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The biggest news this month has been the long-awaited announcement by the Minister of Trade and Industry, Rob Davies, of the study to develop a support regime for the automotive industry after the APDP ends in 2020. The Minister has described this as a "post-2020 Automotive Master Plan".

The technical team would be led by professors Justin Barnes and Anthony Black and includes a range of other industry and industrial policy experts from B&M Analysts, Trade and Industry Policy Services and senior staff at the Department of Trade and Industry (DTI). "The team will engage extensively with all stakeholders, including original equipment manufacturers (OEMs), component suppliers and organised labour," Minister Davies said.

The team would report to an executive oversight reference committee, chaired by the Minister. The oversight committee, which had already held an introductory meeting, also includes the Presidents and Vice-Presidents of NAAMSA and NAACAM, namely Nissan MD Mike Whitfield, Ford CEO Jeff Nemeth, Dave Coffey and Ken Manners and representatives of the National Union of Metalworkers of South Africa.

"The purpose of the work will be to ensure that, in the context of long-term policy certainty, a post-2020 master plan will create a framework to secure even higher levels of investment and production, higher exports, deeper localisation and expanded employment." The technical team was expected to complete its work during the current fiscal year and the master plan would set the framework for the successor scheme to the APDP, which was itself a follow-on from the Motor Industry Development Programme.

Of course we have welcomed the announcement, and NAACAM will also form part of the more technical Industry Reference Group which will meet regularly with the research team.

The team will be conducting their study in a local environment which is relatively subdued, which is a good thing as there is nothing worse than using an unrealistically high base to predict the future, which is what happened during the last major program review in 2007 when the APDP was being developed on the back of a record market in 2006.

The situation now is that the new vehicle market is cooling down along with the approach of our winter – it is more than 10% below last year's levels. This is unfortunate as we are at the stage where sales of locally produced cars are at around 8,000 per month, the second lowest in living memory and just ahead of the 2009 disaster. Pickups are only slightly better at 11,000 monthly.

Thankfully exports of cars are at a record level, but pickups are stuttering because of sales to African markets declining sharply for the second year in succession due mainly to ad-hoc duty increases and regulatory /technical specification changes.

So the challenge for the future of the automotive sector in South Africa will be to find a way to produce vehicles at sufficient volumes to justify deeper levels of localisation, and the challenge for the team looking at the scenario out to 2035 will be how to find that balance of a carrot and stick to strongly encourage OEMs and first tier suppliers to make progress along this path. *(See NAACAM President's letter on Page 3 below.)*

NAACAM has stated in the past that real protection levels in South Africa are almost non-existent due to the APDP rebate incentives, and unless the levels of imports of vehicles are reduced, we don't see how vehicle production can be increased substantially. Returning to the previous point on the local market, this year the seven local OEMs will produce 40% fewer vehicles for domestic sales than they made 10 years ago, an unsustainable model for the future.

We can only trust that the Minister's team will find a way to resolve this and we will do our best to assist wherever we can.

Roger Pitot

The cover photograph this month comes from the Editor's desk in rural Kentucky, USA. This was too good not to share and there are many more interesting photo opportunities like this!

How are African manufacturers embracing industry 4.0 opportunities?

The use of industry 4.0 technologies makes it possible to manufacture entirely new things in entirely new ways and revolutionise research and development, supply chains, production and business models; and around the world, the traditional manufacturing industry is in the throes of a digital transformation that is accelerated by the exponential growth of these smart technologies. Companies in developed and emerging markets alike need to adapt to this rapid change and exponential growth if they are not to be left behind by developments in their sector and by their competitors.

Deloitte conducted a study on industry 4.0 in Africa *(http://www2.deloitte.com/za/africaindustry4-0?id=za:2em:3cc:awa_AI40:ai40_dg_email)* by holding interviews with leading role players in manufacturing such as the CSIR-Meraka Institute, Department of Science and Technology, IDC (International Data Corporation) and Manufacturing Circle, as well as with executives from manufacturers such as CAD House, Ford, Hulamin, Nampak, Nissan and Toyota South Africa.

Adoption of industry 4.0 in Africa/South Africa is low compared to the rest of the world

The results of the survey found that the overall adoption level of smart technologies that accelerate industry 4.0 remains at a foundation stage in the South African/African manufacturing industries, but has the potential to reverse the dwindling contribution of manufacturing GDP in the case of South Africa, which is currently 12% of GDP compared to 25% in the 60s.

- While a stronger usage of advanced analytics exists within the automation and automotive sectors, the real opportunities of advanced analytics in other sectors are generally not yet being explored by manufacturers.
- Usage of robotics is mostly at an automated stage and not yet at a smart or advanced stage.
- There is no widespread adoption of 3D printing yet within the South African manufacturing industry, although awareness of the significance and the potential of this exponential technology is high.

Reasons for low adoption of industry 4.0 technologies

The broader industry 4.0 adoption is hindered by a general hesitance to invest in new knowledge and technologies within government and industry, as the current economic environment forces South African manufacturers to save costs first and spend less on innovation.

Poor connectivity and accessibility are also factors that influence low adoption, as well as concerns around cyber security.

Outlook for usage of smart technologies amongst African manufacturers

Emerging economies can become early adopters of industry 4.0, acquire capabilities to develop advanced manufacturing systems and leapfrog their global competitors with unique locally-developed high-tech products and services. China's shift in recent years from a manufacturing-intensive 'made in China' economy to an innovation driven 'designed in China' economy clearly illustrates that opportunity.

The majority of our interviewees believe that industry 4.0 will have a strong impact in the coming years on Africa in general and especially the South African manufacturing industry. At the moment, however, manufacturing in South Africa is going backwards in its percentage contribution to GDP. The question we have to ask ourselves at this moment in time is, do we continue on this path of deindustrialisation without complementing it with industry 4.0, or do we try to reverse the decline? If it is to be the latter, then it will require a getting together of the right minds to define where manufacturing is going in South Africa.

We invite you to connect with us to discuss this topic further. South Africa is not short of brainpower both in the private and public sectors, but it needs to become a collective effort. You are welcome to also download the 'Industry 4.0 - Is Africa ready for digital transformation?' (link featured above) report for further reading.

