



**NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY**

QUESTION 260

Mr MJ Cuthbert (DA) to ask the Minister of Trade and Industry

- (1) What has he found to be the rationale behind the Level 4 Black Economic Empowerment (BEE) requirement for manufacturers as contained within the Automotive Industry Masterplan;
- (2) what were the BEE levels of all the projects approved in 2019;
- (3) (a) in view of the fact that most current Automotive Investment Scheme approved projects are on BEE Level 8, how is it envisaged that component manufacturers would achieve BEE Level 4 status and (b) will there be an allowance for a transitional period for component manufacturers to gradually work their way towards achieving BEE Level 4 status in order for them to continue participating in this incentive? NW343E

REPLY

- (1) Broad-based black economic empowerment (BEE) is the national policy to advance economic transformation and enhance the economic participation of black South Africans in the economy. This policy is applied to the suite of incentives that the state makes available to industries and sectors.

The automotive industry benefits from government incentives and state procurement. Many of the firms in the industry are between level 4 and 8 of the BEE scorecard. One of the major reasons for the industry not to achieve higher BEE levels is that many of the companies – especially vehicle assemblers and first tier suppliers – are multinationals who generally do not sell ownership shares in their local operations.

To ensure that empowerment is promoted and at the same time provide flexible instruments to achieve this, the large automakers agreed that the new Master Plan for the sector provide for a level 4 BEE rating from 2021 and that 'equity-equivalents' be used as the means to achieve this.

(2)

B-BBEE Level	Number of projects
Level 2	1
Level 4	7
Level 5	2
Level 6	3
Level 7	1
Level 8	31

(3) (a) In an effort to ensure compliance with the BEE requirement the vehicle assemblers announced the establishment of an Automotive Empowerment Fund as an equity equivalent program whose aim would be to support transformation through market access and funding for black companies.

Discussions between **the dtic** and component manufacturers have already commenced with a view to also allow participation of suppliers in the Automotive Empowerment Fund.

(b) The Automotive Production Development Programme (APDP) regulations and Automotive Incentive Scheme (AIS) guidelines that are being developed will include details of a transitional arrangement for existing and new companies regarding the BEE levels required in the move towards a level 4. Parliament will be appraised on the masterplan implementation progress, which will include progress on finalising and publishing the such regulations and guidelines.

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