IQnews APDP

Tuned in to the Automotive Production and Development Programme

ISSUE 01

Introducing IQuad Global Trade Solutions' New APDP Newsletter.

With the current Motor Industry Development Programme [MIDP] coming to an end in 2012 we expect Government to start releasing the finer details on the new Automotive Production and Development programme [APDP] within the next couple of months. Through this newsletter we plan to keep readers informed on the latest developments on the programme.

Industry expected that government will release more information on the APDP by end September 2010. There are some speculations on what can be expected.

In our first few editions of this news-letter, we will highlight some of the current proposals and also review the key differences between MIDP and APDP.

An Introduction to APDP:

The Automotive Production and Development Programme, (APDP) will run from 2013 until 2019. The APDP has been designed to help the South African automotive industry increase global competitiveness and in so doing expand manufacturing capability within South Africa. The ultimate aim is to achieve ambitious targets for annual vehicle production of 1.2 million units by 2020.

The new programme is also intended to go some way towards providing the automotive industry with longer term investment certainty and at the same time ensure compliance with World Trade Organisation [WTO] requirements.

The revised programme will have four key elements:

- Stable and moderate import tariffs from 2012.(25% for completely built-up vehicles and 20% for components used in vehicle assembly)
- A local assembly allowance enabling vehicle manufacturers who produce more than 50 000 vehicles a year, to receive an allowance based on vehicle sales value. This allowance will be utilized to offset import duty liabilities on components and will initially be set at 20%, reducing to 18% over a three year period.
- A production incentive in the form of a tradable duty credit of 55% of the value-added

element of manufactured vehicles or automotive components. The value added calculation is based on the finished goods selling price, less the cost of material inputs. This incentive percentage would reduce to 50% over five years with an additional 5% being available for vulnerable sub-sectors

- An Automotive Investment Allowance (AIS) to support investment, taking the form of a direct grant to the value of 20-30% of the project's qualifying investment in plant, machinery and buildings over three years.

Purpose of the APDP programme:

Under the APDP, vehicle manufacturers and component suppliers will be encouraged to increase technical expertise and cost efficiencies in order to close the gap that currently exists. With its target of assembling 1.2 million vehicles per annum by 2020, the APDP is a support programme that focuses on production volume rather than exports. Given current market conditions some manufacturers believe that government should consider reducing the volumes required to qualify for support under APDP.

Conclusion:

All-though we are still awaiting the release of the guidelines for the APDP the investment leg of the programme, known as the Automotive Incentive Allowance (AIS), was launched during May 2010 and there are already some automotive components manufacturers that have applied for benefits under this programme.

In our next edition we will discuss the AIS in more detail.

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