

NAACAM News

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The dust has settled on SA's recent general election and the new cabinet has been announced. There is a level of continuity in the space that automotive manufacturers operate in, in that the newly appointed Minister of Trade and Industry, Ebrahim Patel, enters the role after a long stint as Economic Development minister, with that department now being integrated into the dti. We recognise and are appreciative of the role played by previous minister, Rob Davies, in supporting the growth of the autos sector in SA and also look forward to supporting Minister Patel in his mission to grow and transform the domestic economy. All hands need to be on deck, if one considers the recently released GDP contraction number of 3.2%.



The policy coherence and continuity this selection brings is obvious but, if anything, we can expect the spotlight to shine even brighter on the automotive sector, as the ANC announced after its first Lekgotla under the 6th administration that it intended ramping up industrial policy outcomes and automotive manufacturing was going to be key to that. Needless to say, member efforts in driving deep localisation and black supplier development will be important. Check out page 6 for information on what NAACAM member, Shatterprufe, is contributing in this space.

At an industry level there are also some changes in key personnel. After almost 40 years of dedicated service to the automotive industry, NAAMSA director, Nico Vermeulen, retired at the end of March and his place is now taken by Mike Mabasa. We wish Mike well in leading NAAMSA and helping the OEMs drive a path that ensures greater economic opportunities for the supplier base in South Africa.

The focus on African industrialisation, as a means of local market development, continues to gather momentum and the recently formed Association for African Automotive Manufacturers is increasing its drive to bring on board other industrial companies within its ranks. Have a look at the newly implemented tiered membership system on page 6 and get involved if business expansion on the continent could help your own company's growth strategy.

Feel free to get in touch with us if there is any assistance we can provide.

Regards

Renai

Value of SA vehicle and components exports set a record in 2018

by David Furlonger, Business Day

The SA motor industry's trade deficit narrowed by more than 7% in 2018 as vehicle and components exports set new records.

The latest Automotive Export Manual, recently published (*and on the NAACAM website - Knowledge Centre*), shows that the deficit — the value difference between imports and exports — shrank from R43.5bn in 2017 to R40.3bn in 2018.

Once again, had it not been for spare parts imported for the vehicle aftermarket, the industry would have had a surplus. Most of these parts are brought in by independent importers. Direct trade involving local motor companies and components manufacturers showed a R16.8bn surplus, an improvement of more than 50% from the previous year's R10.3bn.

The manual, published by the Automotive Industry Export Council (AIEC), shows that the value of SA vehicle and component exports hit a record R178.8bn in 2018. Most of this, R127.5bn, came from the export of 351,139 cars and commercial vehicles — another record. The value of components exports grew by 2% to R51.3bn.

The total value of all automotive imports in 2018 was R219.1bn. Without aftermarket spare parts, the figure would have been R162bn.

The number of export destinations — 155 countries and territories — was another record. The UK was the biggest single market for SA-made vehicles but Germany provided the greatest value, buying R57.6bn of vehicles and components. This was overshadowed, however, by the R61.4bn of goods imported by SA from that country.

AIEC executive manager Norman Lamprecht said the motor industry comprised 14.3% of the value of all SA exports in 2018. Vehicle and component production accounted for 29.9% of manufacturing.

After Germany, the top markets by value for automotive exports were the UK, Belgium, Japan, the US and Spain. The main destinations for new vehicles by volume were the UK, Japan, Germany, France, Australia and the US.

Said Lamprecht, "The opportunities for further expansion are considerable. The road is paved with numerous opportunities for growth and development."

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Auto Parts Manufacturing Market to Record Sturdy Growth by 2025

May 24, 2019 | Divakar | New Daily Herald

Persistence Market Research has published a new research report featuring the auto parts manufacturing market at a global level. This research study includes volume sales along with the value generated from the sales of prominent automotive components and parts that encompasses cooling system, engine, battery and drivetrain components, lighting components, underbody components as well as electrical components. The research study segments the market into passenger cars, heavy commercial vehicles and light commercial vehicles. This research report can be called exhaustive in nature as it portrays a holistic view of the market. It highlights sales with respect to new vehicle production through OEM (original equipment manufacturer) as well as the independent aftermarket.

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As per Persistence Market Research (PMR) forecasts, the global auto parts manufacturing market is projected to grow at a CAGR of 3.6% throughout the period of forecast. The valuation as estimated by PMR is expected to reach more than US\$ 465 Bn by the end of the period of assessment from a value of about US\$ 352 Bn in 2017. This growth in value can be attributed to the increasing demand for high energy density battery, rising adoption of hybrid power trains, rising demand for advanced pump for mid-size segments and increasing automotive production and vehicle parc.

