



# The South African Tyre Manufacturing Industry

*“Ensuring consumer and road safety through the homologation of tyres in compliance with regulated compulsory specifications”*  
**National Assembly Portfolio Committee on**

**Trade and Industry**

*Public hearings on the National Regulator for Compulsory Specifications*

2 September 2015

Riaz Haffejee (Chairperson)



# Our delegation

- **Riaz Haffejee** *SATMC Board Chairperson*  
*CEO, Sumitomo Rubber South Africa (Pty) Ltd*
- **Nobuzwe Mangcu** *Managing Executive, SATMC*
- **Shaun Uys** *Managing Director, Continental*
- **Dries Lottering** *Managing Director Bridgestone Commercial*
- **Sivuyile Bokwana** *Company Secretary, Continental*
- **David Evans** *Tyre Importers Association of South Africa (TIASA)*
- **Abdul Waheed Patel** *ETHICORE, Governmental and Parliamentary Advisor*
- **Wisahl Jappie** *ETHICORE, Governmental and Parliamentary Advisor*

# Overview

- Who is the SATMC
- Our economic and automotive sector contribution
- Memo to the Committee (April 2015) on NRCS levies
- DTI Task Team investigation into levy exemption
- Tyre industry lifecycle
- SATMC commitment to safety and specifications
  
- Key Issues:
  1. Development of proper tyre testing facilities
  2. Development of part-worn standard for 2<sup>nd</sup> hand tyres
  3. Exemption from NRCS levy on export of locally manufactured tyres
  4. NRCS Homologation Process
  
- Recommendations
  1. Legislative Review Process
  2. Fast Track Tyre Testing facility
  3. Capacity of the NRCS

# Introduction

The South African Tyre Manufacturers Conference (SATMC) welcomes the opportunity to make written and oral representation to the Portfolio Committee on Trade and Industry on the processes administered by the National Regulator for Compulsory Specifications (NRCS) for the homologation of tyres manufactured in South Africa for the export market and the impact that these are having on the manufacturing competitiveness of South African tyre producers.

We believe that this is an important process whereby all parties concerned are afforded a unique opportunity, under the auspices of this oversight and legislative mandate of this august House, to constructively and collectively engage in finding appropriate solutions that achieve a balance between our country's regulatory objectives for achieving consumer protection and enabling the competitiveness and sustainability of the country's manufacturing backbone and economic development in affected industries.

We are committed to this process of constructive engagement in order to help achieve a workable resolution and solutions for the future, as our industry and its sustainability is solely on an effective, efficient and appropriate regulatory framework for compulsory specifications and standards in order to enable socially-responsible and compliant business and trade activity.

# Who is the SATMC

The South African Tyre Manufacturers Conference (SATMC) is the representative body of all four local tyre manufacturers:



# Strategic Intent

## Vision

*“To support the members of SATMC in creating a fair space in the economy in order to be a successful and responsible industry in the South–African economy on a long-term perspective and to adhere to local and international legal requirements.”*

## Mission

*“Become an industry custodian, thought leader, educator, and regulatory and quality control envoy to advance the South African tyre manufacturing industry, to educate government, tyre dealers, end-users and employee representatives about the importance of tyre safety and buying local.”*

# Strategic Focus

1

Develop the necessary SABS criteria and regulations for the use of tyres in order to protect all users

2

Create a positive relationship with Governmental at all levels and relevant Parastatals

3

Ensure compliance with all legal requirements, including provide Members with all relevant national legal developments, agreements, procedures and regulations, and clarify the impact on business in order to minimize negative effects.

4

Stay in contact with all relevant national and international associations, institutions and organizations which are important for the success of its Members.

5

Protect the environment by following set standards to reduce waste educe waste.

