

***Address by KwaZulu-Natal MEC for Economic Development & Tourism Mr Michael Mabuyakhulu during conferment of Q1 Service Excellence Award to Behr South Africa in Durban on 15<sup>th</sup> February 2013***

Programme Director

Members of the Media Present

Distinguished Guests

**All protocols observed**

I am delighted to be part of this auspicious function where we are collectively celebrating a remarkable achievement by one of our business organisations, Behr South Africa. By clinching such a prestigious business award from Ford South Africa amid the less conducive economic conditions in the world, is a huge milestone that we should all be proud of as the province and the country. It is more heartening to acknowledge that Behr SA is located right in our province which is an illustration that our automotive sector has a competitive edge and is one of those areas that deserve our special attention to ensure that we attract more companies that would compliment each other whilst capitalising of the province's strategic position to excellent trade infrastructure such as ports and now the state of the art facilities at the Dube Trade Port.

We are more grateful once again to see Behr SA's competitive capacity against unpalatable factors in the global economy that could be summed as the remnants of the crippling recession that gripped the whole world as from 2008 – resulting in many job losses, especially in the manufacturing business. As we all know South Africa's automotive industry is the country's largest manufacturing sector, contributing between 6% and 7% of gross domestic product (GDP). This contribution takes into account vehicle and component production, as well as vehicle retail, distribution and servicing activities. In addition, the automotive industry has a significant multiplier effect throughout the economy, including in the metals (steel, aluminium and platinum), plastics, leather and textiles industries.

Over 90 000 people are employed in automotive manufacturing activities in this country, including in vehicle and component production, and a further 200 000 are employed in retail and aftermarket activities. With the automotive sector being a key contributor to the South African economy, it is of vital importance that the focus on manufacturing and service excellence is maintained at a global level.

With Behr SA being part of the Behr Group global network, they have the ability and resources to lead the way in developing and strategically influencing the automotive component supplier base in the KwaZulu-Natal and the country as whole. We hope that this company's fascination with quality products and service would be replicated by other business operations in the province that would attract the attention of more clients of the materials produced in this province which could result in more jobs being created. The prospect of industrial expansion on the Durban South Industrial Basin that would be influenced in the main by the development of a new harbour should send a clear message to our all diverse industries that to be globally competitive you cannot compromise on quality. The construction of the new harbour is expected to be a natural stimulant to the automotive sector which has been one of the province's growth areas. The availability of land around the proposed new harbour should add more impetus to component manufacturers to consider settling or expanding their operations in this province to complement the existing Toyota plant in Prospecton.

The Department of Trade and Industry (DTI) has described South Africa's automotive industry as being on a "moderate expansion path" after being severely affected by the global economic turmoil of 2008 and 2009. With local vehicle production exceeding 500 000 units in 2012 and a projection of 659 300 units in 2013, we need to drive hard at achieving our targets of 1.2 million vehicles by 2020. This target is achievable if the OEMs, component manufacturers and government work together to alleviate any road blocks on this path.

As South Africa's vehicle and local manufacturers are the local subsidiaries of global automotive companies, key decisions about the country's automotive industry are

frequently made in places such as Europe, the US and Japan. As a result, South African vehicle production operations are subject to the global strategies of their multinational parents. This has implications not only for the vehicle manufacturers but also for component suppliers. It is therefore important that government supports the local OEMs and component suppliers to influence these global strategies.

One of the steps at national level is the introduction of the Automotive Production and Development Programme (APDP) which replaced the Motor Industry Development Programme (MIDP). The APDP unlike the MIDP drives localization and provides additional support to OEMs and certain vulnerable component sectors. Through consultations with colleagues from the DTI, I am aware that Behr SA is utilizing this support mechanism provided by government and they must be applauded for their efforts as the end result is beneficial to the South African economy.

