA is working to secure Navara export markets outside Africa.

The Rosslyn facility will share global Navara production of about 250 000 units a year with plants in Argentina, Thailand and Mexico.

The modernised Nissan Rosslyn plant has a new, flexible production line and additional production facilities. An estimated R190-million has already been invested in reskilling and training Nissan SA's employees to expand their expertise in preparation for the Navara's local production and the company's production trial engineers, for example, spent three months receiving virtual training (owing to Covid-19 travel restrictions) from Nissan trainers in Japan on implementing the model in South Africa.

The installation of the necessary machinery, including robots and new press machines, was completed during lock-down by local engineers under the virtual online guidance of Japanese technicians.

Nissan SA has also incubated eight new component manufacturers and related companies, from its broad-based black economic-empowerment startup programme, and identified a further 15 who can assist with components for the new Navara.

The local parts content on the vehicle is currently at about 50%, with the aim being to increase this as production reaches full capacity.

Owing to operational issues pertaining to the Covid-19 pandemic, the South African launch of the Navara was delayed from the first quarter of 2021, to June 2021.

Production at the plant should reach about 35 000 units in 2021. This falls short of the 50 000-unit-a-year threshold to take full advantage of government incentives under the Automotive Production and Development Programme. Prior to the Covid-19 pandemic, production volumes had been consistently between 35 000 units and 40 000 units.

FORD MOTOR COMPANY OF SOUTHERN AFRICA

Ford Motor Company of Southern Africa (FMCSA) has an assembly plant in Silverton, near Pretoria, Gauteng, producing the current generation Ranger pickup, for the local and export markets, including Europe, as well as the current Ford Everest sports-utility vehicle (SUV) model for local and some African export markets.

In February 2021, FMCSA announced a \$1.05-billion, or R15.80-billion, investment to modernise and expand the Silverton plant to produce the all-new Ranger pickup truck, starting in 2022.

Of the R15.8-billion, R10.3-billion will be invested in upgrading the Silverton plant, including increasing production volume, as well as driving improvements in production efficiency and vehicle quality.

The upgrades include a new body shop, extensive changes to the paint facility and final assembly line to improve vehicle flow,



Ford adds armoured Rangers to South African portfolio

Ford Motor Company of Southern Africa (FMCSA), together with SVI Engineering, has announced the availability of Ford-approved armoured protection for the Ranger pickup. The Ranger is among the best-selling vehicles in South Africa.

SVI Engineering was founded in 2004 as a mechanical engineering and rapid-product development firm, with capabilities in product design and finite element analysis, as well as the development, product evaluation and manufacturing of armoured products for the military, security and civilian markets.

"One of our strengths as a local manufacturer has always been our ability to adapt to new trends in the automotive industry and changing customer requirements. We see armoured vehicle protection as a next step into a potentially life-saving sector. Ford is leading the way in customer experience by offering this without affecting the Ranger's full warranty and service plan, which is a first for any original-equipment manufacturer in South Africa," says FMCSA MD Neale Hill.

The Ranger is also the only armoured bakkie in South Africa that can be ordered directly from a franchise dealer.



Source: FMCSA

Source: Engineering News

expansion of the container and vehicle yards and construction of a new vehicle modification centre. It also includes a new stamping plant, which will be located on site for the first time.

The new stamping plant will use a high-speed line to produce all the major sheet metal components for the new Ranger.

The plant will include a fully automated storage and retrieval system for stamping dies, which will be housed in the roof of the facility. In addition, a blue-light scanner system will scan surfaces for imperfections.

The multibillion-rand investment will result in installed capacity at the Silverton plant increasing to 200 000 vehicles a year, up from 168 000 units.

The revamped Silverton plant will also manufacture Volkswagen pickups as part of the Ford-Volkswagen alliance.

In June 2020, multinational automakers Ford Motor Company, based in the US, and Germany's Volkswagen Group agreed to expand their global partnership to medium pickups (one-ton bakkies) and other commercial and electric vehicles.

At the time, they announced that the alliance would produce a medium pickup truck engineered and built by Ford, for sale by Volkswagen as the Amarok, starting in 2022. Neither automaker commented on production plans for the Volkswagen pickup.

The new Silverton investment will create 1 200 incremental jobs at FMCSA, adding to the existing 4 300 jobs at the assembly plant. It is also set to create an estimated additional 10 000 new jobs across Ford's local supply network, bringing the total to 60 000 jobs.

Ford will also invest R5.50-billion to upgrade tooling at the company's major supplier factories.

Part of the investment in the Silverton plant will also involve building a new Ford-owned and -operated chassis line in the Tshwane Automotive Special Economic Zone (TASEZ) for the new assembly programme. For FMCSA, having its major component suppliers located adjacent to the Silverton plant in the TASEZ will greatly reduce logistics costs and complexity. Parts will be sequenced directly onto the assembly line.

FMCSA also operates an engine plant at Struandale, in Gqeberha, formerly Port Elizabeth, in the Eastern Cape. The plant has a yearly production capacity of 250 000 machined component kits, comprising engine heads, blocks and crankshafts.

FMCSA is working on a high-capacity rail freight corridor to link the Silverton plant and the TASEZ with Gqeberha.

The Gauteng-Eastern Cape rail link will channel the majority of FMCSA's inbound and outbound logistics through Gqeberha to support the Silverton plant's higher production volumes. Using Gqeberha as the linchpin to its logistics route will avoid some delays experienced at Durban, in KwaZulu-Natal.

Meanwhile, FMCSA is making headway with a programme to develop an integrated renewable-energy solution for its Silverton facility, dubbed Project Blue Oval, with the aim to be entirely green and energy self-sufficient by 2024. The company is aiming to achieve so-called island mode by 2024, which means the plant will no longer rely on the national power grid, or any other municipal service. To achieve this, FMCSA will use an integrated renewable- and cogeneration-energy mix comprising



Tshwane Automotive SEZ cuts red tape and pulls off big investments

Special economic zones (SEZs) are geographically designated areas set aside for specifically targeted economic activities, supported through special incentives to attract foreign investment and ensure the creation of jobs. SEZs play a key role in driving South Africa's industrial strategy.

Since its inception in 2014, the SEZ programme has managed to attract R18.60-billion worth of private investment from 136 operational companies. An additional 99 investment expressions of interest by companies, worth R48-billion, are being considered.

There are several benefits for operating in an SEZ, such as a preferential corporate tax regime, building allowances, employee tax incentives, favourable customs regulations, value-added tax exemptions and support for capital investment and training.

Since the introduction of the SEZ programme, 11 SEZs have been designated and several of those have attracted automotive investments. The latest, and most significant for the automotive industry, is the Tshwane Automotive SEZ (TASEZ), in Gauteng.

This SEZ, which was officially announced in November 2019, is a private-public partnership being established to support Ford Motor Company of Southern Africa's (FMCSA's) ambition of surpassing Thailand as the world's biggest Ford Ranger pickup plant.

The TASEZ Company has been established as the operating company for the SEZ and is supported by the Coega Development Corporation in establishing an automotive manufacturing hub adjacent to FMCSA's Silverton assembly plant in Pretoria.

The three spheres of government are investing R3.30-billion in infrastructure, which has unlocked R4.33-billion in investment by automotive component suppliers and a further R15.80-billion investment by FMCSA.

"TASEZ is a perfect model of a social compact between different sectors. It is an example of how government can cut red tape and make quick decisions that are able to attract and safeguard investment," says Gauteng Premier David Makhura.

Department of Trade, Industry and Competition director-general Lionel October chairs the TASEZ board, which comprises representatives from all three spheres of government, along with two senior executives from FMCSA.

Construction started in August 2020.

The success of the TASEZ has also created new momentum for the development of the Gauteng-Eastern Cape freight rail corridor, which will be fully operational by 2025.