# Collective contribution to the SA Economy

- **Employment and Job Creation**

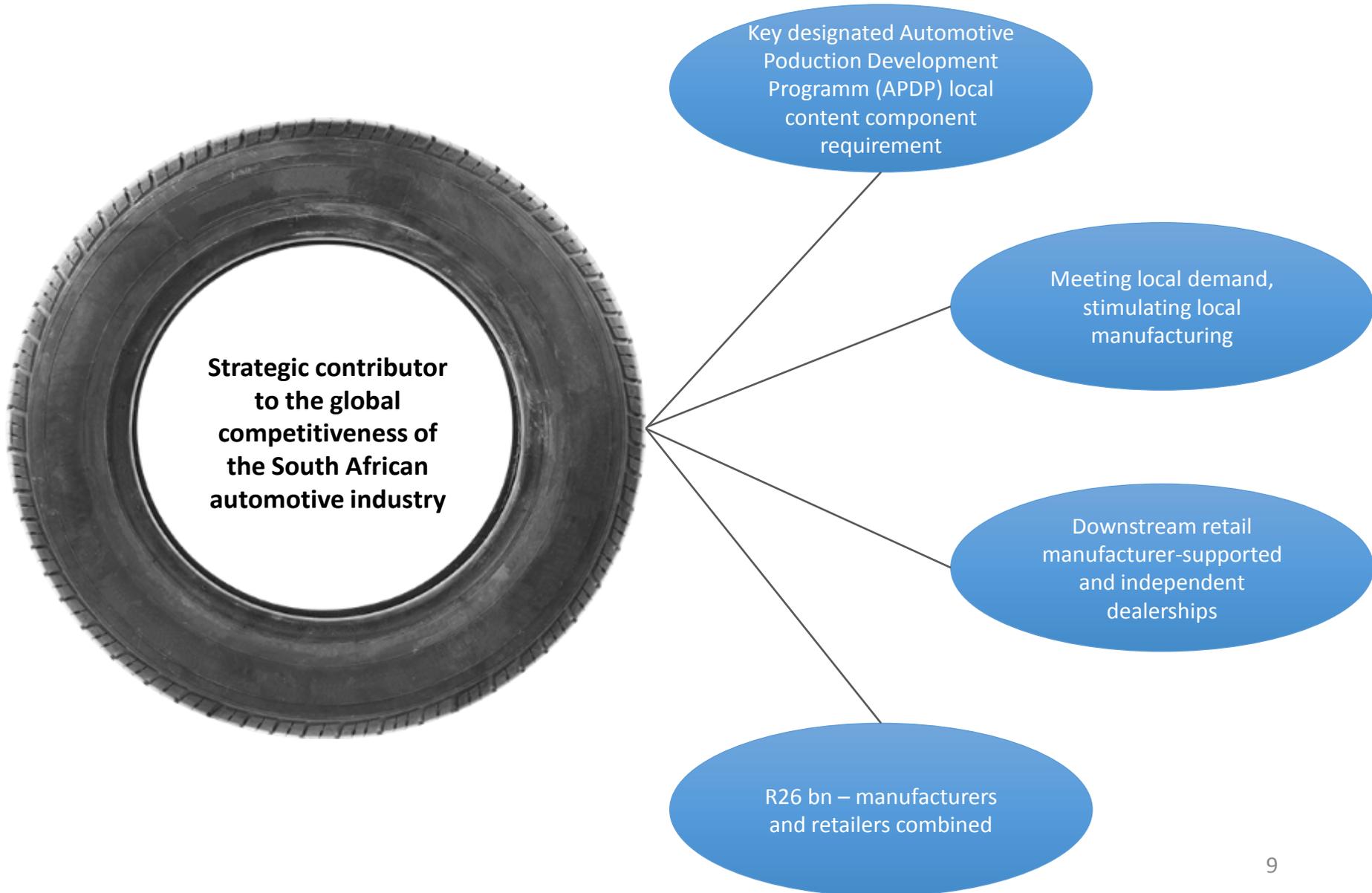
- Direct: Collective industry employment of **7000** people
- Indirect: Additional **4000** people through the industry value chain

- **Local beneficiation, value-addition and manufacturing**

- Local tyre industry accounts for 80% of natural and synthetic rubber used in SA
- Six operating tyre manufacturing factories in South Africa

