

Reflections on the journey ahead

Is the automotive Master Plan robust enough
to insulate future changes?

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The uncertainty is (currently) characterised by four distinct yet interconnected themes

The move from product to services:

- Use vs own
- Car-sharing & ride-hailing¹

Incumbents need to reposition so as to capture optimal value

“Autonomous & shared”

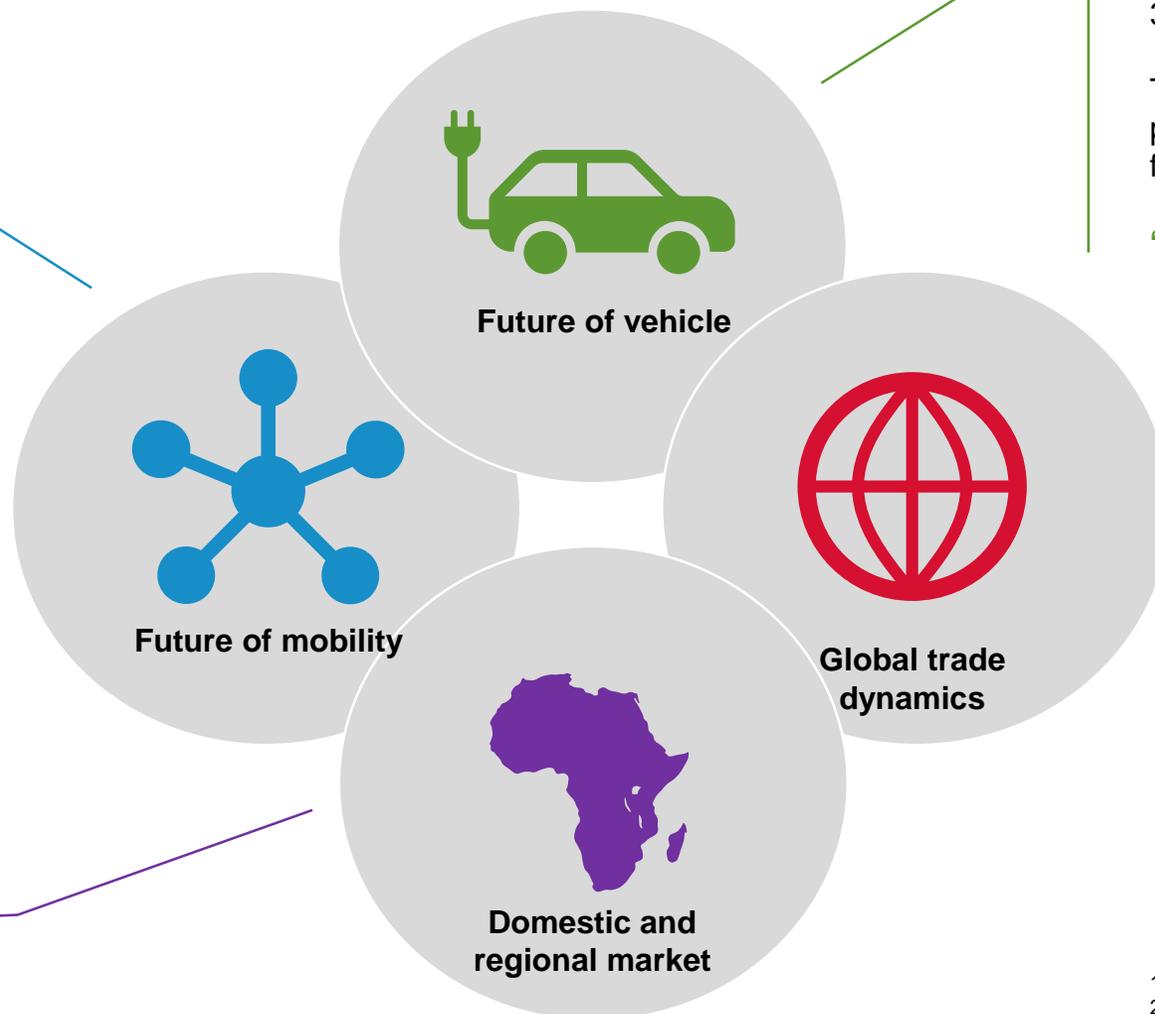
Weak domestic GDP growth:

- 2009-18 of 1.51%
- 2019-24 of 1.65%³

Healthier SSA GDP growth:

- 2009-18 of 3.92%
- 2019-24 of 3.67%³

“Unrealised market potential”



Key trends until 2030:

1. Connectivity & digitization
2. Battery electric mobility
3. Fuel cell electric mobility²

The nature of the physical product is undergoing fundamental changes

“Connected & electrified”

De-coupling of major economies:

1. US-China
2. US-EU
3. UK-EU
4. Japan-South Korea
5. US attacks on WTO

Affects export markets, domestic markets, sourcing strategies, and likely technology access

“Re-alignment of global value chains”

1. PWC (2017). Five trends transforming the Automotive Industry
 2. KPMG (2019). Global Automotive Executive Survey 2019
 3. IMF (Apr 2019). World Economic Outlook.

How significant is the shift towards the key themes of “autonomous and shared” and “connected and electrified”?



OEM investment patterns

- 42% is directed towards related investment activities (encompassing electrification & energy; shared mobility; autonomous; connectivity; and urban mobility), while just 20% is directed towards manufacturing¹.

New alliances

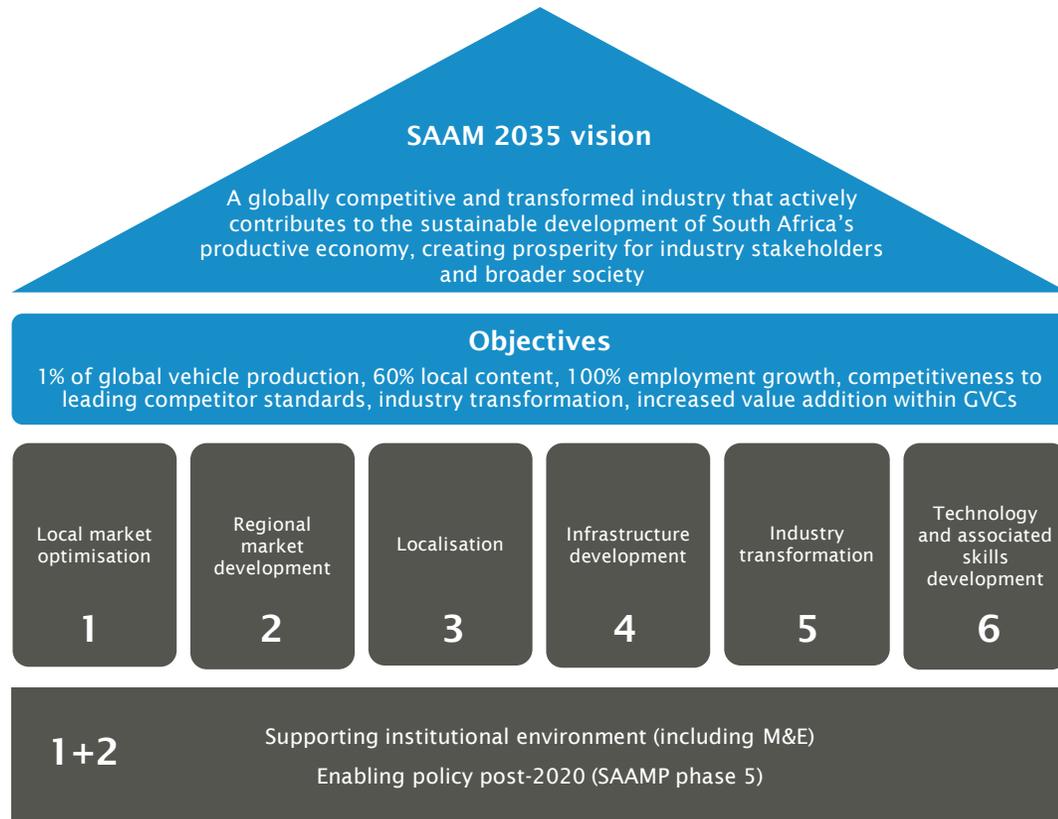
- The scale of investment required is increasingly beyond the capability of individual OEMs and risk mitigation is therefore important as many investments will fail to yield returns.
- Alliances are being forged between OEMs and, in many cases, between OEMs and tech companies.
- BMW alone has 11 alliances relating to non-traditional investments, while Toyota has 10¹.

