

**SPEECH BY THE PRESIDENT OF NAAMSA, MR ANDREW KIRBY: INVESTMENT SUMMIT (26<sup>TH</sup> OCTOBER 2018)**

President Ramaphosa, distinguished guests from the International and local investment community, honoured guests, Ladies and Gentlemen,

On behalf of the South African Automotive industry, I would like to thank you for the opportunity to share our Investment plans, which we are confident will assist in contributing towards a prosperous South Africa.

A joint Initiative and commitment by the South African Government, Labour and Business – in the mid 1990's, resulted in the introduction of the Motor Industry Development Programme in September, 1995 followed by the Automotive Production and Development Programme from 2013 through to end 2020. These auto industry specific Trade Related Investment Measures have led to major structural changes in the industry including significant rationalisation in production from 42 model platforms twenty years ago to 12 today with 4 models currently at or near 100,000 units per annum. These successful Government interventions have resulted in improved economies of scale, reduced complexity for the component supplier industry, significant local value addition and high technology transfer. Importantly, these government initiated auto policies facilitated the industry's integration into global auto manufacturing through internationally competitive vehicle assembly and globally competitive component suppliers. Major structural changes have contributed to sustained manufacturing, the provision of viable and stable employment and offering local consumers affordable, high quality vehicles and significant product variety.

The Automotive Development Programmes, formulated on the basis of extensive consultation with industry stakeholders, represent a carefully structured set of provisions to support the development of the industry by balancing the interests of consumers, the broader auto industry and Governments' objectives.

Of significance is that **stability in the industry's developmental policy framework was the key factor supporting massive investment by leading**

**multi-national automotive corporations in South Africa** ensuring growth and development of the industry.

These Development Programmes laid the groundwork for SA automotive production to be globally competitive as is evident in the high quality of vehicle exports which represent the outstanding feature of the Motor Industry Development Programme and the Automotive Production and Development Programme from 1995 to date with over 4 million vehicles having been exported. The total export value of vehicles and components over that period exceeds R1.47 trillion. In 2017, exports of both vehicles and automotive parts grew to R165bn. The industry remains on target to produce about 700,000 vehicles in 2020 of which about 410,000 (59%) will be earmarked for export. This is up from 604,000 total industry production in 2018 of which 340,000 (56%) will be exported.

Together with Government and Labour, the industry has robustly participated in the formulation of the Automotive Policy Regime or the 'South African *Automotive Industry Master Plan*' (SAAM) which will run from 2021 through to 2035. The Master Plan comprises a set of aspirational targets, namely, that by 2035 the industry should aim to achieve 1% of global production with significantly higher levels of local content and employment, an improvement in competitiveness to that of leading international competitors, transformation and enhanced value addition throughout the automotive value chain. The details of the Master Plan, which still needs to be announced by Minister Davies, is likely to provide the industry with a stable policy and support framework that should enable automotive companies in South Africa to invest with a high level of confidence.

Without exception, the major multi-national corporations represented in South Africa have adopted a long term strategy ensuring that the South African automotive industry continues to serve as the leading manufacturing engine for economic growth and the catalyst for sustainable development in our country. In terms of a more immediate time horizon, the 7 OEM's representing the Manufacturers in SA, namely, BMW, Ford, Isuzu, Mercedes Benz, Nissan, Toyota and VW, combined will significantly increase investment over the next 5 years. As an Industry, we will not be making any Individual company announcements as the 7 OEM's are confined to Global Schedule's for

Investment announcements. Domestic volumes are not expected to increase significantly, but export volumes are being tackled aggressively. To this end we see **40 billion rands worth of investments over the next 5 years**, which will bring new model tooling, advanced manufacturing technology and additional localisation of parts to the South African shores. This level of investment should be viewed within the context of the long investment cycles for automotive manufacturers and the recent investments over the past 12 months of over R16bn by Mercedes Benz and VW.

These investments will facilitate increased purchases of **locally produced components** in the region by R25b, thereby improving the local content from 39 to 42%. This, combined with the increase in local production volumes of roughly 20% will in turn increase employment by about 18, 000 in the OEM's & OE component suppliers. With over 76% of our workforce being skilled and semi-skilled and 17% highly skilled, this presents a strong opportunity to strengthen our national skills base towards industrialisation.

This will in turn result in an increase of both direct and indirect employment within the automotive value chain of around 54, 000 jobs. This improvement in localisation will also create opportunities for a significant increase in Black Owned suppliers.

With regards to transformation, the industry has identified that a key component of future equitable development and growth can only be driven by meaningful change. At an industry level the current focus is on an ambitious multi-billion Rand initiative known as the 'OEM Transformation Fund' – a proposed black managed fund to drive auto industry black supplier development, upstream enterprise supplier development, downstream dealer initiatives and job creation.

We are fortunate in South Africa to have a well-developed and strong supplier and manufacturing base which is well positioned to leverage significant future growth opportunities in the Africa. With continued support from Government, we believe there will be a noteworthy increase in capital investments over the next 5 years, laying the foundation to support the aspirations of the Masterplan by 2035.

Thank you.