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South Africa

from the Office

Robert Houdet, Executive Director

On the 9th of April 2014, Roger Pitot, the **APDP Review** Facilitator at The Department of Trade and Industry (the dti), forwarded the consolidated Strategic Issues identified by the four key stakeholders, namely NAACAM, NAAMSA, the dti and NUMSA. This document, which had subsequently been forwarded to all NAACAM members, will form the basis of his proposed interactions with these four stakeholders, some suppliers and OEMs, over the next two months. Roger has confirmed that he is available for individual meetings with component manufacturers as it is his intention to make the Review process as interactive as possible. NAACAM has been requested to provide comment on as many of the issues as desired, motivated and quantified where appropriate, by no later than June 13th.

During the month of May, at the various Regional Committee meetings, these proposals, as well as the responses already obtained from NAAMSA, will be up for discussion. The final objective of these discussions is to explain the impact of these Strategic Issues and, in return, obtain comments from the assemblies so that NAACAM's response may be established and forwarded to the APDP Review Facilitator.

The Automotive Supply Chain Competitiveness Initiative (ASCCI) is now formally institutionalized as a non-profit company. The board of directors has been appointed and the organisation is now in a position to begin securing initial funding support and to commence the implementation of activities outlined in the ASCCI Business Plan. A set of measures has been developed to measure progress against the objectives to be achieved through the activities.

Concerning ASCCI's Business Plan, *Pillar 1: Supplier Capability:* funding has been secured to commence 'the Base Operating Standards' and 'World Class Manufacturing' activities. Concerning *Pillar 2: Localisation:* the facilitators are engaging partners in order to secure funding so that selected localisation activities may start. It had been agreed that the OEM Purchasing Council needs to be the initial conduit for identifying localisation opportunities. For *Pillar 3: Strategy:* activities have focussed on better understanding mechanisms/identifying opportunities for regional industry development funding/support.

On the 1st of April 2014, the **Catalytic Converter Interest Group** (CCIG) officially joined NAACAM. There are serious challenges facing that sector of the automotive component industry which need to be addressed in order to retain/grow the business in South Africa. The most pressing challenge is the four months strike at the PGM mines. Before the beginning of the strike, the mines had increased their stocks of minerals and since then had been processing these stocks to produce PGMs. However the stockpiles of these minerals had been diminishing and there exists the risk that in the near future PGMs might have to be imported in order to supply the local coaters and thus keep the supply chain in operation.

South Africa and Zimbabwe control about 80% of the world's PGM supplies. The CCIG working group is interacting with The Department of Trade & Industry and the Department of Mineral Resources in finding ways and means of further beneficiating our locally mined PGMs. The final objective is that South Africa must become the preferred location world-wide for catalytic converter manufacturing, thus leading to increased employment in that manufacturing sub-sector.

The JAG (**J**oint **A**ction **G**roup) on Automotive Leather Interiors (JALI) has also decided to join NAACAM. It has already been decided to establish a working group on Automotive Leather Interiors to deal with automotive leather issues and to negotiate with the dti on APDP and all other relevant issues. Indeed, this sub-sector is facing serious challenges that have resulted in the automotive leather sub-sector currently being a shadow of what it was at its peak. However, it seems that the government is taking the full cognisance of the actual situation and regulations should be forthcoming in the near future to protect that manufacturing sub-sector.

It is comforting indeed that ASCCI is progressing well, that other sub-sectors such as the CCIG and JALI find our association attractive enough to join us. Now, it is up to us not to let them down and to fight so that these industries may survive and thrive.

Introduction of the Western Cape Automotive Cluster

WCAC
Western Cape Automotive Cluster

The Western Cape Automotive Cluster (WCAC) is a new partnership between the Western Cape Provincial Government and the automotive industry in the province. Clear industry support for the establishment of the WCAC was affirmed when six firms came together, as a result of the recognition of the need for economic development of the local automotive industry. As a new cluster with B&M Analysts as the service provider, it is intended to assist firms in leveraging maximum advantage from a set of cluster activities.

The principle of clustering is in essence one of enhancing the competitiveness of a regional industry through collective interventions, which are more likely to be successful than isolated efforts. Clustering efforts are therefore based on undertaking rigorous research followed by the facilitation of joint activities or interventions through securing firm-level input into the specific opportunities identified.

The primary focus of WCAC is to develop the competitiveness of the Western Cape automotive industry. Four strategic focus areas have been identified as being core to attaining the growth aspirations of the local automotive industry, namely:

- ***Market & Technology Access***: Access to increased scale of production and access to product and process technology, specifically through OEM localisation; economic development strategy and trade facilitation.
- ***Skills Development***: Attracting, developing and retaining skills has been identified as a key driver of productivity and hence an important contributor to industry competitiveness.
- ***Operational Capability***: Enabling enhanced operational performance through the adoption of World Class Manufacturing.
- ***Supply Chain Management***: Provision and availability of competitive logistics is a particularly important competitiveness determinant of the Western Cape automotive industry.

As a sector-specific organisation with the support of a core group of firms, the WCAC is well positioned to provide the support required to realise its objectives. The WCAC aims to play a pivotal role in supporting the growth and competitiveness of the provincial automotive sector.

Steel industry related app launched!

Robor is proud and excited to be the first South African steel, tube and pipe manufacturer to announce the launch of an industry related "app" compatible with Android and iOS smartphones. The app (short for application) can be downloaded free and offers users readily available information regarding the full Robor offering, as well as other useful information and tools applicable to steel products and services.

This app enables people out in the field, to have easy access, through a mobile device, to Robor's steel products and services, as well as other useful industry related offerings, such as Steel Calculations, Steel Specifications and Smart Tools.

The app will undergo continuous improvements and updates to remain the leading app in the industry.

Established in 1922, Robor is a world-class manufacturer and supplier of welded steel tube and pipe, cold formed steel profiles and associated value added products. We also supply, distribute and add value to carbon steel coil, sheet and plate and structural profiles. As one of the largest steel tube and pipe manufacturers in Southern Africa, Robor is active in most industries, including mining, transport - rail and road, construction, engineering, manufacturing, agriculture, energy, water and automotive. We also have the capability to manufacture specialised items suited to the unique requirements of these markets.

For more information: contact Robor Group Marketing +27 (0)11 971 1600 or info@robor.co.za

G.U.D. Holdings
LEADERS IN AUTOMOTIVE PRODUCTS

G.U.D. Holdings invests in Wrap Filter Technology

G.U.D. Holdings is proud to announce the commission of a multi-million rand new fuel filter assembly line utilising wrap filter technology at their Durban manufacturing site. The assembly line will produce OEM quality multiport, spin-on and metal-free filters with wrap media elements to meet growing market demand. The highest expected volume wrap filter, G1142, will fit light commercial diesel applications such as the Toyota Hilux and Ford Ranger.

Wrap filters have distinctly different looking media assemblies to the conventional star-shaped media filters whereby the media is wrapped around a central core much like paper layers around a tube. Wrap filter technology produces elements with significantly more surface area, allowing for better filtration of impurities such as dirt particles and moisture from the fuel. This results in improved fuel economy and engine performance.

"We are very happy with the locally manufactured wrap filters and are confident our OEMs and aftermarket customers will approve of the high quality standards." says Ian Law, Sales & Marketing Director, G.U.D. Holdings (Pty) Ltd.

G.U.D. with its national distribution network and customer loyalty programme has ensured that this market leader keeps its upward momentum and provides great engine protection.

South Africa under the Global Spotlight

According to the KPMG Global Automotive Executive Survey 2014, South Africa was rated the 5th most likely destination for automotive investment by the 200 executives who participated.

43% of BRIC (Brazil, Russia, India and China) based executives and 30% of Triad executives, comprising Japan, Western Europe and North America said they plan to 'begin' or 'increase' their investment in South Africa.

