

Reignite, Build, and Grow Gauteng

Gauteng Automotive Sector



GAUTENG GROWTH AND DEVELOPMENT AGENCY

GAUTENG AUTOMOTIVE OVERVIEW

The automotive industry plays a significant role in the economic life of South Africa. Approximately one-third of value addition within the domestic manufacturing sector is derived either directly or indirectly from vehicle assembly and automotive component manufacturing activity, positioning the industry and its broader value chain as a key player within South Africa's industrialisation landscape.

South Africa has invested in a world-class automotive manufacturing base with strong Government support and ongoing re-investment by global Original Equipment Manufacturers [OEMs] and a strong collaborative partnership with local components manufacturers and labour. The shift from internal combustion engine [ICE] vehicles to New Energy Vehicles [NEVs] is a disruptive trend for the automotive industry globally, and South Africa will also be impacted directly by this evolution.

In recognition of the central importance of the domestic automotive industry to the future growth of the South African economy, the dtic commissioned the development of a South African Automotive Master Plan project. The project commenced in April 2016 and was completed in November 2018.

The public sector partners developed the South African Automotive Masterplan with the vision of becoming a globally competitive and transformed industry that actively contributes to the sustainable development of South Africa's productive economy, expands the industrial and localisation footprint and create prosperity for industry stakeholders and broader society.

To bring this vision to life, the following key strategic objectives were agreed upon by the auto industry stakeholders to optimally develop the sector through to 2035. The long-term strategic objectives are to:



There are seven focus areas envisioned to actively support the realisation of the SA Autoindustry's vision and these are:

- Local market optimisation.
- Regional market development.
- Localisation.
- Automotive infrastructure development.
- Industry transformation.
- Technology and associated skills development; and
- Institutionalising the SA Automotive Masterplan

The sector employs half a million people across the value chain and accounts for 4,3% [2,4% manufacturing and 1,9% retail] of the overall SA's GDP contribution and approximately 17,3% of SA's manufacturing output. The automotive key performance trends over the years have shown that sound auto motive policy trajectory contributes positively to the growth and stability of the sector.

Furthermore, when measured against SA's GDP projections, the automotive industry trends mirror a close correlation exists between domestic new vehicle sales and the overall performance of the economy, and the new vehicle market performance will be aligned with the strong recovery in the country's GDP growth rate of around 5%.

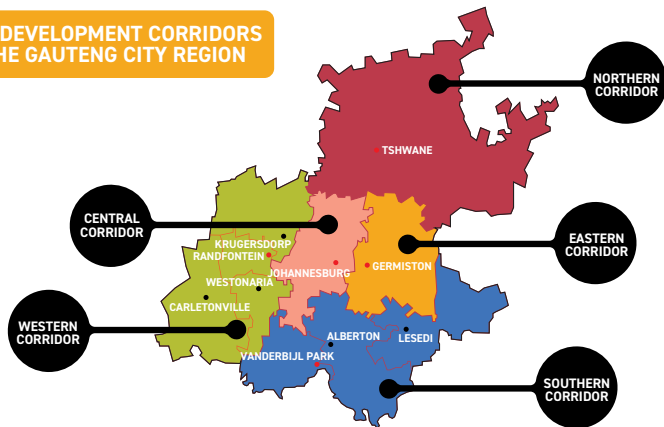


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Gauteng Province

Gauteng is politically divided into three metropolitan areas which are City of Tshwane: City of Ekurhuleni and City of Johannesburg. Sedibeng District Municipality (Midvaal; Emfuleni and Lesedi Local Municipalities) West Rand District Municipality (Mogale City; Rand West and Merafong Local Municipalities).

FIVE DEVELOPMENT CORRIDORS OF THE GAUTENG CITY REGION



Gauteng is the centre of the country's economy, and even though it is the smallest province, it is the most populous, being home to 16,10 million people, or 26,6% of the national population of 60,6 million in 2022.

