

SA MOTORCYCLES INDUSTRY
Challenges & Opportunities
*Inputs to the SA Automotive Policy &
Masterplan*

Development in Dialogue
02 November 2016



Objectives & Methodology

- ▶ **To identify opportunities of growth and development of the Motorcycles Industry in SA**
- ▶ **Provide inputs to the SAs Automotive Masterplan and Policy currently under development**
- ▶ ***Stakeholder Engagement***
 - OEMs, Distributors and Industry Association
- ▶ ***Desktop Research***
 - Industry Analysis
 - Scale of Manufacturing and/or Assembly – Globally and in SA
 - Trade Analysis
 - Import Demand – Identify Major Markets
 - Leading World exporters
 - Market Access – Trade restrictions
- ▶ ***Policy Implications***
 - National vs Regional Market Growth Opportunities

GLOBAL REVIEW

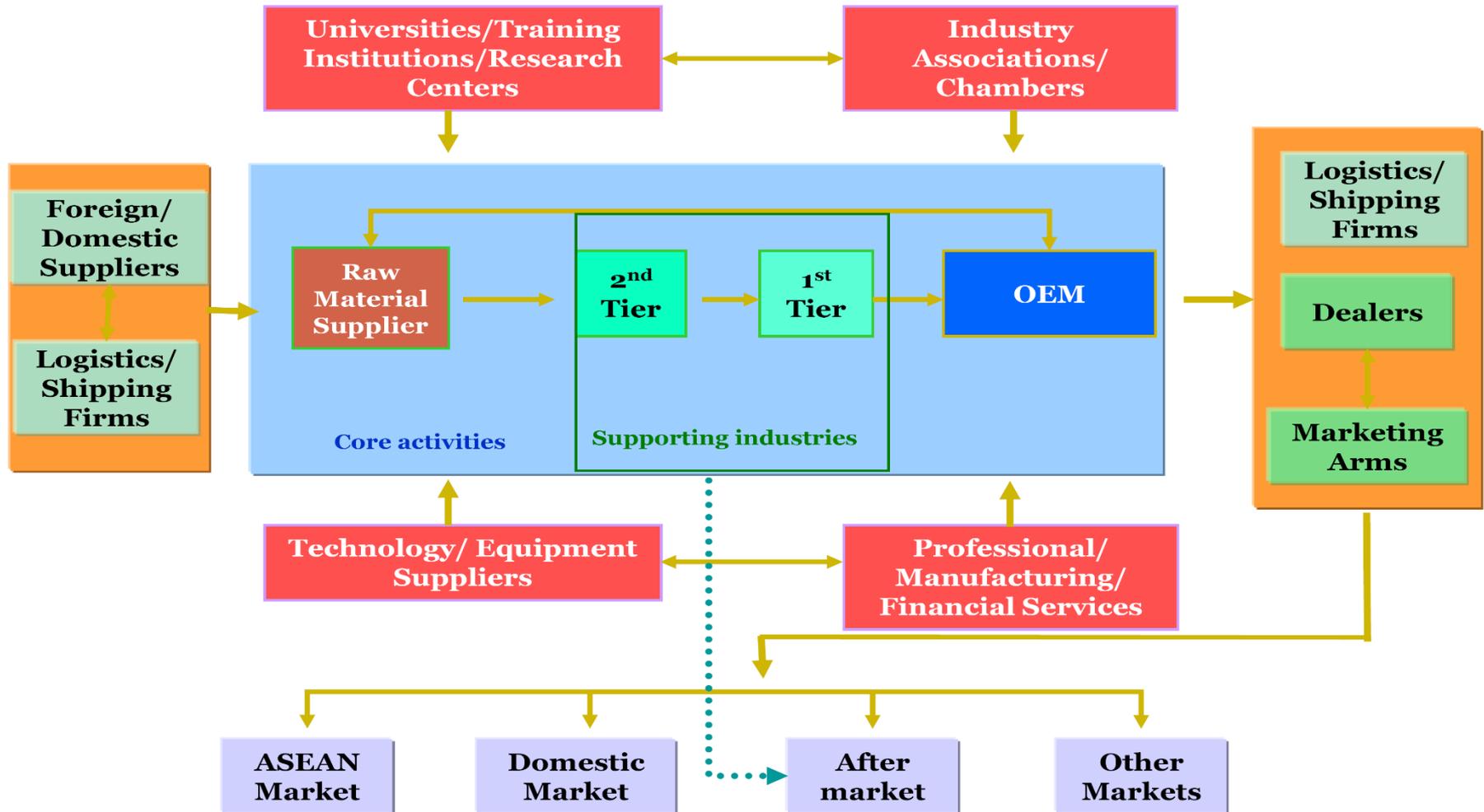
Global Review

- ▶ The global motorcycle market is estimated to be valued at **\$64.6 billion** by 2018 - annual growth rate of **8.6%**
- ▶ Motorcycle popularity is most pronounced in emerging markets and particularly within the Asia-Pacific region
- ▶ Motorcycle sales in the U.S. totalled **452,386 units in 2012**
- ▶ By comparison, in China, sales hit **26.4 million units**
- ▶ Motorcycles are usually a **luxury good** in the developed world, where they are used mostly for recreation
- ▶ In developing countries, motorcycles are overwhelmingly utilitarian due to lower prices and greater fuel economy.
- ▶ Only 38 Countries in the World are manufacturing motorcycles
- ▶ There are about 255 motorcycles brands globally

Global Review

- ▶ Motorcycle density in recent years has been particularly high in ***Malaysia, Indonesia, and Thailand***, with one motorcycle in use for every **three** persons
- ▶ In Italy - one motorcycle in use for every **seven** persons
- ▶ In Japan - one motorcycle is in use for every **11** persons

