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DEPARTMENT:
TRADE AND INDUSTRY
SOUTH AFRICA

***AUTOMOTIVE PRODUCTION & DEVELOPMENT PROGRAMME
(APDP)***

KwaZulu-Natal Business Summit

27th November 2008

Outline

- Status of the automotive industry
- Challenges
- Objectives of industry support
- Current & future support
- Expected Outcomes

Industry Status

- Largest and leading manufacturing sector, contributing between 1.5% (manufacturing) and 6.9% (including retail and other services) of Gross Domestic Product in 2007.
- Generates strong linkages with other industries, particularly: automotive components; financial, wholesale and retail services; steel; aluminium, platinum; metal products; electrical machinery; machinery and equipment; plastics; rubber; other chemicals; leather and textiles
- Vehicle production increased from 388,442 units in 1995 to 534,490 units in 2007
- Local market increased from about 400 000 units in 1995 to a record 700 000 units in 2006
- Investments increased from an annual value of about R800 million in 1995 to R6,2 billion in 2006
- Employment has stabilised at about 120 000 employees in manufacturing

Some Challenges

- Size of local market
- Distance from major markets
- Recession in major markets
- Competition from new growth areas
- Global Overcapacity
- Increasing import penetration

Objectives of Future Support

- Stimulate expansion of automotive vehicle production to 1.2 million vehicles per annum by 2020 with associated deepening of the components industry
- Provide appropriate levels of support for these ambitious targets without being overly generous
- Expand value-added, investment, employment and net government revenue: directly and via multiplier effect
- Achieve better balance between domestic and export focus to make a larger positive contribution to the balance of payments
- Provide a stable transition between programmes

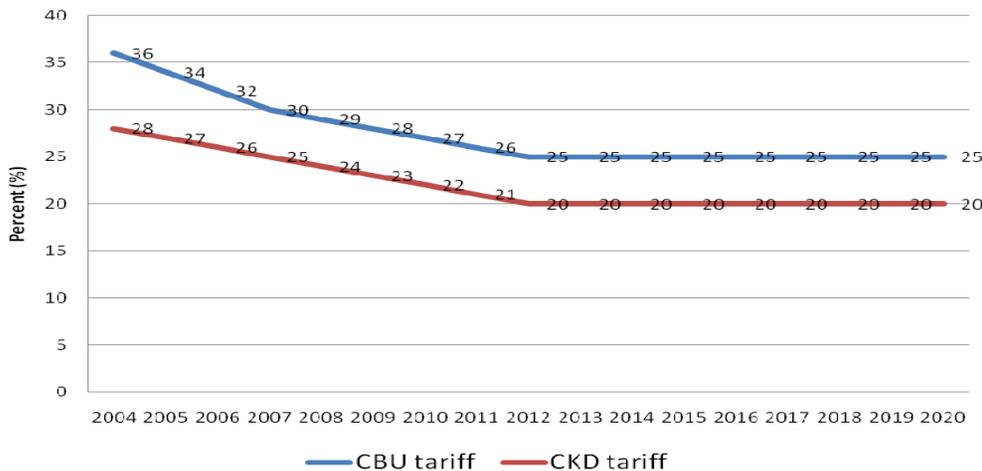
Current MIDP

Tariffs	CBU	CKD	Duty Free Allowance
2007	30%	25%	27% of locally produced domestic sales remains till 2012
2008	29%	24%	
2009	28%	23%	
2010	27%	22%	
2011	26%	21%	
2012	25%	20%	
Export Benefits (IRCCs)			Productive Asset Allowance
<ul style="list-style-type: none"> •Based on exported local content 			<ul style="list-style-type: none"> •20% of qualifying investments •Targetted at OEMs' rationalisation

APDP

Tariffs

MIDP tariff regime: 2004 to 2020



Local Assembly Allowance

≥50 000 unit plant qualification

20% in 2013

19% in 2014

18% in 2015 till 2020

Applicable to all vehicle production

Production Incentive

- 55% in 2013
- 1% annual reduction
- 50% in 2018 till 2020
- Additional 5% for specified firms

Automotive Investment Allowance

- 20% of qualifying investments
- Allow participation of suppliers
- Fund outside duty pool
- Payable over a period of 3 years

Other Support Measures

- Supplier Development Programme
 - Benchmarking
 - Lean Manufacturing
 - Cleaner Production
 - Management Training
- Market Access
 - EMIA
 - Trade Arrangements
- Other (National, Provincial & Local)
 - Supplier Parks
 - Training

Expected Outcomes

- Increase in vehicle production volumes to lead to increased localisation of supply
- Increasing local content to result in sustainability and growth of job opportunities
- Increased local content to have a positive impact on trade balance