

Media Release

Automechanika Leading International Trade Fair for the Automotive Sector
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THE SOUTH AFRICAN AUTOMOTIVE INDUSTRY – THE WAY FORWARD

The South African new vehicle manufacturing industry is expected to invest more than R3,6 billion in production facilities, land and buildings, and OEM support structures this year – the second highest figure in the last 12 years. This is despite the global economic and financial meltdown which has already had a significant impact on the local industry.

This is according to David Powels, MD of Volkswagen SA and President of the National Association of Automobile Manufacturers of South Africa (NAAMSA).

Mr Powels was addressing an assembly of more than 150 delegates, representing every category of the local automotive industry, at the first Automechanika SA trade fair at the Expo Centre, Nasrec, in Johannesburg today. The topic of his address was: The SA Automotive Industry: Where We Have Come From; Where Are We Going?

The capital expenditure expected in 2009 follows an investment of just over R3 billion in 2007 and R3,290 billion in 2008.

“The industry is still investing and the profits it made in the good years are being ploughed back in local operations,” Mr Powels said.

Although the South African automotive industry is fairly insignificant in global terms – with a production of 534 490 vehicles in 2007, or 0,7% of international production, the local industry rated 24th in the world – the NAAMSA Chairman stressed that it played a significant role in the South African economy.

More

Automechanika South Africa, 18 - 21 March 2009

Its share of the SA GDP amounted to 6,9% in 2007 (down from 7,5% in 2006), it is a major employer with 35 900 employees in 2008, and with vehicle and component exports worth some R50 billion in 2008 (282 984 passenger cars and light commercial vehicles were exported), it is a major earner of foreign currency.

Local vehicle buyers have reaped significant benefits from the development of the local industry over the last 14 years, Mr Powels stated. In January 1994, for example, buyers had a choice of 192 models from 17 manufacturers. Up to February 2009 this choice has exploded to 1 336 models from 59 manufacturers.

Customers have also benefited from the huge strides the industry has made in productivity and quality. "For example, over the last 10 years the industry has seen a 50% gain in productivity, while quality has dramatically improved from 230 PP100 (problems per 100 vehicles) in 1998 to 103 PP100 in 2008," Mr Powels said.

According to the NAAMSA president, the local industry has achieved significant transformation from an inefficient and completely protected local industry to a globally competitive industry of the past 10 to 12 years.

- There has been a significant improvement in quality and productivity, together with progressive economies of scale with local platforms down from 42 to 8.
- The average volume per model (passenger cars and LCVs) produced increased from 9 000 to 29 300 units.
- In 2008, three models had a production of more than 40 000 units, nine models more than 20 000 units and one model more than 100 000 units.
- There has been a substantial increase in the number of vehicles produced per employee – from less than 10 vehicles per annum to about 15 units per annum – an improvement of over 50%
- There has been a significant rationalization and economies of scale production has reduced complexity for domestic component suppliers and enhanced efficiencies.

More

Automechanika South Africa, 18 - 21 March 2009

However, for the SA industry to survive in the medium to long term, there are issues which need to be addressed, Mr Powels said. The average annual production volumes per platform need to be increased to approximately 75 000 to 100 000 units, while local content levels need to be increased from less than 40% to more than 70%.

The APDP as well as the IDC need to provide support for an "Industrialisation Strategy" and productivity has to improve dramatically from less than 20 vehicles to more than 30 vehicles per annum.

"Also, supplier competitiveness has to improve to Index 100 to Western Europe as a minimum, and a massive investment is needed in training and skills development at all levels," Mr Powels said.

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