Engine components to generate high revenue in the global auto parts manufacturing market

Engine components segment in the component type category reflected a high market share of around 46% in 2017 and led the global market. This segment is likely to dominate the global market in the coming years with a high market valuation and is estimated to reach a value of around US\$ 212 Bn by the end of the year of estimation (2025) from a value of about US\$ 164 Bn in 2017 and is projected to grow at a value CAGR of 3.3% during the period of forecast.

Get Sample Copy Of This @ <https://www.persistencemarketresearch.com/samples/3542>

Engine to significantly contribute to the growth of the overall engine components segment

The engine sub segment in the engine components segment is expected to grow at a CAGR of 3.1% throughout the period of forecast and is estimated to reach a value of more than US\$ 129 Bn by the end of the period of assessment. This sub segment is anticipated to dominate the engine components category and hence the parent market and thus contributes largely to the revenue growth of the engine components segment during the assessment period. On the other hand, the pump sub segment has a major role in the growth of the parent segment with respect to growth rate. The pump sub segment is projected to grow at the highest pace owing to increased adoption and is poised to register a comparatively high value CAGR of 3.8%. Additionally, the pump sub segment is estimated to be the second largest from a market share and value perspective.

Automotive filters to grow at a significant rate throughout the period of forecast

The automotive filters segment in the component category is projected to grow at the highest pace during the assessment period and is expected to register high CAGR of 5.3% during the said timeline. However, it is estimated to reflect a lower market valuation of around US\$ 17 Bn by the end of 2025 from US\$ 11.3 Bn in 2017.



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SUMITOMO RUBBER SOUTH AFRICA CLINCHES FOUR AWARDS

"LEADING SOUTH AFRICAN TYRE COMPANY, SUMITOMO RUBBER SOUTH AFRICA (PTY) LTD (SRSA) WINS THREE OF THE CATEGORY AWARDS IN ADDITION TO THE PRESTIGIOUS OVERALL WIN – AN EXCEPTIONAL ACHIEVEMENT FOR THE GROUP."

A W A R D



An ecstatic team at the award ceremony from left, Siphwe Moyo, Chairman, SABPP, Xolani Mawande, Interim CEO, SABPP, Malebo Maholo, HR Audit Officer, SABPP, Mpolai Liau, Board member, SABPP, Keith Phelps, SRSA Group Manager: TBR Training (Technical), Sindiswa Maseko, Board member, SABPP, Annetjie Moore, Head: Audit Unit, SABPP and Karel Stanz, Vice-Chairman, SABPP Board

Leading South African tyre company, Sumitomo Rubber South Africa Africa (Pty) Ltd (SRSA), the manufacturer of Dunlop Tyres, Sumitomo Tyres and Falken Tyres scooped four HR awards in the SA Board for People Practices (SABPP) HR Audit Awards. Winning three of the category awards in addition to the prestigious overall win is evidence that the company is on track with its employee development goals. The results reflected excellence in all categories – an exceptional achievement for the Group.

Annetjie Moore, Head: HR Audit SABPP said, "We congratulate SRSA on this significant achievement. The companies competing for the title were audited against 13 human resource management standards for the 2017/2018 period. SRSA was the only company to achieve full certification on all standards on their first submission."

The SRSA team is extremely excited about this win. It is humbling to see that the many programmes that we have in place for our staff are being recognised," said Avril Williamson, Director: Human Resources at SRSA. "We took this opportunity to assess our HR practices against these standards, to improve human resources business partnering and to see how we benchmark against other companies. We are very pleased with the outcome," she said.

According to Avril, the Reward and Recognition and Organisational Development wins demonstrate the importance that SRSA places on its employees and their career journey.

SRSA believes strongly in the corporate philosophy of its parent

company – Sumitomo Rubber Industries (SRI). The SRI Way upholds the Group's corporate values that promote:

- Integrity and Soundness;
- Communication;
- Setting the Bar Higher, and
- Cultivating People

The Sumitomo Business Spirit promotes respect for people and mutual prosperity. The company aims to fulfil its social responsibility objectives and to be a reliable and trusted corporate brand.

"It is no surprise that we have been recognised with this win," says Nduduzo Chala, Group Manager: Strategic Planning at SRSA, a staff member of over 5 years. "As a company SRSA focuses on the empowerment of its people through personal and professional development. The Group promotes growth, with various leadership programmes in place, of which I have personal experience - having benefited from mentorship by the CEO."