This rail corridor will facilitate swift transport of goods out of the Gauteng SEZs, industrial parks and agriparks, including the much higher volumes of vehicles from Silverton and Rosslyn to the seaports for export.

Source: FMCSA and South African government



Source: FMCSA

Ford Silverton assembly plant

solar photovoltaic (PV), biomass, biogas and biosynthesis gas for all its electricity, gas and heating requirements.

It will also be introducing 100% water recycling, and all nonfermentable waste will be repurposed through a pyrolysis system to produce synthesis gas.

The company started its Silverton self-sufficiency drive in November 2020, by partnering with Uhuru Africa and solar financing specialist SolarAfrica on a 13.5 MW, R135-million solar-energy project. The project involves installing specially developed and locally manufactured solar PV carports throughout the facility, using more than 31 000 solar panels.

Covering parking bays for about 4 200 vehicles, it will be one of the biggest solar carports in the world. SolarAfrica has developed a bespoke cantilever solar carport for the Ford project. The solar PV carport has been specifically designed to offer hail protection to the finished goods vehicle inventory.

TOYOTA SOUTH AFRICA MOTORS

Toyota South Africa Motors (TSAM) manufactures the Corolla, the Corolla Quest, the Hiace Ses'fikile minibus, the Hilux bakkie and the Fortuner SUV at its production plant in Prospecton, in KwaZulu-Natal.

TSAM has invested R2.43-billion in the Prospecton plant to manufacture the new Corolla Cross. The vehicle will be produced on the passenger car production line, alongside the Corolla Quest.

The Corolla Cross SUV will be produced in left- and right-hand drive. The Cross will also be produced in a hybrid derivative, which is a first for the TSAM plant.



Toyota and Sasol to form green hydrogen mobility partnership

Toyota South Africa Motors (TSAM) and energy company Sasol are partnering on the development of a green hydrogen mobility ecosystem in South Africa.

Underpinning the partnership is Sasol's broad experience in the production, use and marketing of grey hydrogen and aspiration to play a leading role in the establishment of a green hydrogen economy for South Africa, combined with Toyota being a leading global supplier of zero-emission hydrogen fuel cell (FC) vehicles.

TSAM and Sasol will jointly pursue the development of a proof-of-concept demonstration for a green hydrogen mobility ecosystem. The parties intend to develop a mobility corridor and expand the demonstration to a pilot project using one of South Africa's main freight corridors, such as the N3 route between Durban and Johannesburg, for hydrogen powered heavy-duty long-haul trucks.

To initiate the project, the parties have determined that it would be appropriate to pursue the introduction of FC trucks into South Africa. This supports the available research on FC technology where it is shown that long distance mobility is better suited to FC technology, compared with battery electric trucks.

There is no current Toyota FC truck available to introduce into South Africa, as this is currently in prototype development in Japan. TSAM will introduce the FC truck to South Africa as soon as it is available from its principals in Japan.

In addition, the parties are evaluating the installation of a hydrogen refuelling station for the demonstration project. TSAM will lead investigation of the FC truck introduction, with Sasol supporting in providing the required infrastructure expertise.

There is not a time or cost framework yet for the proposed pilot project.

Source: Sasol

The new model is expected to increase TSAM export volumes by between 15% and 20% a year.

The project will create more than 1 500 new jobs, of which 500 will be at the TSAM plant. The other 1 000 jobs will be within the supply chain.

TSAM expects to achieve a high level of local content. The company says it will generate about R2.85-billion a year in additional component purchases in the South African economy. TSAM has managed to secure three new tier-one component suppliers for the project, and several tier-two suppliers.

Besides the R2.43-billion passenger-car investment, TSAM also has two other substantial investment projects under way. The firm is spending R454-million to increase production of the Hiace Ses'fikile minibus at the Durban plant. Production will start by November 2021.

The company is also expanding its parts warehouse, in Boksburg, Gauteng, in a project valued at R365-million. TSAM is doubling the facility's size from 40 000 m² to 80 000 m². When completed, the facility will be the biggest automotive parts warehouse in the southern hemisphere.

The expansion project experienced some delays, owing to the construction industry shutting down over Covid-19 lockdown periods in 2020, but is expected to be completed by mid-2021. The expanded parts distribution warehouse will enable TSAM to improve the availability of service and replacement parts for all its vehicles – including Toyota, Hino and Lexus. The facility will support more than 250 dealerships in Southern Africa, as well as 70 international destinations where South African-built Toyota vehicles are available.

TSAM is led by president and CEO Andrew Kirby. In May 2021, it was announced that former TSAM president and CEO Johan van Zyl will return to the local unit as executive chairperson, having stepped down as Toyota Motors Europe president and CEO.

MERCEDES BENZ SOUTH AFRICA

Mercedes-Benz South Africa (MBSA) operates an assembly plant in East London, in the Eastern Cape, where C-Class passenger vehicles and a variety of trucks and buses are built.

Production of the new C-Class will start in 2021 – for the local and export markets – following a R10-billion investment by German parent company Daimler. Announced in June 2018, the investment included the construction of a new paint shop and body shop, an upgrade to the assembly plant and some new warehouses.

The new body shop has been designed for higher capacities and features more than 500 Internet of Things-ready robots, laying the foundation for Industry 4.0 readiness.

The new C-Class will be produced in the Mercedes-Benz plants in Bremen (Germany), Beijing (China) and East London.

Daimler announced a fundamental change in its structure in February 2021, which will result in the spin-off of its truck and bus business and a planned separate listing of Daimler Truck on the Frankfurt exchange.

How the separation of Daimler's car and trucks businesses will influence local operations was not yet clear at the time of writing.



VOLKSWAGEN SOUTH AFRICA

Volkswagen South Africa (VWSA) manufactures vehicles at its assembly facility in Kariega, formerly Uitenhage, in the Eastern Cape. The plant assembles the Polo for local and export markets, as well as the Polo Vivo for the local market.

Production at VWSA reached 114 416 vehicles in 2020, down from 161 954 units in 2019, which was a record year for the factory. Exports reached 81 935 vehicles in 2020, down from 108 422 units in 2019.

VWSA celebrated the assembly of its four-millionth vehicle at the Kariega plant in November 2020. The first of these vehicles was manufactured 72 years ago, in November 1948, when the premises still belonged to South African Motor Assemblers and Distributors.

Although market demand in Europe is not yet back to the levels seen before Covid-19, VWSA's strong competitive edge in South Africa – because of continuous productivity – enables it to secure a lot of the Polo supply allocation to European markets.

Domestic Polo and Polo Vivo production will, in 2022, include the addition of Amarok pickup assembly, but not at the VWSA plant. As part of a global shared production agreement, FMCSA will produce the new-generation Amarok for VWSA at its Silverton plant, in Pretoria, alongside its own new Ranger bakkie. The company hopes the local production of the Amarok – which will also be produced for the export markets – will boost sales of the bakkie in South Africa. Amarok sales have lagged the performance of other locally assembled bakkies, such as the Toyota Hilux, the Isuzu D-Max and the Ford Ranger.

VWSA chairperson and MD Thomas Schäfer resigned in August 2020 to take up the position of global CEO of ŠKODA Auto. The Czech brand has been a member of the Volkswagen group



VWSA celebrated the assembly of its four-millionth vehicle at the Kariega plant in November 2020

since 1991. Schäfer was at the helm of VWSA since February 2015. In 2017, his role was expanded to include responsibility for sub-Saharan Africa as part of Volkswagen's expansion strategy into the region. Since then, Volkswagen has established a presence in Kenya, Rwanda and Ghana, and has signed memorandums of understanding with the governments of Nigeria and Ethiopia.

Schäfer is succeeded by Dr Robert Cisek, who was previously responsible for the production strategy of the Volkswagen passenger cars brand in Wolfsburg, Germany.