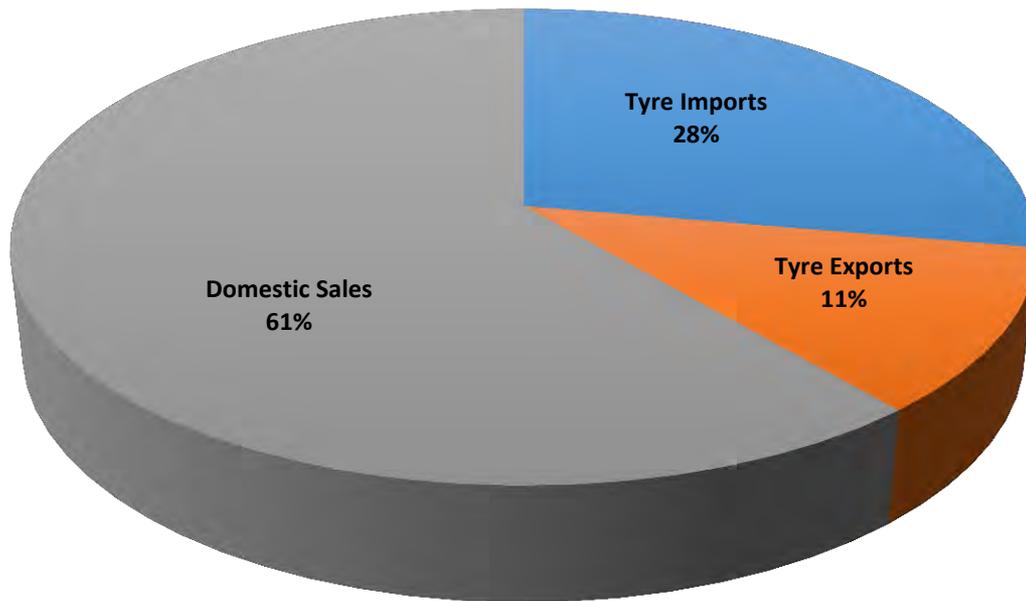
SA Tyre Manufacturers Manufacturing Facilities		
Province	City	Manufacturers
Eastern Cape	Port Elizabeth	  
KwaZulu-Natal	Ladysmith (Uthukela District)	 
North West	Brits	

# Positive impact on automotive sector value addition



# Positive impact on automotive sector value addition

## Annual Tyre Sales Volume in South Africa



■ Imports ■ Exports ■ Domestic Sales

Sales Category	Volume (Million)
Tyres sold locally	11
Tyres imported	5
Tyres exported	2

# Rationale for engagement

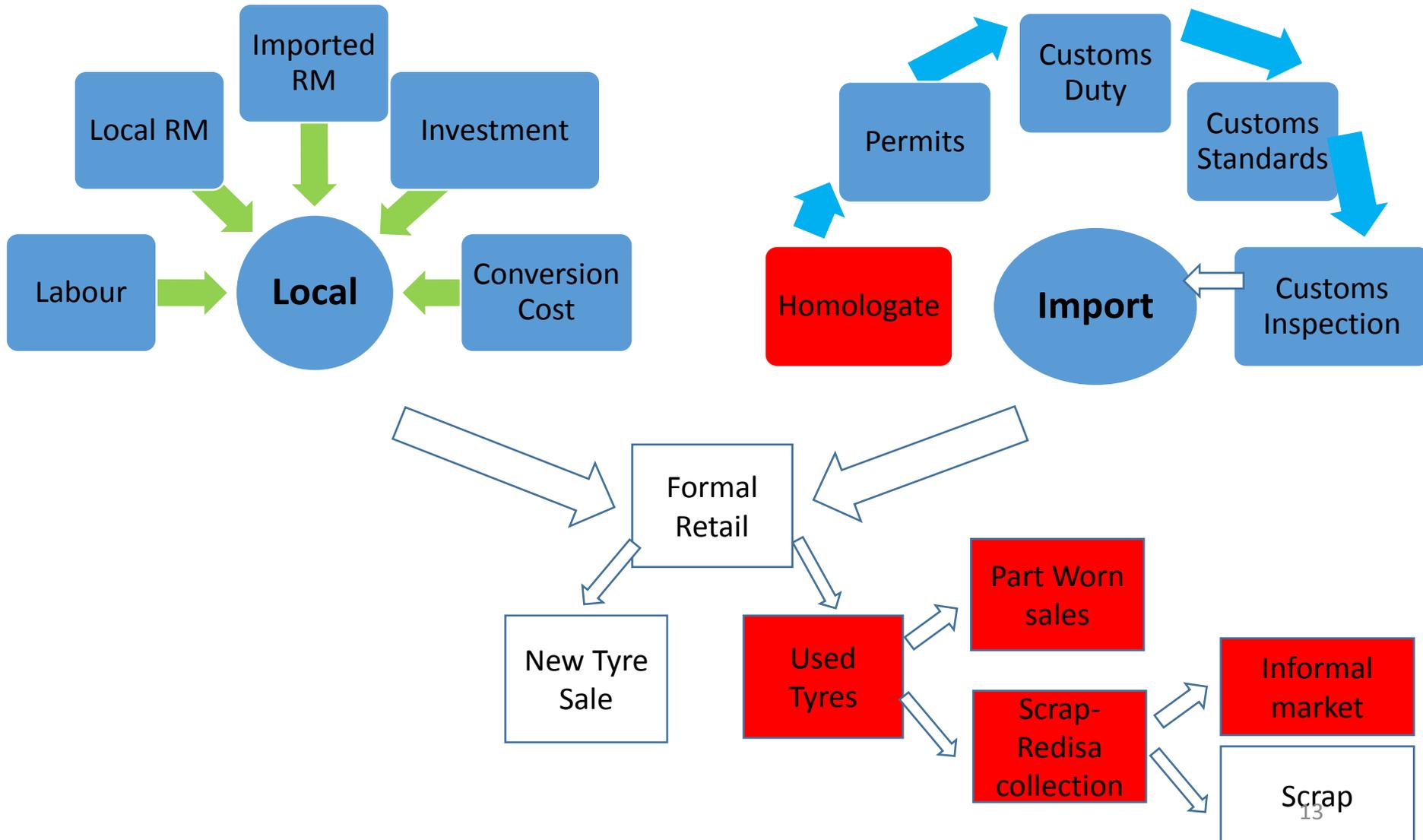
- Memo to Portfolio Committee on Trade and Industry (20 April 2015)
  - Committee consideration of NRCS 2015/16 – 2019/20 Strategic Plan
  - Drawing attention to the impact of NRCS Levies on Export of Locally Manufactured Tyres
  - Recommendation for DTI and NRCS to appraise the Portfolio Committee on the DTI Task Team Investigation appointed by the Minister
- Application to the NRCS for exemption from a levy on export of locally manufactured tyres
  - DTI recommended that the SATMC submits a formal request to the Minister of Trade and Industry to intervene in support of the SATMC application for Exemption
  - June 2014: Minister of Trade and Industry established a Task Team to Investigate the issue and analyse the implications of the application from a practical and legal perspective for both NRCS and industry
  - SATMC supported the intervention by the Minister to establish a Task Team

