

Coega IDZ - making South Africa's automotive industry a global player

By [Gustav Meyer](#)

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In spite of some excellent efforts by VW SA and Toyota SA to increase local content of the vehicles they assemble, the South African automotive industry in general is finding it difficult to compete with global manufacturers due to the low percentage (35% on average) of local content in the vehicles produced in this country.



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The problem is amplified through intensified competition in global automotive markets, the introduction of vehicles with a shorter life cycle, supply chain management challenges and competition from emerging markets such as China and others. In order to remain competitive, there is pressure on our vehicle assemblers and component suppliers in all tiers of the value chain, to decrease their costs and enhance customer service levels.

If we are truly committed to maintaining the pulse and growth of our automotive industry, we have to find solutions and focus on access to markets, global competitiveness with a focus on supplier development in all tiers of the supply chain, skills and training including improving the competitiveness of supply chains.

Access to markets

Government is playing an increasingly central role in negotiating bilaterally and on a multilateral basis on fora such as SADC and African Growth and Opportunities Act (AGOA). This is to gain greater access for local products into Africa as well as into traditional markets. However, this will also require cooperation amongst private sector stakeholders in the auto sector to agree on the terms of the negotiations.

Linked to increasing the SA market offering and also addressing the issue of affordability, the opportunity to focus on the development and manufacturing of an affordable and unique 'African vehicle' manufactured in South Africa, should be exploited to the fullest. The vehicle should have a high local content and should offer passenger and economical 4x4 derivatives. Affordability is an opportunity that I believe deserves a lot more attention.

Supplier development in all tiers of the supply chain

The solutions to increase the capacity and competitiveness of component suppliers in an effort to create globally acceptable manufacturing standards in various component groupings are important in order to grow and sustain

components manufacturing capacity in SA. This is applicable to current, new and SMME participants in the automotive sector.

Realising the relatively weak competitive position of the South African automotive component industry, our government is putting pressure through the Automotive Production Development Programme (APDP) on Original Equipment Manufacturers (OEMs) to improve their local content to 70% in order to negate the costs of importing components using long supply chains, and as a measure to weather fluctuating currencies. The recent review conducted by the dti, however, resulted in comments from particularly the National Association of Component and Allied Manufacturers (NAACAM) that the APDP is in the end not sustainable and needs to be adjusted beyond 2020 to address structural challenges. One of the main flaws is that the APDP currently, protects vehicle manufacturers from imported products, but provides no or little protection to component manufacturers.

In the Eastern Cape, the Naacam affiliated East Cape Automotive Industry Forum (ECAIF) is aiming to play a coordinating role in matters related to the APDP. One aspect covers matters in the supplier development arena. If well supported by the Eastern Cape Automotive industry, its role in leading the process in the Eastern Cape should be supported by all spheres of government, including business associations and investment promotion agencies.

This objective of increasing competitiveness of suppliers is also supported by organisations' such as the Automotive Industry Development Centre (AIDC) EC. They can play an important role in creating capacity in manufacturers to produce products to global, lean (cost effective) manufacturing specifications

Competitive supply chains

SA-based automotive component manufacturers are under constant pressure from OEMs to reduce prices but are restrained by excessive inventory, the unreliability of rail transport, the high cost of road transport and various cost drivers at South African ports.

Although possible solutions could be addressed on a collective basis, low levels of collaboration and stiff competition among manufacturers challenge the industry to address logistic and related cost drivers in the supply chain. Forums such as ECAIF should be utilized to address this in the Eastern Cape.

Skills and training

The vast skills shortage is gaining increasing attention from the SA government, labour and stakeholders in business relating, to amongst others, under-investment in people, equipment, manufacturing processes and new products from the private sector.

It is imperative that efforts to create and enlarge the skills pool are coordinated.

The ECAIF and Coega's own Human Capital Solutions Unit, amongst others, are positioned to play a coordinating and

leadership role in addressing competitiveness development through facilitating the identification of needs and coordinating skills training. Through a wide range of universities, technical colleges and other institutions of learning that have identified themselves as automotive 'skills feeders' - particularly within technical fields such as engineering.

The automotive sector is a strategic and important sector for the provincial and local economies, respectively for the Eastern Cape and Nelson Mandela Bay. This is because the assembly and components industries are the leading manufacturing sectors for Nelson Mandela Bay. In fact, close to 40% % of the SA automotive manufacturing components industry is located in the Bay along with the presence of General Motors SA, Volkswagen, the Ford Engine Plant and First Automotive Works (FAW).

Manufacturing is among the top three-multiplier sectors in terms of value addition, job creation, export earnings and revenue generation.

Automotive cluster in Coega could create mega-automotive hub

From a Coega perspective, we are very excited about the automotive cluster in the Coega IDZ. This will create new opportunities by clustering component suppliers in our custom Controlled Zone that also meets international environmental standards.

It is envisaged that our multi OEM automotive complex will accommodate vehicle assembly halls and shared service infrastructures for vehicle assemblers, service providers and component manufacturers. The intention is to bring together first, second and third tier automotive component suppliers in one mega-automotive zone.

Nelson Mandela Bay may be smaller than South Africa's' other metropolitan cities, but when it comes to motoring production, the city enjoys international stature. Car production has been the economic anchor for the city for almost a century. In fact, South Africa's highest concentration of motor manufacturing firms and component suppliers can be found in Nelson Mandela Bay - earning the city the appellation 'the Automotive Hub of Africa'.

The automotive industry is indeed strategic to our region's progress and economic heartbeat. However, as the industry remains under severe pressure because of the dynamics of economic globalization there is no guarantee of continued growth.

Local and national efforts need to become more coordinated and collaborative if the plan is to address the challenges that are working against sustainable job creation and the global competitiveness of South Africa's automotive manufacturing industry.

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