Cisek has two priorities for his tenure in South Africa – transition to sustainable mobility and to expand Volkswagen's position in sub-Saharan Africa. Schäfer has successfully made inroads into the African market for Volkswagen and the automotive industry in general, opening starter plants in Rwanda and Ghana, for example.

ISUZU SOUTH AFRICA

Japan's Isuzu Motors owns Isuzu Motors South Africa (IMSaf), which manufactures vehicles in Struandale, Gqeberha (formerly Port Elizabeth) in the Eastern Cape. IMSaf acquired General Motors South Africa's Struandale manufacturing facility in 2017, when the US company announced its exit from South Africa.

IMSaf consolidated its truck and bakkie manufacturing at the Struandale plant in 2018.

The Struandale plant has, since 2012, assembled Isuzu's KB bakkie. This has been renamed the D-Max bakkie.

IMSaf was awarded the R1.20-billion contract to produce the new, seventh generation D-Max in 2019. It is expected that an additional R2.80-billion of local content will be generated through the life cycle of the project. Local content on current D-Max production is about 27% and the same level is expected in the new model.

IMSaf has postponed the launch of the new-generation D-Max bakkie from 2021 to the first half of 2022, owing to the impact of Covid-19 on the global automotive value chain.

Meanwhile, it is not certain what impact the strategic alliance between Isuzu Motors and Sweden's Volvo Group will have on the companies' respective truck businesses in South Africa. It was announced in October 2020 that Isuzu Motors would acquire UD Trucks from the Volvo Group for ¥243-billion. The alliance will operate for a minimum of 20 years and aims "to address possibilities and challenges of the logistics industry of the future, maximising value and benefits for customers, as well as for society".

The transaction was completed in April 2021.



BAIC SOUTH AFRICA

Chinese automotive manufacturer Beijing Automotive International Corporation (BAIC), in partnership with South Africa's Industrial Development Corporation (IDC), has established BAIC South Africa (BAIC SA), an automotive assembly plant in the Coega Industrial Development Zone, in the Eastern Cape.

The IDC holds a 35% interest in the joint venture and BAIC the balance. An investment of R11-billion represents the biggest automotive manufacturing facility in scale invested in by a Chinese enterprise in South Africa.

The BAIC SA plant project was officially launched in December 2015. Factory construction started in August 2016 and the first production units of semi-knockdown (SKD) vehicles came off the assembly plant floor in July 2018. About a year later, the first shipment of South African assembled units went to their dealerships.

The plant will produce passenger and multipurpose vehicles, as well as SUVs and bakkies. It will have an initial capacity of 50 000 vehicles a year, ramping up to 100 000 units a year.

The first phase involves SKD production, which involves assembling a limited number of large, imported, already assembled component subsets into a completed vehicle.

The next phase involves the construction of a 21 000 m² paint shop to enable the plant to progress from SKD to completely knockdown (CKD) production. CKD production typically involves vehicles being assembled from a larger number of smaller parts, with increased local content.

Following CKD production, the plant will progress to full product manufacturing, concurrent with increased local parts content and a growing uptake of BAIC vehicles in South Africa. The target for local content is 60%-plus.

The aim is to export 60% of production, in line with the objectives of the South African Automotive Masterplan.



Source: Creamer Media

BAIC semi-knockdown assembly floor

MAHINDRA SOUTH AFRICA

Mahindra South Africa, a unit of Indian automotive manufacturing group Mahindra & Mahindra, joined the league of South African vehicle manufacturers in 2018, with the opening of its assembly plant in Durban, KwaZulu-Natal.

Mahindra South Africa assembles the complete range of Mahindra single- and doublecab pickups at its facility in the Dube Tradeport Special Economic Zone, adjacent to the King Shaka International Airport. The group invested R10-million in the facility and equipment.

Since its initial investment in South Africa in 2018, the Indian automaker has also established a special fitment centre and a new head office in Gauteng. The company has also opened a new national parts warehouse in the Linbro Business Park, in Gauteng. The new warehouse, about a third bigger than its previous Jet Park warehouse, enables the group to centralise all parts storage in a new location.

Mahindra South Africa has also expanded its dealer footprint to include new dealers outside the country's borders, including in Namibia, Eswatini, Botswana and Zambia.

Dealer training for staff from South Africa and Southern Africa is done at a newly opened training centre, in Centurion, Gauteng. The centre is equipped with a dedicated workshop and a simulated sales environment.

Meanwhile, a multiyear agreement between Mahindra South Africa and the SsangYong Motor Company ended in February 2021, which means that Mahindra no longer acts as distributor for the SsangYong brand and its vehicles in South Africa.



Source: Mahindra South Africa

Opening of the Mahindra training centre in Centurion, Gauteng



COMPONENT SUPPLIERS

The components industry plays a crucial role in South Africa's automotive value chain. There are 187 Tier 1 suppliers, of which 75% are foreign multinational companies, and more than 200 Tier 2 and Tier 3 suppliers, in South Africa.

The widening and deepening of the country's component-supplier base under the South African Automotive Master Plan (SAAM) is a focal point. The SAAM aims to expand vehicle production volumes to 1.40-million units a year by 2035, with higher levels of localisation of automotive components.

The SAAM envisages increasing local content in assembled vehicles from about 37% (as of 2015) to 60% by 2035. To meet this industry objective, another 485 new businesses in Tier 2 automotive products will be needed by 2035.

Tier 2 businesses typically supply parts to Tier 1 component makers, which then supply their parts of subassemblies directly to vehicle manufacturers.

Increasing component suppliers is an opportunity for advancing transformation of the domestic automotive sector. Supporting black-owned automotive suppliers in building their businesses and potentially partnering with global suppliers will help drive transformation.

The component manufacturing sector had a tough 2020, as the Covid-19 pandemic exacerbated the already-struggling domestic automotive market. However, positive momentum returned to the sector towards the end of 2020 and the National Association of Automotive Component and Allied Manufacturers (Naacam) is hopeful that it can be sustained going forward.

Component manufacturers supplying local original-equipment manufacturers (OEMs) with large export contracts experienced increased demand in the fourth quarter and this continued into the early part of 2021.

The generalised lockdown conditions across the global economy resulted in months of lost production, but the weak rand in 2020 boosted export values. Component exports increased from R53.70-billion in 2019, to a record R54.50-billion in 2020, driven by increased catalytic converter exports to the European Union where new emissions regulations were introduced in 2020.



Component exports increased to a record R54.50-billion in 2020

Catalytic converters were the top automotive export component category, comprising 47.70% of total automotive component exports, followed by engine parts, tyres and radiators.

Catalytic converter exports increased from R20.98-billion in 2019, to R25.98-billion in 2020. Most of the catalytic converter exports went to Germany (30%), Czech Republic (26%) and the US (12%).

Meanwhile, the local component sector will have to consider its future regarding engine production. The UK has pushed forward its restrictions on internal combustion engines (ICE) until 2030, which compels South African manufacturers to either find and expand new ICE markets, or to plan for which of the alternative fuel vehicle technologies will be built in South Africa.

A total of R1.09-billion worth of engines were exported in 2020, 51% of which went to India, and R3.34-billion worth of engine parts left the country's shores, 26% of which were destined for the US.

Naacam reports that the component sector invested R2.40-billion in 2020 (2019: R3.50-billion) and that it employed 76 800 people (2019: 80 000).



ELECTRIC VEHICLES

The world's mobility is rapidly evolving. While electric vehicles (EVs) still account for a marginal share of global vehicle sales, the push towards zero-emission mobility is evident in leading markets, driven by stricter environmental regulations.

Europe and China remain the leading markets for EVs.

For the first time, Europe in 2020 became the world's largest EV market, with sales more than doubling to 1.40-million EVs.

About three-million new electric cars were registered worldwide in 2020, which means that they held a 4.60% share of the market at the end of 2020. By comparison, the conventional global automotive market contracted by 16% in 2020.

