

BDO South Africa research comprehensive report:

South Africa automotive sector 2024/25

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Elevating **business**.
Elevating **society**.



Table of contents

▶ 1. Executive summary	3	7.2. Policy credibility and delivery gaps	24
▶ 2. Introduction and Methodology	4	7.3. Affordability, imports and market disruption.....	25
▶ 3. Automotive Industry Overview and Strategic Importance	5	7.4. Infrastructure, competitiveness and resilience	26
▶ 4. Overview of SAAM 2021–2035	6	7.5. Investor confidence and industrial inclusion	27
▶ 5. Progress to Date	9	7.6. Technology transition and EV readiness	28
▶ 6. Gaps and challenges vs SAAM targets	14	▶ 8. Enablers and Levers for SAAM Delivery	30
6.1. Production growth	14	8.1. Infrastructure reform.....	30
6.2. Localisation.....	16	8.2. Industrial ecosystems and SEZs	30
6.3. Employment creation.....	17	8.3. Policy uncertainty and technology transition.....	30
6.4. Transformation and inclusion.....	18	8.4. Competitiveness and investment.....	31
6.5. Regional integration and competitiveness.....	19	▶ 9. Path Forward: What Next?	32
6.6. Cross-cutting bottlenecks.....	20	9.1. Revisit SAAM policy (Short term 2025–27)	32
6.6.1. Logistics and ports	20	9.2. Targeted incentives for NEVs (Short to medium term 2025–30).....	33
6.6.2. Roads and freight.....	21	9.3. Affordable and reliable electricity supply (Long term 2030–35).....	33
6.6.3. Electricity.....	21	9.4. Logistics efficiency improvements (Long term 2030–35).....	33
6.6.4. Policy delays.....	22	▶ 10. Conclusion	35
▶ 7. Stakeholder Perspectives	23	▶ 11. Appendix	36
7.1. Industrial depth and the CKD-SKD divide.....	23	11.1. Footnotes	36

1. Executive summary

South Africa's automotive industry remains a cornerstone of the national economy, anchoring manufacturing, exports, and employment across key hubs in **Gauteng**, the **Eastern Cape**, and **KwaZulu-Natal**. Contributing **around 5.2% of GDP** and supporting over 110 000 jobs, the sector underpins one of the country's most advanced industrial ecosystems — linking OEMs, suppliers, logistics operators, financiers, and service industries. In metros such as **Nelson Mandela Bay** and **East London**, this network extends into retail, housing, and education, illustrating how automotive activity sustains broader local development. Yet, despite its depth and resilience, the industry's full potential remains constrained by widening gaps between policy ambition and delivery.

The **South African Automotive Masterplan (SAAM 2035)** provides a clear framework for growth, localisation, transformation, and competitiveness. Implementation, however, has lagged amid infrastructure bottlenecks, policy delays, and global market realignment. Production volumes remain below trajectory, localisation has stalled, and employment in core manufacturing nodes is under pressure. The industry's dependence on European exports and slow roll-out of **New Energy Vehicle (NEV)** incentives have further exposed structural weaknesses.

Stakeholder perspectives from **NAAMSA**, **NUMSA**, and the **Nelson Mandela Bay Business Chamber** converge on a single message: **SAAM 2035 remains achievable if government and industry execute with speed and coherence**. Consensus centres on five imperatives mirroring SAAM's pillars:

Local market growth and inclusion, through deepening supplier development and broad-based participation

Regional expansion via AfCFTA to diversify export and integrate African value chains

Localisation and value-addition by enforcing **CKD manufacturing**, scaling Tier-2/3 capacity, and embedding **EIP** models within SEZs to enhance circular-economy efficiency

Transformation and inclusion, by linking funding and incentives to verifiable employment and equity outcomes

Technology and environmental readiness, through pragmatic, technology-neutral NEV policies encompassing hybrids, plug-ins, battery-electric, and alternative fuel vehicles

The next decade will determine whether South Africa's automotive industry merely endures or evolves.

To close the gap between ambition and execution, four priority actions stand out:

01 Recalibrate and enforce policy delivery: Align SAAM targets with real-world conditions, close incentive loopholes, and bind localisation milestones

02 Accelerate NEV readiness: Adopt a diversified, technology-neutral framework supported by front-loaded public and development-finance investment

03 Stabilise energy and logistics infrastructure: Enable private-sector participation in power generation and modernise ports and rail corridors

04 Deepen transformation and regional integration: Expand supplier development, strengthen Tier 2/3 participation, and leverage AfCFTA to secure new markets

If these levers are activated decisively, SAAM 2035 can still deliver its promise: a globally competitive, inclusive, and technologically advanced automotive ecosystem that drives Africa's next industrial decade.

2. Introduction and methodology

The automotive sector remains a cornerstone of South Africa's economy, contributing significantly to GDP, employment, and industrial development while sustaining vital linkages with global markets. **Its strategic importance lies not only in its role as Africa's largest producer and exporter of vehicles but also in its potential to drive localisation, innovation, and inclusive growth.** Amid shifting trade dynamics, electrification imperatives, and intensifying competition, the sector stands at a pivotal moment. This report provides a rounded assessment of policy, consumer, manufacturing, and trade dynamics, offering a forward-looking view of risks and opportunities that will define the industry's trajectory.

The study applied a dual **primary and desktop research approach** to ensure both breadth and depth of analysis. This combination of structured desk-based evidence and expert consultation ensured that the findings reflect both macro-level trends and operational on-the-ground realities.

- ▶ **Desktop research** drew on over 200 sector-specific resources across policy frameworks, trade flows, market dynamics, manufacturing trends, consumer behaviour, and infrastructure challenges.
- ▶ **Primary interviews** and written contributions engaged senior stakeholders across industry associations, academia, and dealer networks, including the Chairperson of NADA, the AIDC-EC Chair of Automotive Engineering, NAAMSA's Chief Trade and Research Officer, the CEO and other representatives of the Nelson Mandela Bay Business Chamber, and also private sector stakeholders. Their insights grounded the analysis in practical realities and future-facing perspectives.

Summary of desktop research	
Overarching research areas	No. of resources consulted
Sector landscape, trends and economic impact	25
Vehicle Production and Assembly	17
Import/export dynamics	17
Consumer demand and vehicle segments	17
EV adoption and green mobility	7
Component Manufacturing and Aftermarket	8
Impact of Chinese vehicle entry	4
Labour market and automotive skills	7
Key industry players and market share	8
South Africa in broader African context	2
Grey market and second-hand trade	5
Alternative transport modalities	12
Finance & insurance	11
Commercial fleets & logistics	28
OEM Manufacturing	3
Tier 2 & 3 Manufacturing	1
Other resources of interest	36
Total no. of resources	208

Summary of primary research			
Organisation	Role	Length	Date
National Automotive Dealers Association (NADA)	Chairperson	34 min	19 August 2025
Nelson Mandela University	AIDC-EC Chair of Automotive Engineering	32 min	20 August 2025
National Automotive Association of South Africa (NAAMSA)	Chief Trade and Research Officer	54 min	26 August 2025
Nelson Mandela Bay Business Chamber	CEO	Written	2 October 2025
Garden Route Man	Managing Director	Written	6 October 2025
AutoX	Manufacturing and Technical Director	Written	7 October 2025
Bluespec	Finance Manager	Written	8 October 2025

3. Automotive industry overview and strategic importance

South Africa's automotive industry is widely regarded as one of the country's foremost industrial success stories, and today remains a cornerstone of economic activity. In 2024, the sector contributed **5.2% to GDP** and supported around **110,000 direct and indirect jobs** across the value chain. Beyond its headline numbers, the industry's role as South Africa's largest manufacturing sector is significant, accounting for **22.6% of total manufacturing value addition**, and consistently ranking among the top three export earners.¹

The sector's importance is not only economic but also structural. Automotive production sustains an extensive supply chain of component manufacturers, logistics providers, and service industries, while each OEM is surrounded by a regional ecosystem that includes Tier 2 and 3 suppliers, financial institutions, training bodies, and insurers. In metros such as Nelson Mandela Bay and East London, this multiplier effect extends into retail, housing, and education, illustrating how automotive manufacturing anchors local economies and underpins regional development. The industry has driven skills development, supported technology transfer through global OEM partnerships, and reinforced South Africa's integration into international trade networks.² Collectively, these attributes position the sector as a key test case for how South Africa can compete globally in advanced manufacturing while delivering socio-economic returns at home.

Yet, the sector also finds itself at a crossroads. Growth has been tempered by structural headwinds such as import competition, uneven localisation, and chronic infrastructure weaknesses, while global transitions, particularly the shift to NEVs, are reshaping the competitive landscape. The challenge for South Africa lies in ensuring that its automotive industry not only retains its current scale and importance, but evolves fast enough to remain relevant in this changing environment.

It is in this context that SAAM 2021–2035 was introduced as the central policy framework for the industry's long-term trajectory. SAAM sets clear and ambitious objectives: raising production volumes, deepening localisation, creating employment, and broadening transformation, while preparing the industry for an eventual pivot to NEVs and positioning South Africa as the leading automotive hub on the African continent.⁴

This report evaluates progress made under SAAM to date, highlighting the areas where momentum is falling short, and sets out recommendations for how the sector can adapt to safeguard its role as a driver of inclusive industrial growth and a key lever for youth employment and long-term job creation.

4. Overview of SAAM 2021–2035

SAAM 2021–2035 provides the strategic framework for the future of the country's automotive industry. Introduced by the Department of Trade, Industry and Competition (DTIC), SAAM was designed to **secure the long-term competitiveness of the sector while embedding stronger socio-economic contributions in the form of employment, localisation, and transformation**. It reflects government's recognition that automotive manufacturing is not just another industrial subsector, but a cornerstone of South Africa's broader economic development strategy and an anchor of global investor confidence.⁵

At its core, SAAM is structured around five central pillars:⁶

1

1. Production growth

- ▶ Raising production volumes by targeting a **1%** share of global vehicle production / **1.4 million units** annually by 2035

- ▶ Essential to hold South Africa's ground against faster-growing competitors (Morocco, India)

2

2. Localisation

- ▶ Deepening localisation by increasing domestic value addition to reach **60%** local content in vehicle assembly

- ▶ Target reflects a competitiveness & a resilience imperative. More of the value chain must be embedded locally if the sector is to avoid becoming a mere assembly base vulnerable to global supply shocks

3

3. Employment creation

- ▶ Expanding the sector's workforce to **224,000** jobs by 2035

- ▶ Aiming to protect existing jobs and generate inclusive employment in areas, including component supply, logistics and aftersales services

4

4. Transformation and inclusion

- ▶ Broadening transformation by promoting greater participation of Black-owned firms and SMEs in the automotive value chain

- ▶ Vital for the industry to fulfil its role as a driver of inclusive growth; if not, it risks becoming disconnected from national development priorities

5

5. Regional integration & competitiveness

- ▶ Aligning with AfCFTA to consolidate South Africa's role as the continent's automotive hub

- ▶ Fulfils the need for scale: the future of the industry depends on African demand as well as exports to Europe

4. Overview of SAAM 2021–2035^{cont.}

SAAM builds on a longer history of policy interventions. The Automotive Production and Development Programme (APDP), first introduced in 2013 as the successor to the Motor Industry Development Programme (MIDP), sought to stabilise the sector after years of volatility in the late 2000s. It provided clear incentives for volume assembly and component manufacturing, **offering duty rebates, volume-based incentives, and investment allowances.** These mechanisms anchored global OEM investment in South Africa, created a platform for exports, and gave local suppliers the certainty needed to expand capacity. However, APDP was less effective in meeting its localisation and transformation objectives: despite a strong production base, local content ratios remained stuck in the 35%–45% range, and supply chains struggled to deepen beyond Tier 1 suppliers.⁷

South Africa's production landscape is also shaped by the type of assembly model that investors employ. The country's established OEMs predominantly operate **on a Completely Knocked Down (CKD) basis**, which supports deeper localisation and stronger multiplier effects through component manufacturing.⁸ However, the arrival of newer market entrants, particularly Chinese brands but also Indian,⁹ has reintroduced **Semi-Knocked Down (SKD) assembly operations**.¹⁰ While SKD plants can stimulate short-term activity and offer rapid market access, their long-term

developmental impact is limited without a structured progression toward CKD and full manufacturing.¹¹

A useful precedent is found in Brazil, where a phased policy framework encouraged manufacturers to **graduate from SKD to CKD production through tiered incentive thresholds**.¹² The lesson for South Africa is one of strategic incentive design that is sequenced and time-bound to guide SKD investors toward deeper local integration in aligning with SAAM's localisation and employment goals.¹³ Industry stakeholders such as the Nelson Mandela Bay Business Chamber likewise stress that **capital mobilisation must move in step with localisation policy** to avoid the industry plateauing at an SKD equilibrium.¹⁴

In 2021, APDP was reconfigured into its second iteration, APDP2, which remains in place today. This version sharpened the programme's focus on localisation by **adjusting the thresholds for component value addition and tying incentive levels more directly to supplier development.** Crucially, APDP2 was extended to run until 2035, aligning its timeframe with SAAM. This overlap is significant as it provides global OEMs and their suppliers with long-term policy certainty, matching the 7–10-year investment cycles typical in the industry. For many investors, APDP2 is the operational instrument that gives effect to SAAM's ambitions, acting as a bridge between high-level policy goals and on-the-ground manufacturing realities.¹⁵

APDP Key growth frameworks

Duty rebates

Rebates on customs duties for specified vehicles, components, and tooling, helping manufacturers reduce import costs and remain pricecompetitive in export and domestic markets

Production incentives (PI)

▶ Production Rebate Credit Certificates (PRCCs) are earned in proportion to local value addition:

50% of value added for vehicles, and 62.5% of value added for components and tooling
▶ These credits can be used to offset future customs duties

Localisation threshold

Incentives are structured to reward firms achieving at least 40% local value addition (LVA) in production. Higher LVA not only drives local supplier development but also multiplies PRCC earnings

Export flexibility (VALA)

The Volume Assembly Localisation Allowance (VALA) reduces duty costs on imported components and allows unused credits to be carried over, making export-oriented production more financially viable.

