



Global
Trade

South African Automotive Masterplan 2035

APDP Post 2020

- APDP/PI set to run to 2020
- Minister Rob Davies media statement on the South African Automotive Masterplan 2035 and the Extension of the Automotive Production and Development Programme with amendments (23 Nov. 2018)

<https://www.gov.za/speeches/minister-rob-davies-media-statement-south-african-automotive-masterplan-2035-and-extension>

Importance of the South African Automotive Industry

- Contributes 6.9% to GDP (4.4% manufacturing & 2.5% retail)
- Accounts for 30.1% Manufacturing output & 13.9% of Total Exports
- Employs 110 000 people in vehicle and component production
- Annual investment of R12.2 billion

Government remains committed to further support investment and development of the automotive industry

SAAM's 2035 vision

- Achievement of *"a globally competitive and transformed industry that actively contributes to the sustainable development of South Africa's productive economy, creating prosperity for industry stakeholders and broader society."*
- This vision has four components;
 1. The industry's competitive position. The South African automotive industry will be globally competitive by 2035.
 2. The industry's contribution to the transformation of South African society. This encompasses multiple elements, from employment equity to the greater inclusion of Black-owned firms within the automotive value chain.
 3. The sustainable development of the South African economy. (growth of the industry, employment provided, skills developed, and the improved environmental impact of products and production processes.)
 4. The shared prosperity created by the industry. (financial health and wellbeing of firms within the value chain, fair employee remuneration, and the broader contribution of the value chain to the South African fiscus.

South African Automotive Master Plan (SAAM)

The SAAM's focus will be on six areas namely;

1. Local market optimisation,
2. Regional market development,
3. Localisation,
4. Infrastructure development,
5. Industry transformation, as well as
6. Technology and associated skills development.

The realisation of these six objectives are projected to have a fundamentally transformative impact on the position of the South African automotive industry.

Six Development Objectives

1. Grow domestic vehicle production to 1% of global output (projected to reach 140 million units annually by 2035)
2. Increase local content in South African assembled vehicles to 60% (from 39% in 2015)
3. Double total employment in the automotive value chain (from 112,000 to 224,000)
4. Improve automotive industry competitiveness levels to that of leading international competitors
5. Achieve industry transformation across the value chain (at least level 4 BEE status from 2021)
6. Deepen value addition across selected commodities/technologies

APDP amendments

- Ensure APDP benefits earned are correlated with industry localisation levels
 - Replacement of the Volume Assembly Allowance (VAA) with a Volume Assembly Localisation Allowance (VALA), implemented on a phased basis over the period 2021 to 2026
- Remedying the differential earning of the PI
 - No more vulnerable industry status
- Remedying the differential spending value of the PRCC
 - Customs Value PRCC to a Duty Credit Certificate
- Increase PI benefit level to 12.5% of value addition within component manufacturing (from 10% for not-vulnerable industries)

Comparison

	Current APDP/PI		
	Vulnerable (Catalytic Converters)	Vulnerable (Other)	Non- Vulnerable
PI Factor			
1 Jan. '17 to 31 Dec. '17	65%	65%	51%
1 Jan. '18 to 31 Dec. '18	65%	60%	50%
1 Jan. '19 to 31 Dec. '19	65%	55%	50%
1 Jan. '20 to 31 Dec. '20	65%	50%	50%
CKD Duty Rate:	20%	20%	20%
Effective benefit	13.00% (65% x 20%)	10.00% (50% x 20%)	10.00% (50% x 20%)
SAAM (post 2020)			
Proposed benefit change - Effective Benefit	12.50%	12.50%	12.50%
* details of calculation not yet finalised			

Table 1: Light Vehicle policy amendments (2021-2035)