Johannesburg is the capital of the Gauteng province, while Pretoria is the administrative capital of South Africa. With its excellent manufacturing base, access to various logistics corridors, and links to established distribution networks, the province produces about a third of South Africa's GDP. Most overseas visitors enter South Africa via OR Tambo International Airport, the continent's biggest airport. The City of Tshwane metropolitan area, which includes Pretoria, is home to many government departments and services.

The highest diversity in the country's automotive profile is found in the province, housing three OEMs and the majority of first- and second-tier automotive component suppliers in the country. The automotive sector is expected to gain further momentum in the province with the establishment of the Tshwane Automotive City (TAC), which will serve as an integrated logistics framework, focusing on inland ports and manufacturing hubs linked to rail corridors linking Tshwane with strategic ports in South Africa and SADC.

The Automotive Industry Development Centre (AIDC) manages the Automotive Supplier Park in Rosslyn, Pretoria and will also deliver and operate on various projects to support the automotive sector.



Provincial Sector Support: Automotive Industry Development Centre (AIDC GP) is Subsidiary of the Gauteng Growth & Development Agency

The Automotive Industry Development Centre (AIDC) which has its Offices within the Northern Corridor of Gauteng (Tshwane. The AIDC was established 2000 as a subsidiary of the Gauteng Growth and Development Agency (GGDA), an entity owned by Gauteng Provincial Government's Department of Economic Development.) is the leading agency to support of the automotive industry

It was established as a government support centre to increase the local automotive industry's global competitiveness and to promote Gauteng as the automotive industry investment destination of choice.

The AIDC prides itself as a world-class organisation which specialises in various pillars of the sector in far as Skills Development and Training, Enterprise Development, Incubation Programmes, Township Hubs and offers state-of-the-art manufacturing facilities are concerned.

The AIDC manages the Automotive Supplier Park (ASP) in Rosslyn which houses various automotive component manufacturers, suppliers, and service providers to OEMs. The ASP, a first of its kind on the continent, with proximity to OEM's and customized offerings remains the best location for components suppliers.

The organisation has expedited economic growth within the automotive sector by partnering with key stakeholders such as industry leaders, government, and private agencies. The AIDC's partnership with various Original Equipment Manufacturers (OEM) and local government has resulted in the establishment of the 1st Two Incubation Hubs in the World.

GAUTENG AUTOMOTIVE OVERVIEW

The Current Incubation programmes include Incubation Centre at Ford Motor Company of Southern Africa's (FMCSA) plant in Silverton and the Incubation Centre at Nissan's Rosslyn plant.

Township Hubs are based in Mogale City - Chamdor Automotive Hub and Tshwane -Soshanguve - Winterveld Enterprise Hub constitute the AIDC's Township Hubs. The Hubs will take the form of three different clusters: an Automotive Hub, an Enterprise Hub, and an Industrial Hub. These hubs will primarily target the unemployed youth through co-operatives, entrepreneurs, and small and medium enterprise (SMEs).

The AIDC launched the Gauteng Automotive Learning Centre (GALC) in Rosslyn in 2014.

Automotive Learning Centre is a state-of -art facility for skills and development training within the automotive sector. It was launched as part of the Gauteng Provincial Government's commitment to skills development.

The Learning Centre is part of the Nissan SA Investment Support Programme and is the result of a partnership between Nissan SA and the Automotive Industry Development Centre. The Learning Centre offers training in the latest technologies which match the latest vehicle models.

TRAINING OFFERED FOR:

- Original Equipment Manufacturers
- Automotive Component Manufacturers
- Dealer networks and after-market services
- Informal body and mechanical repairs sectors
- Institutions of Higher Learning
- School Leaver Programmes

OTHER TRAINING PROGRAMMES ON OFFER INCLUDE:

- Mechatronics
- Autotropic
- Programmable Logic Control
- Computer Numerical control
- Various general classroom and PC training
- Welding
- Spray painting.
- Vehicle aftermarket service and maintenance, and
- School support programmes

The Trade Test Centre is a facility that test and certifies artisans for various trades. The concept of a Trade Test Centre (TTC) was formalized by Gauteng Automotive Learning Centre. The inception of a Trade Test Centre (TTC) AIDC was necessary to support the GGDA's decade long strategy artisan development. In this way, the AIDC would be able to assist on the lack of qualifications for artisans.