Karthi Pillay
Deloitte Africa Manufacturing & Automotive Leader
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WE WELCOME NEW NAACAM MEMBERS:

BRINK TOWING SYSTEMS (Pty) Ltd
Contact: Mark Gutridge, Managing Director
e-mail: mark.gutridge@brink.eu
Contact: Bridget Buis, Financial Manager
e-mail: bridget.buis@brink.eu
Tel: +27 (0)33 401 0120
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Website: www.brink.eu

The Brink Group develops and produces tow bars in close cooperation with most leading car manufacturers across the globe. Each tow bar is developed and tested either in the Brink Towing 3D Test Centre in Staphorst, Holland or in our local Test Centre in Pietermaritzburg to comply with the strictest local and international standards to ensure easy installation and safe usage under the heaviest circumstances.
Quality Rating: ISO TS 16949/ISO 9001/ISO 17025
B-BBEE Rating: Level 6

ENTERPRISE DEVELOPMENT CONSULTANTS
Contact: Greg Billson, Managing Director
e-mail: greg@edc-consultants.co.za
Tel: +27 (0)41 373 7711
Fax: +27 (0)86 766 6949
Website: www.edc-pe.com

Enterprise Development Consultants (EDC) is a privately owned consultancy practice that specializes in Department of Ttrade & Industry and Industrial Development Corporation related investment incentives. The Automotive Investment Scheme is one of the programmes that we assist companies in the automotive sector with. The following services would be incumbent in EDC's consultancy offering:

- Regular meetings to facilitate entity structuring to maximise incentive benefits
- Management of the incentive process from application submission through to final grant receipt
- Performance driven fee structure to promote mutualism

B-BBEE Rating: Level 4

NAACAM REGIONAL MEETINGS

In an effort to increase attendance at the NAACAM regional meetings, we hereby give you advance notice of the meetings for the remainder of the year - please see below.

These meetings are regularly held in the five major centres for your benefit – they provide the opportunity for you to get the latest feedback from us and ask whatever questions you may have, as well as make suggestions on how NAACAM can serve you better.

Hope to see you there!

REGION	DAY	DATE	TIME	VENUE
East London-Border	Tuesday Thursday	14 June 20 October	09:00 for 09:30 09:00 for 09:30	Selago Industries, East London To be advised
Joint Gauteng	Monday Wednesday	13 June 19 October	13:00 for 13:30 13:00 for 13:30	Johnson Matthey, Germiston To be advised
KwaZulu-Natal	Tuesday Tuesday	7 June 11 October	13:00 for 13:30 13:00 for 13:30	Feltex Automotive, Jacobs To be advised
Port Elizabeth-Uitenhage	Wednesday Wednesday	8 June 12 October	13:00 for 13:30 13:00 for 13:30	Hosted by Schnellecke Logistics South Africa at VWSA AutoPavilion, Uitenhage To be advised
Western Cape	Tuesday Tuesday	28 June 25 October	08:00 for 08:30 08:00 for 08:30	Atlantis Foundries, Atlantis Industria To be advised

Below is an important letter from NAACAM President Dave Coffey on the dti's study to develop an Automotive Industry Masterplan for 2020 to 2035 and on NAACAM's role in the process

NAACAM welcomes the announcement by Minister Davies on the development of a Masterplan for the industry to 2035, replacing the APDP.

Ken Manners and myself have already been involved in the initial phase of the process as members of the Executive Oversight Committee, chaired by Minister Davies and we will continue to monitor progress and input into the review and evaluation process.

NAACAM will also form part of the more technical Industry Reference Group which will meet regularly with the research team, headed by Dr. Justin Barnes, the project leader. We have provided input on the selection of the 20 component manufacturers who will be interviewed over the next few weeks to ensure that an appropriate cross-section of NAACAM member companies are able to contribute to the process. In addition, your input and comments at our regular regional meetings will be appreciated and will be discussed in depth during the June meetings, which you are encouraged to attend to make your views known.

The development of a new Masterplan for the automotive industry will require much research and thought, and we are confident that the team will be capable of the task and we will lend them our full support. It is important that NAACAM and our members avoid discussions in the press and to that extent we will not be making any public comments other than that we are supporting the process.

Our position on what the future of the industry should be remains unchanged and is consistent with the government's view outlined at the beginning of the APDP, namely that we need higher vehicle production with associated deepening of local content in the South African value chain.

Dave Coffey, NAACAM President

Following on from various queries received from members as to the status of this year's wage negotiations process we can advise that we are still awaiting the submission of Numsa's wage proposals. There has been some delay in receiving such following Numsa's recent Bargaining Conference but all indications are that they will be received in accordance with submission closing date arrangements set by Mibco.

Following on from this Mibco has confirmed that the bargaining calendar for 2016 is as follows:

18 May	Preliminary round of discussions to clarify proposals (at best a bit of a pre bargaining type engagement)
07/08 June	First official round of negotiations
14/15 June	Second round of negotiations
28/29 June	Third round of negotiations with the aim of concluding and signing agreement by mid-July so that by end of July it can be submitted to the DOL.

Naturally the above schedule is subject to the dynamics of the process and could change as circumstances unfold.

We can also share that at this stage there has been considerable internal Numsa discussions as to whether 2016 will see an extension of the current agreement by one year or whether there will be full blown negotiations, this then giving rise to a different outcome. The content of the Numsa proposals will officially confirm this and which will in turn allow industry to mandate within its structures and respond accordingly.

As soon as the wage proposals come to hand they will be distributed to members and details of any mandating arrangements will be communicated soon thereafter.

BBBEE Requirements for the AIS

NAACAM has had extensive discussions and correspondence with the dti on the Regulatory changes published last November adding B-BBEE compliance to the AIS requirements.

We finally received the attached response from the Director General. The last paragraph indicates some leniency compared to the new guidelines in that claims will be approved "as long as companies show a practical commitment to BEE" and members who have had claims rejected should revert to dti to demonstrate your commitment, while those submitting future claims should be prepared to do the same. By all means use the attached letter and please let NAACAM know if you believe the dti is not adhering to it.

However the letter does not address the second point that NAACAM raised, namely uncertainty created by the change regarding new AIS applications and we will be taking this up with the dti next week to obtain clarity regarding the time frame for applicants to demonstrate compliance. In the meantime note that the guideline does already allow for the acceptance of applications from non-compliant companies provided you submit a plan to achieve compliance by March 2017.

NAACAM will keep members appraised of progress on this subject. In the meantime if your company has cancelled or deferred any investments because of the uncertainty please let us know as soon as possible.

Dear Mr Pitot

Re: Compliance to B-BBEE Codes of Good Practice requirements in the Automotive Investment Scheme (AIS)

Thank you for your letter dated 24 February 2016 with regards to the Automotive Incentive Scheme (AIS) Interpretation note (01/2015) on B-BBEE issued by the Incentive Development and Administration Division (IDAD).