An aerial, grayscale photograph of a multi-lane city street. The street is filled with various vehicles, including cars, vans, and trucks. On the left side, there are buildings and a sidewalk with pedestrians. On the right side, there are palm trees and a building with arched windows. The text "Automakers must manage to a future that has yet to be defined" is overlaid in white in the center of the image. The word "BUS" is visible on the road markings in several lanes.

“Automakers must manage to a future that has yet to be defined”

(PWC. 2019)

How does SA's intent align? Vision and objectives of the Master Plan



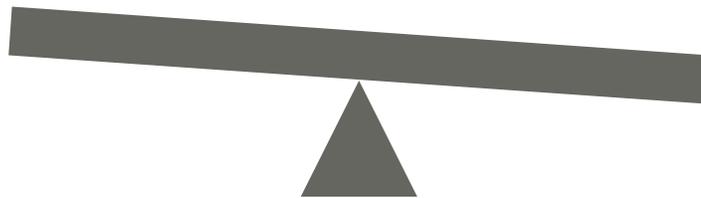
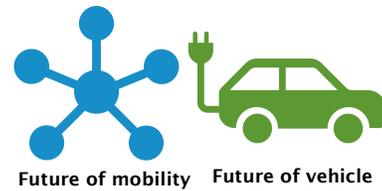
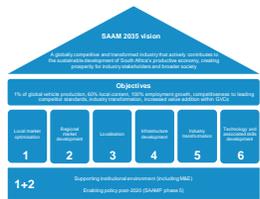
Master Plan Vision

A globally competitive and transformed industry that actively contributes to the sustainable development of South Africa's productive economy, creating prosperity for industry stakeholders and broader society.

Master Plan Objectives

- 1% of global vehicle production
- 60% local content
- 100% employment growth
- competitiveness to leading competitor standards
- industry transformation
- increased value addition within GVCs

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The Master Plan objectives are noble - even vital - but the future changes are daunting.

This requires a critical assessment of:

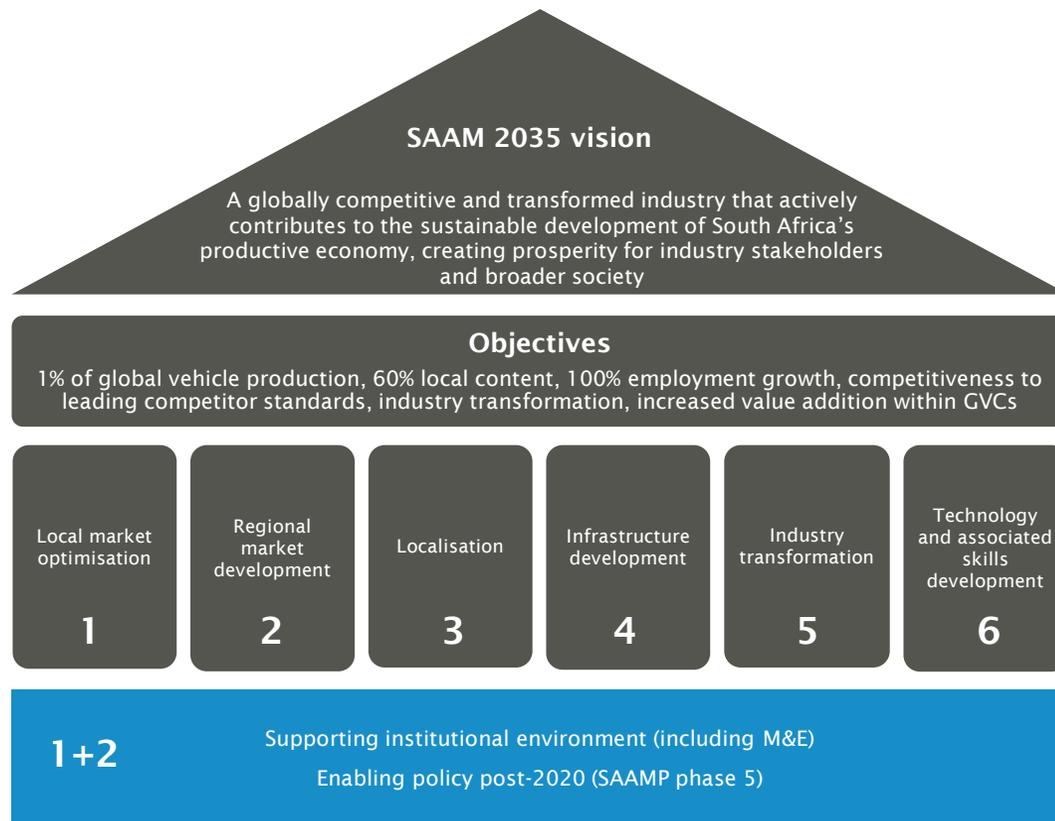
- What is within SA's locus of control
- A determination of whether sufficient elements/ outcomes are within that locus of control.

