SA Motor Industry Policy Links

This is a collection of links to stories and articles on South Africa's motor industry policies. Most of the links are to items that appeared between 2005 and early 2009 and used to be included on the Features page of my website. I continue to do occasional updates.

Which company was the largest beneficiary of the government's emergency "training layoff" scheme? You guessed it – one of SA's most "competitive" (and heavily subsidized) companies, BMW SA; even though, according to this report the company never had any intention to lay off any workers.

See this video for a fine example of "cutting edge," "critical" "investigative" reporting on the motor in industry in South Africa -- or rather the opposite.

My brief critique of government support for the motor industry drew considerable attention. Trevor Manuel's article provided an elegant and thoughtful discussion of the difficulties with sector specific bailouts.

BMW's international CEO warns about the dangers of bailouts in the motor industry – how they support non-competitive firms at the expense of competitive ones.

Within months of the announced extension of support the industry was asking for more -- now in the form of "bailouts" to assist in coping with collapsing demand for motor vehicles. The first of a series of articles in Financial Mail is typical of the media coverage, and a remarkably candid report of an interview with the head of NAAMSA shows some of the difficulties in justifying further support.

An article by the dti's principal consultants explains the APDP. A letter to the editor, and my own column and November Blog posting highlight the lack of transparency and accountability in the policy process, and question the long run competiveness of the industry as well as the rationale for and costs of public support. An invited opinion piece gives NAAMSA's response.

The dti announces the outcome of its MIDP review. The program is renamed the APDP (Automotive Production and Development Program). Industry support will be extended until 2020. The incentives will be tweaked to make them more "market neutral" and WTO-compatible. The announcement is sparse in details. There are no estimates of overall costs or of the magnitude of subsidies to be provided. No background studies have been released.

Tim Cohen anticipates the dti's new program. The article attracts some good comments (after end of article).

In a press conference launching the OECD's first Economic Survey of South Africa the Minister of Finance is asked about possible differences between National Treasury and the dti. He stresses the need for proper economic assessments of all industrial policy measures prior to their approval. See the OECD's box on MIDP and the Engineering News report and video clip.

The dti provides "policy clarity" by announcing that the MIDP review process that began in 2005 will result in some actual policy announcements by August 2008.

An opinion piece in the M&G blasts the dti's new industrial policy strategy, using the MIDP as a case in point.

The dti announces that MIDP will give current levels of support until 2020, another 8-year extension. Where are the sunset clauses and the economic analysis promised in the "new" industrial policy unveiled a few days ago?

A news story, an interpretive article and an editorial in Business Day in late July draw on my 2005 paper and point to the absence of economic foundations for policy planning in the motor industry.

Here are an article and an opinion piece in the Financial Mail in late July about failures in MIDP policy design, but with a motor industry perspective.

Business Day gives a wonderful description of the outdated vehicles that continue to be protected in the SA market.

Here is a report on Ford's decision to shift production of its Focus sedan to Australia. Despite large MIDP incentives they prefer to move to a country where the main incentive is an import duty of only 10 percent, falling to 5 percent in a few years. (See links to Aus program below.)

A Business Report story says the industry continues to hope for huge subsidies to sustain "competitiveness." See my Blog post of 9 May for a comment.

Here is a brief description of Australia's Automotive Competitiveness and Investment Scheme (ACIS), the final phase of the program on which the MIDP was modeled. It provides modest production and investment-linked subsidies and a phase down of its import tariff from 10 percent now to 5 percent in 2010. The South African tariff is still 30 percent – still a long way to go before encouraging competitiveness.

See Mail and Guardian report on launch of GMSA's Hummer factory (draws on my analysis of value of MIDP incentives).

Read Business Day's editorial on the need for an independent review of MIDP – my candidate for editorial of the year.

Here is a news report on the dti's stance on the not-yet-released MIDP review.

See this heated online discussion of government policy and car prices.

See a reader's letter to Business Day re MIDP; and a response by NAACAM's executive director.

This is Dave Kaplan's paper on SA industrial policy and MIDP.

Here is a sympathetic interpretation of MIDP by Barnes, Kaplinsky and Morris (a very different perspective than mine).

See Barnes, Kaplinsky & Morris views on car prices; and Dave Kaplan's comment.

See the Competition Commission press release and research report on car prices.

Here are the web sites of NAAMSA and NAACAM, the two main industry associations.

Frank Flatters, Bangkok, 26 April 2010