The growth in EV sales brought the number of electric cars on the world's roads to more than 10-million at the end of 2020. Amid an electric car boom, fuelled by supporting regulatory frameworks, vehicle makers are switching to zero-emission models.

Chinese-owned, Swedish carmaker Volvo's entire car line-up will be fully electric by 2030. India's Tata Motors unit Jaguar Rover and luxury carmaker Bentley, owned by Germany's Volkswagen Group, will also only manufacture electric models by 2030. US-based Ford Motor Company's line-up in Europe will be fully electric by 2030.

London-based information provider IHS Markit estimates that global battery electric vehicle (BEV) and other EVs reached about 2.50-million in 2020, with the forecast being that this will increase by about 70% in 2021.

EV sales will top 12.20-million by 2025, indicating compound yearly growth of nearly 52%, IHS Markit said in a December 2020 forecast.

Political changes in the US bode well for EV adoption with President Joe Biden having committed to replacing the entire federal fleet with EVs manufactured in the US.

South Africa, however, lags the global trend and EVs remain marginal – from an offer, demand and manufacturing perspective. Electric, plug-in and traditional hybrid sales in South Africa have been below 1% of the market for the past ten years, with 4 892 of these units having been sold out of the 5.69-million aggregated market sales since 2011.

For South Africa to remain relevant in the global automotive space and maintain its edge in the export market, the country must start the production of EVs and it must start selling more electric cars.

In a report compiled for the naamsa | the Automotive Business Council and Department of Trade, Industry and Competition (DTIC), Trade and Industrial Policy Strategies (Tips) and Change Pathways policymakers urge automobile manufacturing sector stakeholders to develop a coherent strategy to create an enabling environment for the shift to EV production.

Domestic automotive manufacturing faces significant risks if it fails to accelerate the advancement of electromobility, naamsa warns, stating that South Africa's key exports markets are fast shifting to EVs. For instance, the UK, which is the domestic industry's top vehicle export destination, will ban ICEs by 2030.

The Tips report's authors put it candidly: "The reality is that the automobile manufacturers face significant risks if they do not transition. While this will not happen overnight, this is an unavoidable trend as South Africa's export markets shift to EVs."

Trade, Industry and Competition Minister Ebrahim Patel concurs that South Africa cannot afford to "simply become a market for EVs produced elsewhere in the world, relegating our car-making to ICEs".

He says the country risks being left with "stranded assets in the form of large assembly plant capacity" unless South Africa adjusts to EV production.

Patel released a Draft Green Paper in May 2021 on the advancement of new-energy vehicles (NEVs), which includes hybrids, battery EVs and fuel-cell vehicles. The paper outlines various policy instruments to address the current price differential between ICEs and NEVs, as well as for the local manufacture of EVs and components thereof.

Considering that three out of four South African manufactured vehicles are currently exported to the European Union (EU), including the UK, it is important for South African automakers to take note of developments in that market. It is forecast that 40% of new vehicle sales to Europe will be EVs by 2030, and this number will increase to 80% by 2040.

Making the transition to EV production promises to be a costly exercise and government has acknowledged that manufacturers



Electric revolution

BMW South Africa (SA) CEO Peter van Binsbergen is investigating securing hybrid and electric vehicle (EV) production for the Rosslyn plant, in Gauteng, as more than 60% of exports from the facility are currently destined for Europe and the UK.

Van Binsbergen emphasises that the current electric revolution is a seismic shift in the global automotive world, and that it requires, above everything else, that the entire local industry works together to tackle challenges head on.

"The entire auto industry in South Africa is intensely working on this right now. We need to make our industry futureproof, especially now that everything has moved faster than anyone expected, and particularly so in Europe, where a big part of the automotive industry's recovery from Covid-19 has been tied to electromobility incentives," Van Binsbergen was quoted in an *Engineering News* article in June 2021.

He has urged unions, government, component makers to work together, so that South Africa does not lose production volume to other countries. Van Binsbergen says there are two things he does not want South Africa to become.

"The one is [to be] the last country in the world to produce internal combustion engines (ICEs). So, while everyone goes electric, we fall behind.

"Secondly, we cannot produce new-energy vehicles (NEVs) for the world, but not sell them locally. That would also be wrong. It has to be part of our future."

NEVs are all types of propulsion other than ICEs, and include EVs and fuel cell vehicles.

The CEO is lobbying BMW headquarters to secure NEV production, saying that BMW SA wants to be part of the worldwide NEV production network.

The South African government has also been approached to give the car manufacturer the necessary tools to convince headquarters that it should be part of the network.

The South African government issued a Draft Green Paper on the Advancement of New-Energy Vehicles in South Africa in May 2021, with the aim of incentivising the production and sale of NEVs in South Africa.

He adds that it is important to include all types of NEVs in any new government policy document, as not all vehicle manufacturers are at the same phase in their production cycle.

"Some have just invested and have a full cycle to go. Maybe the next step for them is a battery electric vehicle. Others are at the end of their cycles and the next step would be a hybrid," Van Binsbergen explains.

This would also require a phased approach when rolling out support for NEV production.

A benefit of a phased approach is to consider how all technologies are unfolding across the world before fully committing to any specific one, Van Binsbergen says.

"Before we invest big in any technology, we, as South Africa, should allow it to become clearer what the best battery technology will look like.

Part of this phased approach should be to allow for South African vehicle manufacturers to initially assemble NEVs with more imported parts, with the intent to localise components as the model ages."

Van Binsbergen argues that "as soon as we add hybrid or EV production, a major component of those vehicles is a lithium-ion battery, and there are no local battery suppliers at the moment".

"The biggest challenge will be putting the current APDP localisation framework on an NEV," Van Binsbergen contends.

Government's Automotive Production and Development Programme, or APDP, currently provides support to local vehicle manufacturers, based mostly on the volume of locally made components used, as well as the number of vehicles produced.



Electric vehicle power cable pump plug

Source: *Engineering News*



need support. The Draft Green Paper considers ways of expanding the support provided to vehicle and components makers under the Automotive Production and Development Programme (APDP), to promote the production of EVs.

A number of the components needed to produce EVs are not currently made in South Africa. The current APDP, however, provides support to local vehicle manufacturers based largely on the volume of locally made components used, as well as the number of vehicles produced.

The Draft Paper states that EV production and value chain development policy should consider that there will initially be a cost premium to vehicle manufacturers in South Africa, based on the higher component import costs needed for EV assembly.

Temporary support, in addition to what is already known under the South African Automotive Masterplan 2035 and associated APDP, can help to bridge the gap and support the necessary local competency development. The policies are technology agnostic currently.

To that extent a key step would be the identification of a set of unique EV component technologies that are currently not considered feasible for localisation.

The paper also notes that the local industry may need to consider battery production as a “medium to long-term ambition”.

“Government, industry and labour are in agreement on the need for South Africa to seriously consider EV battery manufacturing, which can comprise nearly half the cost of the vehicle, as part of the 60% rules of origin requirement under the current free trade arrangements with the EU and the UK.”

The Draft Green Paper also focuses on addressing sluggish local EV demand. Globally, consumers have been offered incentives to buy EVs. This has not been the case in South Africa and the domestic EV market has remained insignificant.

EV sales in South Africa comprised only 92 units, or 0.02% of the total 380 206 vehicles sold in the domestic market in 2020, down from 154 units in 2019. Hybrid vehicle sales accounted for 232 units in 2020.

There is currently a considerable premium when a consumer buys an EV. This is mainly owing to the cost of the battery. Government acknowledges that a restructuring of the ad valorem tax payable on vehicles sold in South Africa may be needed to equalise the selling price between EVs and ICE vehicles.

Reducing import duties could stimulate demand. To import a battery EV from Europe costs 7% more in import duties (25%) than an average ICE car (18%).