The Department of Trade and Industry (the dti) is the custodian of the B-BBEE Act and a lead department within government on matters of economic transformation. the dti consulted extensively on the amendments to the Broad-Based Economic Empowerment Amendment Act, 2013 (Act No 46 of 2013), and whenever concerns were raised, the Minister made considerations wherever possible. Extensions of implementation of the B-BBEE Act were made since its signing into Law by the President of the Republic of South Africa on 27 January 2014 and proclamation on 24 October 2014, extending implementation to 01 May 2015 and the trumping provision to 24 October 2015.

I would like to refer you to the B-BBEE Amendment Act, 2013 (Act No 46 of 2013) section 10 (1) (e) which states as follows: "every organ state and public entity must [take into account and, as far as reasonably possible,] apply the relevant code of good practice issued in terms of this Act in:

- *determining the criteria for awarding of incentives, grants and investment schemes in support of Broad-Based Black Economic Empowerment."*

It is in light of these provisions of the Act the dti has to implement the Law in order to facilitate economic transformation. With regards to the AIS, no B-BBEE level has been set, but only a requirement for compliance (i.e. level 1 to 8).

Provisions for sector charters have been made, and the Department has engaged with the sector in order to provide assistance should this be a preferable option. However, in the meantime the generic B-BBEE Codes of Good Practice are applicable.

Please note that the dti remains willing to engage with you on a pragmatic basis to resolve any issues that may arise in the implementation of this provision. As long as companies show a practical commitment to BEE, we will endeavour to meet all claims.

Yours sincerely
Signed: Lionel October, Director General
31 March 2016

AIDC hosts its inaugural Kaizen Seminar in Gauteng

The Automotive Industry Development (AIDC) in Gauteng, in partnership with Lean Institute Africa (LIA) and the Confederation of Indian Industry (CII) TPM Club India, hosted their inaugural Kaizen Seminar in Gauteng on 16 March 2016.

The event attracted six participating companies, representing the Eastern Cape, KwaZulu- Natal and Gauteng. The 2016 event - modelled on the first Kaizen Seminar hosted jointly by the AIDC in the Eastern Cape and Gauteng in 2015 - gave each of the participating companies an opportunity to present their Kaizen successes.

Presentations were categorised into Restorative, Renovative and Innovative Kaizen categories respectively, with presentations being evaluated on problem selection; problem solving methods; teamwork and presentation effectiveness.

According to Claude Pillay, Senior Project Manager for the AIDC's Supplier and Enterprise Development Department, the purpose of the Seminar was to recognise companies who want to make improvements and see changes within their manufacturing facilities. "The Kaizen Seminar is an opportunity for our participating companies to present their successes, to share ideas, and learn from other participants," said Pillay. "We want to assist companies to move forward, we want to strengthen the supply chain and stimulate the auto sector," he added.

Pillay explained that Kaizen was a culmination of various programmes including Rapid Process Improvements (RPIW), Total Productive Maintenance (TPM), Lean Manufacturing and various other world-class manufacturing programmes.

With interesting and captivating presentations on offer NAACAM Member, **Autoliv South Africa**, emerged as the winner in the Restoration category for their presentation entitled "Reduction of stock receiving time through elimination of wastes". The company also emerged as a winner of the Innovation category for their presentation entitled "Throughput time reduction on Airbag Assembly Line". **SJM Flex**, also a NAACAM Member, was recognised as the runner-up in the Restoration category.

Dr David Masondo, CEO of the AIDC, congratulated all the companies for their participation and effort put into their presentations. He also highlighted that the success of the Kaizen Seminar was an indication that companies are eager to become sustainable and becoming globally competitive.

The AIDC has highlighted that they intend hosting the next Kaizen Seminar in February 2017. ***For more information regarding the Kaizen Seminar please contact: Mr Rickus Lubbe at rlubbe@aidc.co.za***

Review of the decision taken by NERSA in relation to the ESKOM 2013/2014 RCA Industry Position Paper

1. Under the recent Regulatory Clearing Account ("RCA") mechanism forming part of the tariff determination process, Eskom applied for some R22.8 Billion in addition to the revenue approved by NERSA under the MYPD3 programme. The RCA Application related to the 2013/14 tariff year, and occurred within the context of an 8%, year on year, increase approved by NERSA for the duration of the MYPD3. The MYPD3 covered 5 tariff years, commenced on 1 April June 2013 and ends on 31 March 2018.

2. Commerce and Industry, including the High Energy User Group (the "HEUG") made submissions at the NERSA hearings in support of the refusal of the Eskom RCA Application. The HEUG includes, inter alia: Borbet, Sovereign Food, Agni Steels, Autocast and Shatterprufe.

3. The nett effect of the Application, if approved, would have been the following:
   - 3.1 a 27% increase, year on year, between tariff years 2012/13 to 2013/14;
   - 3.2 a factual revenue increase of R22.8bn in respect of the 2016/17 year above that approved in terms of the MYPD3;
   - 3.3 Compared to the increase that should be allowed under the MYPD3 for 2016/17, it would result in a factual, year on year, increase of 16.3%;

4. In view of the prior once-off additional RCA escalation in respect of MYPD2 of some R7.8bn, if the latest RCA Application were to have been unsuccessful and the MYPD3 approved escalation of 8% only was

implemented, Eskom would have been entitled to receive an effective, year on year, net increase of 3,5%.

5. In a nutshell, the primary submissions made to NERSA at the hearings by Nelson Mandela Bay Business Chamber (the "Chamber") were the following:
   5.1 Eskom is not following the RCA methodology prescribed by NERSA for applications of such a nature, accordingly, the application is un-procedural, was some 24 months late and for that reason is unlawful. The significance of this delay is that both NERSA and the public were prevented from making interventions that the intended early warning system laying at the root of the methodology was undermined, and both NERSA and the public were being presented with a fait accompli. In the result, consultation becomes meaningless;
   5.2 Eskom is claiming the RCA to compensate for its internal inefficiencies and failed project management. Cost at Eskom is out of control and Eskom is seeking for additional funding as a result of these inefficiencies. The Electricity Regulating Act demands that customers should only pay to cover the costs of an efficient licensee.
   5.3 As part of its submissions, Eskom claimed that R4.4bn of the amount claimed related to an "error" in the MYPD3 Decision, and requested this error to be rectified through the RCA. Based on legal principles it was submitted that such a reversal by NERSA of its own decision is unlawful.

6. Ultimately, NERSA announced its decision (the "Impugned Decision") on 2 March 2016. NERSA decided to allow an increase of 9.4% (year on year) effective from 1 April 2016.

