the dtic
Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

THE NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NO. 217

Mr G P Lekota (Cope) to ask the Minister of Trade, Industry and Competition:

(1) Whether the Government had created or is in the process of creating a retrofitting ecosystem for transitioning from internal combustion engine (ICE) vehicles to electric vehicles (EVs) through the development of (a) a white paper and strategic frameworks, (b) tax breaks and (c) subsidies and/or grants for converting ICE vehicles to EVs, thereby (i) establishing safety standards for retrofitting processes, (ii) working closely with component manufacturers, (iii) encouraging partnerships to develop cost-effective retrofit kits, (iv) promoting retrofitting technologies and (v) collaborating with universities and research institutions; if not, why not; if so, what ecosystem is being created;

(2) whether he has created an ecosystem to help young persons in large numbers to acquire the skills to help present owners of cars to retrofit them as EVs; if not, why not; if so, what are the relevant details? NW228E

REPLY:

(1) Retrofitting in the automotive industry refers to the practice of replacing internal combustion engines (ICE) in vehicles with an electric motor and large storage batteries, making them electric vehicles (EVs). This practice thus means that an old or used vehicle is fitted with modified or new equipment for alternative propulsion than initially designed for.

In the case of retrofitting, the manufacturer of the original vehicle provides no warranty or assurance of its integrity as the fitment of non-original parts generally

compromises the vehicle as it deviates from the original specifications for safety and other parameters.

The government focuses on supporting the mass production of new vehicles that can be distributed globally and meet stringent homologation requirements. Vehicle assemblers provide warranties on their originally-built vehicles and components thus giving consumers relative comfort and confidence that such vehicles are of acceptable and good standard.

a) In light of the above, government has collaborated with key stakeholders including vehicle assembler OEMs, Component Manufacturers and other stakeholders such as Research institutions in developing an EV White Paper that was published in December 2023. This White Paper seeks to create an environment supportive to investment for and production of electric vehicles and components in response to the global transition from ICE to EVs.

b) The National Treasury has announced through the Budget Speech on the 22 February 2024, the introduction of a tax support mechanism for EV production with effect from April 2026. Details of this tax support will be published in due course following the adoption of implementation guidelines.

c) EV manufacturing will in addition to the tax support also benefit from the Automotive Production and Development Programme (APDP). The APDP supports the manufacturing of vehicles on a completely knock-down basis and not retrofitting.

The objectives of the EV White Paper are to:

- Provide additional investment funding to attract investment in the local production of electric vehicles and components.

- Promote access for these locally produced vehicles to regional and global markets.

- Deepen the automotive value chain by promoting regional cooperation for the local beneficiation of critical minerals.

- Promote uptake of locally produced vehicles through fleets including government.

- Develop requisite skills to support the transition to electric vehicles through partnerships with industry and academic institutions.

(i) Ensuring safety standards is critical for the transition to EV production. Therefore, all EV vehicles will be homologated in line with applicable regulations of the South African Bureau of Standards (SABS) and the National Regulator for Compulsory Specifications (NRCS).

(ii) The vehicle component manufacturers represented by the National Association of Automotive Component and Allied Manufacturers (NAACAM) are key stakeholders in the growth of the local automotive industry. Thus, they continued to be actively involved in the development of the framework for the transition to EVs. The component manufacturing industry accounts for the lion's share of jobs in the automotive industry, over 70% of the total employment in the automotive industry in 2022.

(iii) The success of the transition requires all stakeholders to continue to work collaboratively to navigate this challenging transition and transform it into an opportunity for growth, sustainability, and economic vitality. There is an established industry stakeholder engagement platform called the Executive Oversight Committee (EOC) to oversee the implementation of the SAAM 2035. Its mandate will be expanded to include overseeing the implementation of the EV White Paper. Therefore, there is a requirement for the active participation of additional stakeholders including those in Logistics (rail and electricity), technology developers (innovation, research, and technology commercialisation), EV support infrastructure (charging facilities providers, emergency services providers). It will also include those involved in marketing SA capabilities to position South Africa as a production and demand destination for EVs and related components.

(iv) Technology changes are at the core of this transition. This includes the introduction of new raw materials and components, while some ICE-specific components are expected to become obsolete over time. These changes in the supply chain are resulting in the re-organisation of the global value chain with the growing importance of locations that can supply EV-specific components.

(v) **the dtic** has collaborated with Research institutions and entities mainly as service providers during the development of the EV White paper which is the culmination of substantial research and engagement over the last number of years and follows the publication of a green paper in 2021, a process of receiving public comments, which have been integrated into the policy actions to be taken. This collaboration continues during the transition to EV production.

(2) The EV White Paper focusses on the manufacturing of electric vehicles and their components rather than on retrofitting used vehicles. This focus will mitigate potential job-losses due to the transition to e-mobility as EVs have fewer components and also ensure that South Africa remains a viable manufacturing location in the global setting.

The EV transition requires new certification programs and extensive reskilling to produce and use the associated new technologies. To this end, the industry has completed a Comprehensive Skills Gap Analysis that covers the Labour Market Analysis which gives the future occupations, and the Competency Analysis which gives the future competencies. To address the skills gaps, five roadmaps have been developed.

As part of the implementation of the roadmaps, MerSETA, the Department of Higher Education, and the automotive industry are developing the EV curriculum and certificate. The main beneficiaries will be young people with the automotive industry setting a target of 10 000 learnerships and apprenticeships by 2035.

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