

Poor incentives hobble motor sector

By Roy Cokayne

Boksburg - South Africa's motor industry development programme (MIDP) is "definitely" below par compared with developing country competitors and will have to be improved to enable the local automotive industry to be competitive.

This is the view of Johan Cloete, a former director of motor assemblies at the department of trade and industry, who said at the SA Automotive Conference yesterday: "We'll have to embrace this and do something about it."

Cloete, who is now the managing director of JFS Technology, was the project leader of the government-initiated MIDP review, in association with Blueprint International Consulting.

The outcome of the mid-term review was intended to be released at the end of last year. The trade and industry department is now expected to release it by the middle of the year.

Cloete said South Africa had many policy objectives in terms of the automotive industry, some of which were competing, and an essential part of building a strategy was evaluating the trade-offs.

Affordability, for instance, was one of the objectives. Eliminating import tariffs would address this but would also lead to a flood of imports and a worsening in the trade balance, which in turn would place pressure on economic growth.

This in turn would result in vehicle price pressure, which would lead to market shrinkage.

Cloete said a key issue was the need for a shared vision for the industry up to 2020 to enable South Africa to become an international destination of choice in automotive manufacturing that would double vehicle production volumes to encourage component manufacturing growth and advance the economic aspirations of government.

Other key issues included the need to stimulate foreign and local direct investment in process innovation, the need for higher volumes of vehicles produced per plant and focused training and skills building.

"While these issues undermine global competitiveness, it is difficult, if not impossible, to address them all at once," he said.

Brand Pretorius, the chief executive of McCarthy Motor Holdings, said the key challenge facing the automotive industry was to attain sustainable success.

Nico Vermeulen, the director of the National Association of Automobile Manufacturers of SA, said the only blemish on the achievements of the automotive industry since 1995 in terms of the MIDP was its trade deficit, which had continued to widen over the past three years.

However, Vermeulen said the deficit was likely to have peaked last year and it was anticipated that it would narrow in future years on the back of a more competitive rand and increased export momentum.

However, Tony Twine, the director of Econometrix, said the sector's trade balance did not actually matter, because if it had a zero balance, the rand would theoretically be a lot stronger and lead to imports of a lot of items in other industry sectors.

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