Global Review – Motorcycles Value Chain Schematic

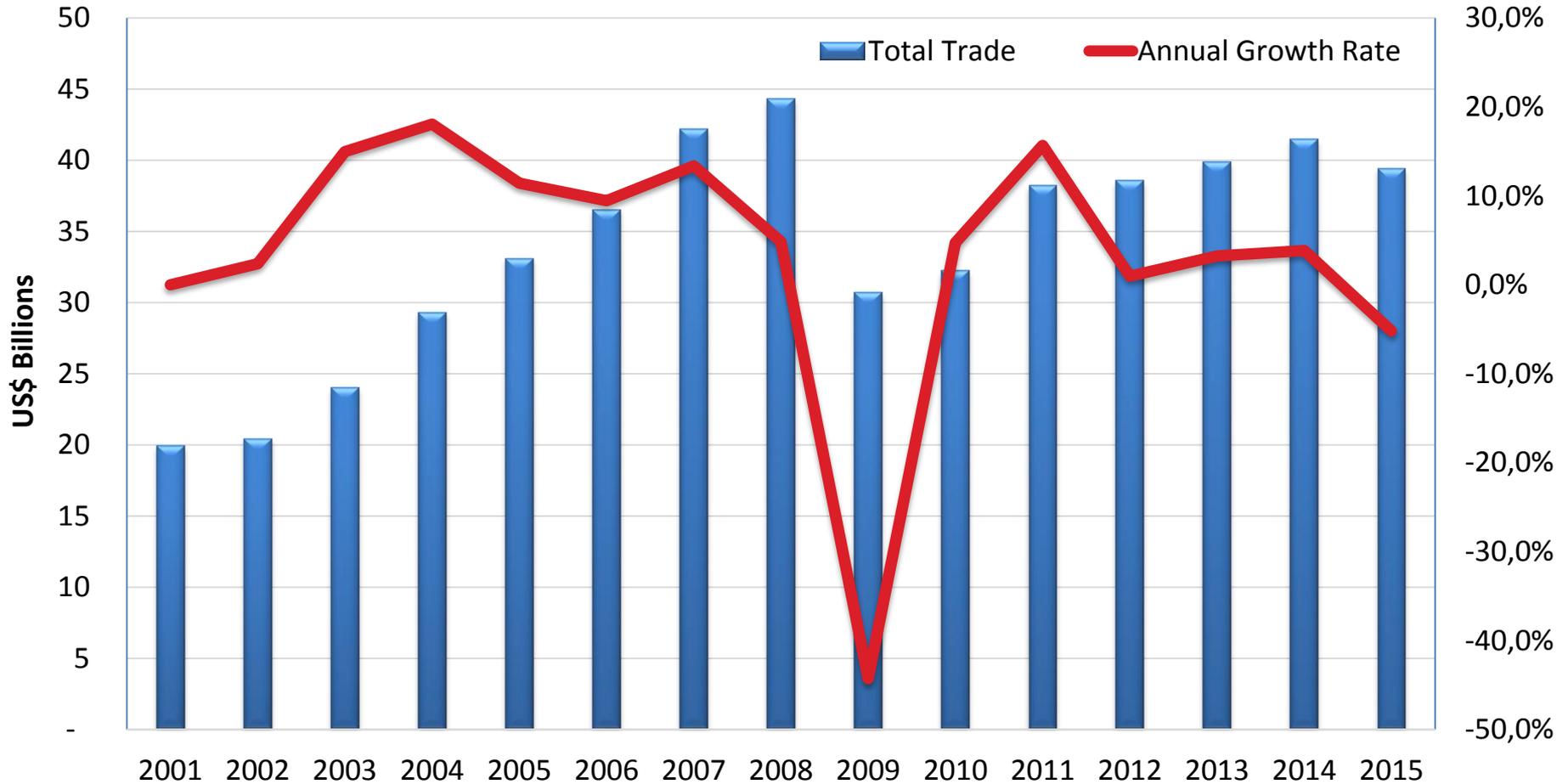


Source: MDPPA (2016)

Global Review – Main manufacturers

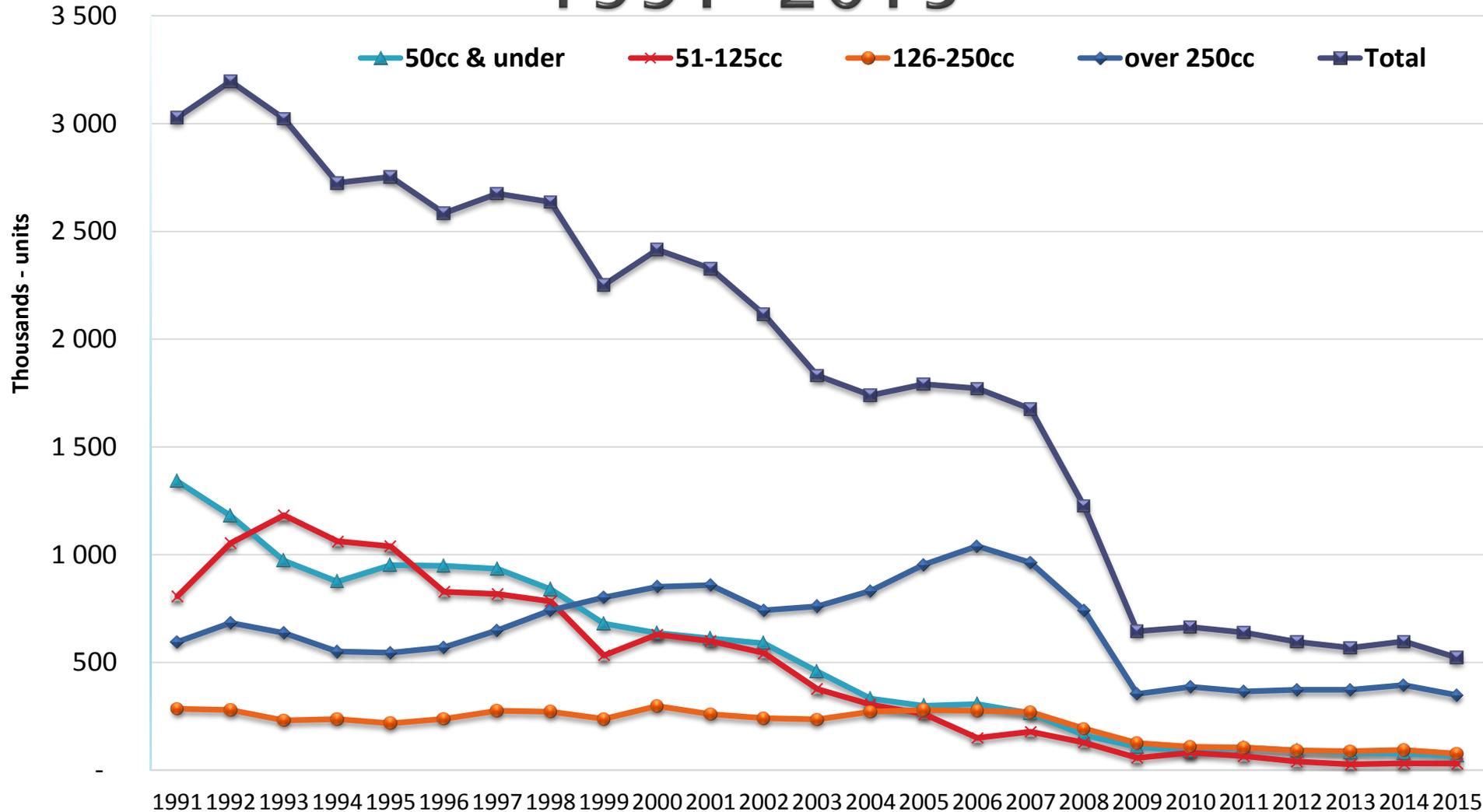
- ▶ In 2015, the top five motorcycle producers globally by volume were:
 - Honda Motor Company Limited (Japan)
 - Yamaha Motor Company Limited (Japan)
 - Hero MotoCorp Limited (India)
 - Bajaj Auto Limited (India)
 - Harley–Davidson Incorporation (USA)