Sumitomo Rubber South Africa employs over 1300 people throughout the country. The Group has an active Corporate Social Investment programme, dedicated to making an impactful contribution in the communities in which it serves.

The achievement of winning the SABPP Audit Awards is yet another success for SRSA, showcasing its commitment to excellence in human resource management and the advancement of employees.





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The Skills Development Intersection: SAAM 2035 and NSDP 2030

The November 2018 launch of the South African Automotive Masterplan 2035 sees the South African government further cement their investment support and development of the automotive industry in line with government's industrial policy objectives.

Central to SAAM 2035 are 6 key pillars which become the conduits for the achievement of its vision. Of great significance and impact on skills development are the 'localisation' and 'Technology and associated Skills Development'. These place emphasis on targeted specialisation within the automotive value chain – the deepening and widening of the supply chain pool and the growing need to craft a skills development roadmap to support the technological advancements underway. Honing into the components manufacturing industry, these pillars underpin industry's need to identify future skills to support the direction highlighted by SAAM.

As if almost in tandem, the Department of Higher Education and Training has launched the National Skills Development Plan 2030 including the new SETA Landscape which is set to be ushered in on 01 April 2020. The NSDP's vision is to build 'An Educated,

Skilled and Capable Workforce for South Africa' while ensuring that the country has adequate, appropriate and high-quality skills that contribute towards economic growth, employment creation and social development. Key outcomes of the NSDP include the understanding of the skills demand and Steering Supply: Qualifications and Provision. These principles underpin the SAAM pillars and thus complement the need for the development of more robust, targeted skills development interventions, qualifications and programmes. While SETA's are the conduits for driving this process, industry plays a key role in crafting the content and ensuring that all qualifications are aligned to their projected skills development demand needs.

The advent of the somewhat simultaneous launch of SAAM and the shift in the NSDP creates a lattice for the achievement of both policy imperatives. The drive towards building sustainable skills as highlighted as an objective by SAAM can be driven by the NSDP.

The NSDP 2030 can be accessed via: <http://www.chieta.org.za/Portals/0/ndp2030.pdf>



Natalie Nelson, NAACAM Skills Advisor, is a seasoned Skills Development Specialist with over 15 years of experience within the HR and Skills Development arena. She's had the privilege of working within both the private and public sector arena, having been within the automotive industry for the past 10 years. Natalie joined OEM in 2009 as a Non-Technical Training Manager overseeing organisational and the dealer network development.

She joined the Automotive Industry Development Centre (AIDC) in 2013 and spearheaded the establishment of its flagship training facility, the Gauteng Automotive Learning Centre and its subsequent facility, the Trade Test Centre. Most recently, she embarked on an entrepreneurship journey and runs an Accredited HR and Skills Development Consultancy, Tetelestai Holdings. Natalie has a passion for sustainable people development and takes the view that skills development should not be a compliance exercise, if done strategically and with purpose, it lays the foundation for building a sustainable business.

Natalie is a registered Chartered Human Resources Practitioner with the South Africa Board of People Practitioners (SABPP), a registered Skills Development Facilitator and a Member of the Institute of Directors and sits on the Southern African German Chamber of Commerce's Education and Training Committee.

Continental Becomes Official Tyre Sponsor of Total Africa Cup of Nations Until 2023

- Five-year agreement signed between Continental and the Confédération Africaine de Football (CAF) to sponsor the tournament including the 2019 edition in Egypt
- Sponsorship designed to increase awareness of the premium Continental tyre brand throughout Africa
- Rights package follows successful sponsorship of the 2019 AFC Asian Cup

Cairo, Egypt, 20 May 2019 - International tyre manufacturer Continental today announced that its Tire Division is to be Official Sponsor of the Total Africa Cup of Nations (AFCON) until 2023, as part of a five-year agreement signed with the Confédération Africaine de Football (CAF). The extensive rights package of the sponsorship agreement includes the next three editions of the tournament for 2019, 2021 and 2023 that will be held in Egypt (21 June - 19 July), Cameroon and Ivory Coast respectively.

