

السادة أعضاء جمعية رجال الأعمال المصريين الأفارقة المحترمين

تحية طيبة وبعد،،

استكمالاً للجهود والأنشطة المعمول بها والعلاقات المتميزة التي تربط جمعية رجال الأعمال المصريين الأفارقة بشركائها الاستراتيجيين والذي تحرص فيه بعض الجهات الخارجية على التعاون مع الجمعية وأعضائها فقد ورد إلينا من جهاز التمثيل التجاري من مكتب جنوب افريقيا هذا التقرير الهام حول صناعة السيارات في القارة الافريقية.

مرفق المنشور

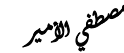
وتفضلوا بقبول فائق الاحترام،

رئيس مجلس إدارة جمعية
رجال الأعمال المصريين الأفارقة



د/ يسري الشرقاوي

الأمين العام لجمعية
رجال الأعمال المصريين الأفارقة



م مصطفى الامير

Building an African Automotive Manufacturing Sector



VOLKSWAGEN GROUP
AFRICA



AAAM

African Association of
Automotive Manufacturers

15 August 2024



AAAM membership

The AAAM members from across Africa are Global OEMs, Assemblers, Component Manufacturers and service providers that can support the development of effective Automotive eco-systems.



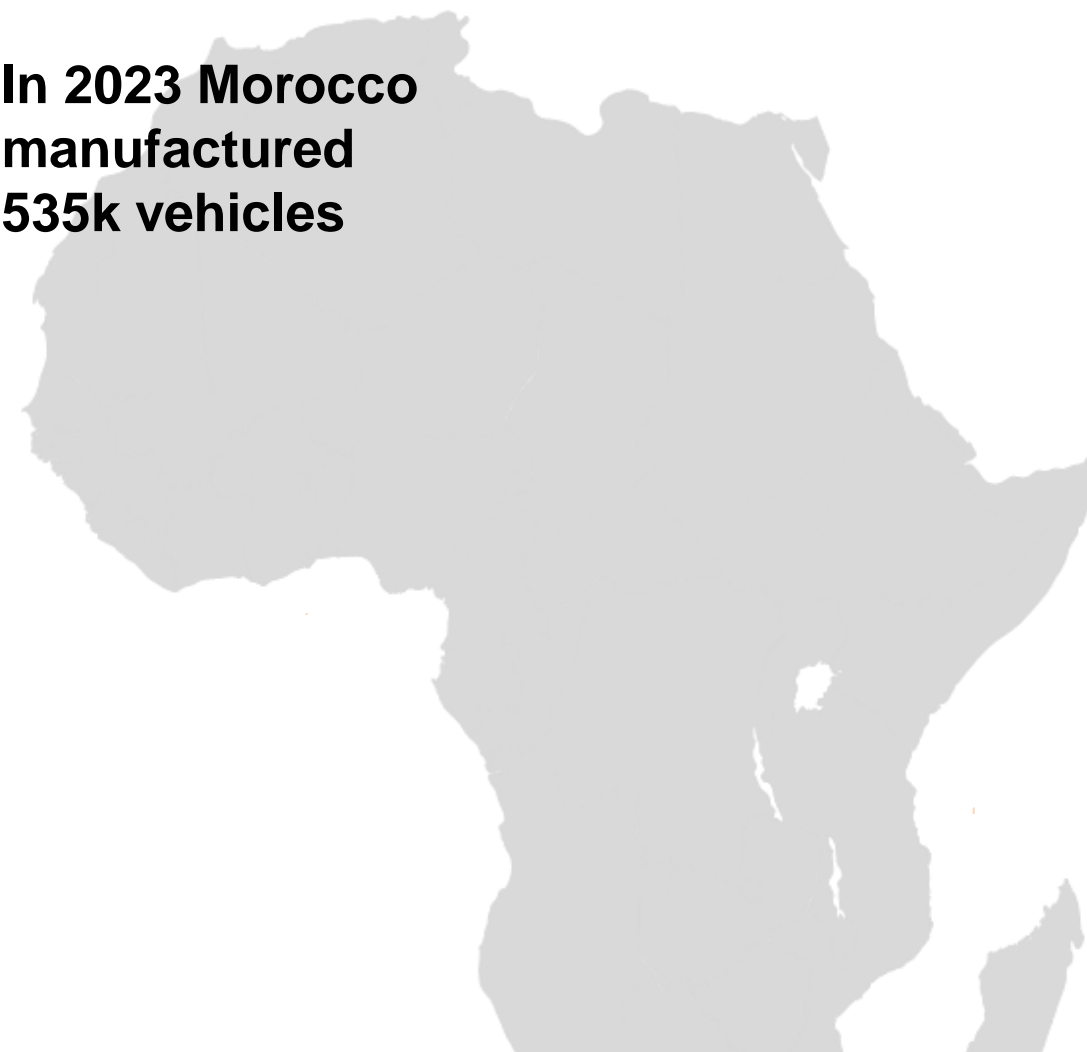
OEM Members	Non-OEM Members	Associate Members			
Start Ups	Partners				

Current African situation = the OPPORTUNITY

Africa plays a limited role in the automotive sector:
1% of global new vehicle sales @ 1.2m units
1% of vehicle production

Only **Morocco and South Africa** have significant automotive manufacturing;
Rest of the continent: fragmented KD production.

