Meeting vehicle local content goals 'needs state help'

Plans to meet local content targets in the motor industry were unlikely to succeed until the government adopted a co-ordinated approach to development of the automotive supply chain, Toolmaking Association of SA MD Dirk van Dyk said on Tuesday, 10 March.

SA was poor at identifying talent and using it correctly, he said. Talent and skills were available, "but if we don't deploy them as we should, we can't succeed", he told a motor industry seminar in Johannesburg.

While the government had a good relationship with vehicle manufacturers and some of their major components producers - many of them foreign-owned multinationals - it was "very bad" at talking to the local supply chain that supported them.

As a result, it did not understand the chain's needs and some national training and development initiatives had proved a waste of money. As in other industries, the government was good at promising localisation but poor at implementing it.

Some universities had excellent automotive research and development skills but the government was not steering them in directions that could benefit the industry. Though some motor companies claimed local content in their locally built vehicles to be more than 70%, the industry average was below its nominal target of 50%.

To succeed long term, said Van Dyk, the industry had to concentrate on being a world leader in some components, not try to make them all.

Van Dyk, who is also CEO of the National Tooling Initiative, an industrygovernment joint initiative to rehabilitate the tool, die and mould manufacturing industry, was speaking at an event hosted by the KPMG consultancy, to launch its 2015 Global Automotive Executive Survey.

The survey said penetration of emerging markets such as SA and the rest of Africa would remain the priority for motor firms for the foreseeable future.

The survey is based on interviews with 200 senior industry leaders from around the world, including SA.

They said the development of electric cars and other alternative forms of power was less important over the next decade than getting better performance from the internal combustion engine. Other priorities identified included manufacturing standardisation and the shifting of global production to emerging countries.

KPMG global automotive head Dieter Becker said motor companies "may need to reinvent their business models" to meet future needs.

In the short term the survey findings suggest some habits die hard. For example, since 2013, the number of executives who believe electric battery and fuel-cell technology should be high on the investment agenda has more than halved.

KPMG believes they may be underestimating the importance of new technologies, and leaving their companies vulnerable to new competitors.

Source: Business Day