Even though respondents excluded South African executives, South Africa ranked only behind its BRICS partners as the most targeted investment destination.

While it is perhaps unclear whether the results are positive or negative from a South African perspective, what is clear is: if not explosive international interest, then surely piqued curiosity of South Africa as manufacturing location is a reality.

That Interest is largely driven by rapidly developing African economies and markets, which has rescued South African manufacturers from the impact of the economic crisis in the EU.

National Association of Automobile Manufacturers of South Africa (NAAMSA), Executive Manager, Norman Lamprecht confirmed that "Africa as a market had compensated for the decline in vehicle demand from the EU, and that Africa was a key part of NAAMSA's strategy."

The leading UK auto sector trade association, the Society of Motor Manufacturers and Traders Limited (SMMT) says it, too, is supporting an increasing number of UK vehicle manufacturers, component and aftermarket suppliers who are avidly seeking opportunities in Africa.

South Africa has long been seen by many UK companies as "Providing the largest immediately available market and easiest route into the only significant automotive manufacturing centre and supply chain cluster in Africa," says SMMT International Head, David Croxson.

To underline the point, patrons of South African Automotive Week, billed by NAACAM as the continent's premier automotive manufacturing related tradeshow, say international interest in the trade platform set for October at Gallagher Convention Centre, is at a record high.

"Serious buying delegations, some supported by their governments, have confirmed visits early to South African Automotive Week with the view to establish trade," Houdet said. These included the UK, the US, Poland, Hungary, Czech Republic, Slovenia, Malaysia, Iran, Taiwan, China, Namibia and Lesotho. Representatives are expected from more than 20 countries.

"That Johannesburg is a direct flight from most countries in the world, certainly helps incentivise trade travellers," says Project Director Andrew Binning.

Croxson says the SMMT is recruiting suitable British companies to attend and exhibit as a UK Pavilion at South African Automotive Week.

"The programme of seminars, presentations, workshops, match-making programme and three day exhibition provide excellent opportunity to network with the leading figures in the African sector and to showcase UK companies alongside other global companies who see Africa as providing sustained market growth."

Croxson said South Africa was an increasingly important contact point for British companies.

"Historically, SMMT has supported UK interest in North Africa, particularly Egypt, Morocco and Algeria with trade missions and participation at selective national industry events. However, the unsettled economic situation in some of these markets following the Arab Spring has unfortunately dampened enthusiasm somewhat and many UK aftermarket companies are relying on contacts made through Dubai to further develop

routes into that area."

"The developing opportunities in sub-Saharan countries are also resulting in increased UK participation at trade shows in Kenya and Tanzania in April and May," Croxson said.

The British Industry was following developments in Africa, carefully, he added.

"SMMT has long-standing close and valued connections with colleagues in NAAMSA and NAACAM and is also following, with interest, the early endeavours of the African Automotive Industry Alliance to promote the development of African countries' automotive industry clusters and to co-ordinate the interests of both vehicle manufacturers, suppliers and aftermarket in Africa. There is also work being undertaken on the harmonization of standards and regulations and to develop relevant initiatives for research and development - all areas in which UK companies have the resources and experience to assist and support the continuing growth of the burgeoning auto sector in Africa."

The Automotive Industry Development Centre (AIDC), a subsidiary of the Gauteng Growth Development Agency, secured the 4th edition for Gauteng from 13-17 October 2014.

SAAW2014 is projected to inject over R50 million into the economy and facilitate trade and trade related agreements valued in excess of an additional R100m, according to the past economic impact indicators.

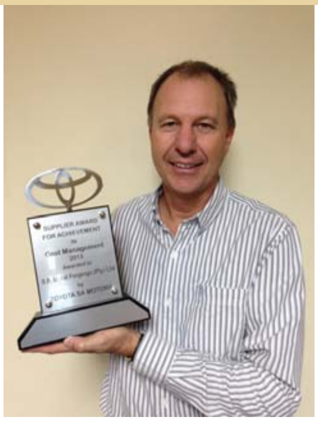
AIDC CEO, Barlow Manilal (*pictured right*) said the AIDC was pleased to have facilitated the decision for this event to be hosted in Gauteng, "which will not only position the Gauteng province as the automotive investment destination of choice, but also showcase South Africa's manufacturing capability globally. Gauteng's automotive value proposition will be a key theme of the event.

For further information, visit www.saaw.co.za
eMail: sales@saaw.co.za, Tel: 0861 101 475

SP Metal Forgings receives the prestigious Toyota South Africa Motors' Supplier Award

SP Metal Forgings, a South African-based company that specialises in the manufacturing of hot forge-based precision components for the automotive and non-automotive sectors, has been named the recipient of Toyota South Africa Motors' Supplier Award for its achievement in cost management. The award-giving ceremony was held at Toyota in Durban in March.

Since its acquisition of the Uitenhage-based company Guestro Forging & Machining, from Dorbyl in 2010, SP Metal Forgings has been supplying Toyota South Africa Motors (TSAM) with wheel hub forgings for their Innovative International Multi-purpose Vehicle (IMV). The superior quality and cost-effectiveness of the forgings did not go unnoticed, as Toyota South Africa recognised the positive impact that the product had on its business and rewarded SP Metal Forgings for outstanding work.



This significant achievement brought immense pride and exuberance to the SP Metal Forgings team. Accepting the award on behalf of his company, SP Metal Forgings owner and Managing Director, Ken Manners (*pictured left*), said, "We feel extremely honoured and proud to receive this award from a prestigious company like Toyota."

The partnership with Toyota is set to expand as the company has recently secured a deal to supply Toyota with machined rear axle housing forgings. The project is scheduled to commence in 2016.

As the largest forging company in Africa, SP Metal Forgings continues to grow from strength-to-strength, with its plants located in Boksburg, Gauteng and Uitenhage, Eastern Cape - producing a high quality mix of automotive and non-automotive components to a broad spectrum of manufacturers and commercial vehicle groups, worldwide. Since 2010, the Uitenhage plant has seen an exponential sales growth from around R200 million to R353 million in 2013.

For more information on SP Metal Forgings, please visit www.spforge.co.za

TENNECO FIRST IN SOUTH AFRICA TO ATTAIN ISO 50001

Two divisions of Tenneco - Tenneco Ride Performance, which manufactures original equipment and aftermarket shock absorbers and Tenneco Clean Air, which manufactures catalytic converters and exhaust assemblies, based in the automotive hub of Nelson Mandela Bay in Port Elizabeth, have become the first automotive suppliers in South Africa to achieve ISO 50001 international certification for the implementation of Energy Management Systems.

The achievement of ISO 50001 certification confirms Tenneco's status as an industry leader and clearly demonstrates the environmental capability of the South African manufacturing industry.

Justin Botha, Tenneco energy representative for both plants, said: "The implementation of ISO 50001 cements Tenneco South Africa's drive towards energy efficiency and green practices. This achievement demonstrates our commitment to global leadership and innovation in the environment."

L-R: Tenneco Ride Control Plant Manager Casey Beary, Tenneco Energy Representative Justin Botha, AIDC EC Supplier Development Manager Lance Schultz and Tenneco Emission Control Manager Gary Keen celebrate the company's ISO 50001 certification

"This achievement will encourage other Tenneco facilities and suppliers alike to undertake similar initiatives in order to sustain and develop the efficiency of the industry," Botha added.

Tenneco achieved certification for the development of a world-class Energy Management System with the assistance of the Automotive Industry Development Centre, Eastern Cape (AIDC EC) and the National Cleaner Production Centre (NCPC). The company joined the program with the aim of reducing the company's energy bill in the face of rising power prices. AIDC EC Supplier Development Manager, Lance Schultz, said: "We are very proud of the results of the Programme which demonstrates what many individual organizations can do to reduce costs and relieve the grid."

