

From survival to significance: the role of the SA automotive sector

By  Mike Whitfield

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There have been many success stories in South Africa's short history as a democracy. Our banking sector has bloomed, global trade has increased, and the country has delivered some world-class political, business and academic leaders.



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One sector, in particular, has made a dramatic change since 1994, yet its growth is often overlooked. The automotive sector has jumped in the 23 years of our democracy to South Africa's largest manufacturing sector and an industry that is eight times larger than it was two decades ago.

Today, the automotive sector exports vehicles and components to most countries in Africa and to many countries around the world, including some of the most demanding markets such as Germany, Japan, and the United Kingdom.

The South African automotive sector, including all up- and downstream related sectors, represents over 7% of the country's gross domestic product and perhaps more importantly, it is one of the best paying and most stable employers in the country.

Industry and policymakers working together

Much of the past two and a half decades of growth is attributable to the symbiotic relationship between policymakers, specifically the department of trade and industry (DTI), and vehicle manufacturers.

The DTI created the *Motor Industry Development Plan* (1995–2010), which gave all the large manufacturers a stable planning environment and clear targets. Under this plan, all local vehicle manufacturers became part of their respective global brands and started consolidating their manufacturing to a smaller number of models in larger volumes, giving them the benefit of scale and access to global export markets.



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This was followed by the *Automotive Production and Development Plan* (2012–2020), which extended the industry's long-term planning window and guided its investment planning into the further development and modernisation of its local manufacturing base.

Towards the end of this year, we expect the third industry plan to be published for comment. Called the *South African Automotive Master Plan* (SAAM), it will guide industry investment in the period 2020 to 2035.

The next step – deepening economic impact

While there is no doubt that SAAM will continue the tradition of positive cooperation between the DTI and the automotive sector, it will be expected to guide the industry towards deepening its economic impact in South Africa. This would be a logical progression from the goals of the MIDP (international participation and local consolidation) and the APDP (modernisation and investment).

Deepening the industry's local impact is an exciting goal and one that holds a lot of promise for economic growth. Consider the fact that the auto sector, defined in its widest sense, employs over 920,000 people of whom 78.5% are categorised as medium or highly skilled.

Research by the National Association of Automobile Manufacturers (NAAMSA) shows that the industry in fact added over 1,200 jobs in the last 18 months – despite difficult economic conditions.



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On another level, the industry is supported by over 500 local component manufacturers and many more related suppliers in industries such as steel, petroleum, import and export services, logistics and retail. By increasing local content – both in value and volume – the industry could dramatically increase this number and the related job opportunities.

Finally, a deepening of its local impact will give manufacturers an opportunity to drive equity transformation in the component industry and so support the call for a new generation of black industrialists in South Africa.

Long road ahead

The SAAM policy framework will be introduced in a rapidly changing world where the automotive sector is pulled between the need for affordable and reliable transport in developing markets – such as the African markets on our doorstep – and

the need for more technological complexity and alternative propulsion in developed markets – to which many local manufacturers export.

Ultimately, SAAM has the potential to guide the industry through this period and again transform the automotive sector for the benefit of the economy as a whole, but it will require the complete commitment of local vehicle manufacturers.

Its success also relies on the support of its labour partners to ensure that South Africa remains a competitive and stable member of the global automotive supply chain while extending its role in developing the local economy.

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