

Eastern Cape Department of Economic Development, Environmental Affairs and Tourism (DEDEAT)
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Auto cluster for Eastern Cape in 2012

THE Eastern Cape will launch its automotive cluster support initiative in the first quarter of next year, Economic Development, Environmental Affairs and Tourism MEC Mcebisi Jonas saying the goal is “to drive a series of priority regional interventions” to support the sector.

The Eastern Cape is home to four of the country’s OEMs – General Motors, Volkswagen, Mercedes Benz and Ford and the local supply chain consists of some 80 major automotive suppliers with 1 500 companies in the whole automotive value chain employing 30 000 workers in areas ranging from manufacturing to service station operations.

In addition, the OEMs employ 10 400 workers bringing total auto sector related employment in the Eastern Cape to some 40 000 workers.

In a statement, Jonas said that leading up to the joint public-private sector initiative, a series of meetings would be held between January 16 and 20 with key players in the automotive sector to agree on an agenda that focused on:

- Logistics
- Skills and Research and Development, and
- Supplier development, localisation and incubation.

Jonas said recent meetings with OEMs, key component suppliers and industry associations had shown there was widespread support for the establishment of an auto cluster in the Eastern Cape.

The engagements, he said had also highlight a number of issues.

“Logistics was singled out as the key competitive disadvantage of the Eastern Cape and South African automotive sector in general.

“The cost structure of the local logistics system, in terms of port charges in particular, was identified as being significantly higher than elsewhere.”

In addition, Jonas said, “key connectivity” needed to be enhanced in three critical corridors – Port Elizabeth-Gauteng; East London-Gauteng and East London and Port Elizabeth. In addition, internal connectivity between Uitenhage and the Port of Ngqura was another “critical area” as was the expansion of the Port of East London.

The MEC said the regional skills pool was critical for “a growing and evolving automotive sector”.

What was required, he said, was a more complex engagement between the regional auto cluster, relevant SETAs and high education and training institutions was “to fashion a more responsive system to determining skills demand and defining implementation programmes to ensure placement”.

He cited the example of Mechatronics where industry suggested there were insufficient graduates but skills development practitioners indicated that they could not always place mechatronics graduates.

Jonas said it had also been agreed that greater levels of Research and Development and innovation at a local level was required “to ensure the sustainability and competitiveness of local automotive manufacturing in the long term.

In this regard, he added, there were several “encouraging innovation partnerships between manufacturers and NMMU”.

Jonas said another issue of “significant concern” was the widespread view by local suppliers that there was a decline in the level of incentives for component manufacturers that accompanied the switch from the MIDP to the APDP. If there are local component manufacturers who are affected then we must develop innovative programmes through the cluster initiative to support our suppliers.

In addition, there was “some discontent” among OEMs regarding the levels of competitiveness in the local supply chain. This had prompted them to call for the establishment of an OEM-driven supplier improvement programme for the automotive sector as a whole.

The MEC said one of the “most significant weaknesses” in the industry over the past decade had been in the area of enterprises support.

“Where we have supported local auto manufacturers this has largely been at the first tier supplier level.

“Second and third tier suppliers are of strategic importance for the local automotive cluster since these are often associated with lower barriers to entry than the first tier and thus have greater potential for growing indigenous automotive component manufacturers.”

Jonas said the series of engagements over a week in January would be an opportunity to “flesh out the agenda and key minimum programmes within each of the focus areas of the cluster initiative”.

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