The programme started mid-2011 and both Tenneco manufacturing plants in Port Elizabeth were included in the agreement. Energy audits were conducted to identify opportunities to improve the energy efficiency of the plants. These included the redesign of a stress relief oven, removal of unnecessary lights, installation of translucent roof sheets to allow natural light to illuminate warehouse areas, the installation of heat pumps and solar geysers, a compressed air leak programme to track, monitor and repair leaks and the installation of motion sensors in office areas to switch off lights and air conditioners when not needed. The changes implemented have resulted in the company being acknowledged in the industry as a green champion.

AIDC EC Program Manager Kushen Naidoo said: "Ever since the first lighting project, Tenneco saw the immediate benefit of saving energy. Together with the AIDC EC, Tenneco continued the journey for energy efficiency within its plants for a further two years with a focus on energy reduction."

In 2013, Tenneco approached the AIDC EC with the objective of achieving ISO 50001 certification. The AIDC EC then brought the NCPC to join the programme.

The NCPC provided training to various organisations over an 18 month period to assist with the implementation of an Energy Management system. This training allowed Tenneco to adapt the content for ISO 50001 standards prior to successfully achieving certification.

The AIDC attended the Tenneco supplier awards held on 16 April 2014 and received service recognition in the category of Service Delivery.

Tenneco awarded the AIDC for Outstanding performance in the fields of Quality, Delivery and Service, exceeding Tenneco's expectations.

The award was granted for the role that the AIDC plays in development and knowledge sharing, together with great support not only to Tenneco, but to Industry.

New NAACAM Member

Applus IDIADA, global partner to the automotive industry worldwide, supports its clients in their product development activities by providing design, engineering, testing and homologation services.

Applus IDIADA's expertise in both physical and virtual testing results in maximum efficiency in cost and time. A large team of more than 1700 engineers drawn from over 25 countries, as well as an international network of subsidiaries and branch offices in 23 countries ensure clients will be given fast and customized services.

Engineering - Comprehensive design, engineering and validation capabilities for turnkey vehicle and component development projects at international level: CAD, CAE and testing of all major vehicle and component functionalities with unique in house state-of-the-art facilities.

Applus IDIADA provides an extensive range of product development services in the fields of passive and active safety, powertrain, comfort, reliability, electronics and materials and processes. Our expertise in both physical and virtual testing means maximum efficiency in cost and time.

Homologation of all types of vehicles and systems according to European EC Directives and ECE Regulations. Accredited homologation service for Japan, Brazil, Australia and many other countries in South America and the Middle East.

Proving ground: Applus+ IDIADA offers the most comprehensive independent proving ground in Europe and the highest level of customer support combined with first-class test tracks and fully-equipped confidential workshops. Excellent climatic conditions allow for year-round testing.

The Transition of Microfinish

Microfinish was established in 1986 as a niche market supplier of valve guides and valve seat inserts to OE and aftermarket customers. In 2012, the company underwent a change of ownership and management, resulting in an overhaul of the entire business in order to optimize operational processes and ensure financial rigidity.

Through this transition, a fresh organizational culture emerged. The rejuvenated energy encourages all our staff to actively participate in the constant improvement process and it is their input which has resulted in the Microfinish of today.

We are a proudly black owned, South African firm and we support the holistic development of the domestic manufacturing sector.

Our operational objective is to become a world class, lean manufacturing outfit that thrives on change and technological innovation while delivering meticulous, superior products, timeously.

Our strategic objective is to hedge our exposure to key industries by diversifying our product mix, while ensuring that we invest in the development of our staff, in order to manage the knowledge drift from our current area of expertise.

Operational Structure

The company has two distinct operating divisions, the Factocode Foundry, which produces our raw material and the manufacturing plant, where the raw material is machined into the finished product. These divisions allow for a turnkey operation, resulting in many positive externalities.

Ranil Singh - Senior Lecturer, DUT: Industrial Engineering, commented: “Industrial Engineering students that are currently in Semester 4 (S4) visited Microfinish in May 2014. The purpose was to get hands on manufacturing experience and exposure to a real life manufacturing environment. Students found the visit very educational and got a glimpse of reality.”

Ashley Bhugwandin - Manager, TLUI: an initiative of the DST said, “The Technology Localisation Implementation Unit (TLIU) has conduct a technology capability assessment on Microfinish. This assessment was conducted as Microfinish was recognised as a potential empowered company to participate in the proposed valve localisation programme linked to designation of valves. Based on the initial assessments, Microfinish have demonstrated that they possess sound technical expertise to participate in this programme.”

Robert Houdet: Executive Director, NAACAM said that “It is pleasing indeed to see Factocode Foundry and Microfinish firmly managed by a new management team whose ambitions are heartening for the automotive component manufacturing sector. The new entrepreneurial spirit being infused into these two companies may lead firstly, to a consolidation of solid foundations necessary for generating sustained growth, both on the local and export markets and, secondly, to an innovative diversification programme based on a prudent and well thought out strategy.”

To the personnel and management team of the two companies, NAACAM extends its best wishes for a successful future.

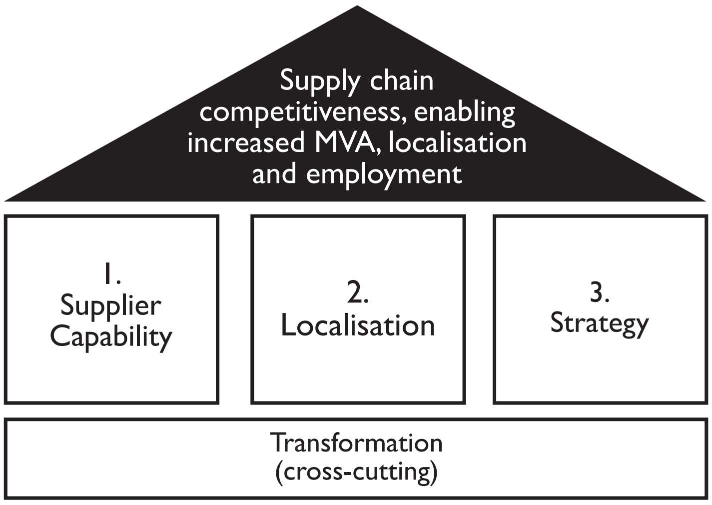
Automotive Supply Chain Competitiveness Initiative (ASCCI)

Article supplied by B&M Analysts

The Automotive Supply Chain Competitiveness Initiative (ASCCI) was established in December 2013 to coordinate and align supply chain development activities in the South African Automotive Industry. The overall objective of ASCCI is to increase supplier Manufacturing Value Add (MVA) in support of producing 1.2m vehicles by 2020, increasing employment, enabling local supply chain capabilities, increasing local content, and advancing transformation.

ASCCI's strategic focus areas (outlined in Figure 1) have been scoped to meet these objectives.

Figure 1: ASCCI strategic priorities



The first focus area, ***Supplier Capability***, is directed at improving the operational performance of the supply base, with particular emphasis on supplier performance improvement activities. The second focus area, ***Localisation***, is directed at localisation, spanning competitive local material inputs through to investment in new supplier process technologies. The third focus area, ***Strategy***, deals with industry-level policy and strategy. Transformation is of cross-cutting relevance to each of the focus areas, and elements of this priority have therefore been included in the three focus area activities where relevant.

ASCCI's initial focus was to complete the process of institutionalising the initiative in order to begin delivering on the business plan. In November 2013, service providers tendered for the provision of comprehensive facilitation services. The role was awarded to B&M Analysts, a business specialising in research and cluster facilitation with deep automotive industry expertise.