The TTC is responsible for trade testing which are assessments and moderations for candidates who want to be qualified as technicians and artisans. To combat the shortage of skills in the industry, the accredited MerSETA and QCTO Trade Test Centre offers artisans recognition for prior learning and trade test assessments. The TTC also offers state-of-the-art workshops for manufacturing technical support training.

The Supplier and Enterprise Development Department was established to develop component manufacturers in the supply chain to conform to the international standards prescribed by the automotive manufacturing industry.

A key drive for the AIDC is to promote Gauteng as an attractive automotive destination. Gauteng, although landlocked, is close to the northern borders of South Africa, making it an ideal gateway to sub-Saharan Africa. Gauteng offers an excellent manufacturing base with access to various logistics corridors linking it to various distribution networks. It has a well-developed road, rail and air infrastructure for the efficient export and import of goods.



Operations

The AIDC's Operations Division is responsible for the planning, maintenance, ICT and Soft Services at its four sites, namely:

- Automotive Supplier Park (ASP) in Rosslyn,
- Winterveldt Enterprise Automotive Hub: Chamdor Automotive Hub
- Gauteng Automotive Learning Centre in Rosslyn, and
- Automotive Incubation Centre at Ford Motor Company in Silverton, as well as the Automotive Incubation Centre at Nissan SA in Rosslyn South Africa

The division comprises of various departments:

That offers affordable turnkey solutions for all tenants within the ASP. The Facilities Planning Department possesses the skills and know-how to assist micro and macro businesses with infrastructure development of their factories. This includes the design, legislative approvals, and the planning for construction of the factories. At present, the AIDC has four sites with 140 000m² of combined factory floor area. The Facilities Planning Department has future development plans to expand the ASP by a further 30 000m² of factory space and develop 34 hectares of land in-and-around Rosslyn.

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The department also provides SHEQ services, i.e. Safety, Health, Environmental and Quality management services to all tenants. OHS and EHS inspections are conducted regularly, and as such, these audits assist tenants to meet legal compliance for continuous improvement. Factories are developed to tenant requirements and legislative approvals. The design and finishes of the buildings are governed by the ASP's architectural guidelines and meet international automotive standards.

At present, the AIDC has four sites with 140 000m² of combined factory floor area. The ASP's current tenant pool comprises mainly of component manufacturers and suppliers to OEMs, who require a constant supply of components to assembly plants and cannot afford disruptions to their operations. As a result, the Facilities Maintenance Department has prioritised routine maintenance to ensure minimal downtime at any of the factories within the ASP. The AIDC strives to make excellence an attitude whilst delivering world-class service and support to the automotive industry. www.aidc.co.za

AIDC's potential Flagship Project Tshwane Auto City (TAC) will service vehicle assemblers making it the largest automotive city in the world. This infrastructure project will be developed through Public and Private partnerships and the strategic goals align with all spheres of government. The TAC development aims to emulate well established motor cities such as Shanghai Automotive City in China, 'The Autostad' in Germany and Toyota Automotive City in Japan.

TAC development will include:

- **Logistics Node:** An advanced logistics and supply chain network in partnership with Transnet
- **Commercial and Recreation Node:** Retail and shopping malls, banks and restaurants
- **Community and Civic Node:** This will include residence, parks and public environment and links.



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The Tshwane Automotive Special Economic Zone (TASEZ), adjacent to the Ford Motor Company of Southern Africa's Silverton vehicle plant in Pretoria, housing critical automotive component manufacturing companies, officially entered full operation in 2022. The Tshwane Automotive Special Economic Zone (TASEZ) is Africa's first automotive city, an industrial hub that provides investors with a wide range of offerings to help their business flourish. A Special Economic Zone (SEZ) that is focused on growing South Africa's automotive manufacturing industry. This means we are ready to provide several financial and infrastructure incentives to make doing business that much easier.