# DII Task Team Investigation

## Status Update as communicated to the SATMC

- Will consider all inputs when reviewing the legislative framework for tyres
- The amendment process will not take less than 2 years
- Section 4 (1) of the NRCS allows for an exemption
- The Board may recommend an exemption to the Minister (14 (3)(b) of NRCS Act
- The NRCS has access to international tyre testing laboratories
- All SATMC members manufacture not exclusively for export purposes
- An exemption outside Section 4(1) poses a regulatory risk to the automotive tyre industry and all sectors regulated on the premises of health, safety and environment

# Tyre Industry Lifecycle



# Constraints and impediments to industry growth, sustainability and competitiveness

- Global competition from approximately 200 importers of tyres of various brands, approximately more than half of which are from the Far East.

## 1. Performance of NRCS in supporting local

- Export levies on locally manufactured tyres
- Compulsory tyre standards enforcement by NRCS on imported tyres
- Unregulated sale of unsafe second hand tyres to the public
- Unregulated importation of second hand tyres

## 2. Formula duty implementation

- Tyre imports from the Far East and under invoicing of imported tyres

## 3. Waste tyre implementation by Department of Environmental Affairs

- Affects the standard, quality and safety of tyres recirculated into the market for 2<sup>nd</sup> hand tyre sales

# Constraints and impediments to industry growth, sustainability and competitiveness

## What have we done as SATMC?

*The NRCS is demonstrating a willingness to provide support to SATMC*

- Requested NRCS Pilot Inspection project at the Durban Port in July 2015
  - Cooperating with NRCS on addressing pilot project results
  - Companies affected are conducting internal auditing and strengthening of their procedures
  - NRCS and SATMC agree on the need for improving communication and information sharing
- Engaging NRCS to prioritise SATMC Compulsory Standards applications
- Securing key NRCS undertakings on tyre import issues
  - Providing feedback on consequential management of repeat under-invoicing of importers
  - Measures to reduce importation of good that do not meet homologation specifications
- Ensuring NRCS participation at key SARS Tyre Forum
- NRCS has agreed to provide Industry Reporting from August 2015 onwards
- SATMC members have agreed to payment of outstanding levies owed to the NRCS

# Constraints and impediments to industry growth, sustainability and competitiveness

## What have we done as industry (Manufacturers and Importers) ?

SATMC and Tyre Importers Association of South Africa (TIASA) have made a commitment to collectively address and engage technical regulatory institutions (e.g. NRCS, SABS, SANAS, ITAC, SARS) on common regulatory challenges affecting manufacturerS, legitimate importers, and the SA tyre industry as a whole.