Scale access

Original Equipment Manufacturers (OEMs) are eligible if they produce a minimum of 10,000 units annually, while component and tooling manufacturers qualify at lower thresholds if LVA requirements are met. This ensures participation opportunities across the value chain

Flexibility for disruptions

Relief provisions exist for exceptional events (e.g., pandemics, natural disasters) to ensure firms do not lose compliance status or access to incentives during periods of production disruption

Source: DTIC APDP Phase 2; 2025

4. Overview of SAAM 2021–2035^{cont.}

South Africa's incentive architecture is well positioned to leverage this alignment, but further policy calibration is needed to strengthen localisation pathways.¹⁶ Comparative experience from Brazil shows that a **structured graduation system, rewarding early assembly while setting firm timelines** for transition from SKD to CKD, can accelerate supplier development and technological capability.¹⁷ A similar progression logic within the APDP2 framework could help anchor new entrants while ensuring that industrial depth expands over time.¹⁸

The Nelson Mandela Bay Business Chamber also cautions that **industrial policy must remain flexible to global market conditions**, especially amid volatility in the EV value chain. Its recent report argues that the current global EV market correction offers a strategic breathing space for South Africa to recalibrate incentives and position for the next investment cycle as adoption regains pace.¹⁹

The release of the Electric Vehicle (EV) White Paper in 2023 has added a further dimension to this policy framework. Recognising that South Africa is falling behind its peers on electrification, the White Paper sets out a **roadmap for fiscal incentives, transitional allowances, and infrastructure development**. It also signals a broader shift toward a NEV strategy that encompasses hybrid, plug-in hybrid, battery electric and alternative-fuel vehicles, providing a more diverse pathway for local industry adaptation and investment alignment. The paper further acknowledges that without decisive action, South Africa risks losing its European export markets, as both the EU and UK prepare to phase out internal combustion engine (ICE) vehicle sales between 2030 and 2035. The White Paper therefore aims to help the industry “leapfrog” structural constraints, such as limited charging infrastructure and slow battery localisation, while giving investors a clearer signal of South Africa's long-term EV commitment. Its success, however, will depend heavily on the pace of implementation and the ability to align incentives with the needs of both OEMs and consumers.²⁰

South African EV White Paper - Key objectives vis a vis SAAM

- 
Dual platform commitment
 South Africa will support **both ICE and EV production until 2035**, giving firms a stable and managed transition
- 
Fiscal incentives
 New **tax breaks and AIS funding** will reduce the cost of EV assembly, batteries, and components
- 
Transitional allowances
Temporary support for ICE investments will protect OEMs while they retool for EV production
- 
Battery value chain
 Government will back a **SADC-wide battery industry** using South Africa's manganese, nickel, and lithium to localise production
- 
Charging infrastructure
 Rollout of **public and workplace charging points by 2030**, with localisation of charging hardware to create jobs
- 
Export market
Alignment: Strategy is tied to **EU and UK bans on new ICE sales between 2030 and 2035**, keeping SA exports duty-free and competitive
- 
Skills and jobs
 A new **EV certification programme** will retrain workers and create jobs in assembly, components, and charging
- 
Just transition
 The plan is **people-centred**, ensuring workers, SMEs, and vulnerable communities are supported throughout the transition

Source: White Paper on the Advancement of New Energy Vehicles in South Africa, 2025

Taken together, APDP, APDP2, SAAM, and the EV White Paper form a layered but complementary policy environment. APDP established the baseline by stabilising and incentivising the industry; APDP2 sharpened this framework to drive localisation and scale; SAAM expanded the agenda into a holistic long-term vision for competitiveness and transformation; and the EV White Paper added a future-facing dimension, ensuring South Africa remains aligned with global technological shifts. For investors and industry stakeholders, this continuity of industrial policy is as important as the specific incentives themselves, signalling that South Africa remains committed to its automotive sector as a strategic priority, even in the face of global disruption.

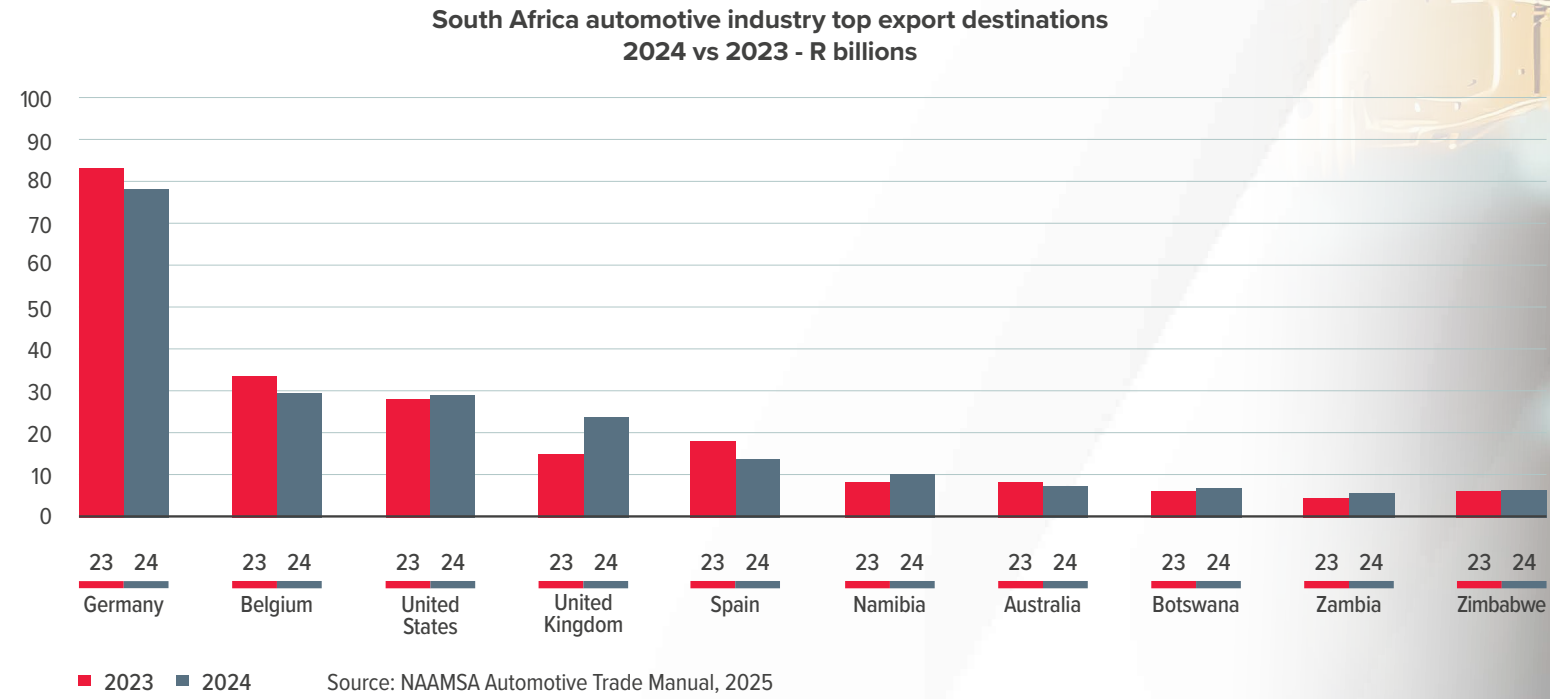
5. Progress to date

Since the launch of SAAM, South Africa’s automotive industry has shown resilience and adaptability under challenging domestic and global conditions. Achievements are visible across investment, exports, consumer demand, and localisation, pointing to momentum that can be built upon as the industry looks to its next phase.²¹

Global OEMs and suppliers have continued to commit capital to South Africa. In 2024, OEM investments totalled **R7.3 billion**, with a further **R2.95 billion** from component manufacturers.²² These inflows demonstrate the value of policy certainty provided by APDP2 and SAAM, as well as the enduring competitiveness of South Africa as a production base. In a sector where investor horizons typically span seven to ten years, such commitments

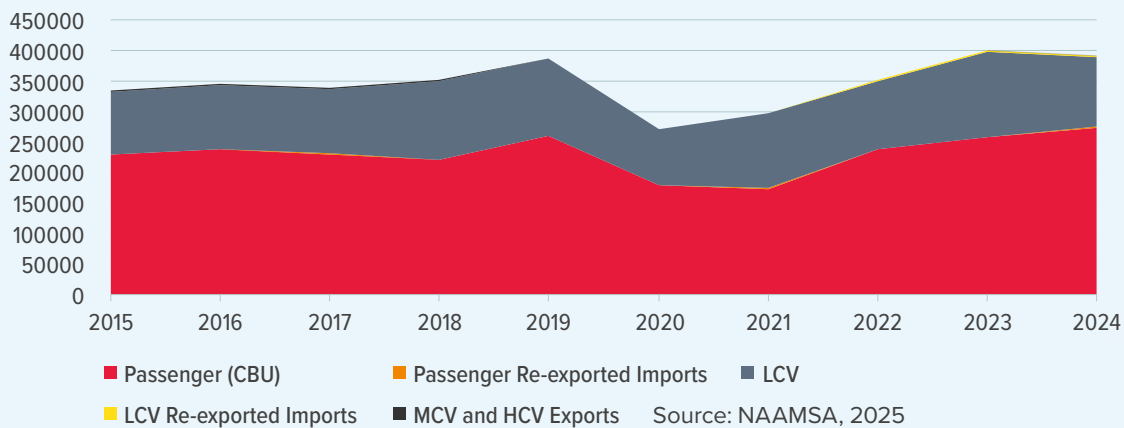
provide confidence that South Africa remains integrated into global supply chains.

Exports, meanwhile, have remained robust despite tariff shocks and volatility in some markets. South Africa exported nearly **391,000 vehicles in 2024** to over 150 destinations.²³ The **EU accounted for close to 60% of these exports**, reflecting the depth of long-standing trade links, while Africa’s share rose to a record **17.9%** of total volumes. This regional diversification, though still modest, is a positive sign for SAAM’s regional integration pillar and aligns with AfCFTA ambitions to deepen intra-African trade. The fact that exports have held firm in the face of global turbulence is itself an achievement, reflecting the strength of South Africa’s OEM footprint.



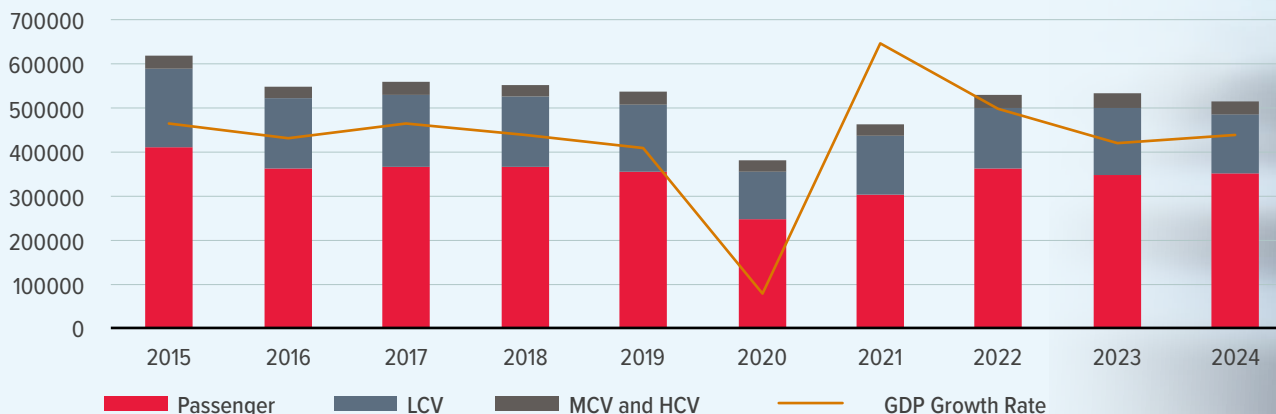
5. Progress to date^{cont.}

Aggregate exports by vehicle type (units)
2015-2024



Domestically, the market remains stable, but constrained on the purchasing power side of the equation. Regardless, total new-vehicle sales exceeded **500,000 units in 2024**, with momentum continuing into 2025; passenger car sales alone rose 30% year-on-year in May 2025.²⁴ Recovery has been strongest in entry-level and mid-range vehicles, consistent with affordability pressures, but consumer choice has broadened through the entry of **Chinese OEMs such as Haval, Chery, and GWM**.²⁵ These brands have introduced sharper price competition and made advanced features more accessible across segments. At the same time, **digital-first insurance and vehicle financing models** have grown in popularity, supported by evolving affordability metrics and shifting consumer expectations.²⁶ Taken together the shifts illustrate that South Africa's market is adapting to changing consumer behaviour in ways that can sustain domestic demand.

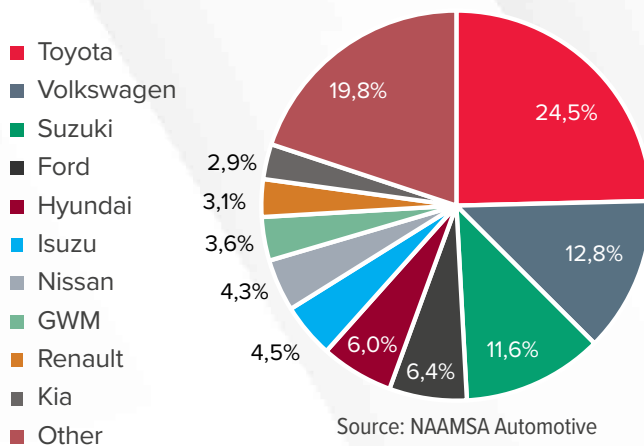
Aggregate domestic market - Vehicle type vs GDP
2015-2024



Source: NAAMSA Industry Vehicle Sales, Production, Export and Import Data: 2015-2026; 2025

5. Progress to date^{cont.}

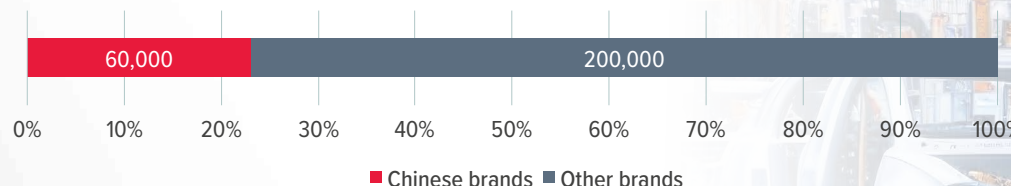
Aggregate exports by vehicle type (units)
2015-2024



Source: NAAMSA Automotive Trade Manual, 2025

The broader mobility ecosystem has also played an important role in anchoring volumes. Persistent demand from the **minibus taxi industry, e-hailing platforms, and logistics operators** has underpinned sales of light commercial vehicles, stabilising production at local plants and creating predictable demand linkages into the components ecosystem.²⁷ This connection between everyday mobility demand and industrial production reinforces the relevance of SAAM's production growth pillar in the domestic context. Though Chinese brands are becoming ever more popular, the key point revolves around the steady growth in demand for more affordable and localised vehicles.

