Eastern Cape auto industry enters new era

By Dr Ayanda Vilakazi

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The decision by Japanese auto assembler Isuzu to buy the General Motors assembly plant in Port Elizabeth and invest in the Nelson Mandela Bay metro is part of a trend in which companies from the East are increasing their presence in Africa, while Western trading partners appear to be holding back.

Data released by FDI Markets recently showed a similar tendency, in that two of the biggest investors in value terms in Africa during 2016 were China at R531bn and Japan at R45.6bn. Japan was third to the United African Emirates. Investment by United States companies dropped by 5.2% over the same period, to around R53bn.

Pattern in Nelson Mandela Bay

In Nelson Mandela Bay we see the same pattern – the biggest investor in the South African motor industry for over 40 years is Chinese company BAIC, which is building a new R11bn plant opposite another Chinese auto company FAW, which invested R1,1bn (Phase 1 and 2) – both at the Coega Development Corporation. Then we have Isuzu committing fully to South Africa and Nelson Mandela Bay rather than having to rely on a second party to represent the brand.

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With the General Motors warehouse in the Coega IDZ being taken over by Isuzu we at the CDC are waiting with bated breath to see what the re-energised Japanese company will do in South Africa and on the rest of the continent.

The news that Isuzu is replacing General Motors as one of the original equipment manufacturers (OEMs) based in the Eastern Cape has overshadowed another positive development – that of the introduction of new models for the local and export markets by both Volkswagen and Mercedes-Benz South Africa (MBSA).

Major GM South Africa announcement
Ilse van den Berg 18 May 2017

Volkswagen has invested R4.5bn to increase the capacity of its plant from 120,000 vehicles a year to 180,000 as part of its preparation for the next generation of Polo, which is due to be available from August this year.

Benefits of investment

We see the benefits of this investment being reflected in the Nelson Mandela Bay Logistics Park. Component suppliers for the new model are all gearing up and have also been investing in their plants to meet the demand.

Another new range from the Eastern Cape is the Mercedes-Benz AMG derivatives, which will start rolling off the production line in the second half of the year. MBSA has announced that it is investing R200m in new equipment to produce the models.

As a province, we can hold our heads up as we are home to three award-winning motor companies. FAW also received the group's award for Best Distributor 2016. MBSA received a JD Power award as the second-best manufacturing plant in Europe, Africa, and America in terms of manufacturing quality for a number of years in a row.

Combined effort

Such accomplishments do not happen in isolation. They are a tribute to the people who build the cars and those who produce the components that go into them, as well all those who provide other support services such as logistics.

We are confident that the Eastern Cape motor sector will continue to power forward, and make a lasting contribution to the continent's motor industry as a whole.

ABOUT THE AUTHOR

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