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## Study questions state support for car sector

Carli Lourens

Trade and Industry Editor

A NEW report that will rock the South African automotive industry questions whether the Motor Industry Development Programme (MIDP), which has yielded benefits worth more than R55bn to car manufacturers, is in the economic interest of the country.

The report, presented to the National Economic Development and Labour Council last week, claims that the cost of the programme may have outweighed its benefits to the country.

It alleges that R22bn worth of benefits went to two German luxury car makers and R37bn to four companies in the first eight years of the programme.

The report casts a further shadow over the increasingly controversial MIDP, a government support scheme developed under former trade and industry minister Alec Erwin (pictured right).

The report by Prof Frank Flatters of Queen's University in Canada says some of the benefits of the MIDP, especially in terms of consumer interests and employment, have been overstated.

He believes vehicles are less affordable under the MIDP than they would have been without the programme. He says earlier arguments to the contrary are "flawed and misleading".

Flatters calls for a thorough analysis of benefits versus the costs of the MIDP in the report, saying such a study has not been undertaken before. The report comes at a time when car makers are nervous that their MIDP benefits may be slashed in the current review of the programme, which is forbidden under world trade rules.

Car makers have argued the MIDP saved the industry from collapse and led to billions of rands of investment.

National Association of Automobile Manufacturers of SA head Nico Vermeulen said yesterday that "these criticisms of the MIDP are misguided and disingenuous and appear to be based on hidden agendas".



A new report that will rock the South African automotive industry questions whether the Motor Industry Development Programme (MIDP), which has yielded benefits worth more than R55bn to car manufacturers, is in the economic interest of the country. Picture: Arnold Pronto.

He said consumers had “benefited from the lower MIDP levels of protection and the resulting increased competition”.

Flatters says manufacturers received import rebate credits worth more than R55bn in 1996-2003 in exchange for exporting goods with local content under the MIDP. He says in the report if all or most car makers are not competitive by now, 10 years into the MIDP, then the programme should be deemed a failure.

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