MCs Total Trade, 2001-2015



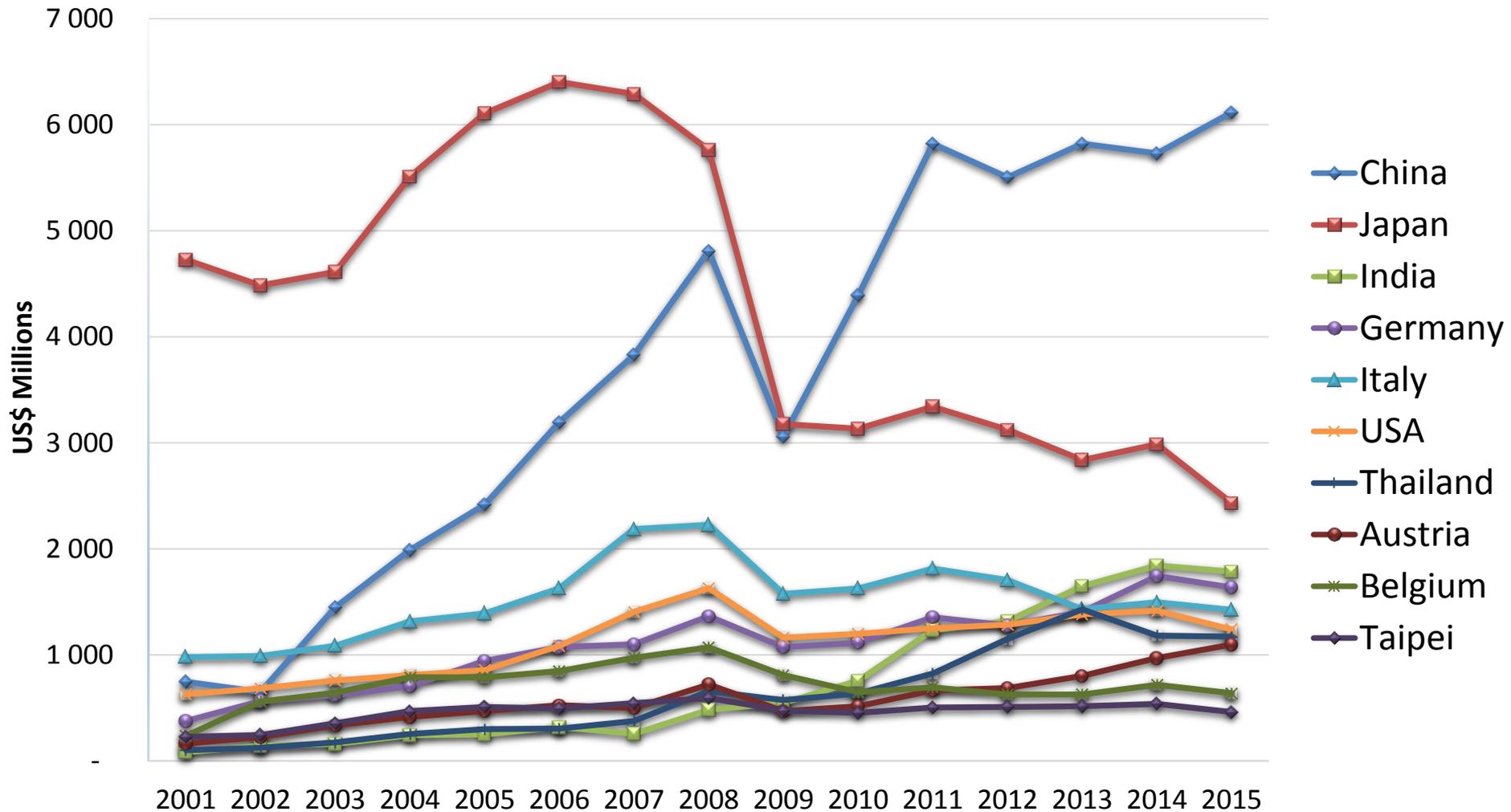
Source: JAMA (2016)

Global Review – MC Production in Japan 1991–2015



Source: JAMA (2016)

Top 10 Global MC Exporters - 2001 - 2015



Source: JAMA (2016)