At a provincial level the KwaZulu-Natal Department of Economic Development and Tourism continues its support of the automotive base in the province as we believe that this sector has the potential of contributing significantly to socio-economic transformation in the province. To ensure that government massive investment in infrastructure development, including port expansions, becomes the goose that lays the golden egg, we have to grow the automotive industry as one of the core sectors that keep our ports and other forms of transport logistics fully functional and sustainable. We have 84 automotive component manufacturers in the province and we hope to strengthen this base in the future with the introduction of an automotive supplier park that will be developed under the departmental Industrial Hubs programme – with the Durban South Industrial Basin being the prime site for this prospective growth.

The success of manufacturing companies requires various linkages to come together, such as skills, efficiency, cost competitiveness and quality. In terms of skills, it's not just about education and training but it's about having the right skills for the job. And as much as it is the responsibility of the education sector to develop these skills, industry has a vital role to play in ensuring that the education sector is providing the youth with

the education and training that is required by industry at present and in the future. Behr SA is a perfect example of an industry player going beyond their core business in providing training and development opportunities for the youth across various levels of the employee structure, from apprenticeships to the engineering and management levels. One of the key skills programmes in the country at the moment is the tool, die and manufacturing (TDM) apprenticeship programme which has been initiated by the DTI and is facilitated in the province by the Kwazulu-Natal Tooling Initiative (KZNTI), a sector development project of my department. Again, Behr SA has come to the forefront and supported this programme by hosting students in their company to give them the much needed on-the-job training.

I have no doubt that Behr SA will continue to support such programmes, as it has benefited both to the company and the province. This week report by Grant Thornton that South Africa remains Africa's leading economy and preferred destination for investment in the continent, should serve as an inspiration for business to entrench their operations in this country. However, the issue of requisite skills for industry to grow indeed has to be addressed as we can't indefinitely depend on imported experts to run our economy. We have more people needing jobs but the challenge is matching the skills with what the multi-sector industry wants to meet the expectations of their respective customers with regard to product or service profiles. As we have demonstrated to investors that we are a stable democracy that is endowed with a plethora of natural resources – that doing business in this country is safer than anywhere else in the world, we have to align our skills development programmes with the need of our diverse industrial sectors. Through appropriate skills training, the country would be assured of the majority of our people getting employment or actively contributing to economic growth through the establishment of new entrepreneurial ventures that would broaden the nation's tax revenue crucial for the state to be able to provide for essential services. It would further reduce the social spending and ensure that more resources are directed to other critical developmental initiatives.

When coming to cost competitiveness, the material prices, labour rates and exchange rate fluctuations are factors that are difficult to control and therefore the focus moves over to productivity, efficiency and waste elimination. Manufacturing companies in the automotive sector have to cut their costs by a minimum of 3% to stay competitive in the market. This is by no means an easy task as the days of cutting costs by millions of rands is over. It's the dedication to continuous improvement without impacting on productivity and efficiencies that can make our local manufacturers cost competitive in the global market. Of course this can be seen at Behr SA through their achievements thus far.

With Behr SA holistic culture in terms of employee well-being together with cutting edge technology, sound management principles as drive for quality, it is quite clear why they have received the Ford Q1 Service Excellence Award from one of the leading OEMs in the country and I have no doubt that they will be receiving many more awards in the future. As I said earlier on, it is our goal to see all business organisations stationed in KwaZulu-Natal to lead the pack with respect to the provision of quality products and services. To survive in the highly competitive global market, each enterprise has to embrace quality as part of its value system and anything contrary wouldn't be able to stand the test of time in the market.

In conclusion, once again, congratulations to Behr SA for its pioneering attitude and government we are convince that in you, we have a reliable partner and ambassador to show to the world that KwaZulu-Natal could be home to some of the world's finest business organisations. To management, employees and your customers, we say *bravo!* May this award become a common feature in all your business operations and be emulated by other firms in our province.

I thank you.

**Mr Michael Mabuyakhulu, MPP**  
**MEC for Economic Development & Tourism**