In 2023 Morocco manufactured 535k vehicles



In 2023 South Africa manufactured 633k vehicles

Although Africa has **17% of global population**, vehicle demand on the continent amounts to only **1% of global demand**.

- Lack of harmonised standards, homologation, vehicle ID.
- Poor infrastructure and high logistics costs.
- Affordability challenges due to lack of asset-based vehicle finance products.

- Africa has a low motorisation rate **49/1000** vs global average of **209/1000**.
- Market dominated by imports: Over **80%** of vehicle park consists of used (aging, unroadworthy) vehicles.
- **3m to 5m used cars imported into Africa per annum = unregulated.**
- Expanding technology gap as world migrates to NEVs.

German + VDA commitment – greater interest from Japan

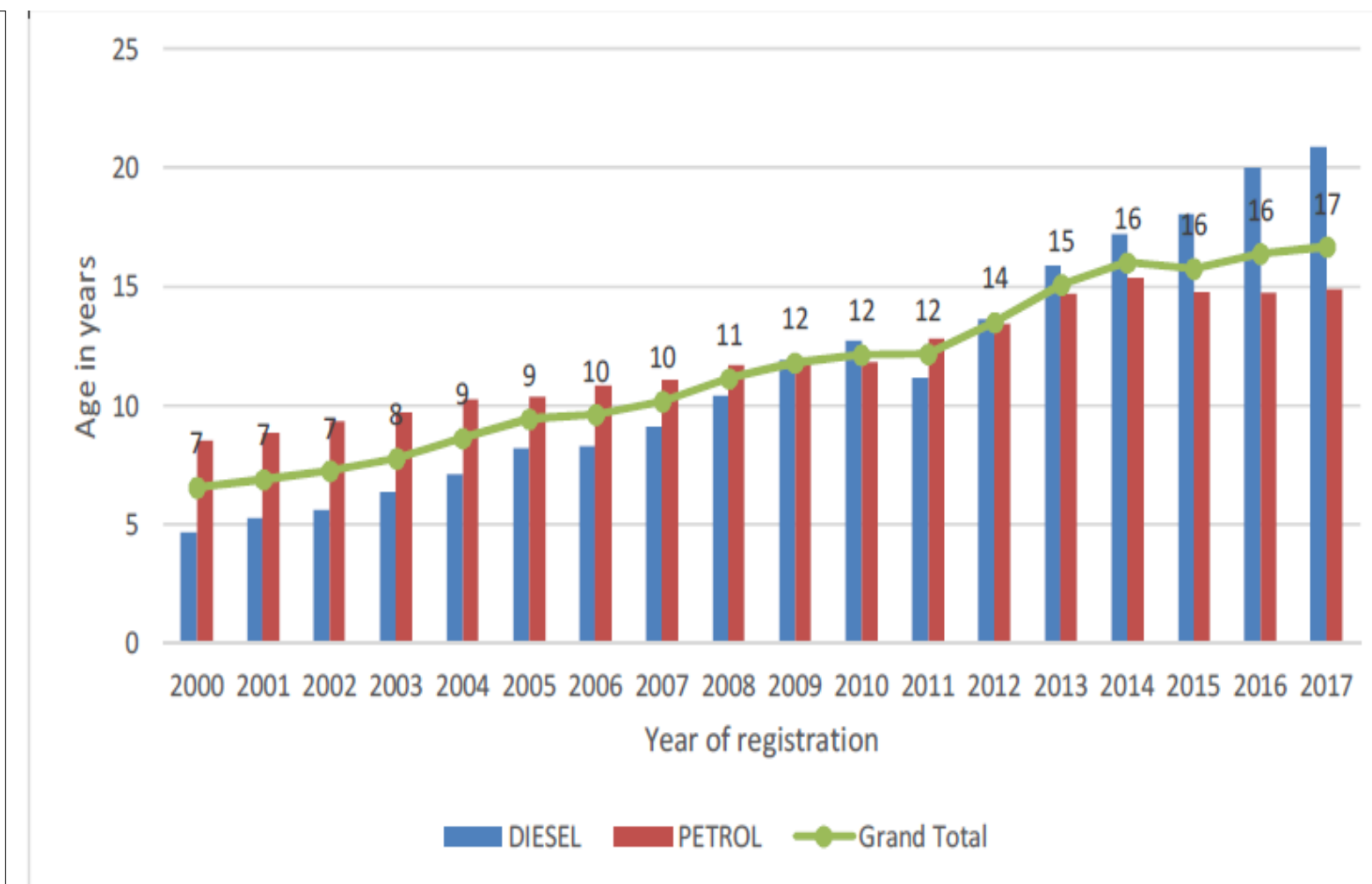
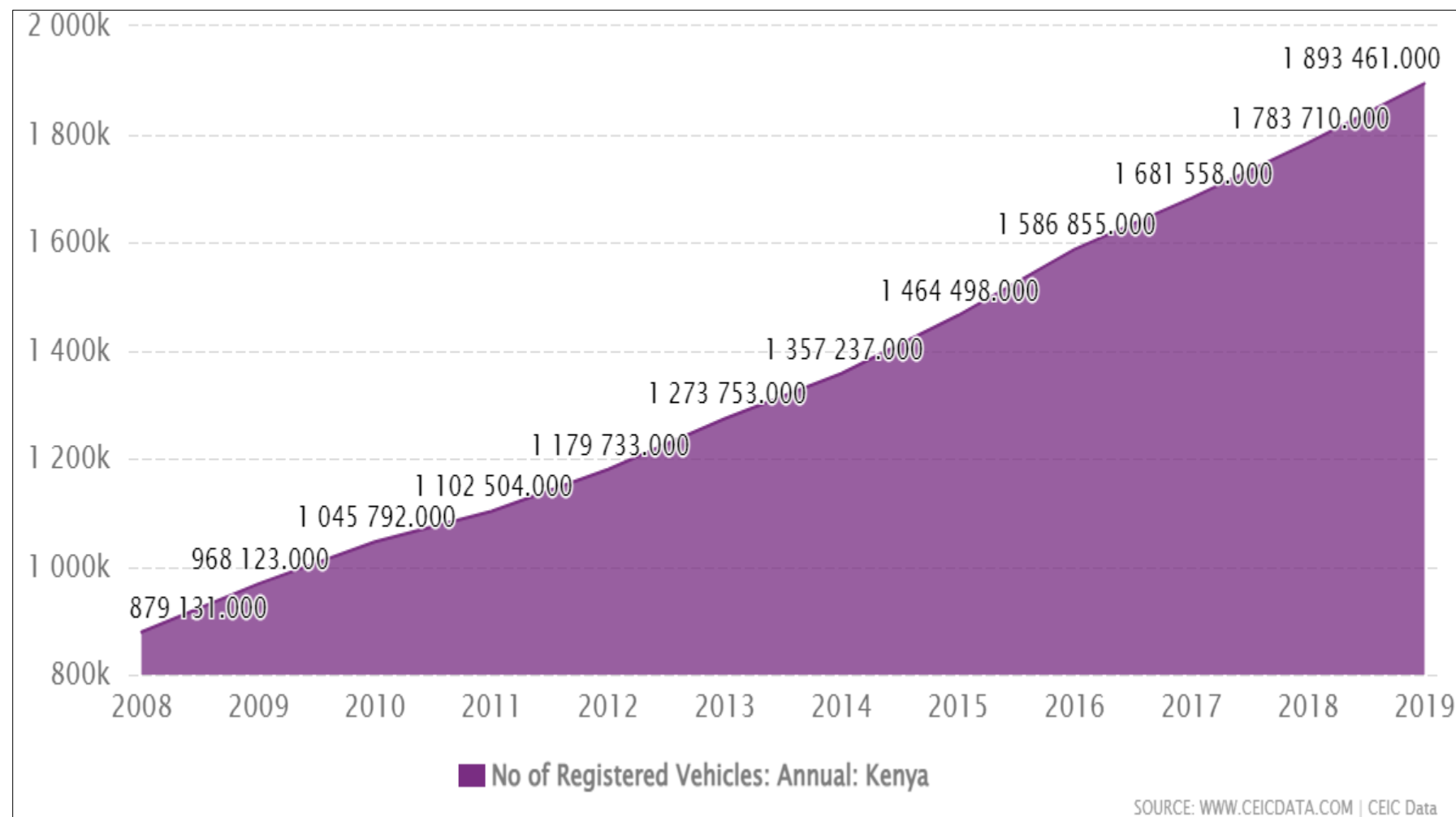
India produced 5.8m vehicles in 2023
PC demand = 4m, CV demand 1m
Population of 1.4bn

Used Vehicle Importation in Africa

Many developing countries dependent on used vehicles to grow their fleets :

- Nigeria - 94%
- Kenya 90%
- Paraguay - 70%
- EL Salvador - 81%
- Sri Lanka - 50%

In some cases these imports are getting older –
Average Age of Used Vehicles Imports in Uganda, 2000-2017