Increased local demand will support domestic manufacturing and it, therefore, is critical to ensure that EVs are available and that customers are enticed to buy them.

naamsa is establishing an EV roadmap to stimulate EV demand among the general car-buying public in South Africa. The initial focus of the plan is to import more EVs into the country to familiarise people with the technology.

Consumer attitudes towards electric mobility are positive, according to the ‘2020 South Africa EV Car Buyer Survey’, conducted by AutoTrader – the biggest digital automotive marketplace in South Africa – and smarter mobility advocacy group Generation.e. They indicate that consumers are willing to buy EVs in the next five years, but they want a vehicle that costs less than R500 000 and they want more range and faster charging than what is currently the case with existing EVs. The cheapest EV currently on the local market is the Mini SE, which costs about R640 000.

Swedish car manufacturer Volvo, which is planning to build only fully electric cars by 2030, states that while EV sales are low in South Africa at the moment, there is potential for growth. “. . . when government steps up to support EV expansion – as has happened in other countries around the world – this will accelerate growth,” says Volvo Car South Africa MD Greg Maruszewski.

EV adoption is still hamstrung by the unavailability of EVs on the local market and the competitiveness of the offer. The lack of local supply is particularly striking in the entry- and mid-level market segment, with most available models competing in the high-end to niche segments.

Citing Yilo eMobility Programme, *Engineering News* reported in April 2021 that only 637 units of BEVs had been sold in South Africa between 2013 and the end of 2020. The BMW i3 led the rankings with 445 units, followed by the Leaf, at 94 units, and the Jaguar I-Pace, at 61 units.

The number of plug-in hybrids sold since 2015 has reached 653 units, with BMW’s i8 in pole position, at 315 units, followed by Volvo XC90, at 206 units, and the Land Rover Range Rover Sport, at 37 units.

Hybrid vehicle sales have reached 5 077 units since 2005, with the Toyota Prius in the number one spot, with sales of 1 171 units, followed by the Lexus RX, at 614 units, and the Toyota Auris, at 448 units.

Toyota South Africa Motors (TSAM) views hybrids as the ideal short- to medium-term solution to alternative powertrain adoption, owing to wide product availability, lower cost than BEVs and there being no requirement for infrastructure support, such as charging stations.



"Hybrids play a key role in familiarising the South African market with environmentally friendlier powertrains in general and pave the way for more battery-electric and fuel cell electric vehicles to be introduced in the mid- to long-term," says the local arm of the Japanese car and truck maker.

Accordingly, TSAM will introduce several hybrid Toyota- and Lexus-branded vehicles in South Africa over the next few years to complement the existing range, with these hybrids to also form part of local-assembly production from 2021. TSAM says it will introduce a BEV to South Africa before it brings in a hydrogen-powered vehicle.

BMW SA launched the Mini SE in South Africa in the fourth quarter of 2020. The Mini SE follows a new style of EVs, where a known model is turned into an electric car, and the vehicle is not manufactured on a purpose-built EV platform, such as the Nissan Leaf or BMW i3.

Nissan will not bring the successor model of the original Leaf – South Africa's first EV – to the local market and, instead, will focus on introducing the Ariya.

Mercedes-Benz South Africa (MBSA) has postponed the local introduction of its first fully EV, the EQC, to early 2022. The market introduction was initially set to take place in 2020, but it was postponed owing to disruptions caused by Covid-19. MBSA plans to introduce four EQ models in South Africa – the EQA (compact car), EQB (sports-utility vehicle, or SUV), EQC SUV and EQS (sedan).

Volvo Car South Africa will launch the Swedish luxury brand's first EV, the Volvo XC40 Recharge Pure Electric, in South Africa in the second half of 2021. This will be the first of five fully electric cars to be launched by Volvo over the next five years.



Mercedes-Benz's first fully electric vehicle, the EQC

Kia Motors South Africa plans to bring a single EV6 unit to the domestic market to gather intelligence and to conduct studies on the possibility of introducing this EV into the local market.

In its report to the DTIC and naamsa, Tips presents suggestions for improving the EV offering in South Africa. It states that implementing one or more of three key strategies will assist in reducing the upfront price differential of EVs, compared with ICE equivalents:

- Reducing the value-added tax and/or ad valorem duties on EVs through either a lower rate or by discounting the battery or fuel cell.
- Changing the customs duties to deliver a level playing field for EVs originating from the EU.
- Facilitating access to a preferential interest rate for EV finance.

Charging infrastructure

If the South African automotive industry is to sell more electric vehicles (EVs), the availability and quality of charging infrastructure should expand in tandem.

"You should be able to drive from Phalaborwa to Pretoria without fear of getting stuck next to the road," says naamsa | the Automotive Business Council CEO Mikel Mabasa.

While the country already has a (not so dense) charging grid, there is a need for more fast chargers that can charge an EV in 30 minutes or less. Facilities for a quick battery change should also be made available. There is also a need to accelerate the development of a common billing practice for the use of charging infrastructure.

"It's the same as using any bank card at any ATM. We need common charging infrastructure and billing systems that can work for all vehicle brands."

Mabasa says naamsa will engage the country's petroleum companies to try and convince them to roll out EV charging infrastructure. "South Africa has this wonderful infrastructure across the country. Why build new infrastructure?"

A second engagement will be with energy provider Eskom.

"We need to see how we can accelerate the introduction of EVs without causing any issues around power supply," says Mabasa. "We are also going to talk with independent power producers, as we believe some charging stations should be powered by alternative, clean energy. "We cannot simply erase the benefit of zero-emission EVs by charging them with electricity produced by coal."

Source: Engineering News



SECTOR SUPPORT

Government supports the local automotive manufacturing industry through an incentive scheme called the Automotive Production and Development Programme (APDP), which in 2013 succeeded its predecessor the Motor Industry Development Programme (MIDP).

Under the MIDP between 1995 and 2012, a total of 2.41-million vehicles were exported. Under the APDP between 2013 and 2020, vehicle exports totalled 2.58-million units.

In July 2021, the APDP's successor scheme, the APDP 2, comes into effect, placing local value-addition at the centre of support for the industry. The APDP 2 was initially due to come into effect on January 1, 2021, but the start date was postponed to allow for the finalisation of some support mechanisms at the South African Revenue Service.

The six-month delay to the implementation date has allowed for the Covid-19-induced production impact to normalise. Vehicle and component manufacturers will base their claims under the APDP 2 on production in the past two consecutive quarters. Had the APDP 2 started on January 1, all claims would have been based on quarters three and four of 2020, which would have provided a skewed picture.

The APDP 2 shifts support away from production sales values towards local value-addition, specifically through the introduction of a volume assembly localisation allowance, which will replace the current volume assembly allowance. The APDP 2 also increases the production incentive benefit from 20% to 25% on components and will support the export of semi-knocked-down kits to regional markets.

Production duty credits that are tied to local value-addition at duty value replaces the production rebate credit certificate. The APDP 2 retains the Automotive Investment Scheme cash grant for capital investments and has been set at 20% with investments in green mobility solutions at 30%.

The APDP 2 will operate within the framework of the South African Automotive Masterplan (SAAM) for 2021 to 2035.

The SAAM calls for a major reappraisal of the automotive industry. Its vision is to increase South African vehicle production to 1% of global production by 2035.

The plan calls for the more than doubling of vehicle production, from

600 000 units in 2019 to 1.40-million units a year by 2035 and average local content rising from 40% to 60%.

Achieving a 60% local content rate by 2035 will improve the competitiveness of the local industry as it will create less reliance on overseas suppliers, reduce dependence on long logistics chains and reduce currency exposure, while also increasing jobs and new business opportunities in the industry, introducing new technology and skills.

