



IVECO SOUTH AFRICA

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IVECO organization in SA

- Overview

ISAW plant



IVECO

Ckd from Europe
(extraheavy + buses chassis)



Plant in SA
(Extraheavy and buses)

ISAW

- Iveco (60%)
- Larimar (40%)



ISA

- Iveco (100%)

Commercial company in SA

- Extra-Heavy and buses (ISAW production)



- Daily imported and converted locally
(through SA bodybuilders)



Question # 1

Are you able to meet local content requirements and how are you doing it?

- Iveco uses the calculation in accordance with the SABS approved technical specification number SATS 1286:2011 as follows:
$$LC = [1 - \text{imported content} / \text{Bid price}] \times 100$$
- Iveco is able to meet the minimum requirements and achieve more than the 80% threshold.
- Our costing department and manufacturing department uses various software systems to closely monitor material usage, labor usage, material costs and local content values.
- The entire bus body is manufactured and built in Rosslyn (Tshwane). We employ local labor force from the area.
- Our manufacturing line is not automated to maximize job creation.
- Relevant ISAW personnel attend briefings / training on local content calculations at various institutions.
- We communicate with staff of the DTI when we have questions or concerns regarding any issues that we require clarity on.
- The local content calculation for our Afriway commuter bus follows.

IVECO AFRIWAY BUS - Local Content

Local Body Material Total	17%
Local Body Transformation	28%
Local Body Optional Extra	3%
Imported Body Material Total	6%
Imported Body Optional Extra	1%



Local Body Material Total	31%
Local Body Transformation	52%
Local Body Optional Extra	5%
Imported Body Material Total	11%
Imported Body Optional Extra	1%

Total

100%

LC

88%

*

Imported Chassis CKD	35%	(out of scope)
Imported Chassis Freight	1%	(out of scope)
Local Chassis Material	2%	(out of scope)
Local Chassis Transformation	7%	(out of scope)

Total

100%

* LC calculation in accordance with the SABS approved technical specification number SATS 1286:2011 as follows:

$$LC = [1 - \text{imported content} / \text{Bid price}] \times 100$$

Question # 2

How do you ensure that your suppliers are meeting local content requirements

- Our local vendors submit data to our finance division with local content and imported content values on all material supplied to our production plant. This data is collated and tracked for accurate calculation of local content.
- Where local content is deemed low, we engage with the vendor to establish what their constraints are and possible solutions to increasing local content.
- Our supplier quality department regularly verifies the information through supplier visits and visual inspections.
- We are in the process of implementing external audits to ensure accuracy of supplier information.

Question # 3 - ISAW Supplier Development project

- High Procurement value suppliers selected
- Outsourced consultants to focus on Supplier Development Project from February to December of each year.
- Reference : CNHi Quality Standards/ Procedures
- Set KPI targets
- Focused action plan based on Gap Analysis outcome

1st wave 2017

10 Suppliers selected involving the following components;

Rubber seals

Wire Harness

Steel Frames and brackets

Glass Reinforced Fibre

Paint

Seats

Windows

50% SA ISAW Supply base covered

2nd wave 2018

8 Suppliers selected involving the following components;

Rubber Extrusions

Electrical fixtures & fittings

Pneumatics - Nylon Tubing, Fittings

Seats (alternate supplier)

Rotomoulding (Plastic components)

15 % SA ISAW Supply base covered

Question # 4 – Challenges with local content compliance 1/2

Bus Market: overview of the SA Passenger Transport Industry

- 80 % of South Africa's population is totally reliant on public transport (bus, commuter rail and taxis)
- Current subsidised passenger transport contracts are interim contracts on a month-to-month basis. The Government is introducing 7 year subsidised contracts from 2017 (Commenced in KZN)
- Government strategy is to allocate 30 - 40% of the contracts to SMME operators
- The 7 year contracts will give operators the confidence to buy new buses
- Mine Personnel and Scholar transport contracts are being awarded to SMME operators

The bus market is divided into the following main segments:

- Commuter (employees, job seekers, shoppers)
- Scholar transport services
- Special Hire Services (weekend travel home, funerals, church groups, organized parties, recreational activities, sport)
- Intercity (scheduled services and special hire)
- Cross-border travel (shoppers, migrant labour, tourists)
- City bus and BRT services (inner city services, employees, job seekers, shoppers, scholars, recreational activities)
- Tour Charter

Question # 4 – Challenges with local content compliance 2/2

Commuter buses

- No challenges with meeting the 80% local content threshold for this category of bus if required on Government tenders
- +/- 75% of the total buses sold in 2017 were for the commuter market (860 of 1131)
- Very few of these buses were purchased by SOE - minimal purchases in 2017
- Private operators are currently on month-to-month contracts resulting in low fleet renewal volumes

BRT / City Buses

- Mainly rear engine low floor or low entry buses (universal access)
- Low volume purchases in 2017 due to erratic introduction of BRT systems and limited city bus purchases
- Local content on bus bodywork is lower than Commuter buses due to:
 - Requirements for universal access and connection with BRT stations
 - Requirement for more sophisticated systems than required on Commuter buses (ICT, passenger information and comfort, multiple doors)

Recommendations - How we can increase employment opportunities in SA?

- Replacement / recapitalization of ageing SOE bus fleets
 - Autopax (National)
 - Great North Transport (Limpopo)
 - Northwest Transport (Gauteng and Northwest)
 - Mayibuye Bus (Eastern Cape)
- Operators who enjoy State funding (National, Provincial or City subsidies) should purchase against the same requirements as Government purchases
- Scholar transport is currently provided in old buses (>15 years) due to low rates being paid - should be in buses < 10 years old for safety reasons
- Introduction of preferential purchasing for higher tiers of local content achieved (in excess of 90% and 95%)
- Clarification of “exempted” items for calculation of local content (DTI) and try localize the manufacture
- Clear definition of chassis CKD kits for local assembly (especially rear engine chassis)
- Possible Introduction of local content parameters for the chassis (batteries, tyres, fuel tanks, etc.)