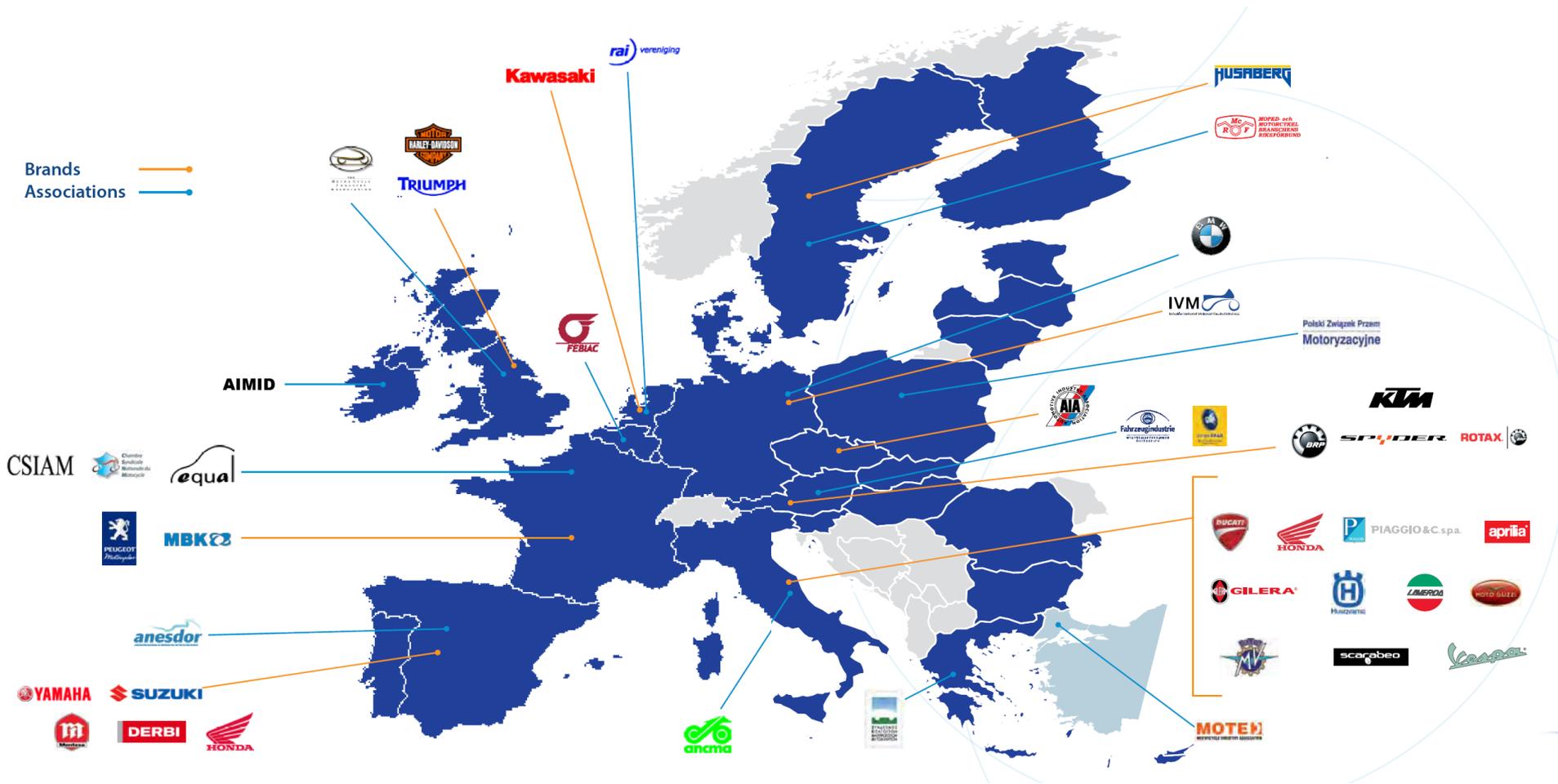


Global Trade Leaders of MCs

Top 20 Import Markets				TOP 20 EXPORTERS			
COUNTRY		2015 SHARE	2001-2015 SHARE	COUNTRY		2015 SHARE	2001-2015 SHARE
1	USA	11,8%	16,1%	1	China	29,2%	19,8%
2	Germany	6,2%	6,8%	2	Japan	11,6%	27,0%
3	France	5,0%	7,7%	3	India	8,5%	3,8%
4	Belgium	4,1%	5,0%	4	Germany	7,8%	6,1%
5	Italy	3,9%	6,4%	5	Italy	6,8%	8,9%
6	Netherlands	3,7%	3,7%	6	USA	5,9%	6,4%
7	Japan	3,6%	3,5%	7	Thailand	5,6%	3,3%
8	UK	3,5%	4,9%	8	Austria	5,2%	3,1%
9	Philippines	2,9%	1,5%	9	Belgium	3,0%	4,2%
10	Australia	2,8%	3,1%	10	Taipei	2,2%	2,7%
11	Spain	2,5%	3,6%	11	Netherlands	2,0%	2,2%
12	Nigeria	2,4%	2,2%	12	France	1,9%	2,3%
13	Canada	2,2%	2,9%	13	Indonesia	1,9%	0,5%
14	Switzerland	2,2%	1,7%	14	Viet Nam	1,6%	0,6%
15	Myanmar	2,0%	0,7%	15	UK	1,1%	1,5%
16	Argentina	1,6%	1,5%	16	Canada	1,0%	0,5%
17	Mexico	1,6%	1,2%	17	Brazil	0,6%	1,0%
18	Bangladesh	1,4%	0,6%	18	Singapore	0,6%	0,3%
19	Austria	1,3%	1,2%	19	Spain	0,5%	2,6%
20	Sri Lanka	1,3%	0,7%	20	Switzerland	0,4%	0,2%



Global Review – Operations in EU



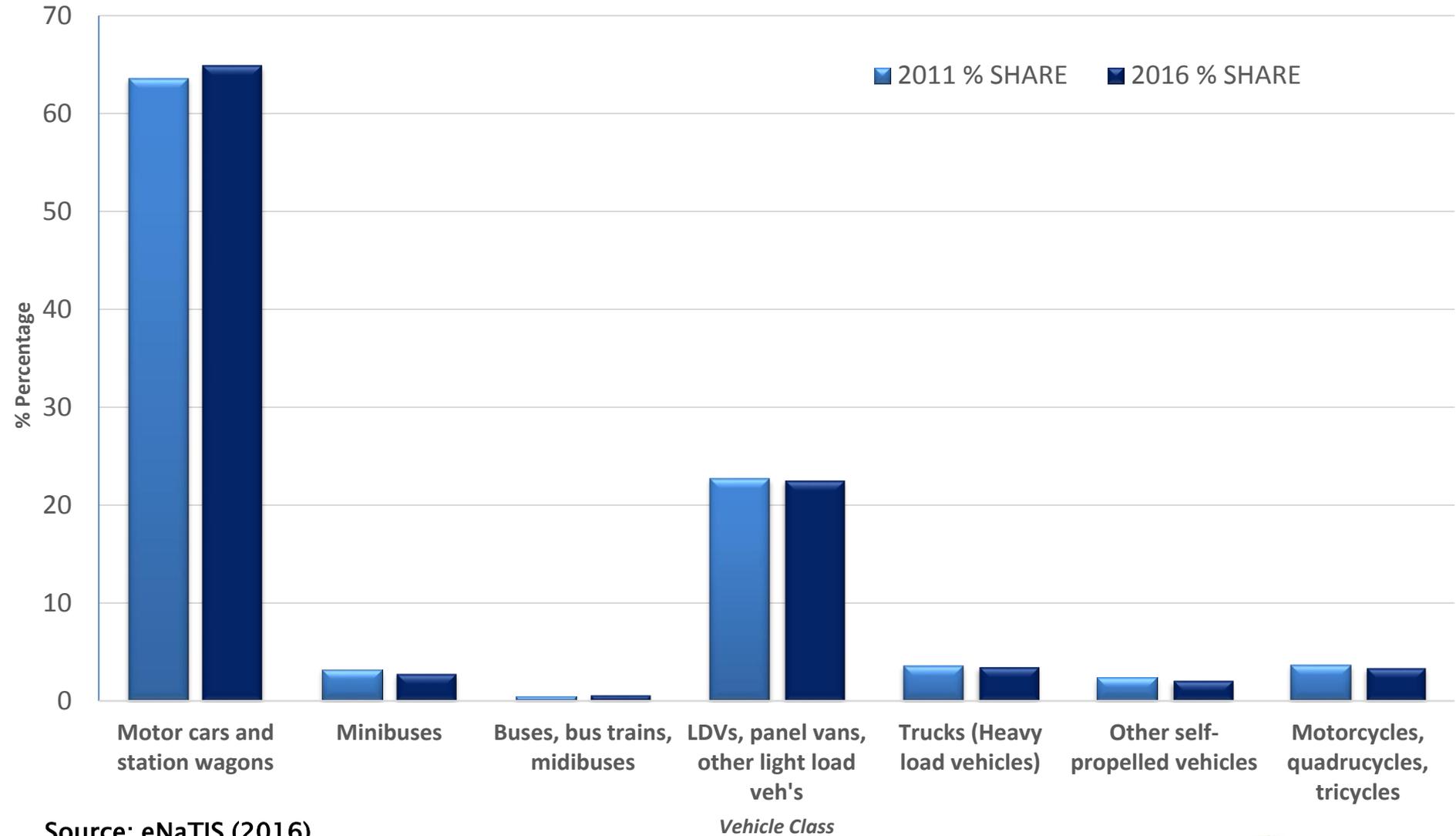
Source: ACEM (2012)