Incentive	Amendments	SAAM Rationale
Tariffs (CBU and CKD)	<ul style="list-style-type: none"> No change to CBU and CKD tariffs Align CBU duties from the EU-SA EPA (Subject to engagements with EU) 	<ul style="list-style-type: none"> South African market adequately protected Address misalignment
Vehicle assembly (VALA)	<ul style="list-style-type: none"> Volume Assembly Localisation Allowance (VALA) to replace Volume Assembly Allowance (VAA) in 2021: VALA based on local value addition and not manufacturing sales value VALA set at 35% of local value add for OEM volumes above 10,000 units annually from 2026. Transition set at 40% in 2021 and reducing annually 	<ul style="list-style-type: none"> Tie incentive directly to South African localization levels of OEMs, thereby eliminating existing VAA distortions Existing OEM model investments protected by transition to VALA over six years (2021-2026) Ensure CKD duty exposure for local market assembly
Production (Production Incentive)	<ul style="list-style-type: none"> Production Incentive benefit to increase 25% for components (from 10% to 12.5% of value addition) Duty Credits to replace Production Rebate Credit Certificates PRCCs): to ensure components earn one benefit value tied to local value addition Removal of vulnerable status benefits 	<ul style="list-style-type: none"> Incentive for deeper localisation: Additional support for Tier 1 and Tier 2 automotive activity Support aftermarket and export component production Remove earning/spending distortions within the APDP – ensure only one incentive value
Investment (AIS)	<ul style="list-style-type: none"> Maintain cash grant for investment, but reduce by 5% if not South African tooling/machinery 	<ul style="list-style-type: none"> Maintain capital investment support, but encourage sourcing of SA tooling and machinery
Other policy elements	<ul style="list-style-type: none"> Introduce new CBU import certification - minimum dealerships and service parts supply 	<ul style="list-style-type: none"> Ensure SA vehicle market has established dealership, workshop infrastructures, and parts availability

Table 1: M&HCV policy amendments (2021-2035)

Incentive	Amendments	SAAM Rationale
Tariffs	<ul style="list-style-type: none">No change to present base duty structure (20% CBU, 0% CKD)	<ul style="list-style-type: none">M&HCVs are intermediate capital inputsTariff structure deemed appropriate
Assembly (VALA)	<ul style="list-style-type: none">Not applicable to M&HCVs	<ul style="list-style-type: none">As intermediate capital inputs, low volume assembly of imported CBU sub-systems deemed appropriate
Production (Production Incentive)	<ul style="list-style-type: none">Component firms to continue earning PI for M&HCV parts productionBenefit level to be adjusted as per light vehicle amendments, and to be earned as an ADC, and no longer a PRCC	<ul style="list-style-type: none">As per light vehicle programme – bolster incentive for component production in South Africa wherever this is feasible
Investment (AIS)	<ul style="list-style-type: none">As per light vehicle recommendation	<ul style="list-style-type: none">Support SA automotive industry investments, especially when using local tooling and machinery
Other policy elements	<ul style="list-style-type: none">SA to introduce new M&HCV CBU import certification requirement – minimum number of dealerships and specified supply of service parts	<ul style="list-style-type: none">Ensure SA M&HCV market comprises models, with established dealership/workshop infrastructures, and associated parts availability

Table 2: Motorcycle policy amendments (2021-2035)

Element	Amendments	SAAM Rationale
Tariffs*	<ul style="list-style-type: none"> Increase South African tariff to WTO bound rate of 10% 	<ul style="list-style-type: none"> Provide a base level of protection for the SA motorcycle market
Assembly (VALA)	<ul style="list-style-type: none"> Not applicable to motorcycles 	<ul style="list-style-type: none"> Motorcycle market of low volume
Production (Production Incentive)	<ul style="list-style-type: none"> Component firms to earn PI for motorcycle parts production Benefit level to be the same as for vehicles 	<ul style="list-style-type: none"> Support component production for motorcycle assembly within region
Investment (AIS)	<ul style="list-style-type: none"> Motorcycle component supply to qualify as per motor vehicles 	<ul style="list-style-type: none"> Ensure SA is part of the production value chain
Other	<ul style="list-style-type: none"> Establishment of regional automotive production plan 	<ul style="list-style-type: none"> Motorcycle assembly ideal for African industrialization.

** Tariffs to be introduced as part of regional trade negotiations that establish motorcycles as a component of a regional automotive production network*

Contact Us

Duty drawbacks and APDP PI claims

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