TASEZ Phase 1



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SEZs was set up to accelerate South Africa's industrial development by helping promote industrial agglomeration, build the required industrial infrastructure, promote coordinated planning among key government agencies and the private sector, and guide the deployment of other necessary development tools.

TASEZ mandate is to transform the sector, acting as a catalyst for employment, boosting the country's economic growth, and enabling socio-economic development. TASEZ is well placed to do just that, providing a much-desired location close to an already established automotive industrial complex. The hub provides world-class customised solutions, incentives, support services and systems for manufacturers seeking excellence.

www.tasez.co.za

Gauteng has the largest concentration of automotive manufacturing in South Africa, with three OEMs (BMW, Ford and Nissan) and approximately 40% of the South African automotive components industry.



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Sector Data Automotive Clusters

Key automotive features	Gauteng
Number of OEMs (Manufacturing Plants)	BMW SA Nissan SA Ford Motor Company Southern Africa
Medium, heavy, extra-heavy commercial vehicle and bus companies	Babcock, Ford, Hyundai Automotive, Iveco, JMC, MAN Truck & Bus, MarcoPolo, Powerstar SA, Scania, Sinotruck, Stellantis, Tata Trucks, UD Trucks, and VECH South Africa
Number of automotive components suppliers	200
Motor vehicle parc as % of South Africa's total vehicle parc of 13,30 million vehicles	38,4%
Passenger car sales as % of total 2022 passenger car sales of 363 696 units	35,3%
LCV sales as % of total 2022 LCV sales of 135 713 units	31,5%
MCV/HCV sales as % of total 2022 MCV/HCV sales of 30 153 units	39,8%
Light vehicles production by OEMs in the province as % of total 2022 light vehicle production of 524 895 units	30,4%
Light vehicles exports by OEMs in the province as % of total 2022 light vehicle exports of 350 944 units	33,7%

Source: NAACAM, NAAMSA/Lighthouse Auto

GAUTENG AUTOMOTIVE OVERVIEW

Manufacturing has traditionally been credited as a key driver of higher-value job creation and an increase in living standards globally. In South Africa, the manufacturing sector has been fundamental to the country's economy and, although far less than in previous years, manufacturing still contributes significantly towards South Africa's gross domestic product (GDP).

As the largest manufacturing sector in the country's economy, a substantial 21,7% of value addition within the domestic manufacturing output was derived from vehicle and automotive component manufacturing in 2022, while the broader automotive industry's contribution to the GDP comprised 4,9% (2,9% manufacturing and 2,0% retail).



Foreign direct investment (FDI) remains critical to propel growth and create jobs in the domestic economy. Continuing to reflect the power of combining good industrial policy with FDI, investment by the seven OEMs, with technology embodied in the investment and promoting domestic value-addition, amounted to R7,1 billion in 2022, while the component sector received investments of R4,5 billion.

The export value of vehicles and automotive components increased by R19,8 billion, or 9,5%, from the R207,5 billion in 2021 to a record R227,3 billion in 2022, comprising 12,4% of total South African exports. Vehicle exports increased by 53 765 units to 351 785 units in 2022, up from 298 020 units exported in 2021, while the vehicle export value increased by R18,7 billion from the R138,3 billion in 2021 to R157,0 billion in 2022. Automotive component exports reflected an increase of R1,1 billion from R69,2 billion in 2021 to a record R70,3 billion in 2022. The number of domestic automotive industry export destinations in 2022 comprised 152 countries, like 2021, with the export value more than doubling in the case of 29 of these countries from 2021 to 2022.

South Africa, with a population of 60,6 million, has an open economy with considerable exposure to foreign trade and investment. The country relies heavily on imports to satisfy consumption requirement, and on exports to support production and employment. In 2022, import and export volumes and prices domestically and across the world continued to be impacted by the extraordinary and unprecedented events of the last three years.