MCs Exported per Product Line - Global Share (2001-2015)

Product HS Code	Product label	2001	2015	15-YR AVE.
'871120	Motorcycles with reciprocating piston engine displacg > 50 cc to 250 cc	29,6%	41,0%	36,1%
'871150	Motorcycles with reciprocating piston engine displacg more than 800 cc	31,5%	26,7%	29,3%
'871190	Motorcycles with other than a reciprocating piston engine	2,4%	12,1%	4,5%
'871140	Motorcycles with reciprocating piston engine displacg > 500 cc to 800 cc	21,8%	9,4%	16,2%
'871130	Motorcycles with reciprocating piston engine displacg > 250 cc to 500 cc	6,0%	6,2%	5,9%
'871110	Motorcycles with reciprocating piston engine displacing 50 cc or less	8,7%	4,5%	8,0%

SA STATUS QUO

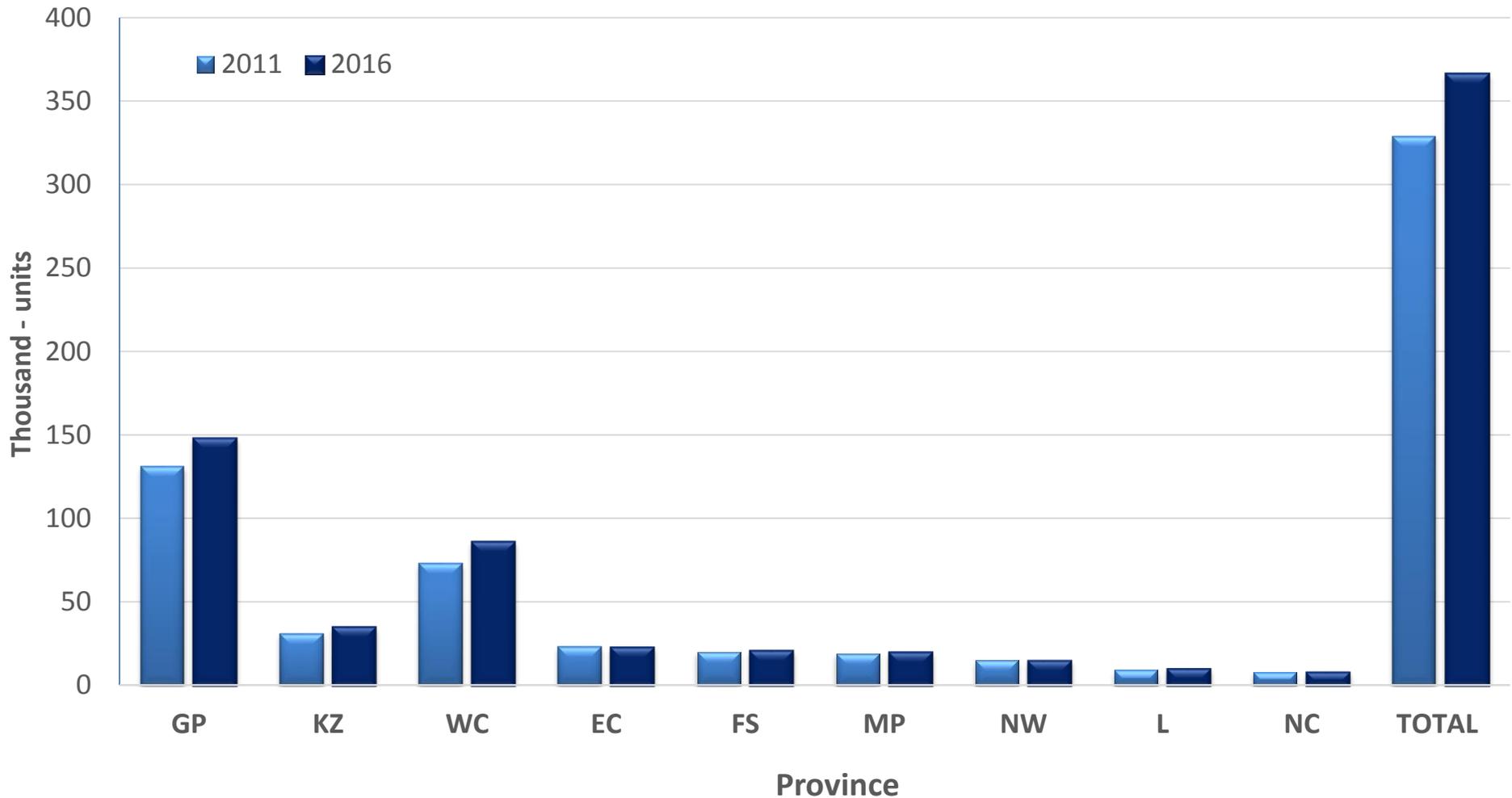
Vehicle Population in SA – 2011 & 2016



Source: eNaTIS (2016)