7. Although the approval by NERSA, at face value, seems to be close to the 8% year on year increase approved, the decision by NERSA results in Eskom being granted an amount of approximately R11 Billion in addition to the amounts originally approved in the MYPD3.

8. The Impugned Decision will cost each user an additional 5.9% on their current usage. In sum, for the oncoming 2016/2017 tariff year it will cost each company an estimated additional R59 for each R1000.00 per month of their average electricity bill for 2015/2016 tariff year.

9. The HEUG decided that the Impugned Decision be challenged, on the following basis:
   9.1 The Impugned Decision is taken on review in terms of the provisions of PAJA;
   9.2 Pending the review being initiated, an interim interdict is obtained suspending the implementation of the Impugned Decision until the review is finalised and a final Judgment is obtained.

10. The HEUG forged ahead on Thursday 22 March 2016 when it issued papers in the legal case to get electricity prices in the country reduced, supported by the Chamber as a co-applicant.

11. The Interdict was aimed at preventing the additional R11.2-billion Eskom RCA electricity increase on 1 April 2016 being introduced, and was due to be heard on 31 March 2016.

12. NERSA published its "Reasons for Decision" in relation to the Eskom 2013/14 RCA on March 29th, 2016.This document is being studied in relation to the review, but it is clear from a preliminary scrutiny that NERSA seems to have disregarded the procedural objections and that that they remain unanswered. In the face of the Interdict and prior to the hearing in the Pretoria High Court, Eskom and NERSA proposed, and it was ultimately agreed between the legal teams that the RCA decision is to be reviewed by the High Court on an urgent basis.

13. In addition, Eskom in papers filed at Court, conceded that if the RCA decision by NERSA is proven on review to have been wrong, Eskom will refund all amounts that may have been overpaid from April 1.

14. Given the significance of the matter to the South African economy, a request has been made to the Deputy Judge President of the Pretoria High Court that the review should be heard by a full bench (three judges).

15. The application to have the RCA decision reviewed was then postponed to mid-June 2016 for the court to decide whether NERSA was correct in granting the RCA increase.

16. It is important that industry and business affected by this increase react accordingly. NERSA has already given an indication in its "Reason for Decision", that Eskom will request R 25 Bio to be recovered for the 2014/15 financial year through the RCA. We believe such an application will similarly be tainted by procedural irregularity and in the result we can avoid the consequential increases by the launch of this review. We also believe the planned review is highly relevant in relation to the manner in which future applications will be dealt with by NERSA, and the extent to which NERSA will pay attention to objections by the public.

17. Members from commerce and industry are invited to join the HEUG in seeking to interdict the unlawful tariff increases approved by NERSA. You may do so by becoming co-applicants, or by providing financial support. Financial support can be provided on a confidential basis, without disclosing the identity of your company.

18. It is estimated that the costs for the review will amount to approximately R2million to R2.5million (ex VAT) including counsels' fees and disbursements. Participants will be requested to contribute to costs on a pro-rata basis.

Please contact the HEUG if you have any queries, or are interested in becoming involved:
Attention: David Mertens - Mobile: 082 906 8189
eMail: david.mertens@autocast.co.za

We take pleasure in advising that the 2016 NAACAM Directory is now available. Please contact Bev on 011 392 4060 or email bev@naacam.co.za to arrange collection of copies.

Nigerian delegation at NAACAM, April 2016

At their meeting with delegates from business, AAMA (South Africa) and the dti at NAACAM today.

From L to R: Mark Barley, Luqman Mamudu (Director Policy) NADDC, Alec Erwin, Tokunbo Aramoloran (Chairman) NAMA, Roger Pitot, Sorin Profir, Liz Segal and Renai Moothilal.

NEW HEAD FOR AIDC EC

Tasked by the Eastern Cape Provincial government to support manufacturers, Hoosain Mahomed has been appointed General Manager of the Automotive Industry Development Centre (AIDC), Eastern Cape.

Mahomed joined the AIDC EC from multi-national automotive component manufacturer, Benteler and will from April lead the organisation, which is a wholly owned subsidiary of the ECDC, mandated to assist manufacturers in the Eastern Cape achieve growth locally and globally.

Mahomed said the AIDC EC would expand the expertise and resources it had implemented with great effect in the automotive industry into other manufacturing sectors.

"Manufacturing is a key driver of GDP and job growth, it then makes perfect sense for the AIDC EC to support manufacturers, regardless of the sector in which they operate, if our local economy is to fully benefit."

"Despite an exchange rate which supports exporters of manufactured goods, manufacturers face a range of debilitating factors which impact on the cost, quality and delivery of their products and essentially their ability to make profits and retain or grow jobs, which should be the desired outcome," Mahomed says.

"The AIDC EC's efforts to make tangible contributions to Eastern Cape companies' bottom line through shop floor interventions, training and wellness will be intensified towards an outcome of improved efficiency, savings and sustainability," he said.

The AIDC EC has pioneered new manufacturing systems into industry, having introduced an internationally certified TPM Programme into South Africa and made Six Sigma training readily available in the Eastern Cape to embellish its existing World Class Manufacturing and Cleaner Production programmes. New thinking in the space of QMS and supply chain Logistics, identified as opportunities, is under construction and being modelled to support industry.

Prior to his appointment, Mahomed, who attended Uitenhage High School, and graduated at TUKS, held senior leadership positions at Benteler, Grupo Antolin, Knitmesh SA, Tenneco Automotive, Bosal Africa and Firestone and SA Post Office. Mahomed started his Career as an Industrial Engineer at Volkswagen of South Africa, then joined Ford Motor Company. Mahomed's 33 years of experience in predominantly the supplier community brings great wealth to the AIDC EC, which no doubt will benefit the industry at large.

G.U.D. Filters offers one stop filtration solution for the LCV market

G.U.D. Filters have expanded their product range offering by introducing filter kits for SA's popular bakkies and taxis. The G.U.D. filter kits comprise of an air, oil, and fuel filter conveniently packaged together to provide a complete filter fitment solution for the LCV market.

"We are excited about the launch of G.U.D. filter kits for the LCV market. The filter kits were developed to offer our customer base a convenient filter fitment package." says Ian Law, Group Sales & Marketing Director, G.U.D. Holdings (Pty) Ltd.

The filter kit for the Toyota Hilux and Fortuner is currently available at AutoZone, Diesel-Electric and other leading distributors. Filter kits for the Ford Ranger and Toyota Quantum is expected to be released in the coming months. All G.U.D. filters are manufactured to OEM specifications and are backed by G.U.D.'s comprehensive warranty.