EU (NL) Case Study - Used vehicles are old, mainly pre-EURO4 & unroadworthy

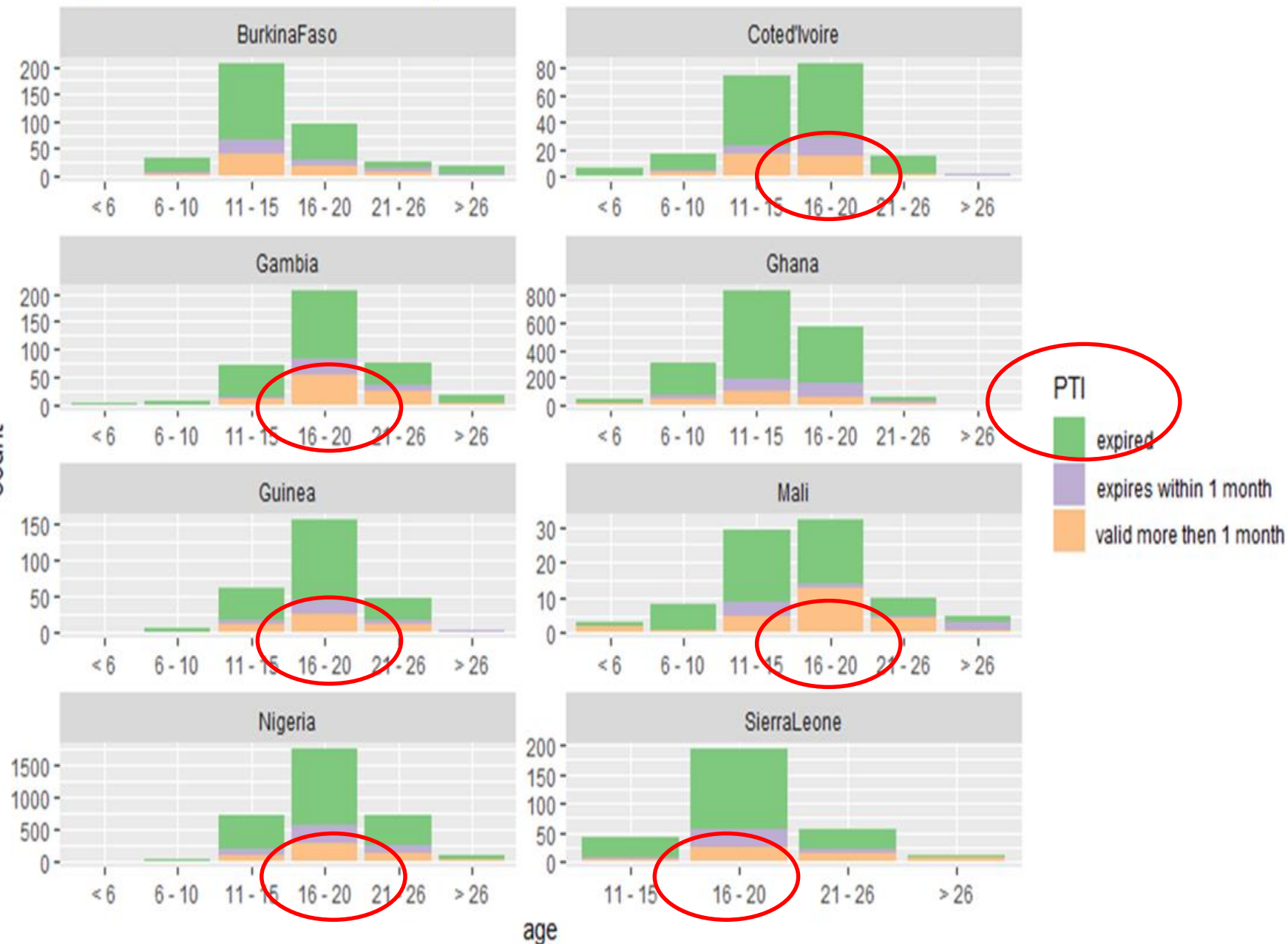
Average age ~18 years

Majority has expired roadworthiness certificates

Export of used vehicles from EU to West Africa via Netherlands ports:

* majority pre Euro4

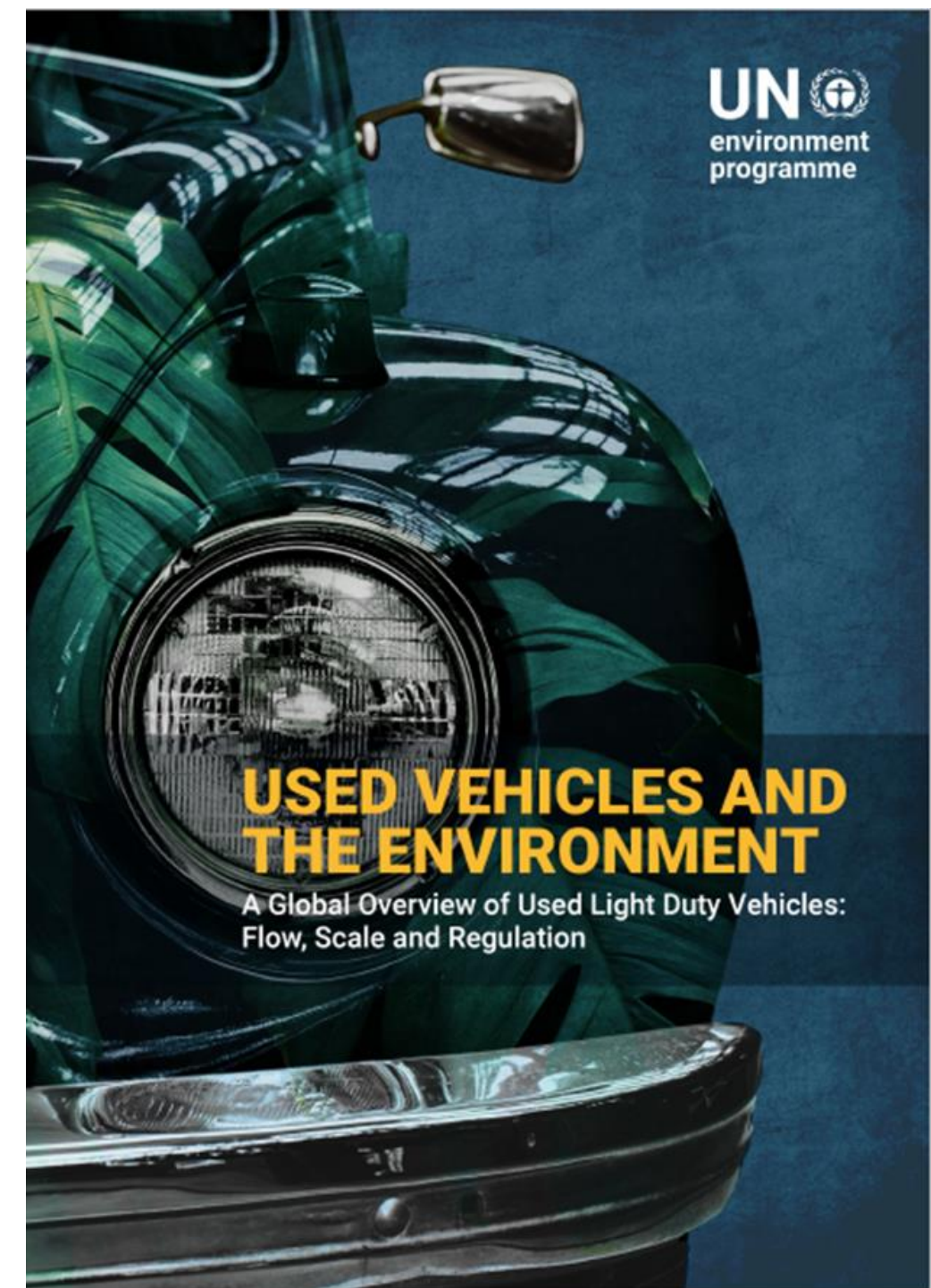
Age and PTI of retrieved used export vehicles



Where do they come from?

EU, Japan, US are the biggest exporters of used vehicles....