This includes:

- Technical regulatory standards and specifications
- The lack of technical standards and specifications infrastructure
- Formula duty implementation

SATMC / TIASA cooperation and our engagement with the NRCS demonstrates:

- The need for greater policy and regulatory harmonisation, integration and efficiency of implementation (including testing infrastructure, capacity and turnaround time) of NRCS compulsory standards and specifications

# Safety First:

## SA tyre manufacturing industry's commitment to public/road safety and compulsory standards specifications

- In the interest of the public and road safety, our industry is committed to the highest standards of public safety and consumer protection.
- Our Board has prioritised consumer, tyre and road safety at the forefront of the SATMC's strategic priorities
- Alignment with the national road safety, transportation and consumer protection priorities.
- All pneumatic (air filled) tyres for use on passenger and commercial vehicles and trailers manufactured by us in South Africa conform to compulsory safety standards introduced by the Minister of Trade and Industry.
- To ensure compliance with safety requirements on an ongoing basis, our tyres are subjected to an approval and certification process (known as homologation) to minimise the risk of non-complying tyres being introduced into the market place and being sold to the public.

# Safety First:

## SA tyre manufacturing industry's commitment to public/road safety and compulsory standards specifications

### PARTNERSHIPS



Tyre Safety Training for Road Traffic Officials particularly on N3TC route between Durban and Johannesburg



*South African Revenue Service*

Customs Division to improve Tyre Technical knowledge for Customs Inspectors

### CAMPAIGNS



"Tyre Safety Month" during National Transport (1 – 31 October)

A photograph of a digital sign with a black background and yellow, glowing characters. The sign displays the text "SAFE TYRES" on the top line and "SAVE LIVES" on the bottom line.

Media campaigns to raise awareness about the importance of Tyre Safety

# How SA tyre manufacturers ensure safety and compulsory standards specifications compliance

- We implement an internationally recognised Quality Management system
- Our locally manufactured tyres conform to the applicable South African compulsory specifications and corresponding ECE (European Commission) Regulations and Directives.
- Cooperating with the NRCS in administering the regulations and compulsory specifications for tyres.
- In order to minimize the costs, administration and infrastructure for monitoring the distribution of tyres, manufacturers of tyres are expected to homologate all tyres put for sale in South Africa.
- It is an offence to sell any commodity not complying with legal requirements, but the onus rests with ourselves as manufacturers to ensure compliance with legal requirements and we therefore **only** sell and distribute **homologated** tyres.
- SATMC currently pay an annual fee for the issue of E-mark certificates relating to locally manufactured tyres, verifying our compliance to the EC standard and accordingly the South African Standard.

# Key Issues

1. Exemption from NRCS levy on export of locally manufactured tyres
2. NRCS Homologation Process
3. Development of proper tyre testing facilities
4. Development of part-worn standard for 2<sup>nd</sup> hand tyres

# Key Issue 1

## Exemption from NRCS levy on export of locally manufactured tyres

### Overview

- The NRCS has confirmed that it cannot and does not impartially perform any regulatory testing on domestically manufactured tyres destined for export markets, as prescribed by international agreements.
- Due to the lack of appropriate technical expertise and infrastructure, the NRCS only conducts random inspections and processes paperwork for the homologation of tyres without any sample testing.
- In addition, the NRCS does not have its own quality standards for the South African market and relies on the international standards against which South Africa tyre manufacturers have homologated various specifications of locally manufactured tyre.
- Further to this, the local tyre industry also incurs charges from various accreditation bodies for quality standards that must be maintained when producing tyres.

# Key Issue 1

## Exemption from NRCS levy on export of locally manufactured tyres

### Impact on SA tyre manufacturing industry

- The NRCS charges levies for verifying international quality standards which local manufacturers have obtained from international quality standards authorities
- The industry incurs substantial costs to obtain these internationally approved quality standards due to the NRCS lacking the technical infrastructure to perform these functions locally
- Yet, the NRCS still requires the industry to retrospectively pay a levy on tyres manufactured and distributed for the export market which have already been subjected to international homologation requirements at the industry's expense.
- These double charges are an additional constraint on the competitiveness of our industry, which is already exposed to significant international competition, as well as imports and dumping of low-cost subsidised tyres.
- With the exception of SADC countries, each African country has an import duty of between 20% and 40%. Together, these charges inhibit the SA tyre manufacturing industry's contribution to inter-regional trade in tyre exports through existing trade agreements in progress and already in place between SADC, COMESA, EAC and the Tripartite FTA.