The bulk of activity in the 5 months since ASCCI's inception has been focused in 2 broad areas:

- Introducing key industry stakeholders and prospective funders to ASCCI and its objectives, and exploring the opportunities for optimising the fit between ASCCI and these stakeholders in terms of both projects and resourcing.
- Defining what specific projects to focus on in order to deliver maximum possible benefit to industry participants and stakeholders, and agreeing an approach for delivering the initial set of activities.

With the preliminary groundwork completed, ASCCI is shortly due to launch its first two projects.

The first project will set out to determine how TS16949 can be used as a more effective indicator of good operating standards amongst local automotive suppliers. When the ASCCI business plan was drafted, one of the particular challenges identified was the absence of a good, base standard way of operating amongst suppliers and particularly those at the tier 2 level. Despite the fact that a large part of the industry is TS16949 compliant, operational best practice (and associated quality performance) amongst firms is considered to differ quite substantially, with some very strong performers and others much weaker. Given that TS16949 is adhered to by a large part of the industry, the project sets out to determine how TS16949 can be used or implemented to ensure that it is an effective indicator of base operating standards.

The second project will focus specifically on enhancing supplier competitiveness through the adoption of World Class Manufacturing (WCM) best practices at suppliers. The primary objective of this project is to elevate supplier productivity to levels comparable to leading cost countries through the adoption of best practice manufacturing principles. This will be achieved through the delivery of WCM interventions at 120 suppliers (tier 1 and tier 2) nationally over a three year period. ASCCI will provide close oversight of the project, and success will be determined by measuring Rand MVA per Rand of employee cost for each firm at which there is an intervention.

As these projects kick-off, a large part of ASCCI's focus will shift towards ensuring robust project implementation.

At the same time, ASCCI will focus on securing additional funding and building momentum in implementing other business plan activities. In this respect, a particular priority is localisation. The objective of the localisation focus area is to increase local content, from more competitive local material inputs through to investment in new supplier process technologies. ASCCI is currently in the process of identifying opportunities for localisation. Once opportunities have been identified, the initiative will undertake to determine what the blockages are to making these opportunities a reality. Initiatives to release these blockages will then be implemented, with the objective of increasing local content. Performance will be measured by tracking local content, which is defined as the value of vehicles ex-factory, less all imported content. In this respect the current base condition is 41.0% local content.

Overall, ASCCI has made a strong start in respect of building the framework for effectively developing local automotive supply chain competitiveness. Going forward, the emphasis will be on translating this into direct benefit for the industry through the implementation of dedicated supply chain development activities.

VEHICLE EXPORTS 2012 - April 2014 (incl.)

PASSENGER

Manufacturer	2012	2013	Into Africa	Out of Africa	to 04/ 2014
Alfa Romeo	0	5	0	0	0
BMW	33,297	54,197	1,567	17,753	19,320
Chevrolet	0	640	0	0	0
Chrysler	471	0	78	0	78
Dodge	0	6	0	0	0
Fiat	58	16	6	0	6
GMSA	581	0	161	0	161
Honda	348	457	108	0	108
Hyundai	0	8	0	0	0
Jaguar Land Rover	1	0	0	0	0
Jeep	0	375	0	0	0
Mahindra	3	0	0	0	0
Maserati	1	0	0	0	0
Mercedes-Benz	49,825	36,229	0	0	0
Mitsubishi	0	74	46	0	46
Nissan	131	91	25	0	25
Porsche	3	4	0	0	0
Subaru	2	1	0	0	0
Toyota	14,396	9,328	3,097	541	3,638
Volkswagen	54,058	52,082	37	14,889	14,926
VolvoCars	21	11	7	0	7
TOTAL	**153,196**	**153,524**	**5,132**	**33,183**	**38,315**

Please note: Figures for Mercedes-Benz in all tables are estimates
Source: NAAMSA/Lightstone Auto

Taxation
and the
Automotive Investment Scheme

Peter Maxwell, Tax Director, Deloitte & Touche

The income tax treatment of benefits arising from the Automotive Investment Scheme (AIS) and Automotive Production and Development Programme (APDP) is a complicated matter. It is correct that the new section 12P read with the Eleventh Schedule to the Income Tax Act, 1962 (the 'Income Tax Act') states that 'government grants' are exempt from income tax. This amendment is effective from 1 January 2013 and applicable in respect of years of assessment commencing on or after that date. By way of example, if a company's year of assessment runs from 1 March to 28 February, this amendment will apply to all 'government grants' received or accrued on or after 1 March 2013.

The term 'government grant' is defined in section 12P of the Income Tax Act and means 'a grant-in-aid, subsidy, or contribution by the government of the Republic in the national or provincial sphere.'

Clearly, the cash grant paid in terms of the AIS falls within the definition of a 'government grant'. Less clear, however, is whether a Production Rebate Credit Certificate (PRCC) earned under the APDP is also included in this definition.

Following our request to the South African Revenue Service (SARS) for clarification on this issue, SARS advised us that although the PRCC does not constitute a cash grant, "it clearly does constitute a contribution made by the government of the Republic" and, therefore, a PRCC also constitutes a 'government grant' for purposes of section 12P of the Income Tax Act. Upon receipt or accrual, it will thus also be exempt from income tax.

Section 12P of the Income Tax Act also provides that where a 'government grant' has been received, reimbursement for expenditure incurred in respect of the acquisition, creation or improvement of trading stock or an 'allowance asset', the expenditure on the trading stock or base cost of the 'allowance asset' must be reduced to the extent of the 'government grant' for income tax purposes. An 'allowance asset' includes an asset on which a wear and tear allowance is claimed for income tax purposes. The effect of this reduction is that a lower income tax deduction will be claimed or, put differently, more income tax will be paid in the current and/or future tax years. Similar rules apply where the 'government grant' is used to reduce the amount of any other tax deductible expense.

So, in summary, the initial amount received or accrued under the AIS and APDP (PRCC) is exempt from income tax but income tax will eventually be paid on such amounts because the related tax deductible expenditure in the current and/or future tax years is reduced leading to higher income tax payments. At best, income tax on the AIS and APDP (PRCC) benefits might be deferred but not reduced completely.

VAT Zero-Rating Rules for Exports recently changed

Peter Maxwell, Tax Director, Deloitte & Touche

Earlier this month, significant changes were made to the rules for the zero-rating of export sales. Non-compliance could result in the seller of the movable goods being liable for output tax at the standard rate.

VEHICLE EXPORTS 2012 - April 2014 (incl.)

Manufacturer	2012	2013	Into Africa	Out of Africa	to 04/ 2014
Babcock	0	0	2	0	2
Chevrolet	0	120	0	0	0
DAF	0	7	0	0	0
FAW	0	5	0	0	0
Fiat	19	19	0	0	0
Ford	31,925	33,904	3,286	8,161	11,447
GMSA	1,622	0	0	0	0
GMSA/Isuzu	0	0	520	0	520
Hyundai	0	1	0	0	0
International	0	6	0	0	0
Isuzu	0	1,432	0	0	0
Iveco	72	129	83	0	83
Mahindra	16	0	0	0	0
MAN	229	329	101	0	101
Mazda	0	596	0	0	0
Mitsubishi	0	140	147	0	147
NC2 Trucks	2	0	0	0	0
Nissan	16,355	14,745	4,315	634	4,949
Powerstar	61	71	19	0	19
Renault	24	35	1	0	1
RenaultTrucks	15	0	0	0	0
Scania	230	281	99	0	99
Tata	28	44	17	0	17
Toyota	73,726	70,781	10,031	11,416	21,447
UDTrucks	83	162	36	0	36
VDL	1	0	0	0	0
Volkswagen	0	16	0	0	0
Volvo Trucks	58	31	3	0	3
TOTAL	**124,467**	**122,854**	**18,660**	**20,211**	**38,871**

COMMERCIALS

Please note: Figures for Mercedes-Benz in all tables are estimates
Source: NAAMSA/Lightstone Auto

Generally speaking, output tax must be levied at the standard rate of 14% on the value of all taxable supplies of movable goods made by a vendor. An exception to this rule arises where a vendor sells goods, and he either exports them or the recipient of the goods removes them from South Africa. In these circumstances, the vendor is entitled to levy VAT at the zero rate provided that he complies with the relevant rules.

