

JUST ANOTHER COEGA AUTO PLANT?

It was announced, at the end of August, that Chinese vehicle manufacturer Beijing Automotive Group would be establishing a new vehicle plant in the Coega Industrial Development Zone, in the Eastern Cape.

This R11-billion investment will take the form of a 65/35% joint venture with South Africa's Industrial Development Corporation, and have a planned capacity of 100 000 vehicles per annum, building up through two 50 000 unit phases which are planned for completion in 2022 and 2027.

Construction of the 89 000 m² plant, on its 47,3 ha site, is set to start in December, 2016, with initial completion targeted for the first quarter of 2018. An estimated 10 000 jobs are to be created by the plant and its extended value chain.

This will, reportedly, be the first all-new car manufacturing plant to be built in South Africa for 40 years, although some plants to manufacture other classes of vehicle have been established in the interim.

The initial phase will consist of a body shop, paint shop and assembly line, to produce a small car, designated D20, a small sports utility vehicle and pickup.

Local content has been targeted at 60%, with components being sourced from some new enterprises, as well as the very comprehensive automotive supplier infrastructure already existing in South Africa.

Local purchases will include steel chassis components and assemblies, pressed panels and components, interior and exterior trim, wheels, tyres, automotive glass and electronics.

The roll-out of the local greenfield BAIC business will spring off the launch of the soon-to-be homologated D20 hatchback on to the South African market towards the end of this year, through a network of 25 dealers.

In addition to supplying the local market, products from the Coega plant are to be exported to sub-Saharan Africa, North Africa, and Europe.

BAIC is China's fourth-largest automotive company, and the group's in-house brands include BAIC Motor, Foton, BBAC, BHMC and Changhe, while it is involved in the licenced manufacture of Mercedes-Benz, Suzuki and Hyundai products in China.

It could be tempting to dismiss this report as just another half-hearted attempt by a Chinese brand to make a few quick sales in the local market with untested products through a distribution system that has no interest in establishing a long-term future for the brand, and there have been several that fit that general description.

However, there are a few clues here that suggest a different outcome. Firstly, BAIC is coming in for its own account, following in the footsteps of Powerstar and FAW trucks, who have been two of the more successful and long-lived Chinese brands to operate in South Africa.

Secondly, it is establishing a substantial local structure, which suggests that it intends to fully support its products, which will be a vital step in establishing a strong brand image in a market where few Chinese products have been able to do this in the past.

Thirdly, we are aware that some local industry luminaries have been retained to advise BAIC in setting up this operation, and that they have stressed the importance of getting it right from the inception.

There could be questions why the IDC, a South African Government-owned institution, should be participating in the establishment of a venture that will compete against established local operations of other global motor manufacturers that employ thousands of local people and provide a strong backbone to the country's manufacturing and export structures?

This question is even more apposite when considering the miniscule size of South Africa's vehicle market in global terms, even though it is the dominant vehicle market on the African continent, and the difficult trading conditions that currently prevail in the local economy.

However, it must be recognised that the motor industry is continuously evolving, and that similar questions could have been asked when local entrepreneurs chose to invest in franchises for Japanese brands in the late 1950's and early 1960's.

Some of those enterprises subsequently grew into the biggest and most respected entities in local industry, challenging the American behemoths that had dominated the local motoring scene before their arrival.

Toyota South Africa's current position as a vital constituent of the global Toyota family, with its executives holding key positions in the international structure, is testament to the astuteness of Albert Wessels' initial investment in 1961. We would advise our readers to follow developments in this story very carefully over the next few years.