Estimated share of Chinese origin minibus taxis in South Africa
2024



Sources: Institute of Race Relations, Why Chinese; 2024-2025

Progress is evident, albeit incrementally, in localisation and supplier development. While South Africa has yet to regain the localisation momentum needed to reach SAAM's 60% content target, there are important building blocks in place. Tier 1 suppliers have added capacity in step with OEM investment cycles, and Special Economic Zones (SEZs) such as Tshwane and Coega have attracted new entrants.²⁸ While Ford South Africa maintains a strong national footprint, its Nelson Mandela Bay Struandale facility operates as an engine-manufacturing plant supplying components into broader OEM production networks rather than assembling complete vehicles in the metro.²⁹ This distinction reinforces the need for balanced regional development policies under SAAM, ensuring that engine and component manufacturing hubs such as Nelson Mandela Bay complement, rather than substitute for, full CKD assembly in other metros. These outcomes are not transformative on their own, but they indicate that aspects of the localisation agenda are progressing and that the structural architecture to scale supplier participation exists.

5. Progress to date^{cont.}

Main automotive clusters in South Africa			
Key automotive features	Gauteng	KwaZulu-Natal	Eastern Cape
Number of OEMs (manufacturing plants)	▶ BMW ▶ Nissan ▶ Ford	▶ Toyota	▶ Volkswagen ▶ Mercedes-Benz ▶ Isuzu ▶ Ford
Medium, heavy, extra-heavy commercial vehicle and bus companies	▶ Babcock ▶ Ford ▶ Hyundai ▶ Iveco ▶ JMC ▶ MAN Truck and Bus ▶ MarcoPolo ▶ Powerstar ▶ Scania ▶ Sinotruk ▶ Stellantis ▶ Tata Trucks ▶ UD Trucks ▶ VECH	▶ Bell Equipment ▶ MAN Truck and Bus ▶ Toyota ▶ Volvo	▶ FAW Trucks ▶ Isuzu ▶ Daimler Truck ▶ Volkswagen
Number of automotive component suppliers	200	80	150
Motor vehicle parc as % of South Africa's total vehicle parc of 13,36 million vehicles	38,4%	13,5%	6,5%
Passenger car sales as % of total 2024 passenger car sales of 351 555 units	35,0%	14,0%	3,7%
LCV sales as % of total 2024 LCV sales of 133 251 units	32,1%	12,0%	4,6%
MCV/HCV sales as % of total 2024 MCV/ HCV sales of 31 044 units	36,4%	13,3%	3,1%
Light vehicle production by OEMs in the province as % of total 2024 light vehicle production of 567 946 units	29,4%	20,8%	49,8%
Light vehicle exports by OEMs in the province as % of total 2024 light vehicle exports of 390 080 units	32,7%	10,5%	56,8%

Source: NAAMSA Automotive Trade Manual, 2025

5. Progress to date^{cont.}

All things considered the sector has attracted fairly strong investment following the rollout of various policies and production incentives, and has in parallel adapted to shifting trade dynamics, stabilised domestic demand, and laid groundwork for localisation. These are tangible wins that highlight the sector's resilience, yet they also set the stage for the critical question: whether these gains can be scaled and sustained. The next section considers where momentum has faltered by assessing the **gaps and challenges** that must be addressed if South Africa is to stay on the SAAM trajectory.

6. Gaps and challenges vs SAAM targets

SAAM laid out an ambitious roadmap to grow production, deepen localisation, expand employment, broaden transformation, and secure South Africa's place as Africa's automotive hub. Yet progress across these areas has been uneven, and the distance between targets and outcomes is widening. Production volumes remain below trajectory, localisation has stalled, and employment is increasingly vulnerable, particularly in supplier networks and concentrated hubs like Nelson Mandela Bay.

While global demand and domestic recovery have improved since 2022, South Africa's production momentum remains constrained by structural bottlenecks within logistics, energy, and market diversification.³⁰ The Nelson Mandela Bay Business Chamber cautions that production shortfalls are not merely cyclical but stem from an under-investment in industrial infrastructure and supplier capacity.³¹ Comparative experience from Brazil underscores this point given that its own automotive expansion was sustained only after strategic state financing targeted logistics corridors and domestic component ecosystems.³²

In South Africa, similar catalytic investment, particularly in ports, rail, and SEZ connectivity, will be essential to move production growth back in line with SAAM's trajectory. The Chamber further warns that the risk of plant idling and job attrition in Nelson Mandela Bay could deepen if the sector fails to mobilise pre-emptive capitalisation to stabilise manufacturing throughput.³³

These weaknesses are reinforced by slow progress on transformation and limited penetration into African markets, where competitors such as Morocco are gaining ground. Without greater inclusivity and a stronger regional strategy, South Africa risks ceding its leadership role in both continental and global value chains.

At the root of these challenges are cross-cutting bottlenecks in infrastructure, energy, and policy execution. Ports, rail, and roads remain unreliable, electricity instability raises costs, and delays in implementing NEV policy have slowed momentum. Unless these structural issues are addressed decisively, SAAM's vision of a globally competitive, inclusive, and regionally integrated auto sector will remain out of reach.

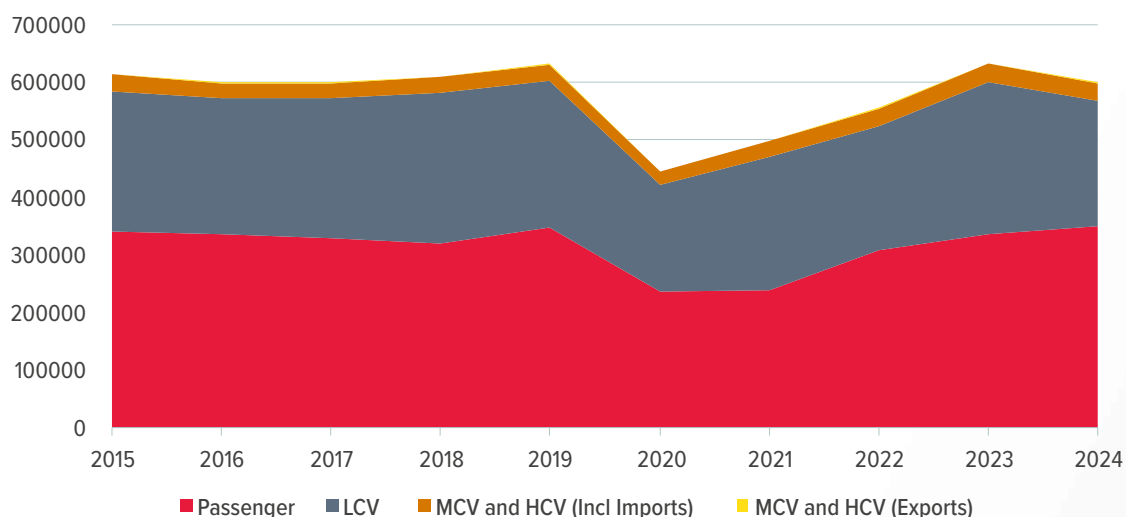
These headwinds reverberate beyond OEM lines and Tier-1 suppliers: in Nelson Mandela Bay and East London, the automotive economy anchors a broader ecosystem of Tier-2/3 suppliers, logistics operators, finance and insurance, training institutions, and local services. Strain in assembly volumes and localisation therefore cascades into retail, housing, and education, amplifying the social and economic risk of under-delivery.

6.1 Production growth

SAAM set a target of 784,509 vehicles by 2025, rising to nearly 1.2 million units by 2035.³⁴ This growth trajectory was intended to lift South Africa's share of global production to 1% and consolidate its position as the leading automotive hub in Africa. In practice, output has consistently fallen short. NAAMSA data shows that production reached 632,362 units in 2023 before slipping back to 599,755 units in 2024,³⁵ equal to just 0.64% of global volumes.³⁶ This leaves the industry materially off course from the path SAAM envisaged. A compounding risk is the drift toward semi-knocked-down (SKD) assembly in parts of the market: while SKD can enable rapid entry, it weakens local multipliers relative to completely knocked-down (CKD) manufacturing that anchors component ecosystems and employment.³⁷ The reason for this is twofold. First, SAAM has not accounted for important externalities like increasingly high input costs, particularly utilities and logistics, which have eroded local competitiveness compared to other markets. Secondly, SAAM has failed to account for ways in which foreign manufacturers have misused production incentives to circumvent tariffs, e.g., through the utilisation of export credits and monetisation of excess Production Rebate Credit Certificates (PRCCs).

6. Gaps and challenges vs SAAM targets^{cont.}

Domestic production (units)
Passenger, LCV, MCV and HCV



Source: NAAMSA Industry Vehicle Sales, Production, Export and Import Data: 2015-2026; 2025

The result has seen the gradual stagnation of production growth, which has begun to accelerate worryingly in recent years. The Nelson Mandela Bay Business Chamber has highlighted that production volumes remain **below pre-COVID levels** and that the sector suffered a **22.8% export drop in 2024 compared to 2023**.³⁸ In addition, the Chamber stresses that Nelson Mandela Bay accounts for more than **40% of South Africa's automotive jobs**, with a multiplier of **21 indirect jobs for every direct job**.³⁹ This regional concentration amplifies the risks of de-industrialisation with the Chamber estimating that tens of thousands of jobs are at risk in the Eastern Cape if production continues to stagnate.⁴⁰ Stakeholders emphasise that stabilising throughput now requires enforcement clarity (closing SKD loopholes, tightening PRCC/export-credit misuse) alongside pre-emptive capitalisation to keep CKD volumes viable while demand normalises. The organisation has further warned that the Bay's manufacturing base faces pressure from the **rise of imported vehicles (especially Chinese brands, whose market share has climbed from 2% to 9% in five years)**, alongside declining domestic output. It has called for an **APDP mid-term review** and **faster finalisation of NEV policy** to restore competitiveness and investor confidence.⁴¹

"I think the prospects, certainly the middle- and long-term prospects, are very big. If you take a look at things like the established infrastructure, established companies in South Africa that are in the auto sector, the volumes which we have achieved, and the plans that the individual companies have and had, one can scale from here, if the right policies and trade agreements are put in place... obviously in the short term, we've run into a bit of a problem, what has happened with the new trade regulations, the tariffs, that's one big issue. And, I mean, Mercedes-Benz, has drawn a direct conclusion out of that to temporarily stop their production completely. So, whether that's going to stay closed or not, we don't know, but that has a knock-on effect. The other issue is the cheap imports of Chinese vehicles, 100% imported, even though they pay the tariffs."

Martin Sanne -

AIDC-EC Chair of Automotive Engineering,
Nelson Mandela Metropolitan University

At the same time, industry insiders note that **OEM assembly plants are increasingly cutting volumes**, disrupting stability across the value chain. NAACAM has reported that production suspensions have become common, with **Mercedes-Benz South Africa halting C-Class production in East London in July 2025** due to stock build-up.⁴² These interruptions erode confidence among component suppliers and put pressure on jobs, compounding the gap between policy targets and operational reality.

Government, for its part, points to major investments by global OEMs as evidence of long-term confidence. Recent commitments include Ford (**R15.8 billion**), BMW (**R4.2 billion**), Toyota (**R6.1 billion**), VW (**R4.5 billion**), Nissan (**R3 billion**), and BAIC (**R11 billion**).⁴³ These inflows underscore South Africa's continued role as an attractive assembly base. Yet the production data makes clear that these commitments have not yet translated into sustained output growth. Instead, the gap between ambitious SAAM targets and actual performance has widened, underlining the risk that South Africa could cede ground to African competitors such as Morocco, which has already overtaken South Africa in annual production.⁴⁴

6. Gaps and challenges vs SAAM targets^{cont.}

6.2 Localisation

SAAM set out clear localisation milestones, targeting **48.2% local content by 2025** and 60% by 2035.⁴⁵ This ambition was central to ensuring that South Africa's automotive industry retained value domestically and spread benefits across the supply chain. Progress, however, has been limited. NAAMSA data indicates that local content has stagnated in the **38–42% range**,⁴⁶ with the Nelson Mandela Bay Business Chamber noting that localisation has actually **declined from 42% in 2021 to 38% by 2024**.⁴⁷ This erosion reflects ongoing reliance on imported components, particularly at the Tier 2 and Tier 3 levels, where supplier networks remain shallow and underdeveloped.

This fragility within the supplier base underscores the importance of strategic financial enablement alongside policy incentives. The Nelson Mandela Bay Business Chamber argues that declining localisation is less a product of weak demand and more a reflection of **under-capitalised suppliers unable to modernise production systems or meet OEM compliance standards**.⁴⁸ It calls for pre-emptive industrial financing, and supporting supplier tooling, certification, and technology upgrades before market shocks occur, rather than responding reactively to crises.⁴⁹ In parallel, Eco-Industrial Park (EIP) design around existing clusters can reduce input and logistics costs by co-locating suppliers, recyclers, and shared utilities, strengthening Tier-2/3 resilience during demand volatility.⁵⁰

Comparable evidence from Brazil reinforces this approach. There, localisation levels rose from roughly **20% to above 60% within a decade** after a targeted industrial financing programme underwrote supplier modernisation and technology absorption.⁵¹⁵² Adopting a similar model under South Africa's Automotive Industry Transformation Fund (AITF), or through a ring-fenced national automotive facility, could help reverse the attrition of smaller suppliers while driving value-chain depth and long-term competitiveness.⁵³⁵⁴ Localisation incentives will also need procurement enforcement, binding localisation milestones in OEM contracts and supplier development KPIs—to avoid plateauing at assembly without value-chain depth.