Key economic indicators – 2021 to 2022

Indicator	Performance	
	2021	2022
Population	60,14 million	60,60 million
South Africa's GDP (current prices)	R6 192,5 billion	R6 638,3 billion
GDP growth rate	4,9%	2,0%
Consumer Price Index (CPI)	4,5%	6,9%
Interest rate (Repo rate)	3,75%	7,0%
Prime interest rate	7,0%	10,5%

Source: South African Reserve Bank, StatsSA

SOUTH AFRICAN AUTOMOTIVE INDUSTRY ORGANISATIONAL STRUCTURE

Industry bodies play an important role in providing a collective voice for individual businesses within an industry to create value for members. In this regard, collaboration with a range of stakeholders, to build trust and deliver sustained outcomes, is imperative to generate long-term societal value. The organizational structure in the manufacturing and retail sectors of the South Africa automotive industry include naamsa, The Automotive Business Council, the National Association of Automotive Component and Allied Manufacturers (NAACAM), and the Retail Motor Industry Organization (RMI). The major OEMs in South Africa, as well as NAACAM, are also affiliated with the independent African Association of Automotive Manufacturers (AAAM), while the Motor Industry Ombudsman of South Africa (MIOSA) is the industry's accredited dispute resolution forum.



NAAMSA - The Automotive Business Council represents the collective, non-competitive interests of the new motor vehicle industry in South Africa. All major multi-national automotive corporations operating in South Africa are members of naamsa. In 2022, naamsa in terms of common law was incorporated as a not-for-profit company, operating under the governing provisions of the Companies Act and a registered Memorandum of Incorporation.

NAAMSA NPC was accordingly formed and registered to house the activities, assets and reserves of the organization as an industry body representing the interests of all its members. naamsa's vision is to be the most credible thought leader and a respected partner of a globally competitive and transformed automotive industry that contribute to the sustainable development of South Africa. It is naamsa's mission to play a transformative role towards a cleaner, safer, and sustainable industry that creates prosperity for the people of South Africa with its purpose to responsibly advocate for just mobility solutions. naamsa will strive to achieve the following objectives:

- Promote, advance, protect and represent the interests of all its members.
- Promote trade, foster and stimulate the promotion and growth of the automotive industry.
- Actively participate in conversations and activities that advance the automotive industry's competitiveness domestically and globally.
- Act as a portal for expert knowledge on automotive industry regulations.
- Collect, process, and circulate statistical information and other key automotive industry data in compliance with the requirements of the South African law and in accordance with the automotive industry's reporting guidelines; and
- Proactively communicate the role and the importance of the automotive industry, using reliable data and information.

NAACAM represents the interests of the automotive component manufacturers in the country. The association has close to 150 manufacturing brands in its membership, of which approximately 80% are first-tier suppliers spread across 206 regional manufacturing sites, in addition to 27 associate members that provides a wide range of services to the manufacturing members.

NAACAM further facilitates the Automotive Supply Chain Competitiveness Initiative (ASCCI), tasked with supporting competitiveness improvement and localization initiatives for component suppliers. Employment in the component sector, including enterprises outside the NAACAM membership, comprised an estimated 83 362 people in 2022. More information on NAACAM, including the profiles and contact details of the major automotive component suppliers in South Africa, can be accessed at www.naacam.co.za

The RMI represents the retail motor trade sector of the automotive industry with a membership of 8 378 establishments across all sectors of the retail and wholesale motor industry, ranging from motor vehicle dealers, motorcycle dealers, motor vehicle parts dealers, motor body repairers, motor vehicle component re-manufacturers, tyre dealers, independent workshops, and fuel retailers, amongst others. The National Automobile Dealers' Association (NADA), incorporating the Motorcycle Dealers' Association, is one of the eight associations under the RMI brand focusing on new vehicle franchise dealerships and qualifying used vehicle outlets. NADA is a professional body representing the interests of the 1 391 NADA members, comprising 85% of franchised dealer networks in South Africa. NADA is a constituent association of the RMI. More information on the RMI can be accessed at www.rmi.co.za