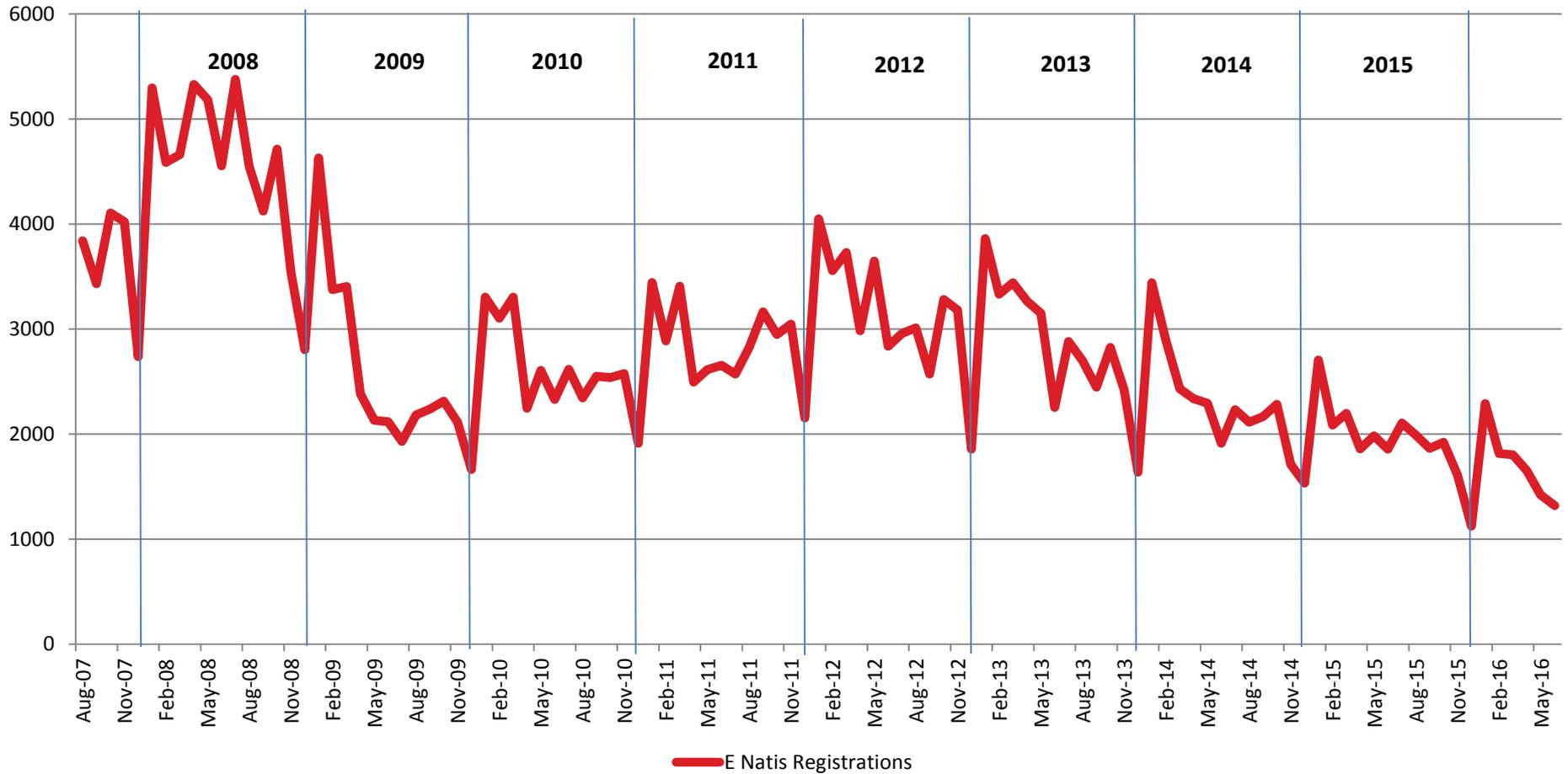


No. of Motorcycles Registered in SA - 2011 & 2016



Source: eNaTIS (2016)

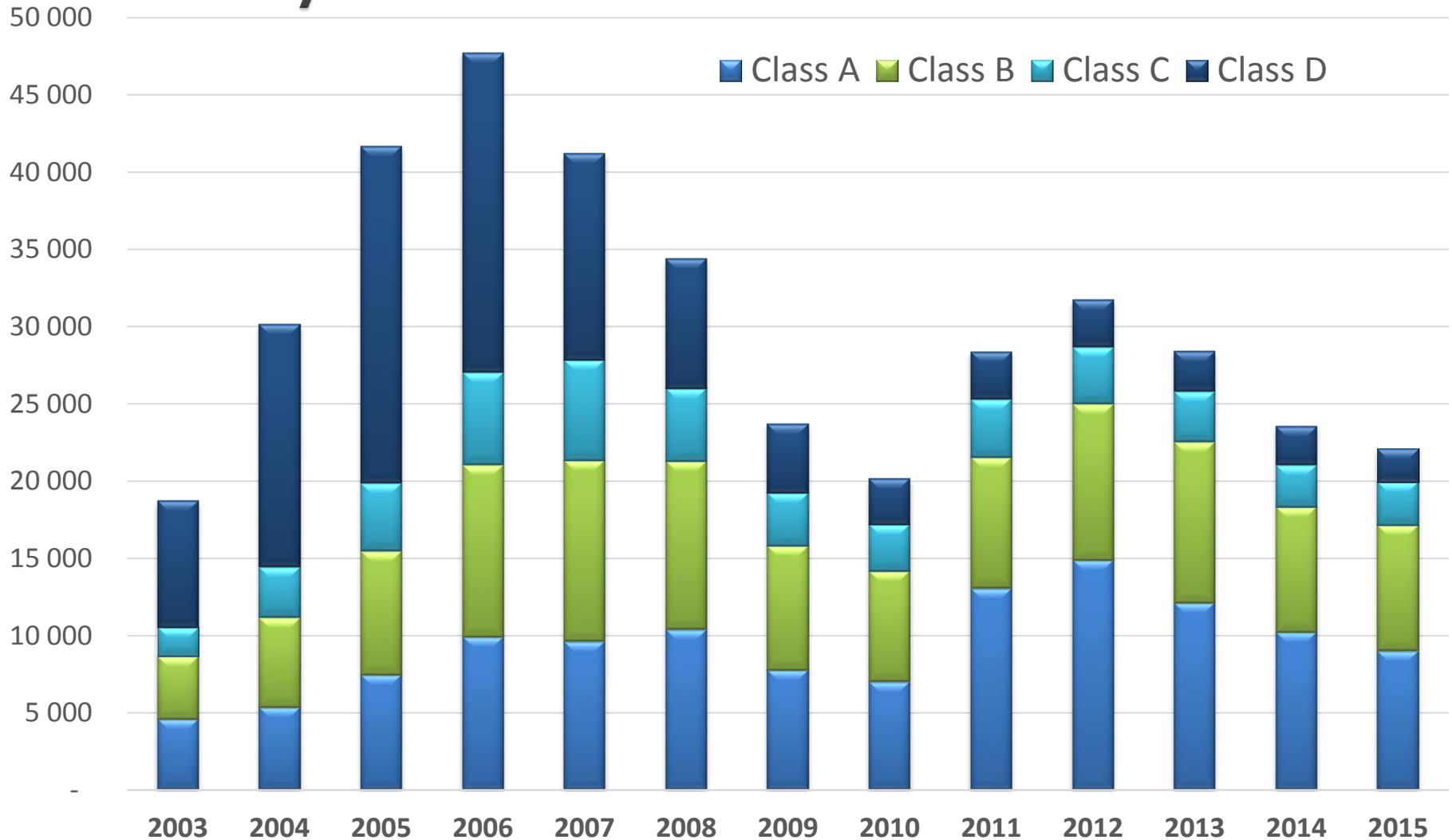
Motorcycles Registrations in SA - 2008 - 2015



Source: eNaTIS (2016)



Motorcycles Sales in SA - 2003-2015



Source: AMID (2016)