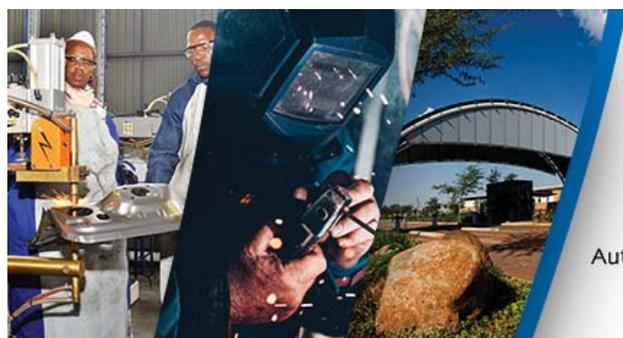
"The Africa Cup of Nations is the biggest and most important sports competition in the African continent, a region where we are targeting further growth over the next few years," said Jon Ander Garcia, Regional Manager - Africa & Middle East, Continental. "Africa is a key emerging market for Continental and football is undoubtedly the continent's most popular sport. With this sponsorship, we aim to get closer to the consumers, and bring exciting engaging activations through the global language of football."

Continental's rights package will also include the exclusive sponsorship of the 'Best Goalkeeper' performance index of the tournament. As the team's last line of defence, the keeper's

role of safeguarding the goalmouth reflects Continental's own safety values, with the manufacturer being known as a pioneer in road safety for more than 140 years. Safety is also reflected in Continental's Vision Zero initiative to make roads safer in the future, to have zero fatalities, zero injuries and zero crashes.

"We are pleased to welcome Continental as a new sponsor of the Africa Cup of Nations. This new partnership shows that our flagship tournament is not only the most watched football event in Africa, but also the continent's premier sporting event," said CAF President, Ahmad Ahmad. "We are very hopeful about the exchange of our respective values through such a partnership, and thanks to Continental we are excited about the launch of the Best Goalkeeper award," he concluded.

Through this move, Continental is driving forward the systematic regionalization of its sports sponsorship strategy. Continental aims to leverage the Total AFCON platform to continue to deliver exceptional benefits to its local communities, clients, partners and fans as they come together to support the best of African football.



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|---------------------------------------------------------------------------------|----------|----------|-----------------------------------------------------|
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| Participation in policy discussions with governments | ✓ | ✓ | x |
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| Can attend AAAM-organised events, as well as those which the AAAM is invited to | ✓ | ✓ | ✓ |
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VEHICLE EXPORTS INTO AFRICA: 2015 - April 2019 (incl.)

| Passenger Cars | | | | | | Commercial Vehicles | | | | | |
|----------------|--------------|--------------|--------------|--------------|--------------|---------------------|---------------|---------------|---------------|---------------|--------------|
| | 2015 | 2016 | 2017 | 2018 | 04/2019 | | 2015 | 2016 | 2017 | 2018 | 04/2019 |
| Alfa Romeo | 1 | 1 | 4 | 24 | 1 | Chevrolet | 97 | 19 | 30 | 0 | 0 |
| Bentley | 0 | 0 | 0 | 1 | 0 | DAF | 39 | 0 | 0 | 0 | 0 |
| Chevrolet | 291 | 148 | 124 | 0 | 0 | FAW | 109 | 161 | 236 | 108 | 5 |
| Chrysler | 3 | 0 | 0 | 0 | 0 | Fiat | 25 | 45 | 131 | 211 | 25 |
| Datsun | 20 | 0 | 31 | 0 | 0 | Ford | 6 657 | 3 071 | 1 374 | 2 273 | 385 |
| Dodge | 4 | 1 | 0 | 0 | 0 | FUSO | 0 | 30 | 0 | 34 | 2 |
| Fiat | 3 | 9 | 18 | 23 | 6 | GWM | 57 | 44 | 0 | 0 | 0 |
| Ford | 0 | 1 | 58 | 222 | 115 | Hino | 0 | 0 | 5 | 71 | 37 |
| GWMSA | 8 | 0 | 0 | 0 | 0 | Isuzu | 3 035 | 1 792 | 3 244 | 3 583 | 915 |
| Honda | 384 | 315 | 482 | 454 | 152 | Iveco | 146 | 127 | 176 | 77 | 7 |
| Isuzu | 0 | 0 | 0 | 50 | 9 | JMC | 3 | 0 | 10 | 8 | 0 |
| Jeep | 316 | 112 | 149 | 97 | 68 | Kia | 13 | 12 | 17 | 0 | 0 |
| Kia | 29 | 10 | 32 | 0 | 0 | Mahindra | 5 | 7 | 0 | 0 | 0 |
| Mahindra | 1 | 1 | 0 | 0 | 0 | MAN | 227 | 88 | 102 | 130 | 16 |
| Mercedes-Benz | 430 | 371 | 341 | 128 | 32 | Mercedes-Benz | 0 | 0 | 26 | 81 | 8 |
| Mitsubishi | 118 | 199 | 48 | 95 | 36 | Mitsubishi | 218 | 116 | 130 | 154 | 40 |
| Nissan | 56 | 0 | 0 | 0 | 0 | Nissan | 8 994 | 6 267 | 6 364 | 5 882 | 2 310 |
| Porsche | 11 | 1 | 2 | 1 | 0 | Powerstar | 20 | 2 | 5 | 0 | 0 |
| Suzuki | 4 | 3 | 12 | 33 | 0 | Renault | 18 | 0 | 0 | 0 | 0 |
| Toyota | 2 708 | 1 246 | 1 553 | 1 754 | 551 | Scania | 156 | 195 | 94 | 130 | 12 |
| Volkswagen | 69 | 23 | 153 | 19 | 249 | Tata | 4 | 8 | 0 | 0 | 0 |
| Volvo | 18 | 14 | 9 | 13 | 5 | Toyota | 16 880 | 6 815 | 6 594 | 7 943 | 2 563 |
| Total | 4 474 | 2 455 | 3 016 | 2 914 | 1 224 | UDTrucks | 116 | 103 | 106 | 213 | 33 |
| | | | | | | Volkswagen | 48 | 3 | 34 | 186 | 48 |
| | | | | | | Volvo Group | 77 | 144 | 140 | 274 | 112 |
| | | | | | | Other | 11 | 1 | 11 | 0 | 0 |
| | | | | | | Total | 36 957 | 19 050 | 18 829 | 21 358 | 6 518 |

