Rescue plan for battered motor industry kicks in

By Sipho Masondo

21 May 2009

The Industrial Development Corporation (IDC) has started paying out desperately needed loans to save companies in the motor industry which face closure because of plummeting vehicle sales.

“We are very pleased,” National Association of Automotive Component and Allied Manufacturers (Naacam) executive director Roger Pitot said on Tuesday.

“We believe it‘s exactly what we were looking for - bridging finance. The most important thing is to have access to finance.”

Neither the IDC nor the government or industry executives would disclose the sum involved.

However, industry players had initially said they would require about R10-billion to keep the sector going.

To access the money, struggling component and vehicle manufacturers have to apply to the IDC, which then dispenses the money based on each company's needs.

Bridging finance and loans formed part of the motor industry‘s rescue plan proposal which it presented to the Department of Trade and Industry late last year.

Industry representatives had also asked the department to consider a vehicle-scrapping bonus and to help look for innovative ways to stimulate the sector.

IDC metal, transport and machinery products head Setlakalane Molepo said: “Since industry associations sent a directive to their members that they could approach the IDC for funding, we have received 17 inquiries and three applications at head office.

“After inquiries, we sent information on how to apply for finance to potential clients and we‘re still waiting for applications.

“We have already given two companies loans, with the third in the process of being investigated.”

Some of the companies which had made inquiries were from Nelson Mandela Bay and East London.

Of all the motor sector‘s proposals, department director-general Tshidiso Matona said providing cash was the most feasible option.

“The vehicle-scrapping allowance is not feasible. It is onerous administratively. We are ready to deploy what's feasible.”

Matona said the funds provided were not grants and that firms would have to repay them as and when possible.

The loans would be available until trading conditions and the recession improved, he said.

Pitot said several Naacam members were already applying for loans. Banks considered the industry high risk and were no longer willing to extend credit.

Rhodes University economics department Professor Hugo Nel said financial assistance to the motor industry in the Eastern Cape was almost non-negotiable.

“It is warranted because of the nature of the economy of the Eastern Cape, which relies heavily on the automotive sector.

"It is possible that some manufacturers will close down.

"That would be disastrous for the economy. Should the industry go under, the whole economy will go with it.

"The loans will allow manufacturers to stay in business ... and retain jobs.”

The National Association of Automobile Manufacturers (Naamsa) said in its latest quarterly review that 32 392 jobs had been lost since last year, while new car sales fell by 30% in the first quarter.

Source: The Herald

Published courtesy of

I-Net Bridge