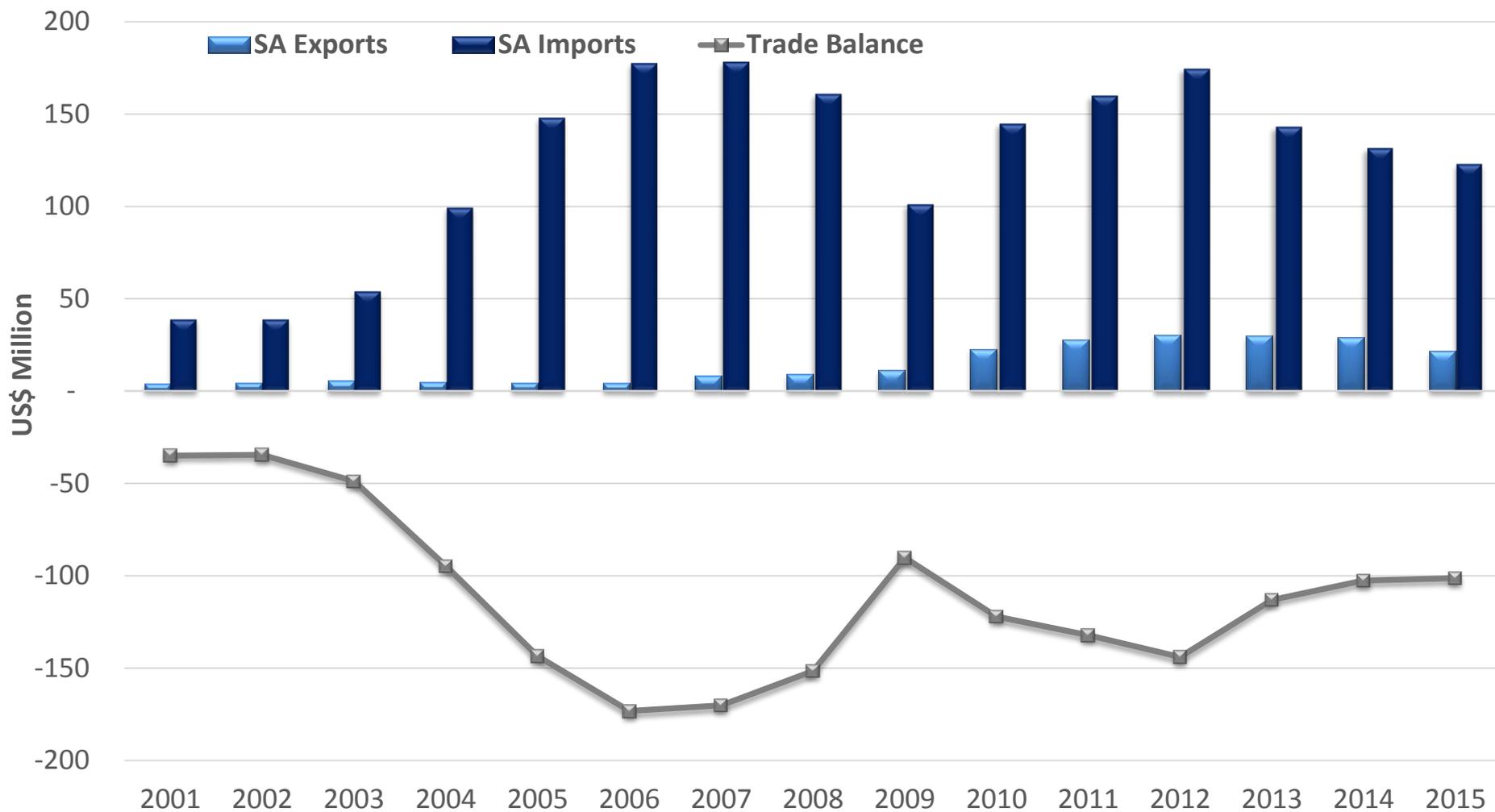
MC Sales by Brand in SA - 2012 & 2015

No.	Brand	2012 - units	% - share	No.	Brand	2015 - units	% - share
1	BIG BOY	7107	18,9%	1	HONDA	4049	17,4%
2	HONDA	6592	17,5%	2	BMW	2799	12,0%
3	GOMOTO	4283	11,4%	3	BIG BOY	2787	12,0%
4	BMW	2258	6,0%	4	YAMAHA	1492	6,4%
5	YAMAHA	1951	5,2%	5	KTM	1487	6,4%
6	SUZUKI	1945	5,2%	6	HARLEY DAVIDSON	1332	5,7%
7	MOTOMIA	1900	5,0%	7	GOMOTO	1285	5,5%
8	BASHAN	1736	4,6%	8	SYM	1264	5,4%
9	HARLEY DAVIDSON	1261	3,3%	9	KAWASAKI	975	4,2%
10	KAWASAKI	1107	2,9%	10	SUZUKI	920	3,9%
11	KTM	1082	2,9%	11	ZNEN	805	3,5%
12	JONWAY	934	2,5%	12	TRIUMPH	506	2,2%
13	PUZEY	692	1,8%	13	LINTEX	395	1,7%
14	BAJAJ	627	1,7%	14	BASHAN	374	1,6%
15	TRIUMPH	506	1,3%	15	PIAGGIO	360	1,5%
16	SYM	395	1,0%	16	DUCATI	291	1,2%
17	DUCATI	289	0,8%	17	4WMOTO	275	1,2%
18	REGAL RAPTOR	255	0,7%	18	JONWAY	219	0,9%
19	ZEST	241	0,6%	19	IRBIS	168	0,7%
20	ZONGSHEN	233	0,6%	20	CSR	141	0,6%
			93,98%				94,08%

Source: AMID (2016)