Together, it is intended that they will make space for the mass creation of black-owned components suppliers where almost none exist today. The APDP 2 originally required multinational vehicle manufacturers to cede shares in their South Africa subsidiaries to black partners.

Faced with a blanket refusal, government has accepted a trade-off by which the industry's seven main original-equipment manufacturers (OEMs) established a R6-billion transformation fund to establish black suppliers.

The Automotive Industry Transformation Fund, or AITF, is fully operational. naamsa | the Automotive Business Council reported in February 2021 that along with the seven OEMs, 32 multinational tier-one component suppliers were in the process of joining the AITF, while truck and bus companies, as well as independent vehicle importers, would be joining soon.

Meanwhile, the APDP has no direct incentive for producing alternative drivetrain technologies.

Mercedes-Benz South Africa is the first local vehicle manufacturer to advance into alternative technologies, with the manufacturing of the C-Class plug-in hybrid electric vehicle at its East London plant. This was in 2016 and not much progress has been made beyond this first step.

naamsa has indicated that it will engage government to revisit the APDP to also cover electric vehicles (EVs) and components, especially as the country's main export markets shift to EVs.

Regarding technology transfer, the SAAM aims to increase the technological content of the domestic industry. It argues that developing the skills and technologies most needed in South Africa could strategically position the country to becoming an early mover in the continental automotive hub of the future.



AFTERMARKET INDUSTRY

The automotive aftermarket industry is the market for motor vehicle spare parts, tools and components after the vehicles are sold to consumers. This market also includes maintenance and repair services sold by dealerships to consumers.

Key role players include companies involved in the manufacturing, distribution, retail, service and repair of motor vehicles.

Big changes are coming to the aftermarket landscape in South Africa on July 1, 2021, when new guidelines issued by the Competition Commission come into effect.

These guidelines are aimed at removing restrictions imposed by original-equipment manufacturers (OEMs) on car owners pertaining to service providers for service and maintenance, as well as replacement parts for their motor vehicles.

For the first time ever, owners of new cars will have the right to repair or service their vehicles at an independent provider of their choice. Owners will not be locked into embedded motor or service plans, and vehicle manufacturers will not be allowed to void warranties if owners choose to go with an independent service or repair provider.

The intention is also to allow for nonoriginal spare parts.

Five key changes, as outlined by automotive parts provider Autoboy's CEO Filum Ho, include:

1. Dealerships, OEMs cannot lock buyers in

As per the new guidelines, OEMs cannot obstruct owners from seeking service, maintenance, or mechanical repair work for their new motor vehicle at an independent service provider (ISP) of their choice. Consumers still have the right to seek these kinds of services from their approved dealership, but they now have the additional option of going to an ISP if they so wish.

2. Unbundling of plans at point of sale

There will be an unbundling of maintenance plans and service plans at the point of sale from the purchase price of the motor vehicle. This will enable consumers to exercise choice regarding whether they want to buy the maintenance plan or service plan from their dealership or from an independent provider. This is common practice elsewhere in the world. In the instance where a car is written off, OEMs and independent providers must transfer the

Ford to help dealers speed up repairs through wearable tech

Ford Motor Company of Southern Africa is rolling out a new, high-tech approach to vehicle repairs at its dealerships.

The local arm of the US car maker has conducted a pilot study of the RealWear HMT-1 Hands-free Remote Collaboration Tool. The technology remotely connects Ford dealership technicians with the company's Technical Assistance Centre, staffed by experienced support personnel and field service engineers, enabling them to collaborate on vehicle service issues and repairs.

Using the RealWear HMT-1's high-definition camera, flashlight, array of microphones and voice-activated controls, dealership service technicians can demonstrate technical issues to the engineer and receive immediate real-time support.

Ford engineers, in turn, can control the direction of the camera, take photos and notes and even share screens from service bulletins and wiring diagrams with the technician through the built-in display on the headset, thereby enabling him or her to remain hands-free while conducting the repairs.

"It enables a reduction in vehicle downtime as the dealer no longer has to wait for a field service engineer to be sent out to assist," according to Ford Middle East and Africa service engineering operations director Pieter Verster.

The virtual assistance is available immediately, enabling the technician to repair the vehicle quickly and return it to the customer without delay.

The time and travel costs associated with getting a field service engineer to the dealer are also eliminated with this technology, particularly in remote locations.

The technology is expected to increase productivity from a dealership perspective.

Initially, Ford aims to roll out the system to all its dealers in the major centres in South Africa, and have additional units that can be sent to dealers in remote areas when they need assistance.

The company is also working on introducing the RealWear tool to remote regions in sub-Saharan Africa and the Middle East to better serve its dealers and customers in these markets.

Verster says the RealWear strategy complements the launch of the Ford Repair Centre concept, which supports Ford dealers should they have a vehicle that is difficult to repair.

The vehicle is transported to the repair centre where a highly trained technician takes charge of the case, and where the technician can also rely on the RealWear technology. The technician also has direct access to the Technical Assistance Centre hotline, if necessary, to expedite the repairs.

Source: Engineering News



maintenance plan or service plan to a replacement vehicle. Dealerships or independent providers must also disclose all information regarding the maintenance and repair of their vehicles, as well as the terms and conditions thereof.

3. Fitting nonoriginal parts

Consumers will be able to fit original or nonoriginal spare parts, whether by an approved dealer, motor-body repairer, or an ISP, during the in-warranty period. The quality of these parts will be dealt with in line with consumer protection laws, as well as existing warranties.

4. More accessible dealership choices

In South Africa, motor dealerships have traditionally been large showrooms, situated mainly in suburbs, towns and cities. There have historically been few dealerships situated in townships or outlying areas. With the new guidelines, the Competition Commission has set out that OEMs must lower the financial barriers and location requirements for new dealerships to boost their footprints. This must still be balanced with the need for economic rationale, but it could unlock a new market.

5. Insurers must give you more choice

Other changes outlined in the guidelines are set to particularly impact the way insurers deal with repairs, especially when car parts are out of their warranty period.

These changes include that insurers will need to offer consumers more choice of repairers within geographic areas for out-of-warranty repairs.

Insurers are expected to approve any repairer that meets their standards and specifications to undertake repairs on out-of-warranty vehicles.

Mobility group Motus CEO Osman Arbee says the changes will affect only 2.50-million vehicles out of a national car parc of 12.50-million vehicles.

Although the guidelines will produce some short-term challenges, he believes that it will also provide "fantastic opportunities" to be exploited over the long term.

