

Presentation to the Portfolio Committee on Trade and Industry 16 February 2016

Automotive Production and Development
Programme (APDP)
2014/15 Review
by The Department of Trade and Industry

AUTOMOTIVES



Automotive Production
and Development
Programme (APDP)
2014/15 Review

MIDP (1995 – 2012)

Tariffs LMVs (CBU & OE Components)

2007	30%	25%
2008	29%	24%
2009	28%	23%
2010	27%	22%
2011	26%	21%
2012	25%	20%

Duty Free Allowance

27% of locally produced domestic sales

Import Rebate Credits

- Based on exported local content
- Export Sales less imported component multiplied by applicable import duty (**E-M x Duty**)

Productive Asset Allowance

- 20% of qualifying investments (land & buildings excluded)
- Targetted at OEMs rationalisation

APDP (2013 – 2020) Objectives

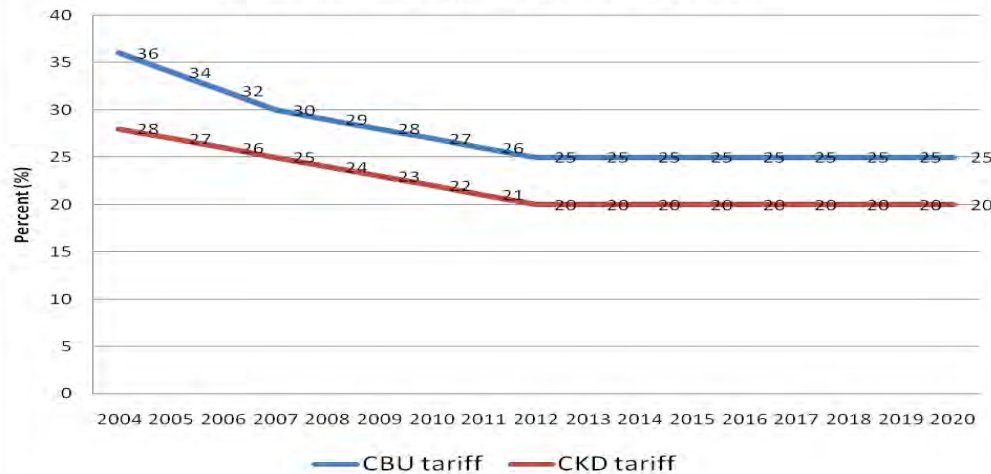
Stimulate expansion of automotive vehicle production to 1.2 million vehicles per annum by 2020 with associated deepening of the components industry

- Provide appropriate levels of support for these ambitious targets without being overly generous
 - Expand value-added, investment, employment and net government revenue: directly and via multiplier effect
 - Achieve better balance between domestic and export focus to supply growing domestic demand
 - Make a large positive contribution to the balance of payments

APDP: Key Elements

Tariffs

MIDP tariff regime: 2004 to 2020



Volume Assembly Allowance (VAA)

≥50 000 unit plant qualification
20% in 2013
19% in 2014
18% in 2015 till 2020
Applicable to all vehicle production

Production Incentive (PI)

- 55% in 2013
- 1% annual reduction
- 50% in 2018 till 2020
- Additional % for specified products

Automotive Investment Scheme (AIS)

- 20% of qualifying investments
- 10%-15% additional for strategic investments
- OEMs & component manufacturers
- Fund outside duty pool (Cash Grant)
- Payable over a period of 3 years

CONTEXT

APDP ANNOUNCED IN 2008

- APDP launched in September 2008 just before the Global Economic Recession
- “*Vulnerable Products / Industries*” as well as MHCVs added to APDP by 2011
- “*Standard Material*” definition added basis for benefits

Make recommendations to ensure APDP steers industry towards achieving to set objectives based on evidence based research, analysis and consultation.

- Data collection
- Analysis
- Development of Proposals
- Final recommendations
- Approval

Key Findings

- Volume target of 1.2 million vehicle production by 2020 unlikely to be attained
 - Two OEMs not meeting 50 000 unit annual production threshold
 - Combined installed capacity less than 900 000 units
 - Potential new entrants discouraged by 50 000 units minimum threshold
- Expansion and deepening of local supplier base will also not be achieved
 - Most OEMs generating enough credits to off-set duty obligations
 - Local suppliers not achieving better economies of scale
 - Relatively cheap imports

Recommendations

- Develop post-APDP Automotive Plan
- Reduce vehicle production threshold to 10 000 units a year
- **“Freeze” benefit for Catalytic Converters at 2017 levels**
- Tighten criteria for component suppliers
- Improved benefit for tooling
- Change rebate credits to duty credits
- Reduce VAA
- Add VAA for pick-ups (bakkies)
- Shift more benefits towards component suppliers

Approved Amendments

- Develop post-APDP Automotive Plan
 - Comprehensive policy post APDP by 2017
- Reduce vehicle production threshold to 10 000 units a year
 - Allow new entrants at a lower benefit
- **“Freeze” benefit for Catalytic Converters at 2017 levels**
 - Sustain remainder of this industry
- Tighten criteria for component suppliers
 - Ensure only products supplied to OE value chain get support
- Improved benefit for tooling
 - **Engage National Treasury!!!!**

Lessons

- Clear terms of reference and deliverables
- Data from Stakeholders requires expert assessment
- Stakeholder engagements need proper planning and management
- Internal engagements also need better planning and management

THANK YOU!