The implications of this gap are significant. The National Union of Metalworkers (NUMSA) has repeatedly warned that without a stronger localisation drive, South Africa risks a “hollowing out” of its industrial base, with value and jobs leaking abroad through imports.⁵⁵ These risks are compounded by the growing presence of foreign imports in the domestic market. The Business Chamber has flagged that **Chinese brands have grown their market share from 2% to 9% in just five years**,⁵⁶ intensifying competitive pressure on local assemblers and suppliers. Unless localisation thresholds are met, domestic suppliers risk being further displaced in their own market.

Top 10 destinations for light vehicles (passenger cars and LCV) imported 2020 to 2024						
Country of origin	2020	2021	2023	2024	2024	2024
Total (R billion)	36,6	50,9	79,1	83,3	74,8	Import Rand value %
India	87 036	128 715	176 486	160 509	173 742	32,90%
China	10 427	21 656	35 052	39 290	52 067	17,80%
Germany	21 855	20 045	19 968	19 657	17 012	12,00%
Japan	22 536	24 578	18 785	18 254	12 705	8,40%
Spain	10 702	11 988	18 158	13 095	9 513	4,00%
Thailand	4 561	2 342	4 537	6 866	6 346	4,70%
South Korea	14 854	17 953	19 288	13 295	5 737	1,80%
Portugal	255	3 610	2 419	2 218	4 133	0,90%
USA	3 514	3 252	4 916	4 116	3 925	4,60%
France	2 110	2 184	2 554	1 505	3 019	0,60%
Other	26 721	25 956	20 621	17 962	16 156	12,30%
Number of light vehicle imports	204571	262 279	322 784	296 767	304355	100%
Total light vehicle market	357 451	437 416	499 393	498 867	484 000	
% of new light vehicle market imported	57,20%	60,00%	64,60%	59,50%	62,80%	
Passenger car imports as % of total	76,10%	78,30%	80,30%	77,20%	78,00%	
LCV imports as % of total	15,30%	18,10%	23,50%	18,80%	22,60%	

Source: NAAMSA Automotive Trade Manual, 2025

6. Gaps and challenges vs SAAM targets^{cont.}

Despite the stark view of the data government points to progress in specific areas, particularly in SEZs. The Tshwane Automotive SEZ has attracted more than **R4 billion in investment**, generating **8,000 construction jobs** and an expected **2,000 permanent jobs**.⁵⁷ While these initiatives demonstrate the potential of SEZs to anchor local supply chains, scaling such models to meet national targets remains a challenge. The Nelson Mandela Bay Business Chamber has called for an **APDP mid-term review** and faster **finalisation of NEV policy** to accelerate localisation, particularly in the emerging EV value chain.⁵⁸

In brief, while isolated successes exist, the overall localisation picture remains well short of SAAM's ambitions. Without deeper Tier 2 and 3 development, stronger black-owned supplier participation, and a decisive policy push, the 60% localisation goal by 2035 will remain out of reach.

6.3 Employment creation

SAAM set an ambitious target of **224,000 direct jobs by 2035**, up from around **114,000 in 2018**.⁵⁹ Despite this, the pace of job creation has been slow. By early 2024, official government figures indicated the industry employed just over **110,000 people**, contributing **5.2% of GDP and 18.1% of exports**.⁶⁰ Deputy President Paul Mashatile's more recent figures put current employment at **115,000 workers**, of which more than **80,000 are in**

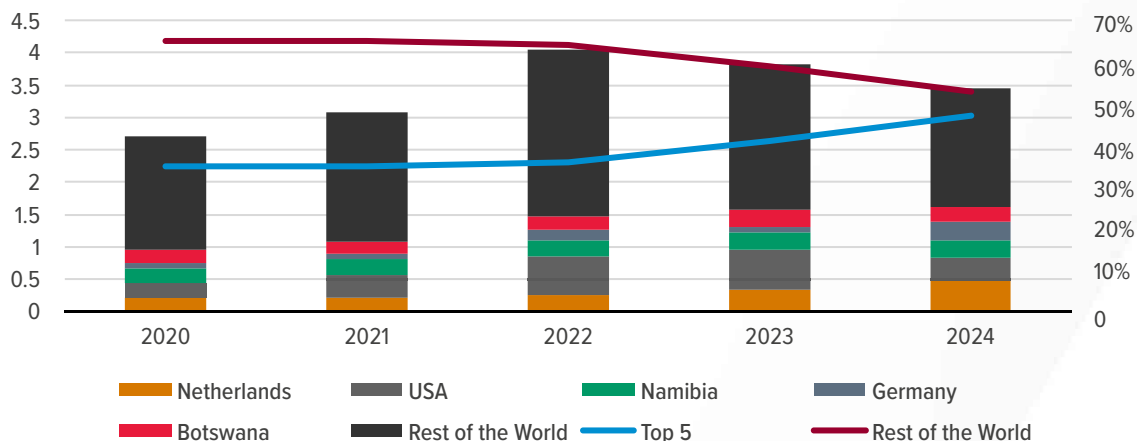
the component sector.⁶¹ Yet he also highlighted the closure of **12 component firms in the past two years**, with more than **4,000 jobs lost**, which stands as evidence that the supply base is under growing strain.⁶²

The Nelson Mandela Bay Business Chamber attributes this attrition primarily to **constrained production volumes and the ripple effects of power disruptions, port inefficiencies, and rising logistics costs**.⁶³ It warns that continued underperformance across these structural levers will erode the sector's ability to meet SAAM's employment targets.⁶⁴ This concern is echoed in recent government briefings, where Deputy President Mashatile noted that the closure of component firms reflects a deeper vulnerability in South Africa's automotive value chain, particularly among labour-intensive suppliers whose margins cannot absorb energy and transport shocks.⁶⁵

International experience supports this reading. In Brazil, the early adoption of targeted industrial-financing programmes **preserved jobs in small and medium component plants even as global demand fluctuated**.⁶⁶ South Africa's existing AITF and the Industrial Development Corporation (IDC) could play a similar role in stabilising employment, by **facilitating access to affordable retooling finance and incentivising workforce reskilling** in plants most exposed to automation and energy risk.

The fragility of employment is especially visible in Nelson Mandela Bay, which accounts for more than **40% of all automotive jobs nationally**.^{67,68} The Business Chamber estimates that **47,460 direct and indirect jobs are at risk in the Eastern Cape**, with nearly **474,600 dependents affected**.⁶⁹ The Chamber has further noted that each direct job in the Bay supports an estimated 21 indirect jobs, magnifying the social and economic impact of any job losses in the region.⁷⁰ This concentration of employment amplifies the social and economic risks of sectoral decline with concerns already materialising: in June 2025, **Goodyear permanently closed its Port Elizabeth tyre plant**, resulting in the loss of over **900 jobs**.⁷¹

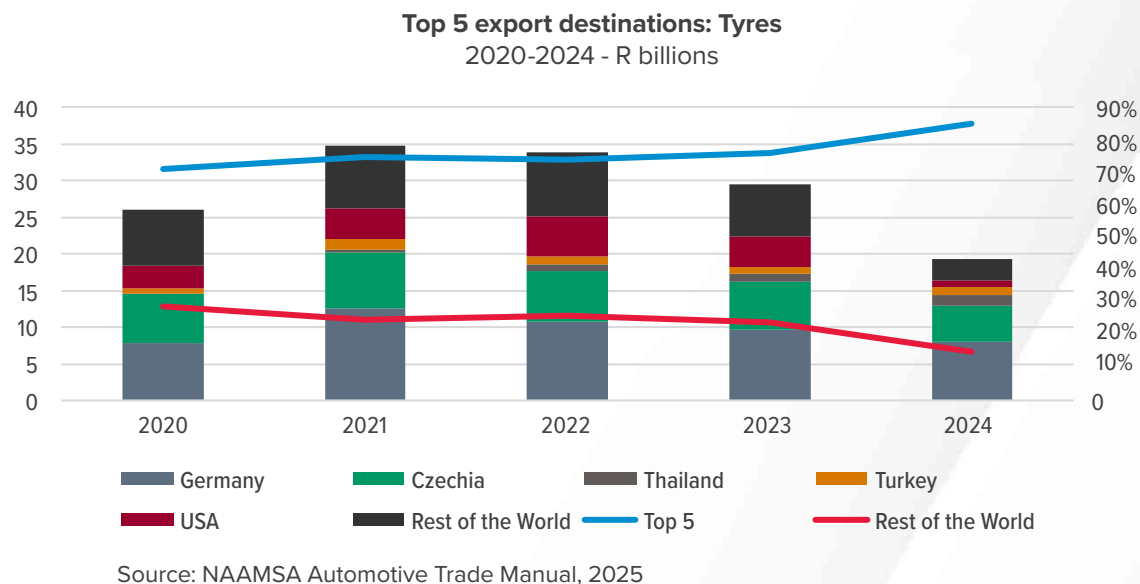
Top 5 export destinations: Tyres
2020-2024 - R billions



Source: NAAMSA Automotive Trade Manual, 2025

6. Gaps and challenges vs SAAM targets^{cont.}

Employment security is also threatened by production volatility at the OEM level. According to NAACAM, **volume cuts have become increasingly common across South African assembly plants** over the past two years, creating uncertainty for suppliers and workers alike.⁷² This trend was exemplified in mid-2025, when **Mercedes-Benz South Africa suspended C-Class production at its East London plant until the end of July**, citing sufficient stock levels.⁷³ Such disruptions ripple through the supply chain, undermining confidence and limiting prospects for stable employment growth. Because the auto economy supports a wider services ecosystem (finance, logistics, training, maintenance), each assembly slowdown or component plant closure has outsized employment effects in metro regions—particularly NMB and East London, where automotive activity underpins local demand across sectors.



Labour representatives add further weight to these concerns with NUMSA arguing that policy delays, particularly around the EV transition, have already cost South Africa opportunities to create new jobs in areas such as **battery manufacturing, charging infrastructure, and related supply chains**.⁷⁴ Without faster alignment of industrial and energy policy to global shifts, the 224,000-job target set by SAAM risks becoming unattainable. The Nelson Mandela Bay Business Chamber has echoed these concerns, calling for an **APDP mid-term review** and faster **finalisation of NEV policy** as critical steps to stabilise the sector and protect jobs.⁷⁵ Without faster alignment of industrial and energy policy to global shifts, the 224,000-job target set by SAAM risks becoming unattainable on the whole.

6.4 Transformation and inclusion

Transformation and inclusion remain the weakest-performing pillars under SAAM. The plan set clear goals: **15% of Tier 2 and 3 supplier value to come from black-owned businesses by 2025, rising to 25% by 2035**.⁷⁶ At the 2018 baseline, black-owned participation stood at under 10%, reflecting limited access to finance, procurement networks, and OEM supplier development programmes.⁷⁷ More than five years later, progress remains modest, with most evidence suggesting that the supplier landscape has not fundamentally shifted.

For one, industry stakeholders continue to argue that transformation has been hindered less by policy intent and more by the absence of dedicated capital instruments that can de-risk early black participation in supplier networks.⁷⁸ The **Nelson Mandela Bay Business Chamber** highlights that while financing for industrial expansion exists through national institutions, these mechanisms are **often structured for established firms rather than new entrants**, creating a mismatch between the scale of available funding and the needs of smaller black-owned suppliers.⁷⁹ As a result, the transformation pillar remains disproportionately dependent on voluntary OEM-driven programmes rather than systemic financial design. A bankable pipeline approach—pairing ring-fenced supplier finance with cluster-based services (quality labs, shared training, recycling/reman facilities in EIP/SEZ precincts)—can lower entry barriers for black-owned Tier-2/3 firms and convert APDP2 and SAAM transformation intent into measurable throughput.⁸⁰

Brazil's own experience provides a relevant parallel. Its localisation and supplier diversification successes were partly achieved through ring-fenced development finance that paired local-

6. Gaps and challenges vs SAAM targets^{cont.}

content incentives with mandatory SME inclusion thresholds.⁸¹ This coupling of industrial and social policy not only expanded local content but also diversified ownership structures over time.⁸² For South Africa, applying a similar dual-incentive model linking APDP2 benefits to verified empowerment milestones, could provide the structural push needed to rebalance the supplier ecosystem.

Stakeholders further warn that this underperformance poses both economic and political risks. NUMSA has argued that insufficient transformation weakens the industry's "social licence," undermining the legitimacy of continued state support for incentives such as APDP2.⁸³ Without meaningful inclusion of black-owned firms, the benefits of localisation risk becoming concentrated among established incumbents, leaving the wider supplier base stagnant.

Government points to pockets of progress, including the role of SEZs in supporting new entrants and skills development. The Tshwane Automotive SEZ, for instance, has anchored investment from both OEMs and suppliers, creating opportunities for SMEs and supporting early transformation initiatives.⁸⁴ Yet the scale of these interventions remains too limited to shift the overall trajectory.

The Nelson Mandela Bay Business Chamber has further emphasised that industrial policy cannot succeed without linking competitiveness to broader inclusion.⁸⁵ It has urged faster alignment of APDP and EV policy with transformation goals to ensure that the next wave of automotive investment generates tangible opportunities for historically disadvantaged businesses. Without stronger intervention - including supplier financing support, deeper integration into OEM procurement systems, and accountability mechanisms for transformation targets - the sector risks missing its 2035 goal of 25% black-owned participation.

6.5 Regional integration and competitiveness

SAAM envisioned a decisive expansion of South Africa's export footprint into Africa, targeting **200,000 units for 2025 and 700,000 by 2035**.⁸⁶ In reality, exports into Africa stood at fewer than **80,000 vehicles in 2024**, accounting for under **20% of total exports**.⁸⁷ Instead, South Africa's export profile remains dominated by the European Union, which absorbed close to **60% of outbound shipments** in 2024.⁸⁸ This overexposure makes the sector acutely vulnerable to regulatory shifts in Europe, where bans on new ICE vehicles will begin between 2030 and 2035.