Source: NAAMSA/Lightstone Auto



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A Big Shatterprufe Supplier Transforms Lives

TC Woodworks, Shatterprufe's largest supplier of crates used for exporting autoglass and pallets since 1997, recently took the bold decision to award 51% ownership to their staff. By so doing, they have raised their B-BBEE status to level two. This decision will undoubtedly prove to be a significant and meaningful one for their employees in the years to come.



While Shatterprufe originally initiated the conversation around raising the company's B-BBEE rating, ultimately it was co-owners, Andre van Heerden and Colin Salter, who made the decision to empower their staff.

"The original plan was to bring in a black partner, but we weren't keen on that, shared Salter, because although in the early days of finding a solution in this journey, it could have meant a quick change, it would, however, mean an increase in overheads.

He added that "instead of handing over shares to some person who didn't know the first thing about woodwork, we decided to give them to our workers."

A year's worth of deliberation and consideration led to the formation of the TC Woodworks Workers Trust. The Trust currently consists of 31 employees, each occupying different positions in the company and with a minimum of five years' experience.

This initiative has created new opportunities for the employees as well as for the company as a whole.

Jeremy Smith, a TC Woodworks employee who has been with the company for 20 years, shared his thoughts on what this decision meant for him and his family. Improving both his current living conditions and his home, affording him the opportunity to send his children to

university, and most importantly, job security, were the three most important benefits highlighted by Smith.

Their customers have also acknowledged this important shift with feedback received from one of them; Colin Korkie, from BORBET, is happy to continue their eight-year relationship with TC Woodworks and applauded the company on the service delivered, sharing that they "give good quality workmanship".

Wynand Smith, Corporate Logistics Operations Manager at Shatterprufe, similarly commended TC Woodworks on

their initiative, stating that "TC Woodworks is a valuable supplier to Shatterprufe, and investing back into its people, as well as promoting building back into the community, can definitely be seen as a feather in TC Woodworks cap, leading the way for change."

"A business cannot operate standing by itself; it is dependent on the people working in it. This initiative by TC Woodworks is what makes collaborative businesses, such as Shatterprufe and TC Woodworks, work so well together", continued Wynand.

Ultimately, this decision, although challenging, has undoubtedly set TC Woodworks and its employees on the path to success.

Interviewed for comment, National Association of Automotive Component and Allied Manufacturers (NAACAM) executive director, Renai Moothilal, commended both TC Woodworks and Shatterprufe, a leading NAACAM member, on the outcome. "This is a good example of value chain business relationships that are leveraged to ensure transformation in the autos sector happens, and that, at the end of the day, is what will ensure long term growth and sustainability in our industry."

ITAC confirms the extension of the policy directive on the exportation of ferrous and non-ferrous waste and scrap:

Government Notice No. R.892 dated 7 June 2019

"On 10 May 2013 the Minister of Economic Development issued a trade Policy Directive to the International Trade Administration Commission of South Africa (ITAC) in terms of Section 5 of the International Trade Administration Act, 71 of 2002 (ITA Act), that ITAC exercise its powers under the ITA Act to regulate the exportation of ferrous and non-ferrous scrap metal. ITAC established a Price Preference System (PPS) pursuant to which it would not authorise the exportation of ferrous and non-ferrous scrap metal unless it had first been offered for sale for domestic beneficiation, to the domestic consuming industry, for a period and at a price discount or other formula determined by ITAC.