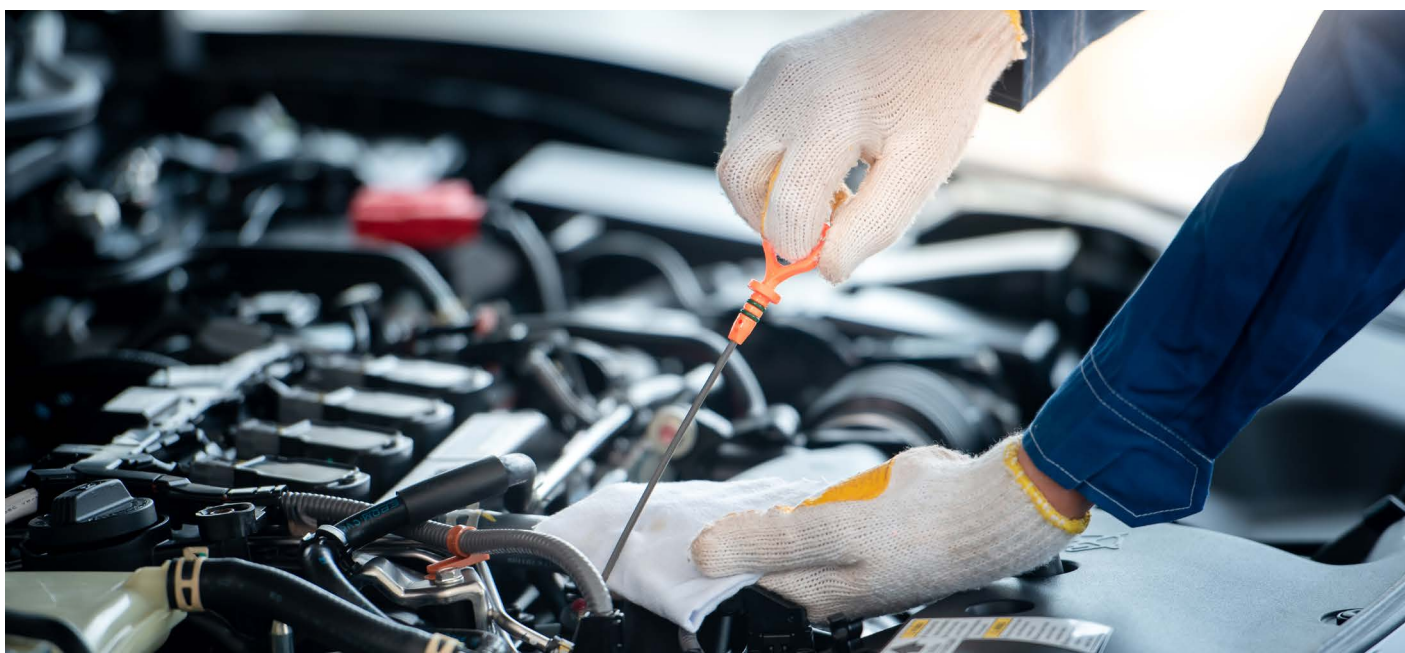
The guidelines will allow for more small and medium-sized enterprises and historically disadvantaged individual-owned firms to participate in the lucrative aftersales value chain.

OEMs have been in disagreement with independent workshops over the so-called right-to-repair issue for a number of years, with motor manufacturers fearing the new rules may threaten the profitability of franchised dealerships.

naamsa | the Automotive Business Council confirmed in March 2021 that it supported the guidelines, although it may not entirely agree with the manner in which the commission has pronounced itself on some of the key substantive issues contained in the guidelines.

The implementation of the guidelines, naamsa notes, will give impetus to the automotive industry's strategy on transformation.

"The guidelines are one of many interventions necessary for us to accelerate our transformation ambitions as adopted in the South African Automotive Masterplan – 2035," naamsa CEO Mikel Mabasa asserts.



LABOUR

The automotive industry makes a substantial contribution to employment in South Africa. The sector employs workers across various skills levels.

In 2019, 468 000 formal jobs were supported by the automotive industry. A further 588 273 formal jobs were created through industry linkages with other industries in the value chain. In total, the automotive industry supports more than one-million employees in the formal sector.

The automotive sector's contribution to the total compensation of employees in the formal and informal sector is 3.50%, about R78.70-billion, the naamsa | the Automotive Business Council reports, citing Econometrix.

Employment in automotive manufacturing decreased in 2020, from a monthly average of 30 250 in 2019, to 29 926 in 2020. Employment in the automotive component sector also decreased, from 80 000 in 2019 to 76 800 in 2020.

In the automotive retail aftermarket, many jobs were also lost. According to statistics from the Motor Industry Bargaining Council, 16 183 jobs were lost in the South African auto retail aftermarket from March 1 to September 30 – not just dealerships.

The cataclysmic effect Covid-19 has had on local industry has made development interventions even more imperative.

Meanwhile, skills shortages are intensifying in the industry, says National Automotive Dealers Association national director Gary McCraw. He notes that there is a mismatch between business's evolving demands and the skills furnished by the education system, and/or insufficient numbers of people trained in the high-demand skills.

McCraw believes South Africa must make specialised technical skills in fields such as electronics, coding, robotics, artificial intelligence and cloud computing more appealing to youths.



CLEANER FUELS

There has been no progress on introducing cleaner fuel to South Africa since government withdrew the regulations regarding the Clean Fuels 2 (CF2) programme in 2017. CF2, first published by government in 2012, was originally scheduled to come into force in July 2017.

CF2 aimed to significantly reduce the diesel and petrol sulphur content in fuel, aligning South Africa's fuel standards more with international norms. CF2 would have allowed for newer, more fuel-efficient vehicle engine technology to reach South Africa, which requires cleaner fuel than the current generally available standard.

The policy would also have meant that existing refineries would have had to upgrade their facilities to comply with the new regulations. However, refinery owners indicated their inability to carry these costs, estimated to be \$3.90-billion, with the programme seemingly reaching an impasse owing to the lack of

an agreed-upon cost-recovery mechanism between industry and government.

After being impacted on by the pandemic, oil companies are even more unlikely to upgrade refineries unless government allows for them to pass the cost on to consumers or offers other support, says the South African Petroleum Industry Association (Sapia). The organisation states that the country's six refineries are effectively "under review" and that some of them will have to make very difficult decisions. The likely scenario will be to either convert a refinery into an import facility or dispose of the refinery altogether. Engen has already indicated that it will repurpose its refinery in Durban, KwaZulu-Natal, as a fuel importation terminal.

This means that South Africa will increasingly rely on fuel imports. Currently, South Africa imports about 40% of its fuel requirements and Sapia estimates that this may shift to 60% in the long run.



AFRICAN AUTOMOTIVE MARKET

With a relatively young population, growing middle class and rapid urbanisation, Africa is considered a frontier for the automotive industry – a continent with the potential to be an automotive industry powerhouse.

Africa has a low motorisation rate of 42 cars for every 1 000 individuals, compared with a global average of 182 vehicles for every 1 000 individuals. The rate of motorisation can be improved with the implementation of well-coordinated, effective automotive policies and ecosystems, says the Africa Association of Automotive Manufacturers (AAAM).

The AAAM, which was established in 2015, focuses on the expansion and deepening of the automotive industry across the African continent. Encouraged by automotive-friendly policies in many African countries and the adoption of the African Continental Free Trade Area on January 1, 2021, the South Africa-based AAAM is negotiating with several governments to enable the creation of an interlinked set of regional industries.

Only South Africa and Morocco have fully fledged automotive industries and they are reliant on exports to sustain their production.

Incentives will play a key role in attracting investors and original equipment manufacturers (OEMs) to manufacture in Africa. Although many countries on the continent do not have the financial means to extend incentives to the industry, the AAAM says governments could protect their nascent automotive industry from cheaper used car imports. South Africa and Morocco have partially banned the

import of used cars and Ghana has recently instituted a policy to limit used car imports. The strategy is succeeding and German automaker Volkswagen has established operations in the country and several other OEMs have proposed to do the same.

As most African markets are not individually large enough to sustain an automotive industry, integration into a regional or continental market could boost the size of the market to become viable to support an automotive industry.

AAAM's vision is to work with strategic partners, such as the African Export-Import Bank (Afreximbank) and the African Organisation for Standardisation (ARSO), to develop a Pan-African Auto Pact, which envisages the establishment of an African Automotive Development Plan, built around a few assembly hubs in the central, south, east, west, and north of Africa.

"These hubs are then supported by a spread of value-adding activities in neighbouring economies," AAAM CEO David Coffey explains.

This will ensure that there is industrial development in all participating countries, and that commensurate economic benefits are distributed among these countries.

At the Africa Automotive Forum, in September 2020, the hub-and-spoke model was proposed as an example of enabling multiple countries in one region to share the benefits of having an automotive industry. Embedding a hub-and-spoke production model means vehicle components may be manufactured in different countries across

African auto industry financing MoU signed

The African Export-Import Bank (Afreximbank) and the African Association of Automotive Manufacturers (AAAM) have entered a memorandum of understanding (MoU) for the financing and promotion of the automotive industry in Africa.