The AAAM was inaugurated in November 2015, and focuses on the expansion and deepening of the automotive industry across Africa by working with governments to shape policies and provide support that will attract investors, unlock the economic potential of the continent, and align a global network of stakeholders committed to the development of the automotive industry in Africa. The AAAM aims to connect the major countries in Africa to establish a pan-African automotive industry collaboration which would lead to the creation of an Automotive Pact. More information on the AAAM can be accessed at www.aamafrica.com

The AITF was established as a collective Equity Equivalent Investment Programme (EEIP) as defined in the B-BBEE Codes between seven multinational automotive manufacturers in South Africa ("Founding OEMs"). It aims to facilitate transformation across the sector's value chain through the provision of access to developmental funding, access to market and access to capacity development for qualifying black owned entities.

The AITF's objectives are to support qualifying black owned entities, drive job creation, as well as enabling meaningful transformation and growth of the automotive sector across the value chain. www.autofund.co.za



SA OEM PROVINCIAL LANDSCAPE



South African OEMs manufacture a broad range of vehicles, including passenger cars, light commercial vehicles, medium commercial vehicles, heavy commercial vehicles, extra-heavy commercial vehicles and buses.

Passenger car models manufactured in South Africa in 2022 included the following:

- BMW X3 - Gauteng
- Ford Everest - Gauteng
- Mercedes-Benz C-Class 4-Door - Eastern Cape
- Toyota Corolla 4-door, Cross and Fortuner - KZN
- Volkswagen Polo, new and previous series designated Vivo - Eastern Cape

Light commercial vehicle models manufactured in South Africa in 2022 included the following:

- Ford Ranger - Gauteng
- Isuzu Motors D-Max - Eastern Cape
- Nissan Navara, NP300 Hardbody - Gauteng
- Toyota Hilux, HiAce and Quantum - KZN

The top 10 most popular models sold included four light commercial vehicle models, namely, the Toyota Hilux, Ford Ranger, Isuzu D-Max, and Toyota Hi-Ace, and six passenger cars, namely, the Volkswagen Polo Vivo, Suzuki Swift (imported), Toyota Urban Cruiser (imported), Toyota Corolla Cross, Volkswagen Polo and the Toyota Starlet (imported).

SA NEW VEHICLE MARKET

New vehicle sales are regarded as a good barometer of the health of an economy. Amidst a depressed economy, structural economic problems and cost of living increases, the South African new vehicle market's recovery to pre-pandemic levels continued in 2022, albeit at a slower pace than 2021. Increasing by 14,0% to 529 562 units in 2022, compared to the 464 493 units in 2021, the new vehicle market registered 12 consecutive months of year-on-year growth in 2022.

Sales of passenger cars and light commercial vehicles (LCVs), which contributed 68,7% and 25,6% to the total market, respectively, increased by 19,5% and 2,0%, from 2021 to 2022. The South African truck and bus market, comprising 5,7% of the total market, increased year-on-year by 11,4% in 2022. New vehicle sales through the dealer channel, which is representative of consumer activity, comprised 84,3% of total sales in 2022, followed by 10,8% attributed to the vehicle rental industry, 2,8% to industry corporate fleets, and 2,1% to government. The following table reveals the sales of passenger cars and commercial vehicles for 2018 through to 2022.