The Minister, in Government Gazette number 42485, Notice 285 dated 24 May 2019, has extended the Policy Directive for a period of 9 months.

The Amended Export Control Guidelines on the Exportation of Ferrous and Non-Ferrous Waste and Scrap as contained in Government Gazette number 41940, Notice Number R. 1013 dated 28 September 2018 are herewith extended and will remain in force, in accordance with the Minister's Policy Directive, until 31 March 2020.

Note: The announcement by the President of South Africa on 29 May 2019 indicated that the Economic Development Department will be merged with the Department of Trade and Industry."

EXPORTS OUT OF AFRICA: 2015 - 04/2019 (incl)

Passenger Cars

| | 2015 | 2016 | 2017 | 2018 | 04/2019 |
|---------------|----------------|----------------|----------------|----------------|---------------|
| BMW | 63 680 | 56 793 | 47 991 | 44 487 | 20 805 |
| Hyundai | 5 | 23 | 3 | 0 | 0 |
| Mercedes-Benz | 93 005 | 109 396 | 113 308 | 98 848 | 25 385 |
| Toyota | 2 261 | 952 | 1 228 | 881 | 603 |
| Volkswagen | 66 299 | 68 928 | 65 411 | 74 567 | 33 214 |
| Total | 225 250 | 236 092 | 227 941 | 218 784 | 80 007 |

Commercial Vehicles

| | 2015 | 2016 | 2017 | 2018 | 04/2019 |
|---------------|---------------|---------------|---------------|----------------|---------------|
| FAW | 0 | 2 | 8 | 0 | 0 |
| Ford | 31 825 | 49 527 | 53 859 | 63 806 | 17 349 |
| Isuzu | 7 | 7 | 44 | 18 | 0 |
| Mercedes-Benz | 0 | 0 | 0 | 4 | 0 |
| Nissan | 10 | 0 | 0 | 11 | 10 |
| Toyota | 35 322 | 37 683 | 34 396 | 41 130 | 15 743 |
| TOTAL | 67 164 | 87 219 | 88 307 | 104 969 | 33 102 |

Source: NAAMSA/Lightstone Auto

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Formex Industries creating jobs with ongoing investment in Port Elizabeth



L to R : Anthony Unsworth, Carl Dace, Henry Oosthuizen and Hennie Venter (CEO). Photo taken at the recent NAACAM Show in Durban

Job creation and reducing unemployment are priorities for the South African government. The challenge is set down and clear to all business entities to get this priority right and to measure up quickly in terms of criteria, compliance and expectations.

Local manufacturer, Formex Industries (wholly owned by Deneb Investments Ltd and a subsidiary of JSE-listed giant HCI) has masterfully understood the demands of its client base and systematically driven

their operation to ensure a product offering that is of superior quality and with competitive pricing that has made it a key leading player in the local and international automotive industries.

The company, which has strategically invested heavily over the past few years, plans to invest a further R70-million to its business operations during this coming financial year. This investment signifies the intent and drive by Formex to retain its position as an industry leader as a metal forming and assembly company that supplies a variety of complex products to the local automotive industry and export market.

Formex proudly earns its place as a Level 2 B-BBEE contributor, made up of over 80% black ownership, of which more than 40% are women. Industry transformation is an important step to securing the future through job creation, skills development and equity-sharing. Employee education and training is a priority for Formex, ensuring that technical and management skills are improved and transferred into the local economy.

In turn, Formex, is well prepared for the introduction of the revised South African Automotive Masterplan (SAAM) which comes into play in 2020 with a stringent set of criteria. The major objectives outlined in SAAM are ultimately to prepare South Africa by 2035, to produce one percent of the global vehicle manufacturing output, to include 60% local parts in vehicles manufactured in South Africa and to double the number of employees in the automotive industry. That's a bold and positive move and Formex is ready and certified to assist OEM's and second tier automotive businesses to reach compliance especially around the critical areas of B-BBEE transformation.

One of the government incentives accessible to Formex and other similar businesses is the Department of Trade and Industry's (dti) Automotive Investment Scheme (AIS). In order to improve industrial competitiveness and business contribution to the economy, the dti provides financial support to qualifying companies. Using strict criteria, these qualifying businesses can access the AIS, which is designed to develop the automotive sector through investment. The AIS aims to strengthen and diversify the sector while increasing production output and job creation.