Top 10 destinations for light vehicles (passenger cars and LCV) exported 2020 to 2024

Country of origin		2020	2021	2022	2023	2024
Total (R billion)		117,0	133,2	154,3	200,0	199,8
Ranking of exporters Number 1 to 5	1	VW	VW	VW	VW	VW
	2	Mercedes-Benz	Ford	Mercedes-Benz	Mercedes-Benz	Mercedes-Benz
	3	BMW	Toyota	Ford	Toyota	Ford
	4	Ford	BMW	BMW	BMW	BMW
	5	Toyota	Mercedes-Benz	Toyota	Ford	Toyota
Germany		25 736	42 671	67 399	85 776	80 731
UK		67 798	60 260	67 884	80 550	77 866
France		13 956	22 130	23 772	21 223	33 409
USA		8 584	6 821	20 566	19 590	24 681
Japan		23 645	15 765	23 750	23 207	20 068
Belgium		10 048	11 752	14 812	13 819	18 160
Spain		7 345	10 876	9 588	14 899	14 387
Italy		10 546	18 295	18 914	23 185	12 997
Turkey		3 063	1 710	1 674	4 382	12 349
Australia		13 041	9 675	11 507	11 996	10 476
Other		86 968	97 485	91 077	100 168	84 956
Total (units)		270 730	297 440	350 943	398 795	390 080
Light vehicle production		422 904	471 432	524 895	598 658	567 946
% of production exported		64,00%	63,10%	66,90%	66,60%	68,70%
Number of base models produced		11	10	10	10	10
Total (units)		38 446	47 143	52 490	59 866	56 795

Source: NAAMSA Automotive Trade Manual, 2025

6. Gaps and challenges vs SAAM targets^{cont.}

This export imbalance underscores the urgency of South Africa's regional diversification agenda. The Nelson Mandela Bay Business Chamber notes that while Africa presents a natural growth frontier, **the current trade infrastructure and regulatory frameworks remain fragmented and cost-intensive**, limiting South Africa's ability to leverage its manufacturing scale.⁸⁹ It argues that **the country's logistics and customs inefficiencies effectively neutralise the geographic advantage it holds** as the continent's most industrialised automotive base.

Brazil's approach to regional integration offers a telling parallel considering that its automotive sector became Latin America's export hub only after bilateral supply-chain harmonisation reduced tariff friction and streamlined component trade with neighbouring countries.² For South Africa, achieving a similar outcome under the AfCFTA will depend on accelerated alignment of rules of origin, customs digitisation, and logistics investment.^{90,91} Without these structural enablers, SAAM's regional export targets risk remaining aspirational rather than achievable. For African markets, a diverse NEV palette, including Hybrid Energy Vehicles (HEV), plug-in hybrid energy vehicles (PHEV), battery-energy vehicles (BEV) and targeted alternative-fuel platforms, will be essential to match price points, grid realities, and usage patterns, provided rules-of-origin and parts logistics under AfCFTA are harmonised to support regional CKD value chains.⁹²

The regional competitiveness gap is underscored by the rise of peer markets. Morocco surpassed South Africa in 2024 with production of **614,000 units**, leveraging EU trade agreements, strong logistics, and aggressive policy support to expand its foothold.⁹³ In parallel, Egypt and Tunisia have also positioned themselves to attract new EV investment, challenging South Africa's status as Africa's premier automotive hub.⁹⁴ Business Leadership South Africa

has cautioned that without urgent diversification in export markets, the country risks being "over-leveraged" to any one single market and falling behind its African peers.⁹⁵

There are, however, areas of strength to build on. Government has pointed to South Africa's role as one of only **seven global production sites for Toyota's Corolla Cross hybrid**, which is exported to **40 countries worldwide**, as proof that the sector can compete at a global level when conditions align.⁹⁶ Yet without significant progress in regional market penetration under AfCFTA, and stronger policy execution to capture EV-related investment, South Africa risks ceding its competitive edge in both African and global markets.

6.6 Cross-cutting bottlenecks

The sustainability of South Africa's automotive sector is constrained by structural bottlenecks that cut across all five SAAM pillars. These include weaknesses in road, rail, and port infrastructure; unreliable energy supply; and persistent policy execution delays. Without decisive action, these systemic challenges risk undermining the gains of initiatives such as APDP2 and the EV White Paper.

The **Nelson Mandela Bay Business Chamber** identifies these bottlenecks as the single greatest threat to the viability of automotive manufacturing in the Eastern Cape, where nearly half of South Africa's OEM production and component activity is concentrated.⁹⁷ It warns that **logistics inefficiencies and energy instability have already eroded competitiveness** in the province's industrial hubs, forcing some Tier 2 and 3 suppliers to reduce shifts or relocate to Gauteng and KwaZulu-Natal.^{98,99} The Chamber's 2025 briefing further emphasises that **freight congestion and port delays** now extend lead times by as much as 40% for certain automotive exports, severely limiting just-in-time manufacturing.

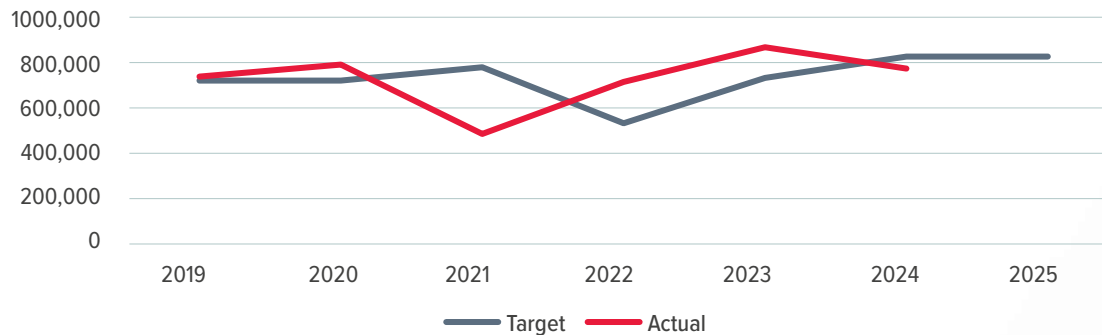
These vulnerabilities have a direct bearing on SAAM delivery. Without restoring reliability in rail freight and port throughput, and without energy stability to support 24-hour production cycles, the **production and localisation pillars of SAAM will remain out of reach**.¹⁰⁰ Brazil's own experience demonstrates the value of sustained infrastructure modernisation and decentralised logistics; its gradual shift from coastal port dependence to inland freight corridors reduced production costs and decongested major OEM zones.¹⁰¹ South Africa's ability to emulate such reforms will depend on sustained capital injection and coherent execution across state-owned entities and industrial zones. Embedding EIP principles within SEZ and corridor upgrades can compound these gains by shortening supply chains, lowering waste and energy costs, and improving just-in-time reliability for Tier-2/3 suppliers.¹⁰²

6.6.1 Logistics and ports

Congestion at South Africa's ports continues to impose major costs on exporters. Industry groups such as the South African Association of Freight Forwarders (SAAFF) have warned of rising delays and spiralling port costs, with media outlets highlighting that South Africa's ports are "falling behind" global peers, with direct consequences for export competitiveness.^{103,104} The Transnet Port Terminals authority itself acknowledges the need for significant upgrades.¹⁰⁵ In 2024, it was reported that Transnet secured a **US\$1 billion African Development Bank loan (R17+ billion)** to modernise its infrastructure,¹⁰⁶ yet Reuters noted in early 2025 that rail volumes remained below target.¹⁰⁷ By August 2025, government announced the opening of freight rail to private operators in an effort to improve capacity and reliability.¹⁰⁸ At the same time, disputes over port concessions, such as Maersk's challenge of the ICTSI partnership at the port of Durban, underscore governance fragilities within the system.¹⁰⁹

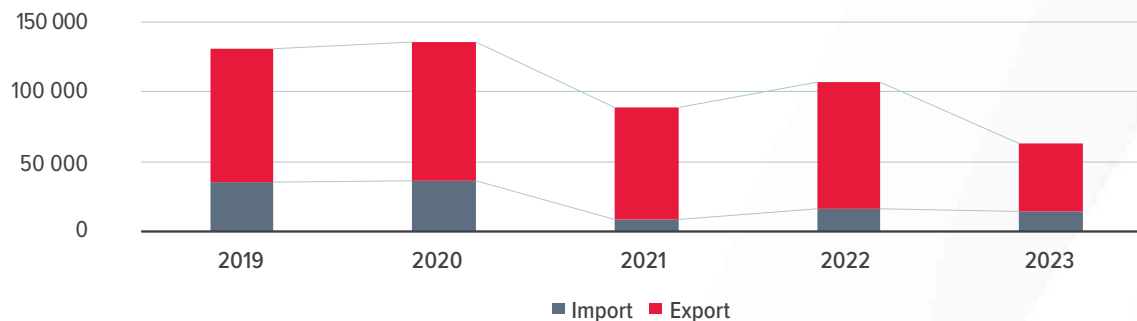
6. Gaps and challenges vs SAAM targets^{cont.}

Port terminals - Number of vehicles exported
2019-2024



Data source: Transnet, 2020 – 2024

Freight rail - Number of vehicles transported
2019-2023



Data source: Transnet, 2020 – 2023

6.6.2 Roads and freight

As rail capacity has declined, greater reliance has been placed on long-haul trucking along the N2 and N3 corridors, exacerbating congestion and raising costs. The World Bank has cautioned that transport inefficiencies directly affect South Africa's climate footprint and competitiveness,¹¹⁰ with **30% of South Africa's paved road network also being in very poor condition** thereby compounding risks for freight reliability.¹¹¹ In response, government has explored measures such as dedicated freight lanes and restricted truck operating hours to shift cargo back to rail.¹¹²

6.6.3 Electricity

Power instability continues to disrupt production schedules and raise operating costs. Ford publicly warned in 2023 that "crippling logistics and energy woes" were undermining its South African operations¹¹³ - Eskom load-shedding was further blamed for slowing automotive output due to downtime and additional costs.¹¹⁴ While Eskom has since highlighted improvements in generation performance and reductions in diesel spend,¹¹⁵ industry stakeholders remain sceptical about whether these gains can be sustained. The market entered winter in mid-2024 on "a much better footing,"¹¹⁷ with this continuing and improving in the same period over 2025,¹¹⁸ but

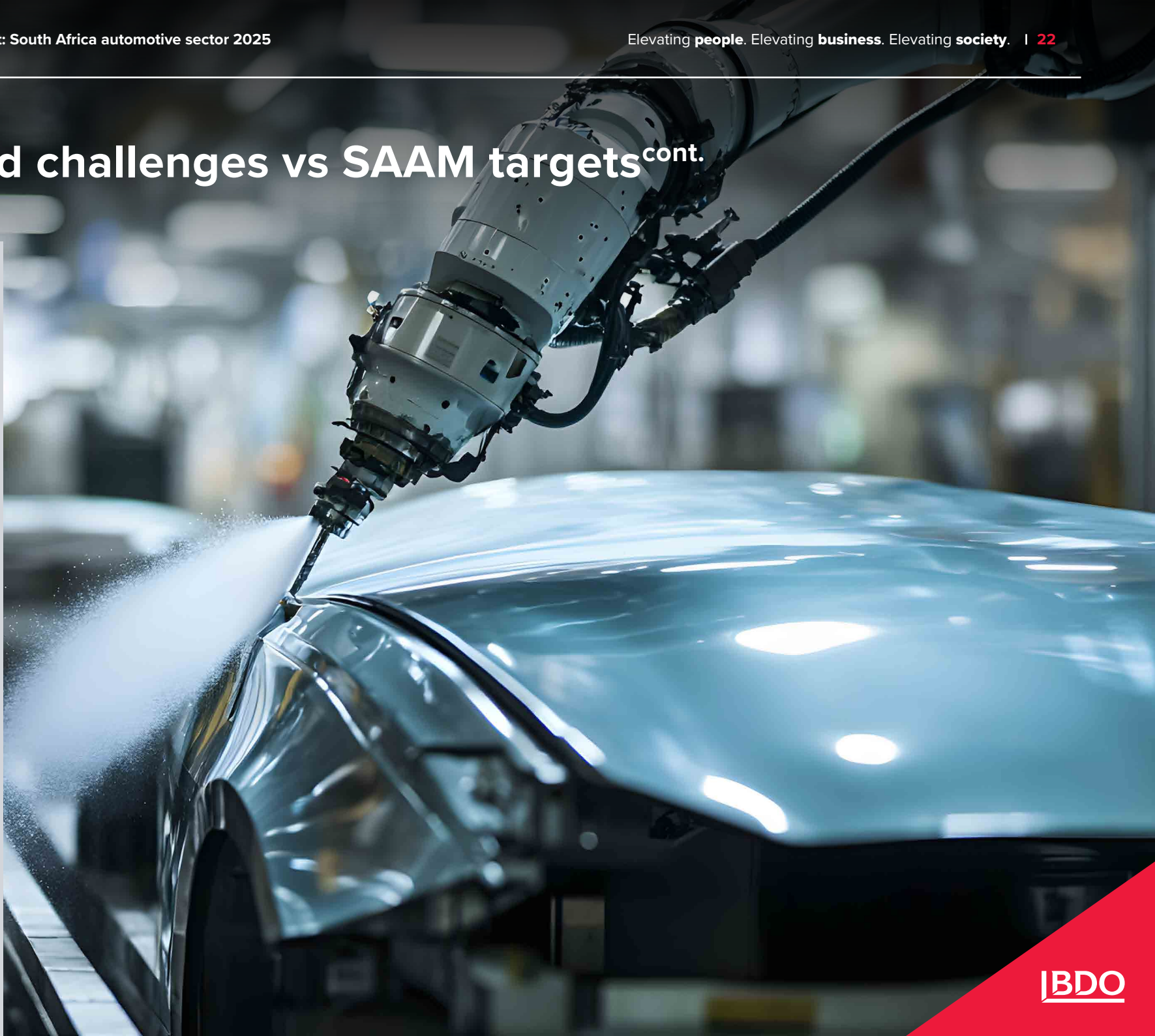
automakers and suppliers continue to invest in costly backup solutions, eroding competitiveness. Until grid stability is bankable, a technology-neutral NEV sequence that leans on HEV/PHEV can safeguard jobs and localisation while charging networks and renewable penetration scale.

6. Gaps and challenges vs SAAM targets^{cont.}

6.6.4 Policy delays

Infrastructure fragilities are compounded by slow policy execution. NUMSA has argued that delays in implementing the EV White Paper have already cost South Africa job opportunities in electrification supply chains.¹¹⁹ The Nelson Mandela Bay Business Chamber has likewise called for an **APDP mid-term review** and **faster finalisation of NEV policy** to restore investor confidence.¹²⁰ Without stronger policy follow-through, these bottlenecks will continue to blunt South Africa's competitiveness in both traditional ICE production and the emerging EV landscape.