2015 - 2020		
JAPAN	6084848	26%
EU	11535841	49%
USA	4369940	18%
SOUTH KOREA	1792004	8%
Total	23782633	100%



European Commission proposal for end of life vehicles

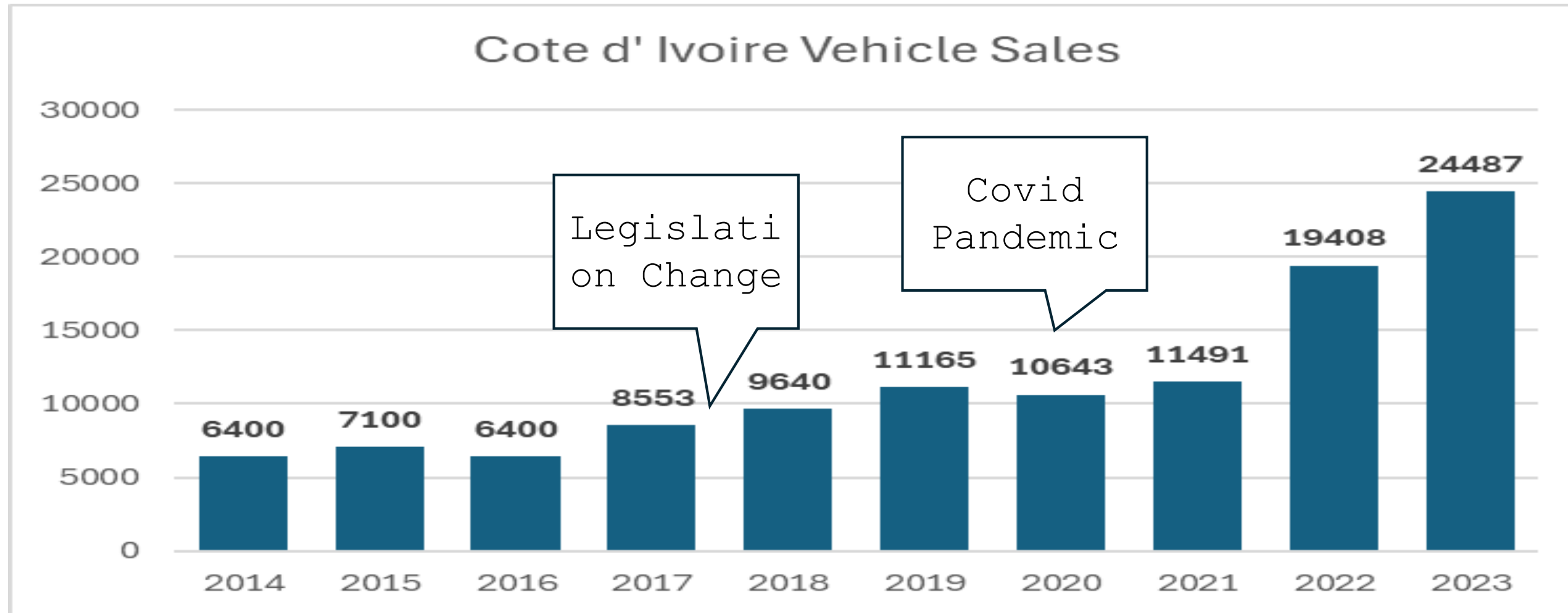
Full title of the proposed directive:

*REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
on circularity requirements for vehicle design and on management of end-of-life vehicles, amending Regulations (EU) 2018/858 and 2019/1020 and repealing Directives 2000/53/EC and 2005/64/EC*

https://environment.ec.europa.eu/publications/proposal-regulation-circularity-requirements-vehicle-design-and-management-end-life-vehicles_en

- The proposal is being reviewed by EU member states before adoption and implementation
- The proposal includes:
 - ***reinforcing the ban on exporting end of life vehicles***
 - ***banning exporting of end of life vehicles that don't meet the EU roadworthiness requirements***
 - ***the importing country will be able to notify the EU of any additional or country specific requirements that these vehicles must meet over and above the EU's own rules***

Cote d' Ivoire Vehicle Sales 2014 to 2023



Used Vehicle Importation, Ref; 2017-793, dated

December 6, 2017

~~Light vehicles: 5 years maximum, from first registration date - was 10 years~~

What will create auto value chain demand in Africa

1. Effective implementation of the AfCFTA
2. Implementation of the continental auto strategy
3. Mineral transformation for use in Electric Vehicles
4. Existing mineral transformation opportunities e.g. Copper
5. Emerging middle class, urbanisation, population growth, GDP growth