With a start base grant of 25%, AIS will increase the grant proportionately to a maximum level of 35% if a company meets the added criteria of B-BBEE Level 4 and up, a turnover growth and job creation. Formex has met and retained all the criteria to maximise this grant.

Formex has remained focused around their clients' needs and with the dual intent on transformation and investment will resolutely aspire to new heights and realise immense opportunities for the automotive industry and others to achieve their full compliance and benefit. This is a powerful message of vision and accountability, both for the Eastern Cape and for the country as a whole.

VEHICLE SALES BY PROVINCE/AREA 2018 & Jan-April 2019 (incl.)

| | 2018 | | Jan-April 2019 | |
|------------------|---------|---------|----------------|--------|
| | Pass. | Comm. | Pass. | Comm. |
| Eastern Cape | 13 744 | 988 | 4 357 | 284 |
| FreeState | 7 210 | 6 446 | 2 488 | 1 902 |
| Gauteng | 128 580 | 65 544 | 42 631 | 20 219 |
| KwaZulu Natal | 46 107 | 23 515 | 15 297 | 7 136 |
| Limpopo | 10 460 | 10 308 | 3 442 | 3 115 |
| Mpumalanga | 13 072 | 12 482 | 4 234 | 3 908 |
| Northern Cape | 2 938 | 3 310 | 927 | 997 |
| NorthWest | 8 607 | 7 239 | 2 953 | 2 219 |
| Western Cape | 38 906 | 19 668 | 12 012 | 6 279 |
| Botswana | 2 284 | 3 903 | 800 | 1 459 |
| Lesotho | 301 | 576 | 92 | 148 |
| Namibia | 5 095 | 6 811 | 1 582 | 1 709 |
| Swaziland | 500 | 848 | 174 | 310 |
| Export | 221 681 | 129 458 | 81 231 | 40 311 |
| Government Units | 5 357 | 8 983 | 2 301 | 4 012 |
| Rental Units | 64 528 | 5 280 | 14 307 | 1 619 |
| Single Units | 17 558 | 2 248 | 4 907 | 780 |

WPSSP

Wire Products Stainless Steel Productions (Pty) Ltd

Local manufacturers of stainless steel wire, small & medium round bar
B-BBEE Level 2

The ESD Imperative

With full view of the proposed South African Automotive Masterplan most automotive component manufacturers have re-doubled their Broad-Based Black Economic Empowerment compliance efforts. Primarily, these effort have been focused on the evaluation of Ownership Element initiatives which could yield the missing point's deficit in order to achieve the prescribed Level 4 contributor compliance requirement publicised thus far. Notwithstanding the importance of the Ownership Element (constituting both a discounting priority element should you not achieve the 40% sub-minimum requirements as well as a potential point yield of 25 points) it would be remiss not to acknowledge that the Enterprise and Supplier development element trumps the Ownership Element in relative importance (constituting both a discounting priority element should you not achieve the 40% sub-minimum requirements as well as a potential point yield of 44 points).

Factually, once a measured entity had undertaken the mammoth task of addressing their equity composition potentially achieving 80>90 points on the General, Generic scorecard it may still be likely that said organisation might be discounted from Level 4 to Level 5 contributor status by virtue of not complying with the sub-minimum (40% of the targeted values by statement within the element) of the ESD Element. Furthermore, this failure may have nothing to do with their own procurement administration and may be the result of nominated OEM procurement directives.

Mistakenly, most organisations recognise the importance of supply-chain compliance however prioritise the importance of vendors' contributor status. In fact, the equity profile and revenue size of said vendor is far more important that there B-BBEE level.