PART NO.	APPLICATION
FK1	TOYOTA HILUX; FORTUNER
FK2	FORD RANGER
FK3	TOYOTA QUANTUM (2014 – 2016)
FK4	TOYOTA QUANTUM (2005 – 2014)

PORT ELIZABETH SHOWS ITS PRIDE FOR TEN10 WINNER SHIRLEY DE KOCK

"Ons is baie trots op jou - We are very proud of you," said Casey Beary, plant manager of the ride performance plant in Port Elizabeth, South Africa as he addressed TEN10 winner Shirley de Kock in Afrikaans in front of the plant's 400 strong workforce during the award ceremony in Port Elizabeth on April 6.

The TEN10 award celebrates Tenneco employees throughout the world who demonstrate one or more of the company's 10 shared values on the job.

Shirley was recognized for demonstrating the Tenneco value of Perseverance. Gregg Sherrill, chairman and CEO and travelled to Port Elizabeth with Gregg Bolt, senior vice president, Human Resources and Enrique Orta, senior vice president Ride Performance, to personally present the award. He explained the importance of our values both to him personally and as the leader of a global company operating in every region of the world, on every continent with many cultures and people from many different backgrounds. "Our values join us as one single team, regardless of where we are in the world. And it is our values that hold our team together. They define who we are at Tenneco. They are not only about what we do, but how we do it," Gregg said.

Shirley, who has worked for Tenneco for almost 32 years, is known by her colleagues and the Tenneco management for her outstanding work ethic. "Shirley can be relied upon to follow through on any task assigned to her and do so accurately and consistently," said Beary. "Her flexibility and open mindedness means that she is extremely reliable. She is easy to work with and there is no task too big for her."

Port Elizabeth Ride Performance plant manager Casey Beary (left) with Shirley de Kock and Tenneco chairman and CEO Gregg Sherrill (right).

TEN10 global finalist Liandre Knoesen, EH&S administrator for both the ride performance and clean air plants in Port Elizabeth, receives her certificate of recognition from chairman and CEO Gregg Sherrill.

On presenting the award, Sherrill reminded the group that Shirley is one of ten global winners out of 7,000 nominees. "The ten winners really stood out and all the people in this room should be extremely proud that Shirley was on the list, " Sherrill said. He added: "32 years' service represents a tremendous amount of dedication. On behalf of the management at Tenneco and all your colleagues, I would like to thank you for your commitment to our company values and express how proud we all are of you."

In addition to Shirley and Liandre, the local winners from Ride Performance, Port Elizabeth were also recognized during the award ceremony. They are:

- Justin Botha, plant engineering and EH&S manager for Health & Safety;
- Annamarie Fouche, senior payroll administrator for Accountability;
- Chris Brandt, process engineer for Innovation;
- Desmond Muller, facilities coordinator for Passion and a Sense of Urgency;
- Customer services coordinators Eunice Bruintjies and Rushneen Gaffore for being Results Oriented
- Nelson Reddy, superintendent; Vernorene Pillay, production clerk and Pauline Dyke, plant controller for Teamwork.

MEMBER UPDATE: SETA GRANT REGULATIONS: LABOUR COURT JUDGEMENT EFFECTIVE FROM 1 APRIL 2016

1 As members are aware, judgement was handed down by the Labour Court in August 2015 in the litigation brought by BUSA to challenge aspects of the 2012 SETA grant regulations.

2 The Court declared Regulations 3(11) and 4(4) of the 2012 Grant Regulations to be invalid, and it set them aside. However, it suspended the effect of that order until 31 March 2016.

3 The Minister initially took steps to appeal against the Labour Court judgement and order. But the appeal was not pursued, and it has lapsed.

4 This means that the Labour Court order can now be enforced. The order has been effective since 1 April 2016.

5 This means that:

5.1 With effect from 1 April 2016 the mandatory grant that may be claimed is again 50% (and not 20%, as provided by the invalid Regulation 4(4) of the 2012 Regulations); and

5.2 The sweeping mechanism introduced by the invalid Regulation 3(11) of the 2012 Regulations is no longer in place.

Signed: Khanyisile Kweyama, Chief Executive Officer, BUSA

Additional articles on website version of Newsletter:

- Carbon Tax (CT) Draft Bill meeting at National Treasury April 15th, 2016
- Statistics - Retail sales and export statistics including April 2016

* Deloitte report helps navigate Africa's automotive sector: Getting Africa into Gear

Visit www.naacam.co.za to view or download

BBBEE - The exclusion of Imports for Procurement

The Automotive Industry is faced with some challenges when it comes to whether or not they may exclude imported products or services from the measurement of their Procurement spend. While some importers have the choice of whether or not to procure from a local supplier, some are contractually obliged to procure from foreign suppliers. While the Department of Trade and Industry are trying to encourage the sourcing of products and services locally, in some cases this not possible. Under the Revised Codes, the criteria for allowing any imports to be excluded, now requires further evidence in order to exclude certain imports.

As per the BBBEE Codes of October 2013, the following imported goods and services may be excluded:

1 Imported capital goods or components for value-added production in South Africa provided that:
   a. There is no existing local production of such capital goods or components; and
   b. Importing those capital goods or components promotes further value-added production within South Africa
2 Imported goods and services, other than those listed above, if there is no local production of those goods and services including, but not limited to, imported goods or services that:
   a. Carry a brand different to the locally produced goods or services; or
   b. Have a different technical specification to the locally produced goods or services

The exclusion of imports listed under point 2 above are subject to them having developed and implemented an Enterprise Development and Supplier Development plan for imported goods and services. This plan should include:

- Clear objectives
- Priority interventions
- Key performance indicators and
- A concise implementation plan with clearly articulated milestones

If your business therefore falls under point 2 above, it is suggested that you develop and implement a plan in order to avoid the inclusion all your imported products in your total measured procurement spend, as no foreign business would be able to supply you with a BBBEE certificate. This means that your company will be penalised under your procurement spend.

For more information or assistance on BBBEE please contact SAB&T BEE Services, as we are an IRBA approved Registered Auditor, a full member of ABP (Association of BEE Professionals) 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 • Gap Analysis (Old vs Revised Codes) • Strategy Planning • BEE Training • Consulting

We service all 9 provinces within South Africa and may be contacted on 0860 233 669 or via email: marketing@sabtbee.co.za

EXPORTERS CLUB
Launch of the Exporter of the Year 2016

The annual Exporter of the Year banquet will be held on 12 August 2016 at the Boardwalk Convention Center.