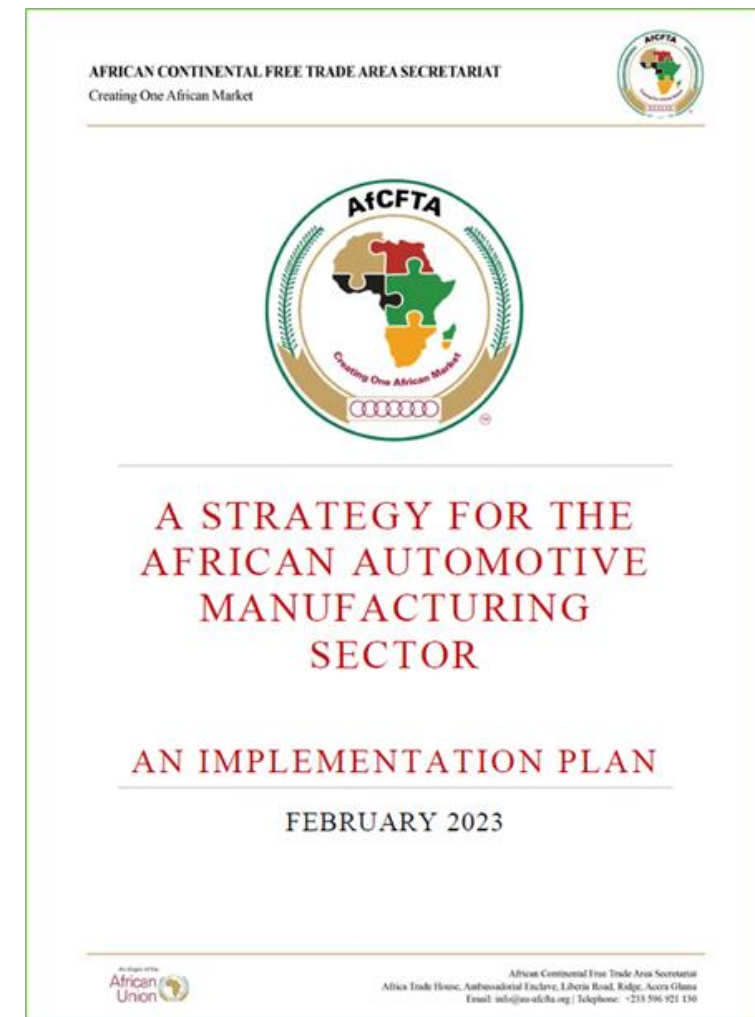
The last automotive frontier

Continental Auto Strategy and implementation plan

- Continental Auto Strategy developed by the **AAAM, AfCFTA Secretariat, Africa Union (AU), UNECA, Afreximbank and ARSO**
- Adopted as a living document at the Council of Ministers meeting in Botswana in February 2023
- Hub countries will assemble vehicles with neighbouring economies sharing in the value chain; an architecture that supports continental production and trade (scale) whilst driving manufacturing competitiveness
- Powertrain neutral

AfCFTA Secretariat industrialisation focus

- Automotive
- Pharmaceutical
- Agro-processing
- Transport and logistics



AAAM Auto Policy framework - ecosystem development

1. **Incentives and regulatory framework;** tax holiday, duties/levies on CBU imports and CBU duty rebates (TRIM)
2. **Market expansion and trade facilitation;** govt procurement, affordable VAF, scrap policy, regional export promotion, regulation of 2nd hand vehicles (levies/age), ultimately used cars are to originate from vehicles assembled in Africa supported by affordable VAF.
3. **Standards and safety;** homologation, standards (roadworthy, components and fuel), vehicle identification, ban salvaged vehicles.
4. **Access to industrial infrastructure;** development of auto parks with stable electricity and water supply.
5. **Automotive skills and technology upgrade;** training and innovation centres, centres of auto excellence, SMME support.
6. **Supplier development programmes;** develop comprehensive programmes to support and develop local component manufacturers and attract international component manufacturers.
7. **Labour relations;** Develop industrial relations in line with recognised best practice in auto-manufacturing structures from the onset.
8. **Legislative measures;** key is to have policy certainty to attract investors - tax, customs, standards legislation.
9. **Implementation and coordination arrangements.** Auto unit in government, Auto Industry Development Council, Executive Oversight Committee, build institutional capacity in government
10. **Data;** Critical in policy determination (segment focus) and investment decisions

2024 year of Auto Policy Implementation

Ghana

- VW, Toyota/Suzuki, Nissan/Peugeot, Kia, Hyundai/Changan, Honda are assembling SKD
- Passenger car, LCV and component focus
- Final provisions of auto policy to be implemented
- AAAM met with the President of Ghana on 30 April 2024



Cote d'Ivoire

- Auto Strategy approved by Parliament on 20 December 2023
- Strategy motivates a focus on truck, trailer and bus assembly and associated component production - complementary to Ghana
- Policy will be implemented by end October 2024
- Policy Investment roadshow in Abidjan from 8 to 10 October



Nigeria

- AAAM hosted a visit by the DG of the National Automotive Design and Development Council (NADDC) to the ZA Auto Industry from 22 to 26 January 2024
- AAAM CEOs visited Lagos/Abuja on 2/3 May to encourage the approval of the Auto Bill into law; Auto Policy approved by the Federal Executive Council on 10 May 2023
- Study tour to assemblers and component manufacturers 19 to 23 August



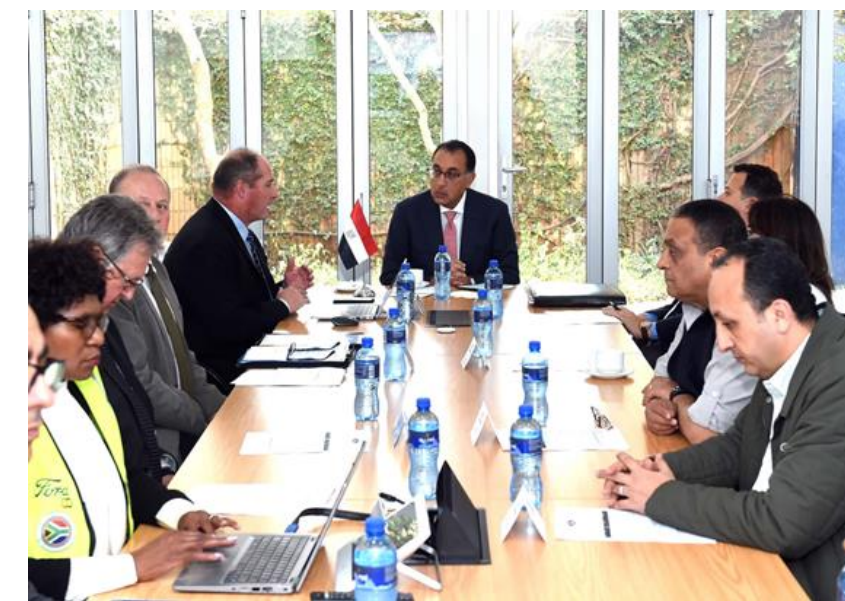
2024 year of Auto Policy Implementation

Egypt

- Automotive Supreme Council formed to oversee implementation and attainment of objectives of the Auto Industry Development Programme
- Policy will be fully implemented in August 2024
- AAAM providing technical support in the implementation of the AIDP

