



**NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SOUTH AFRICA**

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# PRESS RELEASE

## NAAMSA RESPONDS TO THE COMPETITION COMMISSION GUIDELINES ON THE AUTOMOTIVE AFTERMARKETS

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**PRETORIA | Monday, February 17, 2020:** Barely twelve hours after President Cyril Ramaphosa reassured both local and international investors during his State of the Nation Address on Thursday, that government will continue to create conditions conducive to investment and growing the country's ailing economy, the Competition Commission of South Africa has taken steps that may well have the opposite effect.

On Friday morning, the Commission published policy guidelines that will compel the automotive industry to implement enforceable measures that could fundamentally change the current nature and structure of the automotive retail and aftermarket value chains in the country. The proposed guidelines bring about some profound structural changes which will intrinsically remould the existing business models of all automotive multinational companies who continue to invest emphatically in the country's economy, its workforce and its overall future growth.

The National Association of Automobile Manufacturers of South Africa [NAAMSA] said at the weekend that the industry was not substantively opposed to the proposed reforms but they were gravely disturbed by the manner in which the Competition Commission has elected to progress the conversation notwithstanding the fact that NAAMSA held four very constructive meetings in the last seven months with the Commission to discuss different approaches available to address the proposed reforms. NAAMSA's view is that the proposed reforms required carefully considered interventions that can be implemented gradually over a reasonable period of time.

Michael Mabasa, CEO of NAAMSA said the publishing of the guidelines was an indication that the Competition Commission negotiated with the industry in bad faith. "Transformation of the automotive sector in South Africa is longer a contested space because it is a business imperative that makes sense for the success and sustainability of the automotive industry. In all our meetings, I personally reassured the Commission of the industry's unambiguous commitment to systemically address barriers to entry which remain very high in the industry for many exciting, new and aspiring entrants. Clearly our messages fell on deaf ears because the Commission chose 'a stick approach' and is now using these guidelines as a blunt instrument to achieve a goal that we were all working towards", said Mabasa.

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**Elected Office Bearers:** President | **Tim ABBOTT**, Chief Executive Officer, BMW Group South Africa and Sub Saharan Africa;  
Vice-President: Manufacturers | **Neale HILL**, Managing Director, Ford Motor Company of Southern Africa;  
Vice-President: Importers and Distributors | **Gary SCOTT**, Chief Executive Officer, Kia Motors South Africa [Pty] Ltd;  
Immediate Past President | **Andrew KIRBY**, Chief Executive Officer, Toyota South Africa [Pty] Ltd.

**Executive Director:** **Michael M. MABASA:** NAAMSA Chief Executive Officer | PBO No.: 930/023/609 | VAT No.: 4070109972

“Introducing these enforceable guidelines is extremely punitive and a dangerous retrogressive step that is counterproductive and which will harm the economy. I admire the courage of the Competition Commission in many other areas of their work, but it is our considered view that on this occasion, they sort to unjustifiably impose a blunt instrument on an industry that has already agreed to self-regulate and reform. The motor industry has taken practical measures and developed an ambitious Automotive Masterplan 2035 which is a blueprint for many other sectors who have followed in our footsteps in developing their own sectoral Masterplans as confirmed by President Ramaphosa during his address in Parliament last week”, said Mabasa.

“Our industry has already made a commitment to invest resources including a financial injection of R6billion to create the Automotive Industry Transformation Fund [AITF] which amongst its key priorities seeks to address the very same reforms that the Commission feels it should rather forcefully impose on us. The industry is set and ready to address the following key priority areas:

- stimulate a sustainable and a meaningful transformation programme across the entire automotive value chain through the work of the AITF;
- develop inclusive market access to ensure greater participation of previously disadvantaged firms in the components manufacturing, vehicle maintenance, mechanical and motor vehicle body repairs;
- substantially and specifically increase the contribution of black-owned automotive component manufacturers within the automotive supply chain;
- accelerate the empowerment of black South Africans within the auto sector;
- upskill black automotive entrepreneurs through targeted skills development interventions;
- expand black-owned dealerships and authorised repair facilities and workshops;
- create meaningful and sustainable employment opportunities for young and female black South Africans; and
- find practical ways to enhance transparency and facilitate consumer choice”.

The implementation of all the above plans are already underway and NAAMSA has briefed the Commission at every turn with our progress. We also are actively participating in the Masterplan Executive Oversight Committee [EOC] which is chaired by Minister Ebrahim Patel and represented by all key industry players and labour union, NUMSA. “We have initiated six dedicated technical workstreams that deal with each of the six Masterplan priorities. All the reforms in the proposed Commission guidelines are subject of the work that the technical workstreams will cover and will be carefully monitored directly by the Minister of Trade and Industry.

Once again, NAAMSA would like to place on record that we have no objection to any of the substantive reforms proposed in the guidelines. We believe the industry is gradually creating a fertile environment upon which these reforms can be implemented without harming the economy. We urge the Competition Commission to reconsider its punitive approach and rather use any guidelines it formulates as an industrial policy tool to stimulate economic growth and inspire business confidence. The trajectory chosen by the Commission this time, regrettably is likely to achieve the opposite outcomes.

## ABOUT THE SA AUTOMOBILE INDUSTRY

- the automotive industry contributes 6.9% to GDP [4.4% manufacturing and 2.5% retail];
- total automotive revenue in South Africa amounted to R503 billion in 2018;
- in 2018, the export of vehicles and automotive components reached a record amount of R178,8 billion, equating to 14,3% of South Africa's total exports;
- the industry accounts for 30.1% of the country's manufacturing output;
- vehicles and components are exported to a record 155 international markets;
- we are the country's 5th largest exporting sector out of all 104 sectors and accounts 13.9% of total exports;
- the manufacturing segment of the industry presently employs more than 110,000 people across its various tiers of activity [from component manufacturing to vehicle assembly];
- combined with the industry's strong multiplier effect, the industry is responsible for approximately 457,000 jobs across the South African economy's formal sector.

## NOTES FOR EDITORS

- NAAMSA is a pre-eminent industry representative that actively and responsibly represents, promote, advance and protect the interests of local manufacturers and assemblers of passenger, light and heavy commercial vehicles as well as major importers and distributors of new vehicles in South Africa. We represent 41 companies;
- Our vision is to be the most credible and respected thought leader and partner of a globally competitive and transformed automotive industry that actively contribute to the sustainable development of South Africa;
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- Contact Numbers: +27 12 807 0152 or +27 82 909 6621;
- More information can be found on [www.naamsa.co.za](http://www.naamsa.co.za).

**NAAMSA OFFICES: PRETORIA | Monday, February 17, 2020**