# Key Issue 2

## NRCS Tyre Homologation process

### Overview

- All pneumatic tyres for use on passenger and commercial vehicles and trailers in South Africa must conform to compulsory safety standards.
- To ensure that they comply with safety requirements on an ongoing basis they are subjected to an approval process (homologation).
- The NRCS administers the regulations and compulsory specifications for tyres.

# Key Issue 2

## NRCS Tyre Homologation process

### WHY

Homologation has been introduced as a measure to minimise the risk of non-complying tyres being introduced into the market place and being sold to the public. It reduces the possibility of a costly exercise to withdraw tyres already distributed throughout South Africa and which do not comply with the legislative requirements, and minimise legal action against the supplier (i.e. importer and/or manufacturer).

### WHEN

Homologation is required before a tyre is imported or released for sale. It is therefore necessary to complete the homologation procedure before introducing any tyre into the South African market.

### WHAT

**In the interest of road safety, the Minister of Trade and Industry has introduced compulsory specifications for tyres. The homologation of tyres, introduced on 1 January 1996, is the procedure followed in order to administer the introduction of these legal requirements published in Government Gazette of 16 November 2001.**

### WHO

In order to minimise the costs, administration and infrastructure for monitoring the distribution of tyres, Importers and Manufactures are expected to homologate all tyres put up for sale in South Africa. The onus rests with the Importer and /or Manufacturer to ensure compliance with legal requirements, and tyre distributors are therefore obliged to ensure that only homologated tyres are purchased and distributed.

### WHERE & HOW

Homologation is conducted at NRCS Automotive Regulatory Department in Groenkloof, Pretoria.

Application forms MA38A or B should be submitted to the NRCS

# Key Issue 2

## NRCS Homologation process

### Compulsory Specification

- Manufacturers must implement an internationally recognized Quality Management system and the tyres must conform to the applicable South African compulsory specifications and corresponding ECE Regulations and Directives:

Description	Category
New Pneumatic tyres for Passenger Cars and their trailers	Compulsory Specification: VC8056 ECE Regulation 30
New Pneumatic tyres for Commercial Vehicles and their trailers	Compulsory Specification: VC8059 ECE Regulation 54

*Note: Motorcycle and OTR tyres do not require homologation*

# Key Issue 2

## NRCS Homologation process

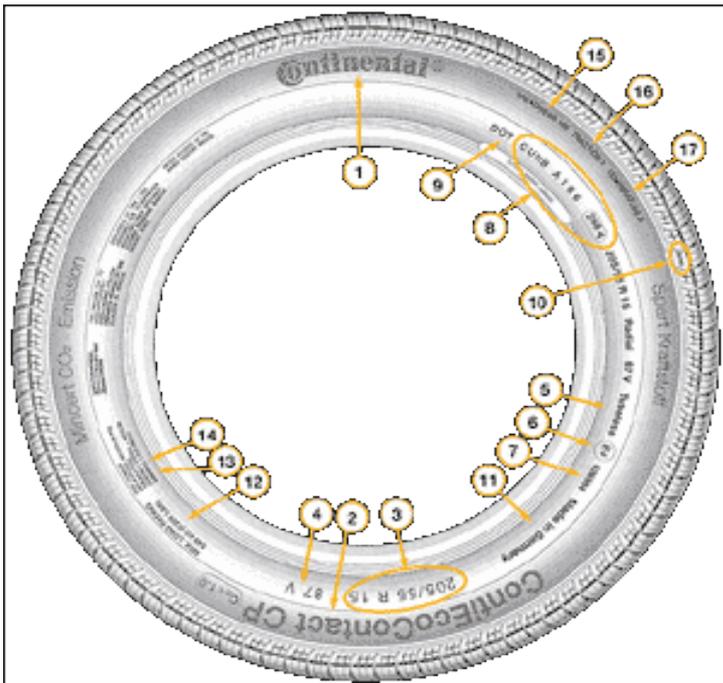
### Markings Requires

- Proof of compliance with the compulsory specification: “E” mark on the tyre and “E” Certificate and/or
- Verification that the manufacturer operates a quality management system certified by an accredited authority (copy of certificate)
- The following additional markings must appear on the sidewall:
  - Size
  - Tread Pattern
  - Load/Speed Index
  - “E” Mark
  - Date of manufacture
  - Radial/Bias
  - Whether tubeless or not