The zero-rating rules fall into two categories, necessitating a clear understanding of the contractual terms of the export sale. A direct export occurs when the seller of the goods consigns or delivers the goods to a recipient at an address in an export country. The important issue here is that the seller of the goods is contractually responsible for and in control of the export. An indirect export occurs when the recipient (who must be a 'qualifying purchaser') of the goods removes or transports the movable goods to an address in an export country. Here, it is the recipient who is responsible for and in control of the export.

The requirements set out in Interpretation Note 30 (issue 3) dated 5 May 2014 must be complied with before zero-rating a direct export. The requirements for electing the zero-rating of an indirect export are contained in the Export Regulation gazetted on 2 May 2014 (GG 37580). The rules for zero-rating are contained in these publications and cover designated commercial (exit) ports, documentation, time periods for removing the movable goods from South Africa and time periods within which, the supporting documentation must be obtained.

Direct Export
To apply the zero-rate, the supplying vendor must either-
- physically deliver the movable goods to the recipient, the recipient's appointed agent or the recipient's customer at an address in an export country; or
- engage a cartage contractor to deliver the goods to the recipient, the recipient's agent or recipient's customer in an export country.

In this context, a 'cartage contractor' means a person whose business

(Continued overleaf)

includes the transportation of goods and includes couriers and freight forwarders.

Generally, the movable goods must be exported from South Africa within 90 days from the earlier of the time an invoice is issued or the time any payment of consideration is received by the supplying vendor. A ruling can be obtained from the Commissioner where the goods cannot be exported within this time period due to circumstances beyond the vendor’s control. Failure to export the goods timeously will result in the supplying vendor having to account for output tax at the standard rate of 14%. The rules also provide relief for unusual transactions including:

- the receipt of an advance payment;
- the export of precious metals by air;
- goods which are subject to a process of repair, improvement, erection, manufacture, assembly or alteration before being exported;
- the export of a preserved or mounted hunted animal; and
- the supply of manufactured or reconditioned tank containers.

The documentary proof that is acceptable to the Commissioner to support the zero-rating of a direct export is listed under two headings viz. goods delivered by the vendor and goods conveyed by the vendor’s contractually appointed cartage contractor. The mode of transport will dictate the required documents and, generally, all documents must be obtained within 90 days of the time when the goods are required to be exported (or any other exceptional or approved time period). Various payment related exceptions are made to this 90 day rule, including where the parties have contractually agreed to a longer payment period, where the recipient is unable to pay due to restrictions on the availability of foreign exchange by the country in which the recipient carries on his enterprise and where the vendor has written the consideration off as irrecoverable.

Where a vendor is unable to comply with the stipulated time period for obtaining the required documentation, he must account for output tax at the standard rate of 14%. The vendor then has a period of five years to obtain the missing documentation and reverse the output tax.
The rules also cater for other unusual types of supplies including-

- supplies of second-hand goods;
- movable goods exported before an invoice is issued or payment is received;
- movable goods which are already outside South Africa when they are supplied including goods that have been temporarily exported, sold on the high seas and sales of consignment stock already in an export country;
- supplies that are subject to a process of improvement, manufacture, assembly or alteration by a third party in South Africa before being exported by the supplying vendor; and
- movable goods supplied to another vendor and delivered to that vendor’s customer at an address in an export country

Indirect Export
The rules pertaining to the zero-rating of an indirect export of movable goods are set out under the following headings:

- *Part One*: Procedures for granting of refunds of tax to qualifying purchasers residing in or conducting business in export countries;
- *Part Two - Section A*: Procedures for the vendor who elects to supply movable goods at the zero rate to a qualifying purchaser, where the movable goods are initially delivered to a harbour, an airport, or are supplied by means of a pipeline or electrical transmission line in the Republic before being exported;
- *Part Two - Section B*: Procedures for the vendor who elects to supply movable goods to a qualifying purchaser at the zero rate where the movable goods are to be exported via road or rail; and
- *Part Three*: The export time periods, the time period to obtain documentary proof, Government agreements and transitional rules.

Under Part One, the supplying vendor will charge output tax at the standard rate of 14% on the supply of the movable goods to the qualifying purchaser. The qualifying purchaser is then entitled to obtain a refund from the VAT Refund Administrator of the VAT paid, upon compliance with the prescribed conditions. The movable goods must be exported within 90 days from the date of the tax invoice issued to the qualifying purchaser and the goods must be exported via a designated port and declared to a customs official and a VRA official where one is present at the designated port.

Under Part Two - Section A, the supplying vendor may elect to levy VAT at the zero-rate. This election may only be made where the supplying vendor ensures that the movable goods are delivered (irrespective of the contractual conditions of the delivery) to a designated commercial port from where the goods are to be exported by the qualifying purchaser. The goods must be exported from South Africa within 90 days from the earlier of the time an invoice is issued by the supplying vendor or the time any consideration is received by the vendor.

In terms of Part Two - Section B, the supplying vendor may also elect to zero-rate the sale of movable goods which are to be exported by road or rail. This election may be made where a vendor supplies the goods to a qualifying purchaser and the goods are to be exported from South Africa by the qualifying purchaser’s agent or the supply and exportation is of specific lubricants by the manufacturer thereof in the Oil and Gas industry. Under this Part, the supplying vendor must consign or deliver the movable goods to the agent’s premises or ensure that the movable goods are delivered to the agent’s premises. The agent, in this context, means a registered vendor located in South Africa who is the agent of the qualifying purchaser and who has been appointed to collect, consolidate and deliver movable goods to the qualifying purchaser at an address in an export country. The agent must be registered under the Rules to section 59A of the Customs and Excise Act, 1964 (the ‘Customs Act’) and be a licensed remover of goods in bond as contemplated in section 64D of the Customs Act. The goods must be exported from South Africa within 90 days from the earlier of the time an invoice is issued by the supplying vendor or the time any consideration is received by the vendor.

Part Three makes provision for special export time periods for the supply of movable goods involving-

- the receipt of an advance payment;
- the export of precious metals by air;
- goods which are subject to a process of repair, improvement, erection, manufacture, assembly or alteration before being exported;
- the export of a preserved or mounted hunted animal; and
- the supply of manufactured or reconditioned tank containers.

The stipulated export time periods may be extended by the Commissioner where the movable goods cannot be exported within the required time period due to circumstances beyond the control of the supplying vendor or due to exceptional commercial delays or difficulties.

This Part also makes provision for the supplying vendor referred to in Part Two to obtain the required supporting documentation within 90 days from the date that the movable goods are required to be exported. If all the documents cannot be obtained in time, output tax must be accounted for by the supplying vendor at the standard rate of 14%. The vendor then has a period of five years within which to obtain the missing documents and reverse the output tax. Certain exceptions are made for missing payment related documents, similar to those in the rules applying to a Direct Export.

Comments
It is pleasing to see a far greater alignment between the zero-rating rules pertaining to a Direct Export and an Indirect Export. The inclusion of exports by road or rail in the rules relating to an Indirect Export is also welcomed. The time limits within which goods are required to be exported from South Africa have also been extended. Supplying vendors, who have accounted for output tax due to outstanding documentation, now have five years instead of the previous one year to obtain the missing documents and reverse the output tax.