In sum, cross-cutting bottlenecks in logistics, infrastructure, and energy, all combined with policy uncertainty, represent the most immediate risks to the sector. Unless these systemic weaknesses are addressed decisively, progress in production, localisation, employment, transformation, and competitiveness will remain constrained.



7. Stakeholder perspectives

Stakeholder perspectives across the automotive value chain reveal both the **resilience and fragility** of South Africa's industrial base. Industry leaders, business chambers, and manufacturing representatives express broad confidence in the country's policy direction but warn that delivery gaps, infrastructure fragility, and uneven competitiveness risk undermining its long-term potential. Their views converge around six interlinked priorities: 1) protecting industrial depth through CKD localisation; 2) restoring policy credibility through timely execution; 3) addressing affordability as a structural demand constraint; 4) stabilising infrastructure as a cost and confidence driver; 5) strengthening investor trust through fair, inclusive industrial policy; and 6) managing the technology transition with realism. Collectively, these insights frame the next stage of SAAM's implementation challenge in **not designing new policy so to speak, but executing existing commitments with speed, coherence, and accountability**.

7.1 Industrial depth and the CKD-SKD divide

Stakeholders agree that South Africa's long-term manufacturing viability depends on protecting **CKD** production as the sector's industrial backbone. CKD manufacturing generates far greater employment and supplier development benefits than SKD assembly, which most view as a temporary entry step. Without clear progression rules, the country risks repeating Brazil's early 2000s experience, when SKD assembly brought capital inflows but hollowed out the local supplier base. The Nelson Mandela Bay Business Chamber similarly notes that Chinese automakers entering Brazil initially relied on imported kits, undermining local industrialisation until phased localisation requirements and tariffs were imposed.¹²¹

Stakeholders therefore advocate a similar "graduation covenant" under SAAM 2035: SKD entry permitted only where firms commit to timed CKD transition milestones, monitored through APDP2 incentives.¹²² Stakeholders further note that CKD's multipliers extend beyond components into logistics, finance, tooling, maintenance and workforce training, all benefits that SKD assembly cannot replicate at scale. Protecting CKD therefore safeguards not only plant-level employment but the wider metro economy that depends on sustained local content and supplier throughput.

"To achieve the targets of the masterplan, we must have significant volumes of high local-content CKD manufacturing. SKD [may be] a stepping stone but employment remains low and generally local content is minimal. To achieve this high local-content CKD manufacturing we need to attract component and vehicle manufacturing investment which will require high exports [since] the local market is too small, financial support, policy clarity, and a sense of comfort for investors that their investments are safe, especially with regards to BEE and land expropriation. In addition to this, the basics relating to safety and security, logistics, and utility infrastructure must be in place or be in place rapidly to prevent further divestment. So the one thing government needs to do is to create an investor- and manufacturing-friendly environment by doing all of the above."

Kelvin Naidoo -

Manufacturing and Technical Director, AutoX

"Lessons from Brazil – the world's sixth-largest car market and gateway to South America – show how Chinese automakers repurposed idle facilities to cut setup costs and enter the market faster. They imported most components from China, and SKD assembly quickly eroded the local manufacturing and supplier base. Labour standards were weak until Brazil enforced localisation and local-labour rules. BYD had promised 10 000 jobs but delivered only 1 000. After Brazil introduced import tariffs in 2024, rising to 35% in 2026, Chinese firms stock-piled imports to pre-empt the tariffs."

Denise van Huyssteen -

CEO, Nelson Mandela Bay Business Chamber

"Deep local supply chains and genuine technology transfer are essential. A positive example is BYD's collaboration with Brazilian engineers to develop a flex-fuel hybrid engine using ethanol, which is a [positive] step toward real localised R&D. South Africa's auto policy should [place] supplier-base strengthening at the centre of development."

Denise van Huyssteen -

CEO, Nelson Mandela Bay Business Chamber

7. Stakeholder perspectives^{cont.}

“Government needs to drive macro-economic stability to regain investor confidence by tackling [crime and corruption] and strengthening foreign-trade relations. South Africa depends heavily on international brands, and consumers chase value for money; they’ll buy cheaper imports if they can get the same product for less. That’s why the current talks with Asian markets to increase local production instead of importing finished vehicles will be crucial if they succeed.”

Yoliswa Monakali -
Finance Manager, Bluespec

“The industry should [establish] broad-based skills centres so it can stay competitive, especially artisan training to ensure the technical and operational skills that the automotive sector depends on.”

Yoliswa Monakali -
Finance Manager, Bluespec

Together the perspectives underline that **industrial depth equals industrial sovereignty**. CKD manufacturing embeds skills, technology and domestic supply capacity in ways SKD assembly cannot. For South Africa to stay competitive through 2035, stakeholders argue, incentives must explicitly reward localisation progress and penalise stagnation, while infrastructure reliability and macro-stability form the essential backdrop for renewed investment confidence.

7.2 Policy credibility and delivery gaps

While stakeholders broadly commend the coherence of South Africa’s automotive policy framework, they express growing unease over **slow and inconsistent implementation**. Respondents emphasise that credibility now rests less on policy design and more on the visible pace of delivery, particularly on the NEV White Paper, APDP 2 execution, and the alignment of fiscal incentives with industrial timelines. Several warn that prolonged delays are eroding investor confidence at a time when global OEMs are finalising their next-generation production allocations. A recurring theme is execution timing: stakeholders argue that the lag between policy announcement and fiscal activation must shorten, with pre-emptive capitalisation in 2025–2026 to bridge incentive gaps and avoid an investment vacuum.

The Nelson Mandela Bay Business Chamber’s similarly notes that South Africa’s policy “time-lag” between announcement and fiscal activation (for example, the NEV 150% investment allowance effective only in 2026) has created an investment vacuum, while regional competitors such as Morocco are offering immediate certainty.¹²³ Stakeholders therefore call for faster fiscal execution, stronger inter-departmental coordination, and explicit accountability mechanisms to restore credibility.

“I think one of the key features of this industry is long-term policy certainty. We had the MIP from 1995 to 2012, then the APDP from 2013 to 2021, and now the Masterplan with APDP 2. It’s a very cleverly designed tariff-based system. Without the support programme, there won’t be an industry. What we need now is just to tweak the programme; improve it and include EVs in it. The main problem is that the White Paper left out the recommendations that we worked on together between NAAMSA and the DTIC. We understand the fiscal constraints better than government, and when we approach them, we do it with evidence-based solutions. The programme is good, it just needs to be tweaked.”

Norman Lamprecht -
Chief Trade and Research Officer, NAAMSA

“We cannot afford more lip service. Investors will not wait another five years for execution on NEVs, they’ll just go elsewhere, and we risk falling irreversibly behind Morocco and others.”

Martin Sanne -
AIDC-EC Chair of Automotive Engineering,
Nelson Mandela Metropolitan University

“If we don’t execute on infrastructure and policy, EV adoption will be stalled from the start. Consumers won’t buy what they can’t charge or maintain, no matter how much policy promises.”

Brandon Cohen -
Chairman, National Automotive Dealers Association

“Government needs to [drive] macro-economic stability to regain investor confidence by tackling [crime and corruption] and strengthening foreign-trade relations. South Africa depends heavily on international brands, and consumers are driven by value for money. That’s why the current talks with Asian markets to increase local production instead of importing finished vehicles will be critical if they succeed.”

Yoliswa Monakali -
Finance Manager, Bluespec

7. Stakeholder perspectives^{cont.}

“Local manufacturing is under threat from dumping and cheap imports allowed through trade-agreement loopholes. Government enforcement [is] not strong enough. Unless we tighten enforcement, we’ll keep losing competitiveness. We can’t keep allowing fully built-up vehicles from countries without reciprocal trade or localisation commitments.”

Akhona Mosiane -
Managing Director, Garden Route
Man

“South Africa needs to be strategic about what it wants to attract and set clear conditions for market entry. Too many investors come in with limited commitments and leave within a few years. Incentives must reward long-term localisation, not short-term assembly, and policy consistency is critical; without a stable regulatory environment, business can’t plan or reinvest.”

Denise van Huyssteen -
CEO, Nelson Mandela Bay
Business Chamber

Collectively the perspectives describe a policy environment that is **strategically coherent but operationally slow**. The call from industry is not for new frameworks but for tangible delivery: time-bound activation of incentives, transparent enforcement of trade rules, and coherent communication across government departments. Only then, stakeholders argue, will South Africa regain the investor confidence needed to translate SAAM’s policy ambition into industrial reality.

7.3 Affordability, imports and market disruption

Stakeholders agree that **affordability has become the single biggest determinant of South African vehicle demand**, reshaping competitive dynamics across the industry. Years of stagnant income growth, rising interest rates and constrained credit availability have placed new-car ownership beyond the reach of many households. The result is a cascading “buy-down” effect; from premium to mass-market, and from new to used vehicles, accompanied by a sharp rise in lower-cost imports, particularly from Chinese and Indian brands. This structural shift, while expanding mobility access, threatens to weaken localisation efforts and entrench import dependence.

Stakeholders note that the affordability crisis is not simply cyclical but **structural and behavioural**. Consumers now prioritise value, availability and flexible finance above brand loyalty. Chinese entrants have capitalised on this by offering competitively priced models, shorter delivery times and innovative financing schemes, effectively filling the affordability vacuum left by established OEMs. They add that affordability-driven import penetration carries ecosystem consequences: as local assembly volumes thin, adjacent services like logistics, financing, training and maintenance, also feel the strain, particularly in Nelson Mandela Bay and East London, where automotive spend underpins local demand.

Dealer networks add that affordability challenges are directly shaped by South Africa’s vehicle taxation structure. NADA notes that multiple layers of **duty, VAT and ad-valorem tax applied** to imported vehicles significantly **elevate retail prices, constraining mobility access**, particularly for first-time buyers and lower-income households.¹²⁴ The association cautions that while enforcing existing trade rules is appropriate, any move toward higher protectionist tariffs would risk amplifying price pressures in an already cost-sensitive market.

“There’s an affordability crisis in the country, and that’s what the current market dynamic is addressing. It’s an over-reaction that’s defying the economy, but it should consolidate next year. The Chinese typically enter at low prices and increase over time, that’s their normal strategy. Not all their vehicles are cheap, but innovative financing keeps them attractive. They’ve disrupted the market and helped address affordability, boosting new-vehicle sales. This is not going away and will likely increase.”

Norman Lamprecht -
Chief Trade and Research Officer, NAAMSA

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Chief Trade and Research Officer, NAAMSA

7. Stakeholder perspectives^{cont.}

This affordability dynamic is reflected in market data: **the average new-car purchase price in South Africa fell from R501 901 in 2023 to R490 478 in 2024**, yet price sensitivity remains acute, especially in the sub-R300 000 segment where demand is strongest.¹²⁵ These lower-priced models are typically supplied by imported brands, meaning tariff and tax structures have a decisive impact on market access. With import duties on passenger vehicles already set at 25%, further tariff escalation would disproportionately affect the very price bands that sustain overall new-vehicle volumes.¹²⁶

Across the continent, affordability constraints are even more pronounced. The **Automotive Industry Development Centre in the Eastern Cape** highlights that most vehicles entering African markets are **low-cost second-hand imports**, largely from Japan, which undermines regional industrialisation and localisation. Without decisive continental alignment, especially under AfCFTA, local production will remain stunted and regional OEM investment shallow.

"Affordability remains the main problem across Africa. Most cars sold are low-cost second-hand imports from Japan and elsewhere. African countries need to shift to buying and building vehicles locally, 'in Africa, for Africa', or the market will never develop."

Martin Sanne -
AIDC-EC Chair of Automotive Engineering,
Nelson Mandela Metropolitan University

Domestic manufacturers and suppliers add that cost pressures are compounded by rising input prices and tariff loopholes that allow **dumped imports** to undercut local producers. The tyre industry, once employing thousands, has been hit particularly hard, with imports now accounting for almost 60% of domestic consumption. Without stricter enforcement of anti-dumping duties, South Africa will continue to lose industrial capacity even in the aftermarket segments that traditionally sustained employment.

"Local manufacturers can't keep absorbing costs or pushing them onto consumers when cheaper imports flood the market. We need effective anti-dumping duties and tariffs to close loopholes and protect assemblers. Tyre imports already make up nearly 60% of the market, displacing local producers like Firestone and Goodyear because it's cheaper to import than manufacture. Even existing anti-dumping measures are circumvented through third-country routes such as Thailand or Vietnam."

Denise van Huyssteen -
CEO, Nelson Mandela Bay Business Chamber

"Component localisation levels have stagnated at 39%, [which] could be an unintended consequence of SAAM structure [that] allows export credits to be utilised to off-set tariffs on imported components. [We] need alternatives to monetise excess PRCCs other than selling them; these are bought by foreign manufacturers and used to bypass tariffs, contrary to [the] intent to drive local production and export."

Denise van Huyssteen -
CEO, Nelson Mandela Bay Business Chamber

These converging insights portray a market caught between **affordability pressures and industrial erosion**. On one hand, cheaper imports sustain sales and keep mobility within reach for consumers. On the other, they dilute localisation gains, shrink manufacturing economies of scale, and expose South Africa to external shocks in trade and logistics. Stakeholders therefore advocate a dual-track response: short-term fiscal relief for consumers (such as concessional financing or VAT reduction on locally produced vehicles), alongside long-term industrial protection through stricter tariff enforcement and incentivised localisation.

7.4 Infrastructure, competitiveness and resilience

Across stakeholders, infrastructure reliability emerges as the **defining constraint on South Africa's automotive competitiveness**. Industry participants describe an environment where chronic energy insecurity, congested ports and unreliable rail networks, have eroded the cost advantages once underpinning local manufacturing. Even with steady policy progress, the industry's ability to localise production, meet export deadlines and sustain employment now hinges on whether government can stabilise logistics and electricity supply.

Stakeholders stress that these bottlenecks are not simply operational but **strategic**: unless resolved, they jeopardise the localisation and production pillars of SAAM 2035. The Nelson Mandela Bay Business Chamber warns that infrastructure failures are already driving supplier contraction, particularly in the Eastern Cape, while NAAMSA and AIDC-EC note that production volatility and escalating backup-energy costs are steadily undermining competitiveness.

7. Stakeholder perspectives^{cont.}

"Infrastructure reliability is fundamental to SAAM's success. If we don't fix rail, ports and energy stability to support continuous production, the localisation and production goals will stay out of reach."