# Key Issue 2

## NRCS Homologation process

### Example of Tyre Markings:



Source: <http://www.contipartner.co.za/sharing-knowledge/tyre-sizes-markings/>

1. The tyre brand
2. The style of the tyre
3. Tyre size marking – indicates tyre width, tyre height from the wheel rim to centre of the tread. 'R' indicates the design of the tyre, and the 15 indicates that the tyre fits on a 15 inch wheel rim.
4. Load Index and Speed Symbol – 87V This is the tyres carrying capacity at a specific maximum speed. 87 indicates 545kg at V speed symbol of 240km/h
5. Tubeless – if the tyre does not say 'tubeless' it has to have a tube in it.
6. E4 the European mark of approval – All passenger tyres in South Africa have to have 'E' markings
7. The number for the 'E' mark
8. The DOT code markings indicating the tyre size, style, plant of manufacture, and the date of manufacture
9. DOT for Department Of Transport – USA
10. TWI – Tread Wear Indicators – when a tyre wears down to them, it must be replaced.
11. Country of manufacture – Made in Germany
12. Maximum load rating of the tyre in lbs. and kg.- 545kg or 1201lbs.
13. Maximum permissible inflation pressure – 300 kPa or 44 psi.
14. The number and type of plies in the tread and sidewall
15. The USA Federal Ratings – Treadwear 280. This is a relative wear rating of a given tyre when tested under controlled conditions on a specified government test surface. This rating is specific within a brand of tyres and cannot be compared with other brands
16. Traction A. The traction grade indicates the tyres ability to stop on a wet surface, as measured under controlled conditions on specified government test surfaces. The traction is based on straight ahead braking tests. It does not indicate cornering ability. Grade A is best level.
17. Temperature A. The temperature grade indicates the tyres resistance to the build up of heat and its ability to dissipate heat when tested under controlled conditions on an indoor test wheel. Grade A indicates the best grade.

# Key Issue 3

## Development of tyre testing facilities

### Process

- Current maximum  $\pm 120$  working days (6 Months) from date of registration
- Turnaround time can be reduced through:
  - the development of effective tyre testing facilities and infrastructure
  - the requisite technical capacity and expertise



- ✓ Reducing backlogs
- ✓ Marked positive economic impact
- ✓ Increased manufacturing output
- ✓ Increase export flows
- ✓ Managing the quality of compliant imports
- ✓ Consumer, public and road safety

# Key Issue 3

## Development of tyre testing facilities

### Recommendations

- The credibility of NRCS as a technical infrastructure institution in relation to setting standards, developing compulsory specifications, assessing conformity with standard and compulsory specification, maintaining national measurement standards and accrediting the competence of various role-players is of critical importance to the economy.
- Technical infrastructure regulatory frameworks requires alignment to enhance implementation of manufacturing, economic and industrial policy.
- For Consumer safety purposes, the NRCS prohibit sub-standard tyres into the country.
- The mechanism of homologation, ITAC import permit issuing for very large quantities and customs verifying safety (homologaton) is not functioning.
- The NRCS should be working towards promoting not only the quality of goods manufactured, but also local manufacturing as technical infrastructure institutions in other BRICS countries do.

# Key Issue 4

## Part worn standard for 2<sup>nd</sup> hand tyres

### Overview

- Industry surveys demonstrate that 2<sup>nd</sup> hand tyre represent a very serious road and consumer safety risk.
- Combined with imported 2<sup>nd</sup> hand tyres (an estimated 1 – 1.5 million) enter the 2<sup>nd</sup> hand market.
- These are tyres that are taken from new sales and this would add more than 10% of new tyre sales to the tyre industry as further promotion to the local tyre manufacturing industry.
- Reduce tyre related road accidents attributable to poor quality 2<sup>nd</sup> hand tyres.