The first official White House car was a 1909 White Steamer, ordered by President Taft

Savino APDP Programme helps Auto Industry meet new challenges

The challenges presented to the automotive industry today require greater collective focus forged from strong strategic collaboratives, particularly where the need for making the most of the APDP to maximise efficiencies in rebates where multi-millions of rands are at stake. Industry initiatives and agreements with strategic enablers such as the Government, need to be nurtured and although this approach is mostly well entrenched in the automotive industry, a more definitive value can and must be derived by all of the players in the chain.

Savino Del Bene South Africa believes the shift is from simply supply chain thinking to building the value chain - a process that requires commitment to giving consumers exactly what they want. This, explains Savino, can only be secured by building trust, demonstrating reliability and managing costs down to secure a competitive advantage in difficult economic times. This approach is key for sustainability in this fast market where communication is constant and competition is fierce. Savino Del Bene is a 3PL and 4PL global logistics service provider recognised as a leader in the automotive industry.

It introduced its APDP Compliance and Integration Programme recently as an important solution and value creation agent for NAACAM and NAAMSA members to provide them access to accurate standard material declarations and unlock maximum value in Production Incentive benefits; generating 100 percent benefits with no expiries from production incentive claims, while earning maximum rebates without Customs penalties in APDP returns.

This APDP reporting, audit, training and claim recovery programme was also designed to facilitate a strong, sustainable AUTOMOTIVE VALUE CHAIN that plays a critical part in building trust and transparency as it secures benefits through compliance, continuous measurement and automatic reporting procedures.

"The focus of the APDP for the first time brings component manufacturers into the arena to provide cost competitive components to the Original Equipment Manufacturers (OEMs) and to develop international markets via exports. This assistance includes bill of material (BOM) formulation, Standard Material Declaration (SMD), Form C1 system and administration; and Production Incentive (PI) claims," according to APDP Project leader Bianca Belling.

"Savino has established an APDP Business Unit offering a specific value proposition to the automotive and components industries which will allow clients to access the vast experience in supply chain management residing in our company. It will also provide an add-value component to up-skill employees in related transactional, operational and technical procedural instructions on APDP," she points out.

SAVINO iQ™ Intelligence Delivered

"There are many pitfalls in the process which, although similar to the former MIDP, is complex as it covers various customs aspects such as duty liability, storage requirements, rebates and refunds. It is therefore important that OEMs and component manufacturers view and manage their import, storage, manufacturing and export activities holistically if they are to achieve full compliance and enjoy the benefits provided by the APDP.

"In addition our approach goes beyond the major players in the industry and the Savino Business Unit is equally accessible to second-tier suppliers and downstream stakeholders in the supply chain.

"The key objectives of the APDP are to improve the international competitiveness of the South African automotive industry, encourage growth through production volume and value additions, and thereby, improve the industry's current trade imbalance while stabilising and potentially increasing employment levels. Savino has aligned itself with these goals in its own mission," she concludes.

Savino Del Bene South Africa is part of a worldwide corporate network that specialises in global logistics, freight forwarding, clearing and supply chain management operating in 37 countries with facilities in America, Africa, Asia, Europe, Australia and the Indian subcontinent.

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SAVINO DEL BENE
Global Logistics and Forwarding Company

Total automotive component export value by country - 2013 vs 2012 (R million)

Country	2013	2012
Germany	12 045,3	11 499,6
USA	3 706,2	3 939,1
UK	2 427,5	2 004,2
Namibia	2 060,7	1 279,6
Botswana	1 567,2	1 246,2
Spain	1 562,3	1 291,3
Argentina	1 526,6	786,8
Belgium	1 505,7	1 571,5
Zambia	1 370,7	1 314,2
Thailand	1 087,9	871,0
DRC	953,4	786,2
Netherlands	951,0	924,0
Mozambique	938,7	788,8
Czech Republic	920,2	964,8
Zimbabwe	839,6	905,9
Poland	683,8	885,7
China	554,2	287,4
Swaziland	529,5	401,5
India	435,7	421,7
Brazil	407,5	594,5
Australia	381,0	446,7
Turkey	374,8	342,7
Japan	370,8	420,5
Angola	353,9	319,3
France	317,3	454,8
Korea Rep. South	305,4	219,6
Lesotho	262,1	212,4
Hungary	247,4	469,1
Canada	241,9	464,9
Tanzania	240,8	238,8
Mexico	235,3	564,4
Bulgaria	222,6	186,4
Kenya	209,9	198,2
Malawi	207,3	151,4
Italy	182,7	218,8
Algeria	178,4	211,8
Ghana	174,6	187,5
Nigeria	139,6	93,6
United Arab Emirates	136,5	150,1

Source: AIEC, SARS

Automotive component export ranking by category: 2010 - 2013 (R million)

	2010	2011	2012	2013*	2013**	% Total export value	2013 Rank
Total	**35 283**	**42 534**	**39 883**		**42 176**		
Total	**30 802**	**38 823**	**36 867**	**37 771**			
Catalytic converters	14 761	19 639	16 347	17 620	17 641	41,8%	1
Engine parts	1 505	2 058	2 875	2 938	3 189	7,6%	2
Tyres	1 133	1 675	1 522	1 215	1 842	4,4%	3
Stitched leather seats	2 898	2 190	1 719	1 524	1 530	3,6%	4
Silencers/exhausts	1 696	2 139	1 730	1 214	1 225	2,9%	5
Transmission shafts/cranks	415	569	771	800	926	2,2%	6
Automotive tooling	447	438	782	671	777	1,8%	7
Shocks/suspension parts	329	430	440	449	474	1,1%	8
Road wheels/parts	383	494	466	413	455	1,1%	9
Gauges/instruments/parts	241	319	401	367	435	1,0%	10
Filters	337	312	353	354	407	1,0%	11
Automotive glass	305	277	230	347	386	0,9%	12
Axles	111	320	252	309	335	0,8%	13
Clutches/shaft couplings	270	236	225	267	310	0,7%	14
Batteries	116	143	180	237	280	0,7%	15
Body parts/panels	75	140	146	196	263	0,6%	16
Engines	965	819	559	211	263	0,6%	17
Lighting equipment	229	199	198	237	248	0,6%	18
Steering wheel/columns	170	155	182	202	210	0,5%	19
Brake parts	93	82	97	117	192	0,5%	20
Radiators/parts	951	1 118	945	159	188	0,5%	21
Ignition/starting equip.	83	103	109	113	185	0,4%	22
Gaskets	75	69	100	132	160	0,4%	23
Gear boxes	67	69	100	89	122	0,3%	24
Wiring harnesses	51	78	94	97	118	0,3%	25
Alarm systems	73	61	62	72	87	0,2%	26
Jacks	83	92	103	54	57	0,1%	27
Air conditioners	35	36	42	43	55	0,1%	28
Springs	30	43	33	24	31	0,1%	29
Car radios	20	39	47	10	26	0,1%	30
Seats	5	6	11	8	13	-	31
Seat belts	33	28	24	5	8	-	32
Other parts	2 817	4 447	5 722	7 277	9 737	23,1%	

* Comparison excluding BLNS (Botswana, Lesotho, Namibia and Swaziland) country exports
** Comparison including BLNS (Botswana, Lesotho, Namibia and Swaziland) country exports

Source: AIEC, SARS

Automotive: Supply Chain Visibility

The Automotive sector endured significant and far-reaching impacts on demand in the wake of the Global Financial Crisis and the recent earthquake in Japan. Whilst the former effectively battered global demand for motor vehicles, the latter impacted the ability of key OEM's to meet existing global demand. Both served to highlight the strategic importance of raising the visibility of the Supply Chain, calling for greater scrutiny of Supply Chain Risk and the need for greater collaboration between OEM's and Suppliers.

