

State's truck plan unfeasible: Isuzu chief

Fulfilling the government's desire for a full-scale South African truck manufacturing industry is not currently feasible and could increase prices by up to 30%, Craig Uren, MD of Isuzu Trucks SA, said on Wednesday.



Encouraged by the success of motor industry policies that have attracted billions of rand of foreign investment in the local manufacture of cars and bakkies, the Department of Trade and Industry has added trucks to its local production wish-list for the next stage of automotive policy, from 2021.

Many of the trucks sold in SA are assembled in the country from imported kits. In the future, the department wants companies to source components from local suppliers, just as car companies do. Such a shift would create new jobs, it argues.

Uren, however, said the local truck market made it difficult to justify such a strategy. In 2016, SA's seven established car and bakkie companies built about 600,000 vehicles. The total truck and bus market, shared among about 20 brands, was fewer than 30,000.

Uren, speaking in Midrand, at an Isuzu briefing on the local market, said: "That number among so many manufacturers does not work. A single Isuzu plant in Japan produces more trucks in one month than SA sells in a year. We can't be cost-competitive against those numbers. I'm not saying we can't increase volumes in the future, but we are a long way short of viability at the moment."

Among localisation proposals was for the interior trim of truck cabs to be produced and fitted in SA. But Isuzu had estimated that would cost R35m and create only 15 jobs. "It doesn't make sense," Uren said.

He added that some government officials appeared to favour import-duty penalties on truck companies that did not meet localisation targets.

"I don't think they quite understand the business we are in," he said. "Costs and volumes must justify investment. Some of the penalties they have suggested would increase truck prices by up to 30%," Uren said.

Truck prices rose by up to 15% in 2016, contributing to a 7.4% decline in sales of heavy trucks and buses, and a 18.7% fall in medium commercials. The latter figure, said Uren, highlighted the pressures on small businesses with limited access to credit.

"They are being forced to keep their old vehicles going longer than they want to," he said. "Big fleets have capital and finance so, once again, it's the small guys who are suffering."

Source: Business Day

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