Exporters and service providers to the export industry will be recognised for their successes over the last year at this event, which is regarded as one of the premier annual events in the Eastern Cape. Tickets for the banquet can be booked with Bettina Pheiffer at secretary@exportersclub-ec.co.za at a cost of R475 per person or R4,750 for a table of 10.

Kindly follow the link to interviews with past winners on why it is important for you to enter Exporter of the Year 2016 *https://youtu.be/sQmDtU1p2PU*.

The entry form for Exporter of the Year 2016, in PowerPoint format, is available for downloading from our webpage *www.exportersclub-ec.co.za*

Entries close 17 June 2016 and must be submitted either via email to *quintin.levey@kpmg.co.za* or delivered to Quintin Levey at KPMG, Norvic Drive, Greenacres.

Amendments to the entry form from the prior year:

- The SJM Flex environmental practice award is now for entities that are ISO 14001 accredited with export turnover less than R200 million.
- All entrants must submit a 500-1000 word reference from 2 customers.
- For the OEM category only - it is no longer compulsory to disclose profitability figures if other proof is provided that the entity is profitable. In order to qualify for the relevant points on the scorecard proof of profitability can be in the form of a letter from your auditors verifying that the company is profitable.

Please do not hesitate to contact Quintin Levey on 082 719 2166 if you have any questions or queries with regards to the above.

The independent panel of judges consists of Zodwa Kepeyi (ECDC), Kingsley Dell-Robertson (IDC), Jane Stevenson (Magnetic Storm), Steve Burgess (NMMU Business School), Rocco Joubert (FNB), Hoosain Mahomed (AIDC) and Quintin Levey (Exporters Club chairman). The independent panel of judges for the SJM Flex Environmental awards consists of Dr Anton de Wit (NMMU), Mark Margitti (SJM Flex), Gareth Andrews (Wilderness Foundation), Quintin Levey (Exporters Club chairman).

The National Association of Automotive Components and Allied Manufacturers (NAACAM) is excited to announce their premier Show to be held in the first week of April, 2017. It will:

- Showcase the capability of the South African component industry through an exhibition which will include related sub-sectors and service providers;
- Incorporate a conference with world class speakers;
- Receive the full support of all stakeholders in and related to the automotive industry;
- Promote further localisation of components through the supply chain at both the OEM and Tier 1 levels;
- Attract multinational component suppliers to participate;
- Link potential Tier 2/3 to Tier 1 suppliers.

The NAACAM Show will be presented alongside and in partnership with the Durban Automotive Cluster's (DAC) National Localisation Indaba.

The NAACAM Show
Top quality South African components, offered globally

Do not miss this event!

Carbon Tax (CT) Draft Bill meeting at National Treasury April 15th, 2016

Report from David Mertens representing NAACAM

Chair: Cecil Morden (Treasury)

Attendance: about 50 people, Treasury, DEA, World Bank, Industry (mines, tyre industry, Metal Smelters, Environmental service providers)

There had been a similar interaction between Government and BUSA during the previous day.

Treasury presented through a PowerPoint presentation which was requested to be made available to the attendees.

It is clear from Treasury's viewpoint that the Carbon Tax will be implemented in 2017. The target date is January 1st, 2017. The revised bill (which is the result of the recent consultation process but which has not been published) is expected to go to parliament in May 2016. Once parliament approves, the Bill will be published and then become law. (These dates then became doubtful as later discussions revolved around further consultation)

The main principles outlined in the previously published draft bill remain in place. The formulas to calculate the tax and all the mechanisms for tax relief, credit and exemptions remain in effect. However, key issues around the implementation remain undefined and the impact the Carbon Tax Bill will have on the industry remains largely unclear from that perspective. Most questions from the forum were answered with "this issue still needs to be defined". Given the current readiness it is hard to see how the Bill will be effectively implemented starting next year.

Treasury stated that further interactions with stakeholders will take place during the months to come, this to further define and refine the actual working of the Carbon Tax Bill. In essence, we should attend these interactions as they will define the actual implementation and effect of the new tax.

Further detail as follows:

The intention is to implement the "first phase" in 2017 ending 2020. During this period, the Carbon Tax should be "Tax neutral" from an electricity price perspective (this was apparently published in a media statement by Treasury). They stated they did not want to create an electricity price shock.

Treasury presented a calculation showing the expected impact of the CT on the electricity price and a comparison with the currently levied "environmental levy". Given the current Eskom MYPD, the CT would increase the electricity price by 5% for 2017. This is of the order of the Rc3.5/KWh currently charged through the environmental levy. However, there is no finality regarding the matter and we would expect to get the actual numbers only when the tax will be implemented.

As mentioned before, the tax would work on a calendar year basis as it has to match with the environmental reporting required by the DEA.

It has not been decided whether the tax will increase year by year with the increases defined in bill or whether discretion could be up to the minister who decides on an annual basis (minister's discretion is more likely).

Impact of CT on fuel price: at 60% credit calculated for the current year : RC 11.2/l for petrol and RC 12.9/l for diesel: this is rather limited in comparison to the current existing taxation level at about R 4/l

Green funds and other systems to promote transformation were discussed to some extent, but it was clear that there is no significant funding available as the "Green Fund" of R 1.1Bio is not sufficient to stimulate transformation. There was no answer to the question of what the purpose of the environmental levy on electricity (currently at R8Bio/annum) has been.

Environmental reporting to the DEA and reporting to SARS will be co-ordinated (how remains open and this is for sure one of the big issues regarding CT). Questions in relation to the impact on business from an administrative viewpoint remained unanswered. Busa is involved in the consultation process regarding the administrative process and it is clear that industry will need to be involved to ensure the administrative impact is limited. It was stated that the next draft bill will allow us to make comments on the draft reporting method.

A long discussion was held on Trade exposure (i.e. tax relief for companies exporting and importing) with various possible formulas presented. This should also be part of the next draft bill.

Tax deductibility: Treasury wants CT not be tax deductible, but there is again still no final outcome regarding the matter.

In the previous proposal, a 10MW cut-off was mentioned in the consultation documents. This would mean that companies with an energy usage of below 10MW (which is quite significant as a threshold) would not be exposed to the CT. Treasury commented that they do not want "small players" to be taxed as it would be unmanageable. Again, it was clear they have no clear view as to what will be specified in the bill and the threshold will be regulated by DEA, not Treasury. This important issue also remains undefined as such and it would be important for NAACAM to further ensure we try to influence the threshold upwards.

The regulation regarding offsets will also be part of a further separate comment process to be completed and this issue is, like most others, not defined at this point in time.