Traditionally, Supply Chain Risk Management focused on key suppliers making the biggest value contribution to the manufacturing process (traditionally Tier 1 and 2). It must be recognised, however, that even lower value suppliers or those possibly not central to the core product platform could have equally detrimental effects on overall supply. Many stakeholders along the supply chain may not necessarily know who their high risk suppliers are. They may not have expended the time to identify where their supply chain is at risk or haven't defined this comprehensively enough.

A further potential ticking time bomb is the financial stability of suppliers. Given current financial and macro-economic conditions, there is every reason to elevate the scrutiny of this risk factor, not only from an OEM perspective, but also from the supplier's perspective - in terms of genuine self reflection on their own financial viability and sustainability. Analysis should not be limited to financial data alone. Leading risk indicators from operational and reputational areas such as governance, treasury, and ethics can also signal both potential problems and opportunities which may not always surface if the financials are viewed in isolation.

Identifying risk or instability does not inherently mean a swift reshuffle of the supply chain. Each assessment should be based on its merits. An OEM, for instance, may seek to support the supplier concerned in the interests of not disrupting supply. Alternatively, they may take more of a controlling/directive function in the supplier's activities to manage it back to stability. Regardless of the approach adopted, it is essential for manufacturers to identify if such companies are in their supply chains and take the relevant steps to de-risk.

In conclusion, companies throughout the Automotive supply chain should seek to work collaboratively with key partners and suppliers to plan and exercise contingency arrangements. In so doing, they will get a far deeper understanding of their supply chains with a view to enhancing their fundamental strengths and addressing weaknesses they might have overlooked in better times. Whilst concepts like 'lean' and 'just in time' have traditionally been the cornerstones of this sector, appropriate risk assessment of the entire supply chain will highlight the fine line between 'just in time' and 'just not there'.

Richard Rettenbacker - 082 322 4224
PwC Advisory: Automotive Industry

Lean Six Sigma application in the Automotive Sector

In the wake of the financial crisis of 2009, organisations have performed a great deal of self-reflection in terms of their business operations. Whilst many remain optimistic on the prospects for the year ahead, a common strategic imperative is to be as efficient as possible by making the most appropriate use of the resources available in the most cost effective manner.

The environment in which most automotive companies find themselves is characterised by the rivalry with competitors, the speed of change and the instability of demand. The majority of their markets are mature and their customers demand quality products that fit their specifics needs.

With Lean Six Sigma, less is a more efficient path. That's because Lean is an approach that aims to create value for the end customer and eliminate any process that is wasteful.

Basically, Lean seeks to eliminate all steps that do not add value or help achieve continuous improvement in the use of people, equipment, materials, and space. The structured approach of Lean Six Sigma has survived decades of evolving operational strategies and management phases. It is a fundamental operating approach that can enable the automotive sector to implement and sustain processes and practices that continually free up significant resources, reduce waste, increase capacity, improve productivity, and decrease capital spending. To go beyond the quick wins available from a shallow and wide deployment of the Lean tools, business leaders must let go of the view that Lean is simply a cost-reduction effort deployed in a fragmented way over a short term, in difficult times.

The journey to a Lean principles-driven enterprise is not a collection of isolated events. Rather, it is an enterprise-wide practice that provides value to the customer. As such, Lean Six Sigma requires a careful, disciplined assessment of an organization's current operations and culture, followed by a customised long-term plan to change values, beliefs, and behaviours. The application of Lean Six Sigma in the automotive sector will ensure standardised work procedures, reduced cycle times and a focused approach to driving growth for the long term.

Total automotive export value by country - 2013 vs 2012 (R million)

Country	2013	2012
Germany	19 138,7	18 623,1
USA	18 660,9	19 869,7
Namibia	6 622,7	4 230,9
Japan	5 160,0	3 163,4
UK	4 616,5	3 540,8
Botswana	3 632,4	2 913,7
Algeria	3 109,3	2 653,1
Belgium	3 004,7	2 692,1
Australia	2 555,8	2 201,0
Zambia	2 224,3	2 283,8
Mozambique	2 083,5	1 580,4
Nigeria	2 046,7	2 138,8
Zimbabwe	1 849,5	1 845,2
Spain	1 847,5	1 595,1
France	1 796,6	1 864,3
China	1 719,9	1 129,5
Argentina	1 527,0	786,8
Swaziland	1 308,1	815,5
Thailand	1 087,9	872,8
DRC	1 085,4	1 047,0
Angola	1 031,4	1 138,7

Source: AIEC, SARS

Component	Exports into Africa: 2010 - 2013 2010	2011	2012	2013*	2013**
Total including BLNS	**17 707,4**	**19 997,2**	**25 862,2**		**30 194,5****
Total excluding BLNS	**8 719,2**	**11 588,9**	**17 796,9**	**17 887,9***	
Air conditioners	10,7	12,6	18,6	18,1	30,1
Alarm systems	22,3	14,7	21,4	21,6	36,6
Automotive tooling	88,5	99,7	314,8	291,1	396,8
Axles	13,7	20,9	42,9	61,4	87,3
Batteries	94,3	106,3	146,7	166,6	209,8
Body parts/panels	26,2	23,6	80,8	77,6	144,9
Brake parts	49,1	33,6	54,4	70,6	145,7
Car radios	8,6	5,8	9,9	8,2	24,2
Catalytic converters	29,2	63,8	90,2	86,1	107,0
Clutches/shaft couplings	16,2	20,9	31,9	29,6	72,5
Engines	97,8	104,7	194,2	187,3	238,8
Engine parts	181,2	182,5	339,5	334,1	585,0
Filters	99,1	110,4	162,4	154,7	207,7
Gaskets	35,0	33,1	59,1	79,1	106,7
Gauges/instruments/parts	126,1	164,6	210,5	244,7	312,8
Gear boxes	16,7	19,3	31,6	41,2	74,3
Glass	10,8	11,9	13,4	15,7	54,6
Ignition/starting equipment	37,1	61,1	73,3	64,5	136,2
Jacks	7,8	14,3	15,0	24,0	26,9
Lighting equipment	22,7	25,6	34,5	42,6	53,8
Radiators/parts	16,4	22,2	32,4	29,5	58,4
Road wheels/parts	21,0	21,3	70,8	68,3	110,3
Seats	2,9	2,0	3,7	4,3	9,7
Seat belts	1,2	1,5	1,5	1,7	4,2
Stitched leather seats	3,4	10,0	2,4	4,7	11,0
Shocks/suspension parts	19,3	31,7	33,1	33,8	58,5
Silencers/exhausts	6,4	4,6	8,7	5,7	15,5
Springs	2,2	4,7	6,8	10,2	16,9
Steering wheels/columns	7,3	5,9	11,0	12,1	20,1
Transmission shafts	172,6	219,7	267,2	322,9	448,6
Tyres	583,4	685,6	810,8	725,3	1 352,6
Wiring harnesses	2,9	2,8	12,3	12,2	33,2
Other parts	1 494,4	1 768,4	2 517,2	2 846,8	5 325,8
Light vehicles	*4 627,5*	*6 917,7*	*10 857,2*	*10 598,9*	*16 958,1*
Medium/Heavy vehicles	*765,2*	*761,4*	*1 216,7*	*1 192,7*	*2 719,9*

Source: AIEC, SARS

* Comparison excluding BLNS (Botswana, Lesotho, Namibia and Swaziland) country exports
** Comparison including BLNS (Botswana, Lesotho, Namibia and Swaziland) country exports

RETAIL SALES: 2011 - April 2014 (incl.)