Sales of passenger cars and commercial vehicles 2018 to 2022

Year	Passenger	Light	Medium	Total
2018	365 247	159 523	27 455	552 227
2019	365 247	159 523	27 455	552 227
2020	365 247	159 523	27 455	552 227
2021	365 247	159 523	27 455	552 227
2022	365 247	159 523	27 455	552 227

Source: naamsa/Lightstone Auto

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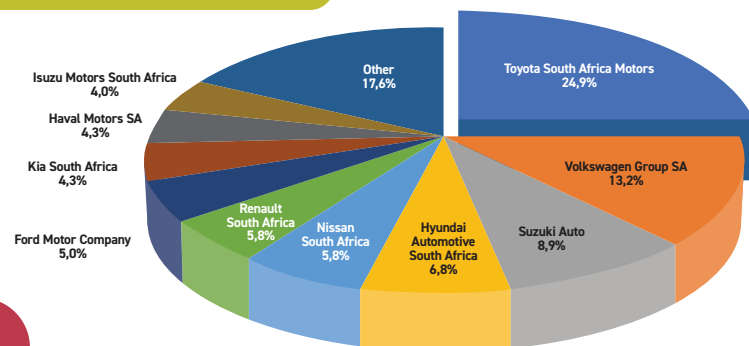
The trading environment in South Africa is extremely competitive compared to global standards, and in 2022 there were no less than 43 passenger car brands and 2 513 model derivatives, the greatest selection of market-size ratio found globally. Similarly, in the light commercial vehicle segment, for the same period, there were 22 brands, with 498 model derivatives to choose from. OEMs continue to introduce a growing range of model variations and body shapes of each model to give customers a greater ability to personalise, the vehicle that they purchase. Total new vehicle revenue, based on the available list price, amounted to R255,7 billion in 2022.

South Africa had a vehicle parc (number of registered vehicles) of 13,30 million at the end of 2022, of which 7,87 million, or 59,2%, comprised passenger cars. The average age of the passenger car parc in 2022 increased to 10 years and six months; for the commercial vehicle parc, it increased to 10 years and seven months; and overall, the age of the total vehicle parc increased to 10 years and six months. The vehicle ownership ratio in South Africa is in the order of 182 vehicles per 1 000 persons. The Toyota Hilux, with sales of 32 203 units, once again took the honours as the most popular model sold in the country in 2022, followed by the top-selling passenger car, the Volkswagen Polo Vivo, with sales of 20 866 units. The Toyota Hilux has been the top-selling one-ton light commercial vehicle for the 50th time in its 53 years on the domestic market. After 12 successive years of leadership in the domestic passenger car market, Volkswagen Group was overhauled by Toyota in 2022.

An interesting phenomenon is that South African motorists are more inclined to drive light commercial vehicles (bakkies), which have both commercial and leisure vehicle applications, than passenger cars. Out of the top 10 selling vehicles in 2022, seven were South African-built passenger cars and light commercial vehicles. Impressively, Toyota managed to hold onto its leadership position for the 43th year of consecutive overall market leadership in 2022, with a market share of 24,9%, followed by Volkswagen Group of SA and Suzuki Auto.

The following graph reveals the market shares of the top 10 OEMs/importers in the country in 2022:

New vehicle share - 2022



ELECTRIC VEHICLES TRADE AND INVESTMENT OPPORTUNITIES

A just transition plan aims to achieve a quality life for all South Africans, in the context of increasing the ability to adapt to the adverse impacts of climate, fostering climate resilience, and reaching net-zero greenhouse gas emissions by 2050, in line with best available science.

A just transition contributes to the goals of decent work for all, social inclusion, and the eradication of poverty. A just transition puts people at the centre of decision-making, especially those most impacted, including the poor, women, people with disabilities, and the youth empowering and equipping them for new opportunities of the future.

A just transition builds the resilience of the economy and people through affordable, decentralised, diversely owned renewable energy systems; conservation of natural resources; equitable access to water resources; an environment that is not harmful to one's health and well-being; and sustainable, equitable, inclusive land use for all, especially for the most vulnerable.

The pace of South Africa's transport transition will however be influenced by several factors:

- First, the country currently has an energy shortage and limited power availability has led to load shedding. This will impact on domestic adoption of EVs in the short-term due to the need to avoid a sharp rise in energy demand on the grid from EVs whilst the grid capacity is rebuilt.
- Second, the current energy mix is skewed towards fossil fuels, which have a high carbon footprint. This may impact on domestic adoption of EVs due to the lower positive impact on emissions from EVs that continue to use fossil-fuels for charging purposes, reducing the overall decarbonisation benefit of EVs in South Africa versus countries with greater a renewable energy mix.