An aerial, grayscale photograph of a multi-lane city street. The street is filled with various vehicles, including cars, vans, and trucks. On the left side, there are several lanes marked with 'BUS' and a central lane with diagonal hatching. On the right side, there are more lanes with cars and a motorcycle. The street is flanked by buildings on the left and palm trees on the right. The overall scene depicts a busy urban environment.

“Whether you think you can, or you think you can’t - you're right.”

(Henry Ford)

Master Plan foundations: The basis for future success



Progress – Foundation 1

- Enabling incentive policy framework largely clarified for post 2020. Largely regarded as balanced, and therefore appropriate, approach to attainment of stated objectives.

Critical issues – Foundation 2

- Supporting institution required for coordinating, monitoring, and evaluating progress of the Master Plan
- Necessary to ensure each of the multifaceted and reinforcing objectives of the SAAM are consistently focused on
- Ensures implementation accountability across the spectrum of responsible stakeholders.

Challenges

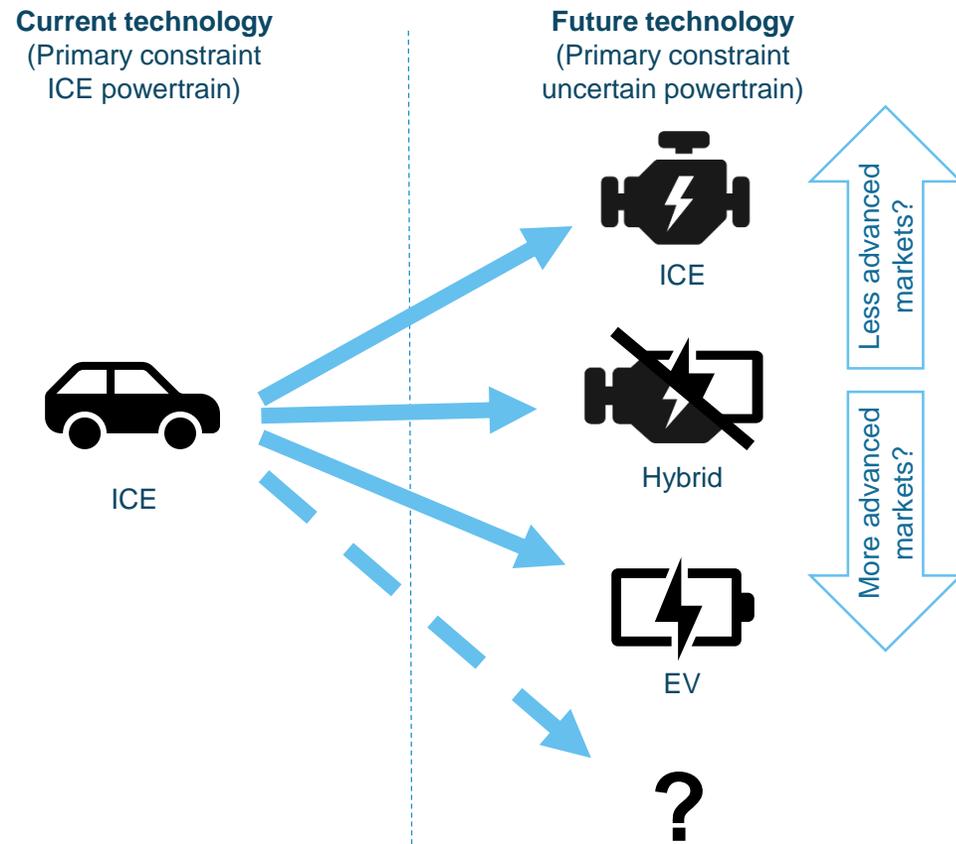
- Risk of accountability related failures as stakeholders diverge from common objectives
- Difficult to effectively progress strategic pillars without Foundation 2
- Successful implementation of pillars intersects with other sectors of the economy and other functions of Government

An aerial, high-angle photograph of a multi-lane city street. The street is filled with traffic, including cars, buses, and a truck. The word 'BUS' is visible on the road surface in several lanes. On the left side, there are tall buildings and a sidewalk with pedestrians. On the right side, there are palm trees and a building with arched windows. The overall scene is a busy urban environment.