# Key Issue 4

## Part worn standard for 2<sup>nd</sup> hand tyres

### Recommendations

- There is a national economic imperative and public interest for the formulation of a part worn standard for 2<sup>nd</sup> hand tyres.
- Its introduction can:
  - Significantly contribute to improving the regulated sale of 2<sup>nd</sup> hand tyres
  - Reduce the size and proliferation of the illicit market and illegal imports
  - Create a fair playing field between domestic manufacturer and legally compliant importers and domestic resellers of compliant 2<sup>nd</sup> hand tyres
  - Contribute meaningfully to improved road safety and consumer protection
- Effective waste management tyre programmes can also aid in the reduction of tyres sold in the 2<sup>nd</sup> hand tyre market.
- Building on ITAC's administration of import control guidelines on used and 2<sup>nd</sup> hand tyres for safety, health and environmental reasons.

# Way forward and conclusion

- Sustained local tyre manufacturing sector competitiveness and its already significant contribution to local and regional manufacturing, industrial, trade and automotive sector competitiveness requires these issues to be addressed in a targeted and focussed manner that distinguishes the South African tyre manufacturing within the broader automotive manufacturing base.
- This needs to be located within the appropriate national context and provision for enabling manufacturing and industrial policy support for the local tyre manufacturing industry to remain competitive within a competitive international tyre market and to continue contributing to and expanding local job creation and inter-regional trade, whilst ensuring protection of unscrupulous and errant illegal and non-compliant imports.
- Legislative and policy review and oversight of the NRCS operational and compliance efficiency can play a significant role in giving effect to legislative amendments and policy enhancements to achieve this, as acknowledged and evidenced by the outcomes of the DTI Task Team Investigation.

# Way forward and conclusion

## DTI Task Team Investigation and amendment of legislative framework

*While we respect the Task Team outcomes and Minister's decision ...*

1. The tyre manufacturing industry's competitiveness is deteriorating due to the imposition of costly levies that are inconsistent with the NRCS' existing tyre testing infrastructure capabilities and expertise.
1. The industry, its participants and beneficiaries (upstream suppliers, workers, retailers and distributors) will be unable to sustain the industry in South Africa due to the negative economic of these prevailing constraints and pressure, should they continue to prevail.
1. In two years from now, this scenario would have deteriorated, resulting in the industry becoming unviable as well as globally and regionally uncompetitive, hurting South Africa's manufacturing and industrial base.

# Recommendations

Notwithstanding the outcomes of the DTI Task Team Investigation, various options are available and which we encourage the Portfolio Committee, the DTI and NRCS to consider, in order to provide interim relief to the industry and to expedite the pathway towards a much-needed legislative review process.

This includes:

- 1. Legislative Review Process**
- 2. Fast Track Tyre Testing Facility**
- 3. Capacity of the NRCS**

# Recommendations

## 1. Legislative Review and Amendment Process

Based on the findings of the DTI Task Team Investigation and the considerations by the Minister, it has been conceded that the amendment of the legislation has merit. But that this process will take two years to complete.

The SATMC calls upon Parliament as the national legislative authority to work with the DTI, NRCS and industry to assess and evaluate the impact of the current legislative framework.

This should include the establishment of a Government – Industry ‘Working Group’ to consider:

- Proposed amendments to the NRCS Act
- Assessing the impact of such amendments
- The imperative for expediting the legislative amendment process

# Recommendations

## 2. Tyre Testing Facility

The NRCS and SABS require urgent collaboration and commitment to finding a solution for local impartial testing. We believe funds are allocated for this project however a business case and commitment between the two departments and the broader industry is required urgently.

The requirement for independent testing by NRCS is now clearer but not communicated adequately to the Industry.

If all imported tyres require independent testing, this issue has the potential to commercially harm the industry and OE companies.

# Recommendations

## 3. Capacity of the NRCS

The SATMC calls on Parliament through the exercise of its legislative and oversight mandate of both the DTI and the NRCS to ensure that timely interventions are initiated and reported back on, for the purposes of increasing the NRCS technical capacity, expertise and infrastructure. This includes:

- a) Speedily resolving the uncertainty regarding the use of manufacturers' testing facilities, which the NRCS does not regard as "independent" and which is resulting in the costly export of tyres to Europe for testing at industry's expense in order to meet the NRCS' requirements.
- a) Developing a system for recognised, vetted and approved independent testing facilities, in conjunction with South African National Accreditation System (SANAS).
- b) Ensuring that NRCS is able to integrate with and have access to a centralised inspection information platform such as that administered by SARS which interfaces with cargo inflows/outflows. This needs to be assessed within the context of the impact and requirements of the New Border Management Agency.

**We thank you**