Passenger Car Sales	2012	2013	2014	2015	04/2016
Abarth	107	85	67	45	18
Alfa Romeo	944	447	297	157	32
Audi	16 743	19 336	18 375	14 950	4 301
BMW	24 744	24 793	24 521	21 580	7 417
Chana	58	0	0	0	0
Chery	0	1 996	1 259	746	89
Chevrolet	31 175	23 328	21 615	14 387	3 630
Chrysler	584	621	389	275	9
Citroen	1 945	1 583	802	789	194
Daihatsu	0	947	456	47	0
Datsun	0	0	1 573	5 645	1 622
Dodge	1 765	1 304	832	900	51
FAW	0	169	604	778	196
Ferrari	0	125	82	91	37
Fiat	3 198	3 491	2 120	1 317	220
Ford	25 891	37 724	40 862	43 063	14 503
GWM	0	1 881	993	1 121	79
Honda	9 093	12 904	10 169	11 064	3 262
Hummer	8	0	4	0	0
Hyundai	0	45 104	40 863	36 443	9 881
Infiniti	127	194	371	526	64
Jaguar	909	1 086	954	758	280
Jeep	7 237	7 343	7 420	6 308	1 226
Kia	0	20 320	17 341	13 954	5 442
Land Rover	6 686	6 917	5 828	5 375	1 830
Landwind	0	0	0	17	7
Lexus	1 371	986	1 344	1 027	347
Mahindra	1 447	1 219	1 028	917	279
Maserati	65	51	26	64	21
Mazda	4 827	3 173	2 563	7 729	4 028
Mercedes	22 420	23 520	28 993	25 228	7 882
Mini	2 794	2 878	2 126	2 078	730
Mitsubishi	2 619	3 030	3 665	3 130	791
Nissan	20 627	19 436	15 781	10 105	3 282
Opel	2 704	2 603	3 598	6 483	1 604
Peugeot	3 393	3 596	2 166	1 313	334
Porsche	1 435	2 436	1 145	1 468	536
Proton	0	266	86	9	0
Renault	10 216	12 107	18 566	19 952	5 599
Smart	133	95	60	74	108
Ssangyong	80	215	105	92	8
Subaru	861	1 153	1 263	1 101	350
Suzuki	4 724	4 865	6 402	6 354	1 890
Tata	2 795	3 921	887	688	356
Toyota	65 645	66 805	66 653	66 102	18 007
Volkswagen	82 363	83 628	82 093	75 707	23 255
Volvo	2 984	2 876	2 863	2 710	676
Zotye	0	4	0	3	0
Total	**364 717**	**450 561**	**439 210**	**412 670**	**124 473**

Commercial Vehicle Sales	2011	2012	2013	2014	2015	04/2016
Chana	363	95	0	0	0	0
Changan	57	96	0	0	124	12
Chevrolet	17 996	19 324	18 330	16 726	16 685	3 986
Citroen	86	193	210	98	108	2
DAF	132	86	115	247	156	52
Daihatsu	0	0	1 202	991	44	0
FAW	0	0	355	613	806	289
Fiat	598	593	852	605	404	124
Ford	14 764	16 545	20 925	30 026	35 403	10 998
Foton	0	0	686	763	113	6
Freightliner	1 312	1 272	1 417	1 243	1 127	261
Fuso	986	965	1 233	1 176	1 107	378
GWM	0	0	4 979	1 825	1 397	263
Hino	3 103	3 295	3 461	3 423	3 601	1 005
Hyundai	0	0	4 571	4 270	3 951	1 211
International	849	576	207	0	0	0
Isuzu	15 988	16 515	18 328	19 541	20 865	4 679
Iveco	913	1 079	1 327	1 444	1 098	450
Jinbei	0	0	0	611	439	171
JMC	0	0	831	700	725	129
Kia	0	0	2 360	2 961	3 362	1 034
Land Rover	628	776	582	440	473	171
Mahindra	1 321	2 294	2 501	2 481	2 188	853
MAN	1 866	1 719	1 768	1 880	1 605	432
Mazda	3 772	1 961	2 528	2 376	1 337	253
Mercedes	5 275	5 479	5 673	5 486	5 169	1 524
Mitsubishi	1 558	958	1 456	978	557	27
Nissan	22 827	29 173	27 521	28 642	31 637	8 749
Opel	307	231	154	140	9	0
Peugeot	413	413	415	185	199	39
Powerland	0	0	0	0	16	0
Powerstar	181	484	522	474	483	122
Renault Trucks	443	644	518	518	182	144
Scania	1 293	1 332	1 626	2 031	2 505	572
Ssangyong	0	40	52	30	53	4
Suzuki	0	0	0	67	27	11
Tata Cars	0	0	0	0	1 419	452
Tata Trucks	2 573	3 118	4 043	3 053	1 221	326
Toyota	52 709	50 965	55 497	56 114	52 298	17 803
UD Trucks	3 234	2 992	3 079	3 365	2 566	688
VDL Bus/Coach	24	33	19	7	6	1
Volkswagen	9 887	9 710	9 067	7 524	7 767	2 298
Volvo Bus	0	0	0	0	64	15
Volvo Trucks	1 525	1 615	1 774	2 120	1 783	601
Total	166 983	174 571	200 184	205 174	205 079	60 135

Passenger Cars - Exports							
	2012	**2013**	**2014**	**2015**	**Into Africa**	**Out of Africa**	**2016**
AMH	0	0	58	0	0	0	0
Alfa Romeo	0	5	0	1	0	0	0
BMW	33 297	54 197	60 234	63 680	0	20 388	20 388
Chevrolet	0	640	0	291	0	0	0
Chrysler	471	0	408	3	49	0	49
Datsun	0	0	0	20	0	0	0
Dodge	0	6	0	4	0	0	0
Fiat	58	16	9	3	1	0	1
GMSA/Isuzu	581	0	559	0	71	0	71
GWM	0	0	0	8	0	0	0
Honda	348	457	355	384	129	0	129
Hyundai	0	8	0	2	0	0	0
Jaguar Land Rover	1	0	0	0	0	0	0
Jeep	0	375	0	316	0	0	0
Mahindra	3	0	0	1	0	0	0
Maserati	1	0	0	0	0	0	0
Mercedes-Benz	49 825	36 229	32 767	93 435	110	31 996	32 106
Mitsubishi	0	74	123	118	93	0	93
Nissan	131	91	145	56	0	0	0
Porsche	3	4	8	11	1	0	1
Renault	0	0	4	0	0	0	0
Subaru	2	1	0	4	2	0	2
Toyota	14 396	9 328	7 267	4 968	411	215	626
Volkswagen	54 058	52 082	54 619	66 368	17	19 811	19 828
VolvoCars	21	11	14	18	3	0	3
TOTAL	**153 196**	**153 524**	**156 570**	**229 691**	**887**	**72 410**	**73 297**

