BMW warns on cutting incentives

BMW investment in its subsidiary in SA has peaked and the German car maker is unlikely to increase manufacturing capacity beyond current levels, global production head Oliver Zipse said.

Rather, BMW would reconsider its whole presence in SA if the government followed through on suggestions that it reduce export incentives.

BMW SA's Rosslyn assembly plant, near Pretoria, is about to begin production of the X3 sport utility vehicle after a R6.2bn investment from the German parent. The plant recently stopped producing the 3-Series sedan after 35 years.

BMW X2 arrives in Mzansi
22 Mar 2018

When the investment was announced in 2015, Rosslyn was to be one of only two plants in the world to build X3. Now, with demand stronger than expected, another plant will open in China in a few weeks.

Though Rosslyn's planned annual capacity had been raised slightly to nearly 80,000 to soak up some extra sales, Zipse made it clear it would remain a smallscale producer. "We will definitely not expand the plant more than we already have," he said.

In recent years, BMW SA has exported more than 80% of its local production and that share is likely to increase initially with X3. Under the 2013-20 Automotive Production and Development Programme, exports earn credits that allow manufacturers to import vehicles at reduced, or even zero, duty.

BMW plans electric Mini production in China
26 Feb 2018

Some government officials want to see these incentives removed after 2020. Trade and Industry Minister Rob Davies said in February that while he wanted as much continuity as possible in the next phase of automotive policy, there would be some unpopular changes.

Zipse said: "It is important that you continue your framework of export credits. If the new SA government takes this away, it might be dangerous."

He pointed to the example of Australia, which has lost its motor industry after the government scrapped many incentives. "If you endanger export credits, there is no reason we should have a plant in SA," Zipse said.

Though there was no danger to the soon-to-be-launched X3, its successors could be in doubt.

German automakers biggest spenders on electric cars: study
13 Mar 2018

Zipse was speaking in an interview in Munich following the release of BMW's 2017 annual results. He said the company was not worried by potential threats from land expropriation or pressure for more black participation in the industry.

Multinational motor companies have rejected calls to hand over equity in their South African subsidiaries to black empowerment partners and have offered instead to underwrite a R3.5bn fund to develop black components suppliers. "We are ready to make our contribution to this fund," he said.

However, he said the government must be realistic in its pursuit of increased local content. BMW SA has one of the industry's lowest levels of local content, importing more than two-thirds of the parts that go into its vehicles.

Local management has expressed its desire to do better but Zipse said improvements would be small. "Our level will remain around where it is."

Source: Business Day