"The strategic partnership with AAAM will facilitate the implementation of the bank's automotive programme, which aims to catalyse the development of the automotive industry in Africa as the continent commences trade under the African Continental Free Trade Area (AfCFTA)," says Afreximbank president Professor Benedict Oramah.

Under the terms of the MoU, Afreximbank and AAAM will work together to foster the emergence of regional value chains, with a focus on value-added manufacturing, created through partnerships between global original-equipment manufacturers, suppliers and local partners. The two organisations plan to undertake studies to map potential regional automotive value chains on the continent in regional economic clusters, to enable the manufacture of automotive components for supply to hub assemblers.

To support the emergence of the African automotive industry, they will also collaborate to provide financing to industry players along the automotive value chain.

Potential interventions include lines of credit, as well as direct, project and supply-chain financing, guarantees, and equity financing, among others.

The MoU also provides for the partners to support, in conjunction with the African Union Commission and the AfCFTA secretariat, the development of coherent national, regional and continental automotive policies and strategies.

Source: Engineering News



the region (spokes), which are shipped to the assembly country of the region (hub). An example of a thriving hub-and-spoke model in the automotive sector is that of the Association of Southeast Asian Nations regional organisation members. Vehicle components are manufactured in five of the member countries – Indonesia, Malaysia, the Philippines, Vietnam and Singapore – and are shipped to Thailand, where vehicles are assembled.

Harmonised African automotive standards are, therefore, essential for the long-term success of the Pan African Auto Pact.

The AAAM is working on harmonising standards across the automotive sector. In June 2021, it announced the project was progressing well with the Afreximbank continuing its support for the ARSO.

Afreximbank has adopted an automotive strategy under which the bank is supporting the development of automotive regional value chains, automotive financing, industrial policy and capacity building.

The automotive sector standards are to be adopted by individual African countries, facilitating cross-border trade, under the African Continental Free Trade Agreement (AfCFTA). “The harmonised standards will pave the way for the elimination of tariff and nontariff barriers, to widen the markets for Africa’s automotive industry under AfCFTA,” ARSO secretary-general Dr Hermogene Nsengimana contends.

There are 1 432 international automotive standards worldwide, developed mainly by the International Organisation for Standardisation and the American Society for Testing and Materials.

To initiate the process of developing African automotive standards, ARSO has prioritised what are referred to as ‘Whole Vehicle Standards’, encompassing motor vehicle components, accessories and replacement parts.

It is expected that about 250 standards will need to be harmonised, based on the basic components, accessories and replacement parts that are necessary to keep a vehicle safe and operational.

ARSO had initially targeted 18 basic standards, based on the demands of the industry. However, since inception of the project in 2019, ARSO has, with the support of Afreximbank, been successful in harmonising 42 international standards, well above the 18 targeted.

An initial grant provided by Afreximbank has been crucial in highlighting the importance of harmonising standards in the automotive sector and has opened the way for other partners to participate.

The Physikalisch-Technische Bundesanstalt, in Germany, has agreed to fund the second phase of the project, targeting a further 100 standards, with the goal of reaching 250 standards by the end of 2022. Meanwhile, the AAAM has been appointed to develop an

automotive policy for the Ethiopian government that will encourage global OEMs and component manufacturers to invest in the country. The policy will be completed by the end of October 2021.

In addition, an automotive training programme for existing assemblers and workshop owners will be developed and piloted along with the development of a foundational concept note to create a centre of excellence to train local people for the highly skilled jobs that the industry will need.

Ethiopia is an important assembly hub in the East Africa region. With a population of more than 100-million and a low motorisation rate of two vehicles for every 1 000 inhabitants, the potential of Ethiopia is significant with the right ecosystem in place; the integration of Ethiopia into the regional and ultimately continental single market will provide scale that will facilitate competitiveness.

Elsewhere on the continent, Ghana in March 2020 approved its automotive policy. Volkswagen in August 2020 started assembling vehicles in that country and Toyota and Nissan will follow suit before the end of 2021. Another three OEMs have registered as assemblers.

Some component manufacturing in Ghana has started and further development is under way. An exploratory visit in March 2021 introduced international component manufacturers to Ghana. Following the visit, a memorandum of understanding was signed between Supreme Springs, a subsidiary of JSE-listed Metair, and Springs and Bolts, based in Ghana.

In Kenya, an announcement on the adoption of that country’s auto policy is imminent.

Egypt is also considered a key participant in the AAAM’s vision for Africa.

Botswana high commissioner to South Africa Tshenolo Modise says the country could host and provide a base for some of the component manufacturers that wish to supply the auto industry in South Africa.

Apart from component manufacturers supplying South Africa’s vehicle manufacturers, Modise adds that Botswana is also targeting replacement parts manufacturers, such as those making bumpers, carpets and brake pads, to establish businesses in Botswana and use the country as a base for exports to the rest of Africa.

None of this is possible without rules of origin, however. In June 2021, former South African Trade and Industry Minister Alec Erwin said at a seminar organised by the AAAM that rules of origin will make or break plans to create a pan-African motor industry. Erwin argues that rules are the building blocks of any industrialisation strategy and that without them, Africa cannot be included in global manufacturing pacts.



OUTLOOK

The growth of the automotive sector is closely linked to the economy's performance. With a rebound in domestic and global gross domestic product growth rates generally anticipated for 2021, there is a feeling of cautious optimism among the automotive sector CEOs.

Improved economic growth rates – the National Treasury is forecasting an expansion of 3.20% for 2021 from a contraction of 7% – bode well for South Africa's automotive market and commentators believe that the industry could claw back some losses experienced in 2020.

The new-car market should improve on 2020 and the used-car market should also retain its buoyancy. New-vehicle exports should also witness some growth, while the potential tide of job losses at retail level has been stemmed.

"In general, the CEOs across all vehicle manufacturing segments, as well as the CEOs of the independent vehicle importers are fairly positive that domestic new-vehicle market performance indicators and market conditions are likely to improve over the next six months," industry representative body naamsa | the Automotive Business Council said in February 2021.

TransUnion Africa, however, warns that new-vehicle price increases are well above the inflation rate and that it could deter sales as consumers remain financially constrained. As inflation drives up new-car prices, there is a greater demand for used vehicles, which, in turn, drives used-vehicle prices up as well.

Considering that the 2020 new-vehicle market recorded its lowest aggregate sales total in 18 years, addressing the Covid-19 risks and overcoming the severe economic downturn remain imperative for the revival of the automotive industry over the medium term.

The full recovery to pre-Covid new vehicle sales levels could take up to three years to achieve and much will depend on the improvement in the economic climate.



Where 2020 was a time of keeping the lights on for many dealers and industry players, TransUnion Africa auto information solutions VP Kriben Reddy believes the theme for 2021 will shift more to refocusing and recovery as the industry adapts to new buying patterns and customer behaviours.

Besides dealing with a pandemic-related recovery, the domestic automotive industry is also challenged to redefine its future as the mobility revolution accelerates and more countries turn to electric vehicles (EVs).

The ban on new internal combustion vehicles in some of South Africa's export markets, most notably the UK, will require accelerated discussions action to ensure the domestic industry's future.

The world is progressing from an industry that, for a century, has relied on vehicles that are mechanically controlled and petrol- or diesel-fuelled to ones that will soon be interconnected, electronically controlled and fuelled by a range of energy sources.

"The automotive industry will change faster in the next ten years than it has in the last 100 years," says naamsa CEO Mikel Mabasa, echoing a sentiment expressed by other commentators.

The reality is that the world is changing to EVs, and the South African automotive industry must embrace that change.

Industry sales, exports and production			
	2020	2021 (f)	2022 (f)
Total aggregate market	380 206	438 000	463 000
Total aggregate exports	271 283	315 700	335 900
Total domestic production	447 213	523 700	556 900

Source: naamsa | the Automotive Business Council



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