PASSENGER CARS

	2011	2012	2013	04/2014
Abarth	5	107	85	32
Alfa Romeo	812	944	447	76
Audi	14,531	16,743	19,336	6,612
BMW	23,560	24,744	24,793	8,395
Cadillac	2	0	0	0
Chana	348	58	0	0
Chery	0	0	1,996	642
Chevrolet	29,754	31,175	23,328	6,852
Chrysler	590	584	621	115
Citroen	1,941	1,945	1,583	255
Daihatsu	0	0	947	206
Dodge	2,086	1,765	1,304	275
FAW	0	0	169	218
Ferrari	0	0	125	30
Fiat	2,678	3,198	3,491	824
Ford	26,679	25,891	37,724	12,523
GWM	0	0	1,881	385
Honda	7,828	9,093	12,904	2,599
Hummer	5	8	0	3
Hyundai	0	0	45,104	14,228
Infiniti	0	127	194	66
Jaguar	520	909	1,086	471
Jeep	4,383	7,237	7,343	2,452
Kia	0	0	20,320	4,580
Land Rover	5,133	6,686	6,917	2,364
Lexus	1,178	1,371	986	537
Mahindra	451	1,447	1,219	339
Maserati	72	65	51	16
Mazda	4,790	4,827	3,173	1,068
Mercedes	23,509	22,420	23,520	7,168
Mini	2,509	2,794	2,878	670
Mitsubishi	1,734	2,619	3,030	1,119
Nissan	17,065	20,627	19,436	4,968
Opel	4,365	2,704	2,603	1,002
Peugeot	2,813	3,393	3,596	715
Porsche	1,131	1,435	2,436	215
Proton	0	0	266	86
Renault	10,347	10,216	12,107	5,802
Smart	124	133	95	5
Ssangyong	0	80	215	24
Subaru	1,250	861	1,153	431
Suzuki	5,462	4,724	4,865	2,038
Tata	1,909	2,795	3,921	495
Toyota	52,424	65,645	66,805	21,400
Volkswagen	75,495	82,363	83,628	26,964
Volvo	3,240	2,984	2,876	835
Zotye	0	0	4	0
Total	**330,723**	**364,717**	**450,561**	**140,100**

COMMERCIAL VEHICLES

	2011	2012	2013	04/2014
Babcock	132	0	0	0
Chana	363	95	0	0
Changan	57	96	0	0
Chevrolet	17,996	19,324	18330	5,957
Citroen	86	193	210	61
DAF	0	86	115	42
Daihatsu	0	0	1202	836
FAW	0	0	355	200
Fiat	598	593	852	226
Ford	14,764	16,545	20925	8,062
Foton	0	0	686	196
Freightliner	1,312	1,272	1417	458
Fuso	986	965	1233	419
GWM	0	0	4979	984
Hino	3,103	3,295	3461	995
Hyundai	0	0	4571	1,466
International	849	576	207	0
Isuzu	15,988	16,515	18328	6,388
Iveco	913	1,079	1327	621
JMC	0	0	831	206
Kia	0	0	2360	912
Land Rover	628	776	582	133
Mahindra	1,321	2,294	2501	917
MAN	1,866	1,719	1768	481
Mazda	3,772	1,961	2528	889
Mercedes	5,275	5,479	5673	1,848
Mitsubishi	1,558	958	1456	403
Nissan	22,827	29,173	27521	8,663
Opel	307	231	154	55
Peugeot	413	413	415	73
Powerstar	181	484	522	159
Renault	145	644	518	172
Renault Trucks	298	0	0	0
Scania	1,293	1,332	1626	638
Ssangyong	0	40	52	9
Tata	2,573	3,118	4043	1,064
Toyota	52,709	50,965	55497	18,333
UD Trucks	3,234	2,992	3079	910
VDL Bus/Coach	24	33	19	0
Volkswagen	9,887	9,710	9067	2,819
Volvo	1,525	1,615	1774	627
Total	**166,983**	**174,571**	**200184**	**66,222**

Please note: Figures for Mercedes-Benz in all tables are estimates
Source: NAAMSA/Lightstone Auto

Gulf opened up the first fuel station in Pittsburgh in 1913

The 1915 Scripps-Booth Model C was the first car to have the horn button in the centre of the steering wheel. The car also was the first with electric door latches

BBBEE - How to improve your score?

We are now entering into the 8th year since the BBBEE Codes of Good Practice were launched. Many businesses seem to still be struggling with improving on their level of compliance, mainly due to the lack of understanding of what is required of businesses to comply. In this article we will be giving you some ideas of what you could do to improve your scores, based on the current codes of 2007. As there are 7 different elements, we will focus on the first four elements in this article and then the last three elements in the next article.

Ownership

This is probably the most difficult element to score on, unless you already have black ownership. There are many options that businesses could consider when assessing whether you would like to include black ownership in your company or not. As every business is different, one has to consider which option best suits your particular requirements. There are different types of owners and here are a few examples:

1. Individuals - Black male or female partner
2. Employee Ownership schemes
3. Broad Based Ownership schemes
4. Co-operatives
5. Venture capitalists

The critical factor in deciding on a Black partner, is whether you wish them to take an active role in the business or just become investors. This will also impact on how many points you would score as active partners would realise more points.

Management Control

Management control refers mainly to the owners, members, directors and senior top managers in an organisation. These are the individuals who make strategic decisions in the business and have influence on the business objectives and performance. They usually include CEO, CFO and Executive Managers that serve on the board. Other executive managers may also include HR Executive, National Sales Manager or IT Director.

In order to improve your score in this element you would need to consider the roles and responsibilities of your senior managers to determine whether they would fit into this category of Management Control. Businesses must also ensure that when categorising individuals in these positions, it must comply with your EEA reports, which are submitted to the department of labour.

Employment Equity

This element measures the number of black employees you have employed in Management (for Generics) and staff (for QSE's). Firstly you must ensure that you comply with the Department of Labour's regulation, where they require that if your business has more than 50 employees or your turnover exceeds the thresholds below, you are required to fill in EEA reports and submit to the Dept of Labour.

SECTOR	Annual Turnover
Agriculture	R2 million
Mining & Quarrying	R7,5 million
Manufacturing	R10 million
Electricity, Gas & Water	R10 million
Construction	R5 million
Retail, Motor Trade & Repair Services	R15 million
Wholesale Trade, Commercial Agents & Allied Services	R25 million
Catering, Accommodation and other Trade	R5 million
Transport, Storage & Communications	R10 million
Finance & Business Services	R10 million
Community, Special & Personal Services	R5 million

Every business should ensure that your organogram is updated and that staff and management are correctly categorised in their respective positions. It is also important to understand that, according to the codes of good practice, any individual that has a 3 year degree or diploma is deemed a Junior Manager. Also if any employee has any staff reporting to them they are also deemed to be a Manager and should therefore be categorised accordingly. For companies with large number of employees should consider sourcing assistance from BEE consultants to ensure that employees are correctly categorised according to the BEE codes, in order to maximise your score.

Skills Development

This element measures the amount of money you spend on training Black employees. Generics are required to spend 3% and QSE's 2% of their leviable salary and wages bill in order to score maximum points. The spend must be on learning programmes such as learnerships and apprenticeships where there is a combination of both theoretical learning and workplace skills training. These learning programmes must be run by accredited learning institutions.

What most companies do not understand is that firstly the learnership does not have to be run by your industry Seta, but any registered Seta. Secondly, if your company is unable to send an employee on the learnership, you may pay for an unemployed learner to attend such learnership, as long as you have an agreement between your company, the learning institution and the learner. Once the learner has qualified, the company is encouraged to employ the learner, however is not obliged. This process assists unemployed people, by improving on their skills and making them more employable. There are also tax rebates and grants available, where companies may take advantage of these cost savings. Remember also that you will score more points for spending on black females rather than black males.

For more information on BBBEE please contact SAB&T BEE Services as we are an IRBA approved Registered Auditor, a full member of ABVA (Association of BBBEE Verification Agencies) as well as an associate member of NAACAM. SAB&T BEE Services can offer our clients solutions to their BBBEE needs, which include:

- BEE Verifications/Certificates
- Strategy Planning
- BEE Training
- Consulting

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