| | | Enterprise and Supplier Development Element | | | | | |
|---------------------|-------|----------------------------------------------------------------------------------------------------------------------------------|-------|-----------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|
| Relative importance | 4 | Compliance level | 2.1 | Preferential Procurement: | | | |
| | | | 5 | 2.1.1 | B-BBEE Procurement Spend from all Empowering Suppliers based on the B-BBEE Procurement Recognition Levels as a percentage of Total Procurement Spend | 5 | 80% |
| | 3 | Size (in revenue) | 7 | 2.1.2 | B-BBEE Procurement Spend from Empowering Suppliers Qualifying Small Enterprises or Exempted Micro-Enterprises based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend | 3 | 15% |
| | | | 17 | 2.1.3 | B-BBEE Procurement Spend from Exempted Micro-Enterprises based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend | 4 | 15% |
| | | | | 2.1.4 | B-BBEE Procurement Spend from Empowering Suppliers as a % of Total Measured Procurement Spend that are: | 9 | 40% |
| | 2 | Equity composition 'Black' | 15 | 2.1.5 | 51% black owned; and >30% black women owned | 4 | 12% |
| | | | | Bonus Points: | | | |
| | 1 | Assistance & Support | | 2.2 | Supplier Development: | | |
| | | | | 2.2.1 | Annual value of all Supplier Development Contributions made by the Measured Entity as a % of the target | 10 | 2% of NPAT |
| | | | | 2.3 | Enterprise Development (ED): | | |
| | | | 2.3.1 | Average annual value of all qualifying ED Contributions and Sector Specific Programmes made by the measured Entity as a % of the target | 5 | 1% of NPAT | |
| | | | 2.4 | Bonus points for the following (during the measured period): | | | |
| | | | 2.4.1 | For graduation of one or more ED beneficiaries to graduate to the Supplier Development Level | 1 | Yes/No | |
| | 2.4.2 | Bonus point for creating one or more jobs directly as a result of Supplier Development and ED initiatives by the measured entity | 1 | Yes/No | | | |

The profiling of suppliers on the above outlined basis can further be endorsed when you consider the measurements within each statement outlined under the Enterprise and Supplier Development Element. Simply, the spend with any specific supplier is recognized against each of the statements which their status satisfies. When quantified, the difference when compared to administering procurement based on contributor status is astounding.

The below example is based on a company a TMPS of R 1 mil. They wish to purchase services for R 500k and have a choice between 2 generic empowering suppliers. One L1 and the other L7 but 51% black, >30% black women owned



SUPPLIER Profiling IN ACTION

IMPORTANT NOTE:
The L7 black owned, black women owned supplier outperforms the L1 company in benefit to the measured entity by 369%

| | Total | Target | Level 1 | Black Co |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|--------|-------------|--------------|
| 2.1. Preferential Procurement: | | | | |
| B-BBEE Procurement Spend from all Empowering Suppliers based on the B-BBEE Procurement Recognition Levels as a Percentage of Total Procurement Spend | 5 | 80% | 2.81 | 1.04 |
| B-BBEE Procurement Spend from Empowering Suppliers Qualifying Small Enterprises or Exempted Micro-Enterprises based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend | 3 | 15% | | |
| B-BBEE Procurement Spend from Exempted Micro-Enterprises based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend | 4 | 15% | | |
| B-BBEE Procurement Spend from Empowering Suppliers as a percentage of Total Measured Procurement Spend that are: | | | | |
| 2.1.4 51% black owned; and | 9 | 40% | | 3.75 |
| 2.1.5 >30% black women owned | 4 | 12% | | 5.56 |
| Bonus Points: | | | | |
| B-BBEE Procurement Spend from designated group suppliers that are at least 51% black owned | 2 | 2% | | |
| Total return | | | 2.81 | 10.35 |

NOTE

On 31 May 2019 the dti gazetted updates of the Preferential Procurement, Enterprise and Supplier Development element, Skills Development Element, General Principles, and further updates on Interpretations and Definitions. These are summarised in a document sent to members on 5 June 2019 and is also available on the Members Only section of the NAACAM website (if you have not already registered, go to <https://www.naacam.co.za/application> or click on "Register"). Of specific importance in an autos manufacturing context are the changes to statement 400 which addresses some of the auto specific issues around procurement and ESD given the typical contract/turnover ranges prevalent in the sector.

Feel free to contact any of the NAACAM associate members who provide specialist advise on B-BBEE or direct your queries through the NAACAM office.

With the undisputed importance of efficiently achieving B-BBEE compliance the Enterprise and Supplier Development Element represents a materially contributing element.

As an associate member of NAACAM, Siyaya, a wholly owned subsidiary of NEXTEC, continues to be committed to assisting the Automotive Sector to achieve its compliance goals. Our national team pride themselves on tailor making solutions to achieve the objectives of our clients at the lowest average cost. As a demonstration of this commitment, the NAACAM NEC has negotiated a complementary initial compliance consultation for all members of good standing. Should your organisation require assistance and wish to engage this or other exclusive services offers, please feel free to contact our offices on the details provided below.

Siyaya's services include: Broad-Based Black Economic Empowerment Act consulting, Employment Equity Act consulting, Skills Development Levies Act consulting, Disability Management, Training

Call our offices on 0861 00 99 04 or visit us on www.siyayaskills.com.