Commercial Vehicles - Exports							
	2012	**2013**	**2014**	**2015**	**Info Africa**	**Out of Africa**	**2016**
AMH	0	0	9	0	0	0	0
Babcock	0	0	3	0	0	0	0
Chevrolet	0	120	0	97	0	0	0
DAF	0	7	0	39	0	0	0
Daihatsu	0	0	0	2	0	0	0
FAW	0	5	22	110	41	1	42
Fiat	19	19	22	25	9	0	9
Ford	31 925	33 904	45 263	38 482	1 343	16 696	18 039
Foton	0	0	0	5	0	0	0
GMSA/Isuzu Trucks	1 622	0	1 509	3 042	499	0	499
GWM	0	0	0	43	35	0	35
Hyundai	0	1	0	0	0	0	0
International	0	6	0	0	0	0	0
Isuzu	0	1 432	0	0	0	0	0
Iveco	72	129	245	146	51	0	51
Jinbei	0	0	0	16	0	0	0
JMC	0	0	0	2	0	0	0

Mahindra	16	0	0	5	0	0	0
MAN	229	329	426	227	32	0	32
Mazda	0	596	0	0	0	0	0
Mercedes-Benz	1	0	0	0	0	0	0
Mitsubishi	0	140	262	218	64	0	64
NC2 Trucks	2	0	0	0	0	0	0
Nissan	16 355	14 745	14 400	9 004	2 326	0	2 326
Powerland	0	0	0	3	0	0	0
Powerstar	61	71	37	20	0	0	0
Renault	39	35	12	18	0	0	0
Scania	230	281	318	159	101	0	101
Suzuki	0	0	0	1	0	0	0
Tata	28	44	28	4	3	0	3
Toyota	73 726	70 781	57 522	52 202	2 895	5 361	8 256
UDTrucks	83	162	182	116	0	0	0
VDL	1	0	1	0	0	0	0
Volkswagen	0	16	0	48	0	0	0
Volvo Group	58	31	39	77	88	0	88
TOTAL	**124 467**	**122 854**	**120 300**	**104 111**	**7 487**	**22 058**	**29 545**

Deloitte report helps navigate Africa's automotive sector: Getting Africa into Gear

Despite its billion-strong population and rising income levels, Africa's automotive industry is yet to be unlocked. Apart from a small number of countries, African automotive markets are mostly pure retail markets that are largely serviced by imported second-hand vehicles. In 2015, approximately 1.55 million new vehicles were sold or registered across Africa.

Africa – the final frontier for the global automotive industry

But while Africa's automotive market is underdeveloped, Deloitte recognises the potential of the automotive industry in Africa and foresees room for growth across the automotive value chain including vehicle sales, aftersales, vehicle assembly and production.

Deloitte regards the continent as the final frontier for the global automotive industry, and entering Africa's largely uncharted automotive territories requires a mix of market insights, patience and a medium- to long-term strategy.

Deloitte Africa Automotive Insights – Navigating the African Automotive Sector: Ethiopia, Kenya and Nigeria

To unpack the complexity of the automotive industry on the African continent, Deloitte, being a leading presence in the global automotive industry and providing services to 80% of the Fortune Global 500 automotive companies, released the first report in its Deloitte Africa Automotive Insights series. In this series, Deloitte will monitor the development of the automotive industry on the continent and will provide insights on the industry. The inauguaral report focuses on three key African economies where substantial business interest is currently being channelled: **Ethiopia, Kenya and Nigeria**.

Karthi Pillay, Africa Automotive Leader at Deloitte, explains the purpose of the series of reports: "Africa holds enormous promise, but is complex. The automotive industry is clearly gearing up to address Africa as the next big opportunity and needs to stay close to this market. While no single report will capture that complexity, our objective is to begin creating a portal of data including automotive insights; leveraging our network across the continent, which includes access to 51 of the 54 countries in Africa."

Though it is an ambitious postulate that Africa could one day rival industrialising countries such as China in the production and assembly of vehicles, Pillay points out that Ethiopia's current rate of motorisation, two per thousand persons, is higher than what was China's when it commenced automotive manufacturing in the period 1983-85.

"We are not claiming that Africa has any immediate comparative advantage that has been extensively exploited, however auto companies are already interested in Africa – being active not only in South Africa, but Egypt, Morocco and Algeria. Most African markets are, however, currently some distance from being open for business given that 80% of the continent's existing market consists of second-hand vehicles."

"Globally, the strategy for manufacturers is to get closer to their consumers – and Africa has a growing number of consumers entering the middle income bracket," explains Pillay. "The value chain of the automotive manufacturing industry is massive, and on its own can kick-start the industrialisation of Africa, provided the continent can harmonise manufacturing and trade policies".

Deloitte's vision for Africa's automotive industry

Deloitte has a vision for the automotive industry in Africa. It involves identifying an anchor country, which already exists in the form of South Africa, which has the necessary enabling environment and export-focus, and which has already supported others, such as Nigeria, in establishing its policy. Secondly, it requires a regional approach in order to leverage economies of scale, with each country in the region identifying its unique role within what will be a single cross-country value chain.

"This regional conversation has to start with individual countries putting in place their enabling investment environments and deciding where they belong in the value chain. It requires breaking down isolationism and aligning tax regimens – strategies which are not insurmountable, given the political will," says Pillay.

It is Deloitte's view that ***achieving scale and unlocking the automotive market in Africa is a potentially sizeable medium- to long-term opportunity**.* A market-shaping approach, including a combination of interventions by industry stakeholders and governments that target supply-side and demand-side challenges, will however be required in the countries evaluated." Our report outlines some of the challenges, which include:

- Overcoming the over-reliance on second-hand vehicle imports;
- Designing and implementing an automotive policy to unlock the auto market;
- Consolidating a highly fragmented aftersales market;
- Addressing insufficient vehicle finance options; and
- Building a sufficient local supplier base.

Opportunities for the new "China's" in Africa

The value chain will only be successful if it can compete with low-cost, labour intensive manufacturing bases such as Mexico and Thailand. As China is in the process of retooling its economy away from being a low-cost, labour intensive one, with the prospect of as many as 80 million job opportunities being exported to alternative countries – regions looking to capture these manufacturing opportunities ought to be positioning themselves right now, advises Pillay.

Contact us to learn more on how to navigate Africa's Auto sector. You can also download the Deloitte Automotive Africa Insights report here, for further reading.

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