- Third, the charging infrastructure rollout is still in early stages and there are challenges with the interoperability of the privately funded charging systems. Lessons from network industries are clear that interoperability supports greater access and competition, which can deliver better prices.

- Fourth, the prices of EVs are currently at premiums ranging from 20% to 50% above equivalent ICE models making them uncompetitive, particularly with price-sensitive consumers. However, these premiums are projected to decline over time and the total cost of ownership over the useful life of an EV is comparatively lower due to lower operating costs such as refuelling and maintenance costs.

The combined impact of the above factors has meant a slow uptake of EVs in South Africa.

In 2022, 4 67410 EVs were sold in South Africa, 0,9% of total sales in that year. This creates tension in the transition trajectory of the South African market relative to the local automotive manufacturing industry's key export markets, the UK and EU.

These markets, which jointly consume 46% of the vehicles produced in South Africa and more than those supplied into the domestic market, have announced plans for new sales to be 100% zero-emissions by 2035.

<https://www.thedtic.gov.za/wp-content/uploads/EV-White-Paper.pdf>

LOCAL MANUFACTURING

An important pillar of the EV roadmap is the organic focus on the local manufacture of EVs along with the manufacture of electric vehicle components. The industry must reposition itself to invest in EV manufacturing to include an NEV. One of the key focus areas for the policy discussion is whether to further incentivise only fully electric vehicles or to extend these also to other forms of new energy vehicles such as hybrids. Account will need to be taken of current announcements and commitments to introduce hybrid-vehicles into the SA market, which were not predicated on additional support. In this document, both the term EV and NEV is used and as policy clarity on the scope of any revised measures are finalised, they will identify whether these extend beyond EVs

The developments of the African Continental Free Trade Agreement (AfCFTA) certainly show promise over the medium term, however, the pace of growth of the Rest of Africa's demand is slower than the projected pace of decline in ICE demand in the UK and EU and second-hand vehicles dominate sales in many parts of the Continent. Alternate markets may also become more competitive as other ICE producers seek markets for their production.

The component manufacturing industry accounts for the lion's share of jobs in the automotive industry, accounting for over 70% of the total employment in the automotive industry in 2022. It is also at this level of the value chain where there is potential to deepen domestic value creation and capture more benefits in South Africa. Maintaining production and export of components is critical for limiting job losses from the transition and growing employment as the industry grows.

How does South Africa fit into this global automotive "jigsaw puzzle", and more importantly what are the key opportunities and challenges framing its position within the Global Value Chains (GVCs) that dominate the automotive industry? First, we need to position South Africa within the global industry.

And as presented in Table 2, South Africa is a marginal light vehicle player globally, with 0.68% global production market share and 0.69% global consumption market share. If we rank South Africa as an automotive producer the economy holds second tier status, with the industry ranked 26th for passenger vehicle production, and 15th for light commercial vehicle production. The economies immediately ahead of us are Poland, Iran, and Slovakia; while those immediately behind us are Malaysia, Argentina, and Hungary. What is also clear is that at 555,889.000 Units of total vehicle production in 2023, South Africa is a relatively important producer relative to the world's Tier 1 automotive producers, which all manufacture more than 1.5 million vehicles annually.

THE FUTURE OF GAUTENG'S AUTOMOTIVE INDUSTRY

The future of the automotive industry in South Africa lies in large-scale vehicle production and component exports and there is therefore a general acknowledgement in the domestic automotive industry that it must think differently in the way it perceives the electric evolution. Exporting remains key to generate sufficient economies of scale and achieving improved international competitiveness. If South Africa does not want to lose its major export markets and face significant job losses at plant level, export revenue, as well as a substantial drop in the automotive industry's contribution to the GDP, which currently stands at 4,9%, it must accelerate its EV transformation in the country.



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