Martin Sanne -
AIDC-EC Chair of Automotive Engineering,
Nelson Mandela Metropolitan University

"Port throughput has definitely improved since the Transnet crisis — we've gone from around 3 000–4 000 containers a day to 9 000–12 000 depending on weather and breakdowns. Trucking and rail are also getting better. It's nowhere near where we need to be, but it's much better than last year."

Brandon Cohen -
Chairman, National Automotive Dealers Association

"Infrastructure bottlenecks are the single biggest threat to the Eastern Cape's automotive base, which accounts for nearly half of South Africa's OEM and component output. Energy instability and logistics delays have already eroded competitiveness, forcing Tier 2 and 3 suppliers to cut shifts or relocate. Port congestion now extends export lead times by up to 40%, undermining just-in-time production."

Denise van Huyssteen -
CEO, Nelson Mandela Bay Business Chamber

"Power instability keeps disrupting production and driving up costs. Automakers and suppliers are forced to invest in expensive backup systems, which steadily erodes competitiveness."

Norman Lamprecht -
Chief Trade and Research Officer, NAAMSA

While stakeholders highlight progress in port throughput and limited rail recovery, they caution that **incremental gains are not enough**. Sustained competitiveness will require coordinated investment in freight-rail reform, port digitalisation and embedded renewable energy generation for industrial zones. Some also added that competitiveness also depends on "soft" infrastructure, including skills and technical capability, to maintain production resilience once physical systems stabilise. They recommend **EIP** design within existing SEZ corridors, co-locating suppliers, recyclers and shared utilities, to cut energy and waste costs, improve **just-in-time reliability**, and shorten internal freight legs for Tier-2/3 firms.

"To strengthen competitiveness, the sector needs broad-based skills centres, particularly artisan training, to maintain the technical and operational capabilities the industry depends on."

Yoliswa Monakali -
Finance Manager, Bluespec

When brought together the perspectives underscore that infrastructure reform is not a peripheral enabler but rather **the core industrial policy challenge**. Without dependable logistics, affordable energy and a steady supply of skilled labour, localisation and export ambitions will remain aspirational. Stakeholders frame infrastructure renewal as the single most effective incentive government could deliver as the foundation on which every other element of SAAM 2035 ultimately rests.

7.5 Investor confidence and industrial inclusion

Across stakeholder engagements, two issues consistently surface as intertwined constraints on long-term sector resilience: **investor confidence** and **meaningful industrial inclusion**. Respondents caution that confidence in South Africa's automotive environment depends on visible rule-of-law, consistent incentives, and transparent enforcement, while inclusion requires accessible finance and procurement for smaller, black-owned suppliers. Holistically, both are essential to sustaining localisation under SAAM.

The **Nelson Mandela Bay Business Chamber** emphasises that South Africa's investment challenge is not an absence of opportunity, but a lack of **discipline and predictability** in how it attracts and manages investors. Unclear entry conditions and inconsistent policy execution have, in the Chamber's view, encouraged "fly-by-night" participation rather than long-term manufacturing commitments. The Chamber has additionally noted that incentive use has too often rewarded output volume instead of sustainable localisation.¹²⁷

7. Stakeholder perspectives^{cont.}

“South Africa needs to be strategic about what it attracts and set clear entry conditions. Too many investors arrive with limited commitments and exit within a few years. Incentives must reward long-term localisation, not short-term assembly, and policy consistency is vital; without a stable regulatory environment, businesses can’t plan or reinvest.”

Denise van Huyssteen -
CEO, Nelson Mandela Bay Business Chamber

Other stakeholders like **Garden Route Manufacturing** echo this concern, warning that weak enforcement of trade and localisation rules has allowed import dumping to undermine local industry. The company notes that the erosion of manufacturing share is not merely a policy lapse but a **confidence signal**: when enforcement is inconsistent, compliant firms lose faith and potential investors retreat.

“Local manufacturing is under threat from dumping and cheap imports allowed through trade-agreement loopholes. Unless enforcement improves, we’ll keep losing competitiveness. We can’t continue allowing fully built-up vehicles from countries without reciprocal localisation commitments.”

Akhona Mosiane -
Managing Director, Garden Route Man

Both perspectives converge on the single conclusion that predictability and fairness are now the real incentives investors seek. The Nelson Mandela Bay Business Chamber further stresses that national funding instruments often remain geared toward large incumbents, leaving emerging suppliers dependent on OEM goodwill rather than systemic finance.¹²⁸ Practical proposals include ring-fenced supplier finance, shared quality labs and training facilities in SEZ/EIP precincts, and procurement scorecards that weight Tier-2/3 inclusion, moving transformation from intent to measurable throughput. Without accessible capital and procurement integration, transformation targets will continue to lag, weakening the social licence underpinning automotive incentives.

7.6 Technology transition and EV readiness

Stakeholders unanimously acknowledge that South Africa’s automotive future is inseparable from the global shift toward **NEVs**, yet they differ on the pathway and pace of that transition. While the consensus is that electrification is inevitable, most warn that policy and infrastructure readiness remain **misaligned with economic realities**. The debate, therefore, is not whether to transition, but how and how fast South Africa can adapt its manufacturing base, grid capacity, and consumer market to remain competitive. Stakeholders emphasise that the transition should be framed around NEVs more broadly - HEV, PHEV, BEV and targeted alternative-fuel platforms - to balance decarbonisation with grid readiness, affordability and export timing.

The **Automotive Industry Development Centre in the Eastern Cape** highlights that global EV adoption is nearing its tipping point, with electric and hybrid models set to dominate within the decade. For South Africa, this presents both urgency and opportunity as failing to prepare could lock the country out of future export markets, while proactive adaptation could anchor it within emerging global value chains.

“South Africa will ultimately have to convert to electric mobility. Global EV adoption is approaching a tipping point — once 5% to 15% of sales are electric, the market flips. As fuel costs rise, ICE vehicles become uneconomical, and those who can charge from renewables will drive virtually for free.”

Martin Sanne -
AIDC-EC Chair of Automotive Engineering,
Nelson Mandela Metropolitan University

NAAMSA cautions that the country must pursue a **pragmatic, technology-neutral transition**. While consumer appetite for innovation is growing, the exclusion of hybrid and plug-in models from the top-tier 150% investment allowance has weakened investor confidence. Local OEMs such as BMW and Ford who invested heavily in hybrid assembly now face structural disadvantage compared to fully electric imports. NAAMSA therefore urges policymakers to expand the incentive scope and align it with practical localisation opportunities.

7. Stakeholder perspectives^{cont.}

“Consumers are willing to pay a premium for new technology, which explains the success of hybrids like the Toyota Cross. But government’s decision to exclude hybrids and plug-ins from the 150% EV incentive has hurt investors such as BMW and Ford, who had already committed capital in good faith. It’s unrealistic to localise battery cells, they make up 75% of the pack and require billions in investment, so South Africa’s pragmatic route is to join the EV value chain through mineral beneficiation and battery assembly.”

Norman Lamprecht -
Chief Trade and Research Officer, NAAMSA

“EV sales grew sharply from a low base, but momentum has slowed. Full EVs remain very expensive, with a 25% import duty, and resale values are weak. Buyers worry about fast-advancing technology and poor residuals; it’s like owning a ‘cellphone on wheels.’ Given South Africa’s coal-based grid, many consumers also question whether EVs are truly ‘green.’”

Brandon Cohen -
Chairman, National Automotive Dealers Association

In line with this, participants call for technology-neutral incentives that sequence localisation opportunities across the NEV palette, rather than privileging a single drivetrain ahead of infrastructure readiness.

On the consumer side, the **National Automobile Dealers’ Association** points to the cost and infrastructure barriers still limiting EV uptake. Despite early enthusiasm, sales remain confined to high-income buyers due to elevated prices, weak residual values, and doubts about environmental benefit given South Africa’s coal-based grid. Dealers observe that the country’s market readiness remains low until affordability, charging networks, and energy sustainability improve simultaneously.

These perspectives align with international evidence. The **Nelson Mandela Bay Business Chamber** notes that many advanced economies have recently slowed their EV roll-outs and extended hybrid lifespans to protect manufacturing employment.¹²⁹ Similarly, the Chamber’s brief on Brazil’s experience shows that ethanol-hybrid development provided a low-risk transition model combining localisation with decarbonisation.¹³⁰ As the Chamber explains, BYD’s collaboration with Brazilian engineers on a flex-fuel hybrid engine demonstrated that **localised innovation** can coexist with global technology shifts.

Together the perspectives form a unified message from across the value chain: South Africa’s automotive competitiveness will hinge not only on policy ambition but on delivery discipline. Stakeholders highlight that localisation, infrastructure recovery, inclusive financing, and a phased technology transition, are inseparable pillars of the same industrial vision. The industry’s fundamentals remain strong, but momentum depends on converting consensus into execution. The following section therefore shifts from perspective to prescription, identifying the enablers and levers required to translate this stakeholder consensus into measurable industrial outcomes.

8. Enablers and levers for SAAM delivery

While South Africa's automotive sector faces significant gaps in meeting SAAM's 2035 targets, there are also clear enablers that can unlock progress if leveraged effectively. These lie in four clusters: infrastructure reform, industrial ecosystems, policy certainty, and investment competitiveness.

8.1 Infrastructure reform

Infrastructure remains the backbone of automotive competitiveness. Chronic inefficiencies in South Africa's ports and freight system have undermined export reliability and raised costs. The South African Association of Freight Forwarders has warned of spiralling congestion costs,¹³¹ while broader freight media outlets have argued that South Africa's ports are "falling behind" global peers.¹³² Disputes over port concessions, such as the ICTSI–Maersk conflict, highlight governance fragilities.¹³³ On the positive side, Transnet has secured a **US\$1 billion African Development Bank loan (R17+ billion)** to modernise infrastructure,¹³⁴ while government has opened freight rail to private operators in an effort to improve capacity.¹³⁵

The **Nelson Mandela Bay Business Chamber** argues the binding constraint is less policy direction than a time-lag in fiscal execution, urging immediate, pre-emptive financing to close the 2025–2026 delivery gap while freight and energy reliability are restored.¹³⁶ Road networks, which carry a growing share of cargo due to rail underperformance, also face challenges. Around **30% of South Africa's paved road network is in very poor condition**,¹³⁷ while proposals for dedicated freight lanes and restricted truck hours aim to ease congestion.¹³⁸ Energy reliability remains another critical lever. While Ford and others have warned that load-shedding is undermining operations,¹³⁹ Eskom has reported improvements in generation with the energy availability factor reaching 66% in August 2025,¹⁴¹ the peak time for

power demand. Sustaining this momentum will be vital to stabilising production and lowering operating costs.

Embedding EIP principles into port/rail node upgrades, like shared utilities, by-product exchange, on-site recycling and energy services, can cut operating costs for clustered suppliers and improve just-in-time reliability while infrastructure recovery proceeds. The Chamber further links **energy stability** directly to competitiveness and R&D productivity, warning that rolling outages raise costs and delay innovation cycles.¹⁴² Because OEM activity anchors local services ecosystems (logistics, finance, insurance, skills institutions), infrastructure reliability directly influences metro-wide employment and demand in hubs such as Nelson Mandela Bay and East London.

8.2 Industrial ecosystems and SEZs

SEZs remain one of South Africa's strongest levers for industrialisation. The Tshwane SEZ has attracted billions in OEM and supplier investment, creating thousands of jobs and anchoring localisation programmes.¹⁴³ Similarly, the Coega and Tshwane SEZs are being positioned to integrate rail and logistics corridors with supplier development, offering opportunities to deepen Tier 2 and 3 capacity and broaden black-owned participation. The Nelson Mandela Bay Business Chamber recommends **front-loading IDC capital** into NEV-linked supplier lines inside SEZs (packs, motors, recycling) as the fastest way to lock in localisation and jobs before 2026 incentives begin.¹⁴⁴

The Chamber also proposes using APDP2's 'deeming' provisions to recognise beneficiation-based precursors as local value-add during the ramp-up phase, aligning supplier upgrading with SEZ pipelines. NUMSA has in parallel emphasised that transformation must be built into such initiatives to ensure that localisation benefits do not accrue only to incumbents.¹⁴⁵ If scaled up, SEZ-led clusters could accelerate both localisation and transformation goals.

In parallel with SEZs, EIPs can deepen cluster performance by co-locating suppliers, recyclers and services with shared utilities and circular-economy infrastructure including waste heat, water reuse, by-product exchange. This reduces energy and logistics costs for Tier-2/3 firms, strengthens compliance through joint quality labs shared testing, and shortens supply lines between OEMs and their local partners.¹⁴⁶ These precincts should also integrate the wider OEM ecosystem to include logistics operators, tooling and maintenance providers, banks/insurers, training institutions and municipal services, as a way to reflect how automotive clusters underpin local economies beyond component manufacture.

8.3 Policy uncertainty and technology transition

Policy credibility is central to SAAM delivery. The APDP2 framework remains in place until 2035, aligning investment cycles with long-term industrial goals,¹⁴⁷ while the 2023 EV White Paper set out a roadmap for incentives and infrastructure. Policy should be framed around NEVs more broadly to include HEV, PHEV, BEV and targeted alternative-fuel applications as a way to align decarbonisation with grid readiness, affordability and export eligibility.

Yet global timelines add urgency; the European Union will ban new petrol and diesel car sales from 2035, and the UK from 2030. The Nelson Mandela Bay Business Chamber EV market review cautions that advanced markets are flexing timelines and widening hybrid allowances as costs and infrastructure realities bite, and therefore it recommends technology-neutral targets and a hybrid-first bridge in South Africa.¹⁴⁸ A technology-neutral approach that sequences incentives across the NEV palette can preserve jobs and localisation while charging networks and renewable penetration scale.

8. Enablers and levers for SAAM delivery^{cont.}

Government must align with these deadlines or risk losing key export markets. Encouragingly, the Development Bank of Southern Africa (DBSA) has invested **R100 million** into EV charging infrastructure companies,¹⁴⁹ while NAAMSA has announced plans to roll out a national public charging network.¹⁵⁰ Given South Africa’s **coal-heavy grid** and limited public chargers, the Nelson Mandela Bay Business Chamber points to **last-mile EV fleets and hybrid passenger cars** as the right-fit near-term mix until grid resilience improves.¹⁵¹ These steps demonstrate early momentum, but delivery speed will determine whether the country remains globally competitive.