Kenya

- Automotive Bill to be approved by the National Assembly
- Formation of the National Automotive Council + implementation of the NAP
- Key to attracting investment for real industrialisation = long term stability/certainty



The image shows a screenshot of the website 'The Kenyan Wall Street'. The header includes the site name and tagline 'THE THINKING BEHIND THE INVESTOR'. A navigation menu is visible. A banner for 'exness 15 years of trading excellence' is present. The main article headline is 'Competition Authority Approves Toyota Dealer CFAO Motors KSh 1Bn Acquisition Deal'. Below the headline is a photo of a panel discussion with three men on a stage. The article text states that the Competition Authority of Kenya (CAK) has approved a KSh 1 billion acquisition deal between Toyota-owned CFAO Motors and Thika-based Kenya Vehicle Manufacturers (KVM) Limited. A 'Follow Us' section on the right shows social media handles for Facebook (167.4k), YouTube (4.7k), and Instagram (1.2k). There are also links for WhatsApp, Telegram, and Podcasts.

Auto Policy / Value Chain development

Tanzania

- AAAM conducted a follow up policy study visit from 20 to 24 May 2024
- Two CV assemblers @ ESKD; trailer manufacturers
- Agro-processing and Minerals = government focus; +5% economic growth
- AAAM proposing a focus on the manufacture of Commercial Vehicles



Ethiopia

- November 2023; AAAM Policy workshop with the private sector followed by a meeting with the Minister of Industry to engage on policy focus
- To finalise the auto policy, a visit will take place to assemblers + a demand/policy workshop with the Minister of Industry
- On 6 Feb 2024 government banned all ICE vehicles for personal use



Rwanda

- AAAM exploring role in the auto value chain - minerals/electronics
- Roundtable on Mineral Transformation in Kigali – 15 May 2024
- AAAM, VDA, EU Delegation to Rwanda, Rwanda Mining Board (RMB), mining companies and government
- Focus: Tin, Tantalum, Tungsten



Auto Policy / Value Chain development

Senegal

- AAAM expert policy Team visited Senegal on 20 and 21 June 2024
- Mission to respond to Senegal's request to identify areas of specialisation
- Proposed a focus on ladder chassis products – to be validated

Namibia

- Exploring value chain opportunities
- NIPDB visit to Gauteng in 2023 and Tunisia in June 2024
- Namibia South Africa roundtable held in July in Walvis Bay
- NIPDB study tour to Durban and Port Elizabeth from 12 to 16 August

Botswana

- Manufacturer of wire harnesses
- Botswana Development Corporation is a member of AAAM
- Exploring further value chain opportunities
- Current focus: Leather and Copper



Policy implementation challenges – key demand drivers

Used vehicle ecosystem – transition to supply from programme vehicles

- Political willingness – *passing legislation and seamless policy implementation*
- Formalise the used vehicle ecosystem:
 - Benefits: safety, emissions, economic opportunity (vehicles and components)
 - Vehicle financing for used
- Regulation of imported used vehicles - Transition over time or significant increase in duties
- Affordable mobility - mobility as a service, competitive entry level vehicles, vehicle finance accessible and affordable

Appropriate Duties to drive industrialisation

- Younger used vehicles compete with locally manufactured vehicles
- E.g. Ghana; 35% duty on vehicles younger than 5years - ban older than 10 years
- This duty is key to deal with the import of grey vehicles

Harmonisation of Standards – collaboration with ARSO

- Homologation of new vehicles
- Used vehicles – exports to Africa to be roadworthy
- Components
- Fuel



Policy implementation opportunities – key demand drivers

Conclusion of the ROO and AfCFTA – production and trade = scale

- Inclusion of new auto economies in the auto value chain
- While the AfCFTA is under development, opportunity for bi-lateral trade agreements (IPAs) aligned with the provisions of the AfCFTA

Collaboration versus National focus

- Regional (e.g. SACU, EAC, CDI/Ghana)
- Integration into the value chain – collective efforts on regulating used vehicle imports
- Private sector – auto associations (Tunisia visit in June), study tours, IAA Munich
- In country, government and private sector

Access to affordable finance

- Vehicle Asset Finance – interest rates and ecosystem
- Investment finance (<\$5m)



Open Discussion



VDA | Verband der
Automobilindustrie

