

GAUTENG IN PRIME POSITION TO BENEFIT FROM GROWTH IN THE AUTOMOTIVE INDUSTRY

Ms Amanda Nair, CEO of Blue IQ

28 June 2011

Gauteng is now firmly established as the leading hub of the vehicle manufacturing sector in southern Africa and the province is well positioned to benefit from expected new initiatives.

The South African government has consistently emphasised the importance of the automotive industry to the local economy. The key initiatives to grow and support the industry to produce 1.2 million vehicles by 2020 are set out in the “New Growth Path” plan and the “Industrial Policy Action Plan”.

These are underpinned by incentive programmes like the Motor Industry Development Programme (MIDP) and its successor, the Automotive Production and Development Programme (APDP) – that will become effective in 2013.

The focus of current government policy is on converting the market from one based only on small scale local consumption to that of large scale manufacturing and exports. As the leading economies move away from the trend of exporting fully built up vehicles (partly due to very high logistics costs), countries like South Africa are becoming the new transnational regional hubs for assemblers.

Gauteng’s strategic location and its leading role in the regional economy place it an ideal position to benefit from these trends. In 2009, 41% of all light motor vehicle manufactured in South Africa came from Gauteng. The province hosts three of the seven local vehicle assemblers, namely Nissan/Renault SA, BMW SA and Ford Motor Corporation of Southern Africa. It is also home to some 164 automotive component manufactures, producing a wide range of products.

The importance of the auto sector to the local economy is reflected in the priorities of the Provincial Government. The Gauteng Employment Growth and Development Strategy (GEGDS) – released in 2010 – singles out the automotive and component industries for future infrastructure investment, policy interventions and growth incentives from the side of the Province.

Blue IQ’s mandate is to deliver strategic economic infrastructure to the province and to contribute to job creation and the growth of a diversified economy. The automotive industry has been regarded as a logical sector for growth with Blue IQ making strategic investments in training and logistics

through its subsidiaries, the Automotive Industry Development Centre (AIDC) and the Automotive Supplier Park, both situated in Rosslyn.

The AIDC focuses primarily on supply chain development, supplier development and skills development and training. It also facilitates investment, both local and foreign, in the sector.

The Automotive Supplier Park (ASP) is a Gauteng infrastructure initiative aimed at improving logistics competitiveness for the local automotive sector. They offer prime location, property management and development, business and shared services and optimised logistics service.

A number of recent developments have underlined the importance of the automotive sector for the economy of Gauteng and indicated how this industry can contribute to the broader objectives of job creation, skills development and broad-based black economic empowerment:

- A world-class Supplier Incubation Facility (SIF) has been launched in Pretoria as a joint initiative between the Gauteng Provincial Government and the Ford Motor Company of Southern Africa.

This is a R100 million investment in the vehicle manufacturing industry and a vital injection in the economy of Gauteng. The provincial government has committed R50 million for the construction of the facility and an additional R15 million for start-up costs for BBBEE. A further R32 million is allocated for training and development programmes at the assembly plant.

- Ford has announced an investment of about R3,4 billion to manufacture its new Ranger pick-up truck in South Africa.
- BMW committed an additional R2,2 billion to its facilities in Rosslyn to introduce the latest vehicle and production technology at the plant.
- India-based Mahindra, the world's largest manufacturer of tractors, said market conditions in South Africa have improved to such an extent that it is considering building a local factory. South Africa would be Mahindra's "gateway to the rest of Africa" according to its statement.

These announcements indicate that there is, indeed, life in the automotive industry and that it will be able to play a leading role in the country's economic recovery.

Speaking at the recent opening of the Volkswagen distribution centre, Deputy President Kgalema Motlanthe said the automotive sector still has a way to go when it comes to empowerment, skills training and procurement of supplies

from black-owned enterprises. Given the fact that the automotive industry contributes more than 25% of the country's manufacturing gross domestic product, there should be significant opportunities opening up for BEE companies.

The initiatives launched by Blue IQ are designed to meet these challenges through dedicated training programmes and the integration of black-owned enterprises into the supply chain of the major manufacturers. The technology support and skills transfer inherent to these projects will provide an ideal learning ground for emerging companies.

The success of recent projects confirmed Gauteng's ability to conceive and execute public/private partnerships in the automotive manufacturing sector. There can be little doubt that it has strengthened the province's reputation as an attractive destination for investment that will, ultimately, benefit the entire continent of Africa.

The South African Automotive industry is entering a new period of sustained growth. Gauteng finds itself at the centre of that growth path, with a vision to become the leading region for the future of the automotive industry in Africa.

Ends

Ms Amanda Nair is CEO of Blue IQ, the agency responsible for strategic infrastructure development in Gauteng.