8.4 Competitiveness and investment

South Africa continues to attract significant commitments from global automakers, which represent both a vote of confidence and a lever for growth. Ford’s R15.8 billion investment, Toyota’s R6.1 billion, BMW’s R4.2 billion, and similar commitments by VW, Nissan, and BAIC highlight the country’s ongoing attractiveness as a production base.¹⁵² These investments provide opportunities for localisation, supplier development, and skills transfer. The challenge lies in ensuring that such investments translate into broader competitiveness gains, including stronger regional integration under AfCFTA. NAAMSA data underscores that South Africa’s African export footprint remains shallow compared to EU markets,¹⁵³ but targeted policy support could help diversify risk and expand growth opportunities. To convert commitments into enduring competitiveness, investment agreements should include binding CKD localisation milestones and close SKD dwell-time loopholes, ensuring new entrants deepen local value-add rather than plateauing at kit assembly.

The Nelson Mandela Bay Business Chamber warns that **Morocco** is capturing NEV-era foreign-direct investment through immediate certainty including capital, energy, and policy, creating a **2025–2027 window** in which South Africa must match or exceed investor clarity to retain mandates.¹⁵⁴ Brazil’s recent policy **tied import-tariff reintroduction to localisation**, compelling Chinese OEMs to move from SKD to local production, providing a worthwhile sequencing lesson for using incentives to **force industrial depth**.¹⁵⁵

OEM investment also supports regional service ecosystems particularly in Nelson Mandela Bay and East London, where the automotive sector underpins metro-wide employment and demand. Ensuring that incoming FDI strengthens these linkages will multiply the industrial benefits of localisation and sustain competitiveness across SAAM’s five pillars.

The enablers for SAAM delivery revolve around modernising infrastructure, scaling SEZ-driven industrial clusters, ensuring policy certainty in the EV transition, and leveraging OEM investments for regional competitiveness. Success will depend on government and industry acting in concert to accelerate delivery. SAAM’s vision remains within reach, but only if these levers are fully activated. The discussed levers will realign delivery to SAAM’s five pillars of local market growth, regional expansion, localisation and value-addition, transformation and inclusion, and technology/environmental readiness, setting up the ‘Path Forward’ actions that now hinge on **execution speed**.

SAAM enablers at a glance	
Infrastructure reform	Modernise ports, rail, roads, and stabilise energy supply to cut costs and restore reliability.
Industrial ecosystems	Scale SEZs like Tshwane, Coega, and Erchelon to deepen localisation and broaden Tier 2/3 and black-owned supplier participation.
Policy certainty	Deliver on APDP2 and the EV White Paper; align incentives and infrastructure to global NEV deadlines.
Competitiveness and investment	Leverage multibillion-rand OEM commitments and AfCFTA trade to diversify exports and strengthen skills transfer.

9. Path forward: What's next?

While South Africa's automotive sector faces significant gaps in meeting SAAM's 2035 targets, there are also clear enablers that can unlock progress if leveraged effectively. These lie in four clusters – 1) infrastructure reform, 2) industrial ecosystems, 3) policy certainty, and 4) investment competitiveness – and they must now be realigned with the **five pillars of SAAM 2035** of local-market growth, regional expansion, localisation and value-addition, transformation and inclusion, and technology and environmental readiness.

Key policy recommendations and suggested timelines				
Key goals		Short term (2025-27)	Medium term (2028-30)	Long term (2030-35)
9.1	Revisit SAAM policy to ensure alignment with grassroots conditions			
9.2	Targeted incentives for NEV's, particularly plug-in hybrids			
9.3	Affordable and reliable electricity supply			
9.4	Logistics efficiency improvements			

Short-term SAAM policy revisions, combined with more strategic longer-term investments into infrastructural enablers, will be key to ensuring sustainable growth in the SA automotive sector

9.1 Revisit SAAM policy (Short term 2025–27)

To sustain the credibility of SAAM, policy targets must be recalibrated to reflect **current industrial and economic realities** rather than static ambition. The **Nelson Mandela Bay Business Chamber** stresses that execution-led policy adaptation and **pre-emptive capitalisation** are vital to close delivery gaps before 2026 while restoring investor confidence.¹⁵⁶

Localisation and transformation remain the weakest-performing areas. **NUMSA** argues that transformation under SAAM must move beyond symbolic ownership metrics and toward **production-linked inclusion**, recommending that incentive eligibility hinge on verifiable employment creation and supplier diversity.¹⁵⁷ **NAACAM** supports this, advocating the establishment of **supplier-upgrade incubators** for Tier 2 and 3 enterprises to overcome certification and quality-assurance barriers.¹⁵⁸

The **AITF** could bridge these structural gaps by scaling technical-assistance and certification programmes, while SAAM incentives should reward **depth over volume**. The **Nelson Mandela Bay Business Chamber** calls for binding investment covenants requiring OEMs accessing APDP2 benefits to meet progressive localisation milestones.¹⁵⁹ Strengthening localisation must also extend to the wider ecosystem surrounding OEMs to include banks, logistics providers, training institutions and service industries that depend on automotive activity. In metros such as Nelson Mandela Bay and East London, manufacturing anchors these interconnected sectors, meaning every lost production line reverberates through local economies. A holistic policy recalibration should therefore protect both factory floors and the ecosystems that sustain them.

At a policy level, South Africa must resist the drift toward SKD assembly. The **Nelson Mandela Bay Business Chamber** points to Brazil's localisation enforcement as the key example, which compelled investors to progress from SKD to CKD production within fixed timelines – a sequencing discipline South Africa could replicate to safeguard jobs and local content.¹⁶⁰ The urgency of this policy recalibration has been echoed by industry and labour leaders following this year's SA Automotive Week held in early October 2025 in Nelson Mandela Bay, which spot lit the decisive role of CKD manufacturing in sustaining South Africa's industrial ecosystem and employment base. Stakeholders warned that the growing preference for SKD assembly and imported vehicles is already eroding local value chains and undermining job creation, underscoring the need for firm government action to enforce CKD commitments as the foundation of future investment.¹⁶¹

"We have policy frameworks that work, they just need implementation. The industry can't grow if investors see constant rule changes."

Yoliswa Monakali -
Finance Manager, Bluespec

9. Path forward: What's next?^{cont.}

9.2 Targeted incentives for NEVs (Short to medium term 2025–30)

The shift toward NEVs is unavoidable as export partners legislate ICE phase-outs. The term NEV should be interpreted broadly, covering HEVs, PHEVs, BEVs and alternative-fuel vehicles, so that incentives accommodate multiple technology paths suited to South Africa's cost and grid constraints. Yet the transition must remain **technology-neutral and fiscally sustainable**. The **Nelson Mandela Bay Business Chamber** notes that many advanced economies are extending hybrid lifespans and easing pure-EV mandates in response to affordability and grid constraints, which should serve as a cautionary example for South Africa to follow.¹⁶²

The current 150% investment allowance for NEVs, effective only from March 2026, has created an **investment vacuum** that regional rivals like Morocco are exploiting. The **Nelson Mandela Bay Business Chamber** urges front-loaded fiscal support and the early mobilisation of DBSA and IDC capital to localise the battery and NEV value chains ahead of 2026.¹⁶³ Integrating this with the **National Critical Minerals Strategy** and expanding APDP2's "deeming" mechanism to include beneficiated PGMs and manganese would anchor beneficiation within SAAM's localisation pillar. Linking these incentives to EIP and SEZ precincts would fast-track localisation by clustering battery, component and recycling suppliers in shared-service zones with circular-economy infrastructure.¹⁶⁴

NUMSA similarly underscores that a **hybrid-first pathway** preserves employment while buying time for grid readiness and skill conversion.¹⁶⁵ The **Nelson Mandela Bay Business Chamber** references Brazil's ethanol-hybrid localisation model, where Chinese OEMs partnered with Brazilian engineers to develop flex-fuel hybrid engines, as proof that industrial deepening and decarbonisation can advance together.¹⁶⁶

9.3 Affordable and reliable electricity supply (Long term 2030–35)

Energy reliability remains the **make-or-break enabler** for localisation confidence and foreign investment. The **Nelson Mandela Bay Business Chamber** emphasises that without embedded-generation capacity and rationalised tariffs, manufacturers will continue to price risk into South African cost structures. It calls for standardised wheeling tariffs, time-of-use pricing, and **ring-fenced industrial electricity rates** to sustain competitiveness.¹⁶⁷

NAACAM adds that energy security is now a formal component of **supplier-performance benchmarking**, noting that smaller firms lose up to 10% of output annually due to unplanned outages.¹⁶⁸ Accelerating open-access implementation and multi-buyer power models will therefore directly bolster Tier-2 and Tier-3 supply resilience. Embedding EIP-style shared-energy systems such as on-site renewables, micro-grids and waste-heat recovery within SEZ clusters, could also lower baseline electricity costs for Tier-2/3 suppliers while improving grid stability at plant level.¹⁶⁹

South Africa's recent improvements – 64%-75% energy availability factor and 105 load-shedding-free days – show momentum, but sustaining investor confidence will depend on **bankable private-sector participation** in electricity generation and transmission.¹⁷⁰ This underpins **SAAM Pillar 5** on technology and environmental readiness.

9.4 Logistics efficiency improvements (Long term 2030–35)

Modernising ports and railways remains central to restoring competitiveness and export reliability. The **Nelson Mandela Bay Business Chamber** warns that South Africa faces a **2025–2027 execution window** to recover logistics performance before the next OEM investment cycle resets. It recommends accelerated port concessions, digital community systems, and 24/7 operations to cut vessel turnaround times.¹⁷¹ **NAACAM** concurs, urging that these upgrades integrate **supply-chain visibility platforms** to reduce component lead times.¹⁷² Integrating EIP and SEZ logistics hubs around major OEM zones could shorten freight legs, cut handling times and embed circular-economy services (waste management, shared warehousing, component re-use) that enhance both competitiveness and environmental readiness.¹⁷³

Brazil's experience demonstrates how **logistics-linked import tariffs** can drive localisation and incentivise infrastructure reinvestment – a trade instrument the **Nelson Mandela Bay Business Chamber** believes could be selectively adapted to South Africa's context.¹⁷⁴ **NUMSA** additionally cautions that logistics reform must incorporate **worker-training programmes and localisation guarantees**, ensuring infrastructure investment translates into inclusive industrial growth.¹⁷⁵ The urgency of addressing these systemic inefficiencies was further highlighted at **SA Automotive Week 2025**, where industry leaders warned that logistics backlogs, failing municipal infrastructure, and unchecked import loopholes are compounding the erosion of South Africa's manufacturing advantage.

9. Path forward: What's next?^{cont.}

They cautioned that without decisive enforcement of **CKD** production standards and the closure of **SKD** loopholes, the competitiveness gains from port and rail upgrades will be undermined by continued import-led displacement of local production.¹⁷⁶ A coherent logistics upgrade would also reinforce the regional service ecosystems linked to automotive manufacturing – from freight and banking to education and retail – ensuring that infrastructure modernisation multiplies local economic impact rather than ending at factory gates.

South Africa should also fully support regional rail integration under **SADC's Regional Infrastructure Development Masterplan**, which aims to deliver a bankable framework for intra-African freight corridors, in itself a critical step toward fulfilling SAAM Pillar 2 on regional-market expansion. Ongoing steps towards privatisation in South Africa have already begun to bear fruit, but can be expanded further to ensure an increase in overall network capacity. The overarching objective should be to undo the shift from rail freight to road, with the latter being reserved only for last-mile use cases. While the AfCFTA provides a cohesive framework for the eventual removal of tariff barriers, non-tariff barriers, including a lack of regional freight rail system integration, remain a key impediment to the creation of regional value chains.

If implemented cohesively, these measures will realign SAAM's delivery trajectory with its five foundational pillars. The imperative now is **execution discipline** in turning existing frameworks into visible outcomes, which means factories operating at scale, suppliers upgrading in step with technology shifts, and infrastructure enabling cost-competitive exports by 2035.

10. Conclusion

South Africa's automotive industry stands at a decisive inflection point. It remains one of the country's most strategic industrial anchors — supporting jobs, exports, and technological capability — yet the gap between SAAM's 2035 vision and current delivery continues to widen. Production growth trails targets, localisation momentum has slowed, and employment in key hubs such as **Nelson Mandela Bay** and **East London** faces mounting strain. Intensifying competition from Asian imports and rising investment in African peers underscores the urgency of renewal if South Africa is to retain its status as the continent's automotive hub.

Restoring momentum will require a new phase of **execution-driven renewal** rooted in pragmatic delivery. SAAM's credibility now depends less on new frameworks than on accelerating the policies already in place — closing incentive loopholes, enforcing **CKD localisation commitments**, and sequencing industrial finance to rebuild supplier depth. **Tier-2 and Tier-3 expansion**, supported through incubators, technical assistance, and catalytic funding, must become measurable outputs of policy, not aspirational goals. Sustaining this industrial renewal will also require safeguarding consumer affordability and retail market access, particularly in entry-level segments where pricing pressures are most acute and play a decisive role in overall sector stability.

A parallel priority lies in **technology-neutral NEV industrialisation**. South Africa's competitiveness will hinge on embracing a diverse technology mix — **hybrids, plug-in hybrids, battery-electric, and alternative-fuel vehicles** — rather than pursuing a single drivetrain path. Development finance institutions such as the **IDC** and **DBSA** must

front-load capital into battery, component, and **mineral-beneficiation** value chains, while aligning localisation incentives with **EIP** and **SEZ** clusters to maximise circular-economy gains and investment impact.

Equally critical are the **infrastructure, energy, and logistics reforms** that underpin manufacturing competitiveness. Sustained improvements in electricity reliability, modernised ports and freight corridors, and decisive trade enforcement will reduce costs and restore investor confidence. Coupled with deeper regional integration under **AfCFTA**, these reforms can expand South Africa's market reach, diversify export risk, and multiply economic value through the service ecosystems surrounding major automotive hubs.

With these levers activated, the path forward is clear. SAAM's success will depend not on new visions but on disciplined delivery — synchronising policy, finance, and infrastructure to turn industrial plans into tangible outcomes. If executed with urgency and coherence, South Africa can convert this moment of strain into one of strategic renewal, preserving its automotive legacy while leading Africa's next industrial decade.



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