“Successful automotive industries have not been built through one-off policy development processes, or the establishment of a single, effective industrial plan; but rather through the establishment of institutionalised learning processes that have proactively corrected policy and/or programme failures, and worked to amplify successes wherever these have been experienced.”

(Geared for Growth: South African automotive industry masterplan to 2035, November 2016)

Master Plan pillars: The interface with future uncertainty



Pillars most closely aligned with technology and market challenges

- Domestic market – Vital enabler of objectives. Consensus view on high potential interventions required and corresponding ability to implement.
- Regional market – Trade-Related Investment Measures (TRIMs) being explored as a primary lever.
- Technology (and associated skills development) – Tremendous uncertainty... but not unique to SA industry. Which cooperation partners will enable access to future technologies?

Pillars that both support and benefit from effective market and technology engagement

- Areas of localization, transformation and infrastructure are to a greater degree within SA locus of control, but desirable outcomes difficult to achieve in absence of growth and access to future technologies.

Critical issue for consideration

Is the industry a beneficiary of growth, an enabler of growth, or both?

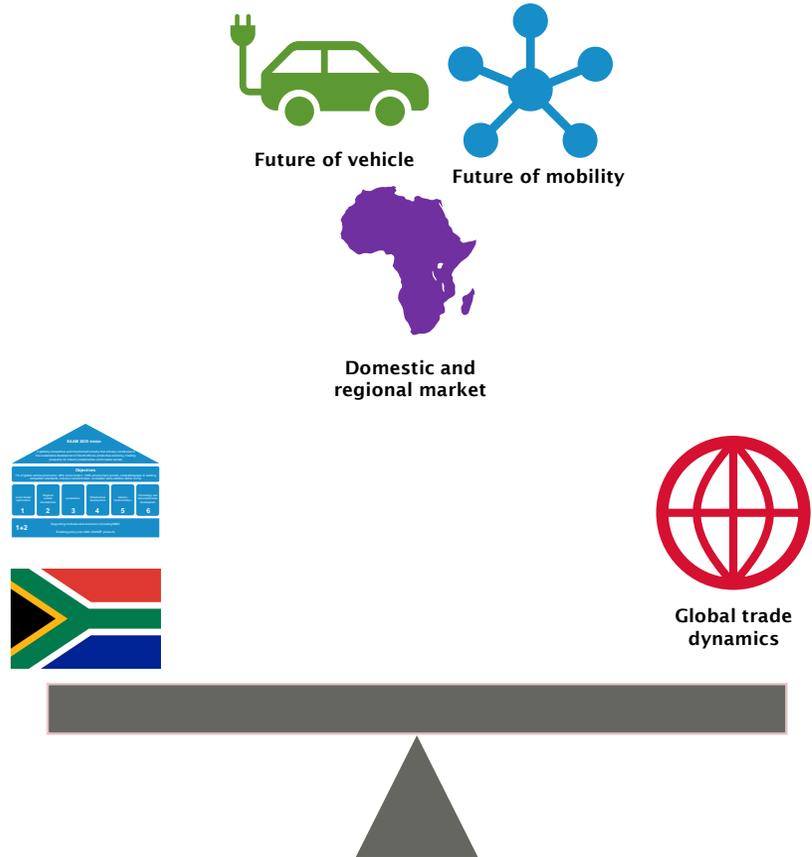
An aerial, grayscale photograph of a busy city street. The street is divided into multiple lanes, with 'BUS' markings on the left side. There is a high volume of traffic, including cars, vans, and trucks. Pedestrians are visible on the sidewalks. The background shows city buildings and palm trees. The overall scene is a depiction of a bustling urban environment.

“To meet our growth targets, we will rebuild the foundations of our economy by revitalizing and expanding the productive sectors...

...We will give priority attention to the economic sectors that have the greatest potential for growth.”

(President Ramaphosa, June 2019)

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Massive global changes taking place that are not within anyone's control.

However, on balance much of the Master Plan's vision is in SA's collective control... arguably sufficient to define success or failure.