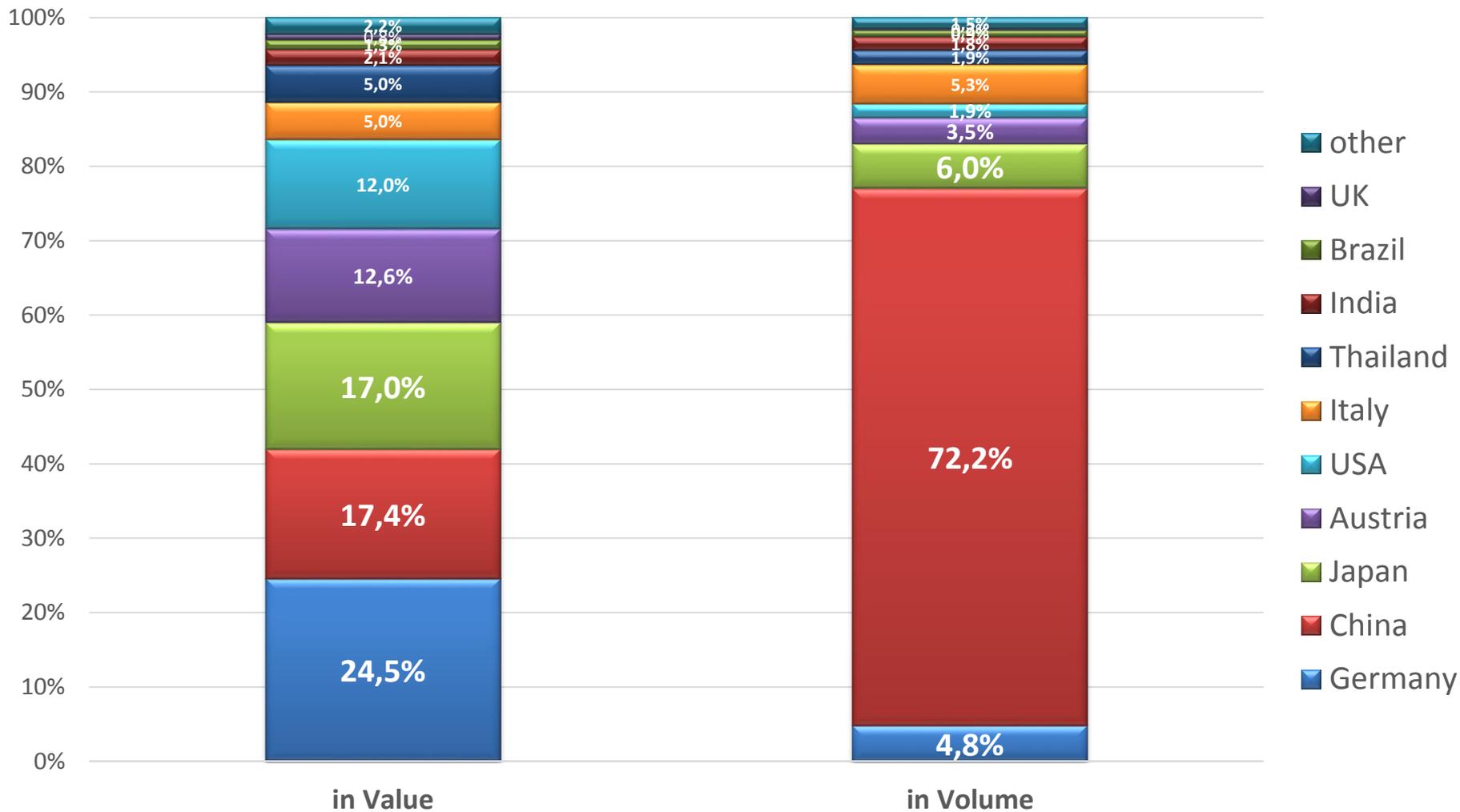
SA's MC trade balance with the World, 2001-2015



Source: UNComtrade (2016)



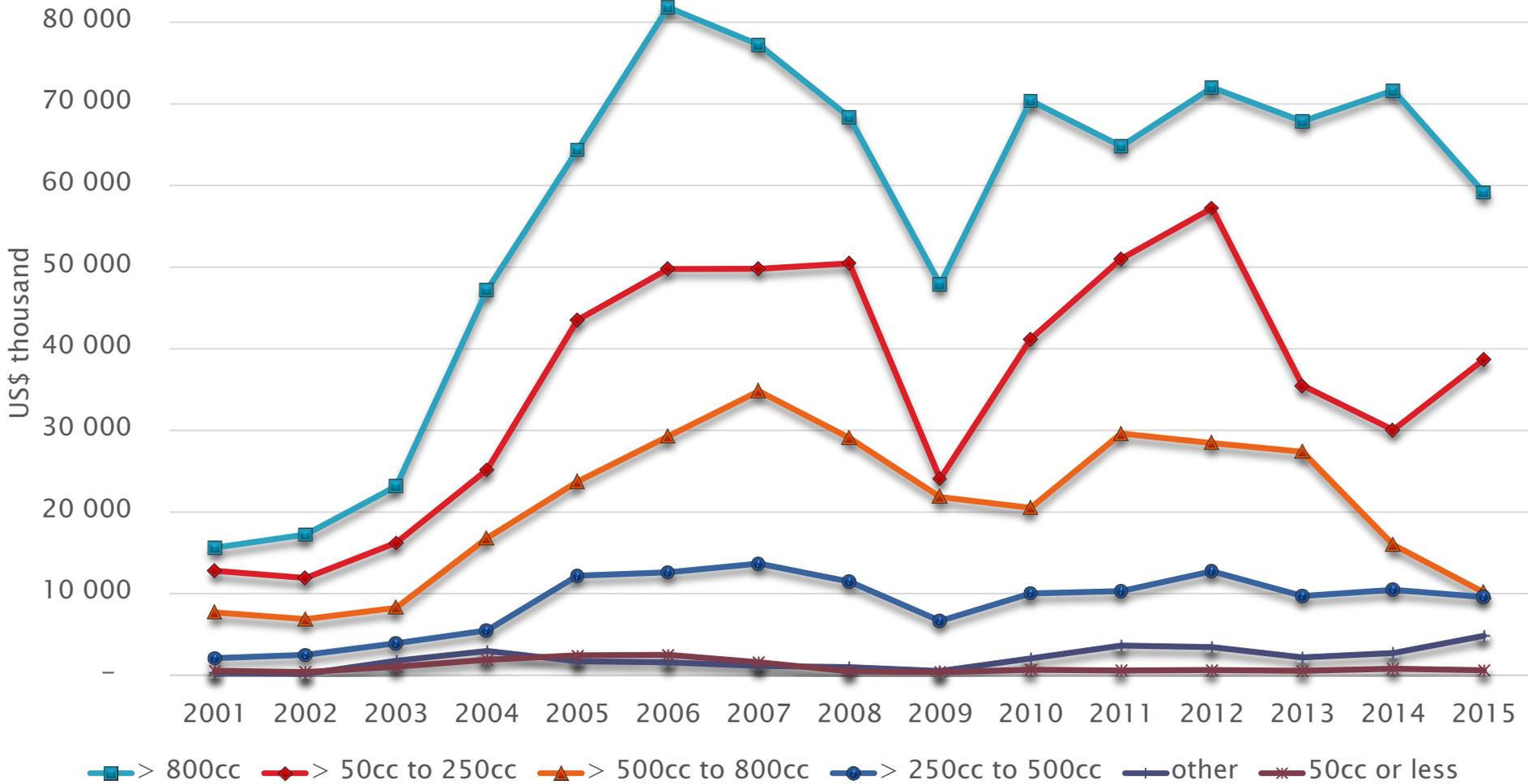
Top 10 countries exporting motorcycles to South Africa in value and volume terms – 2015



Source: UNComtrade (2016)

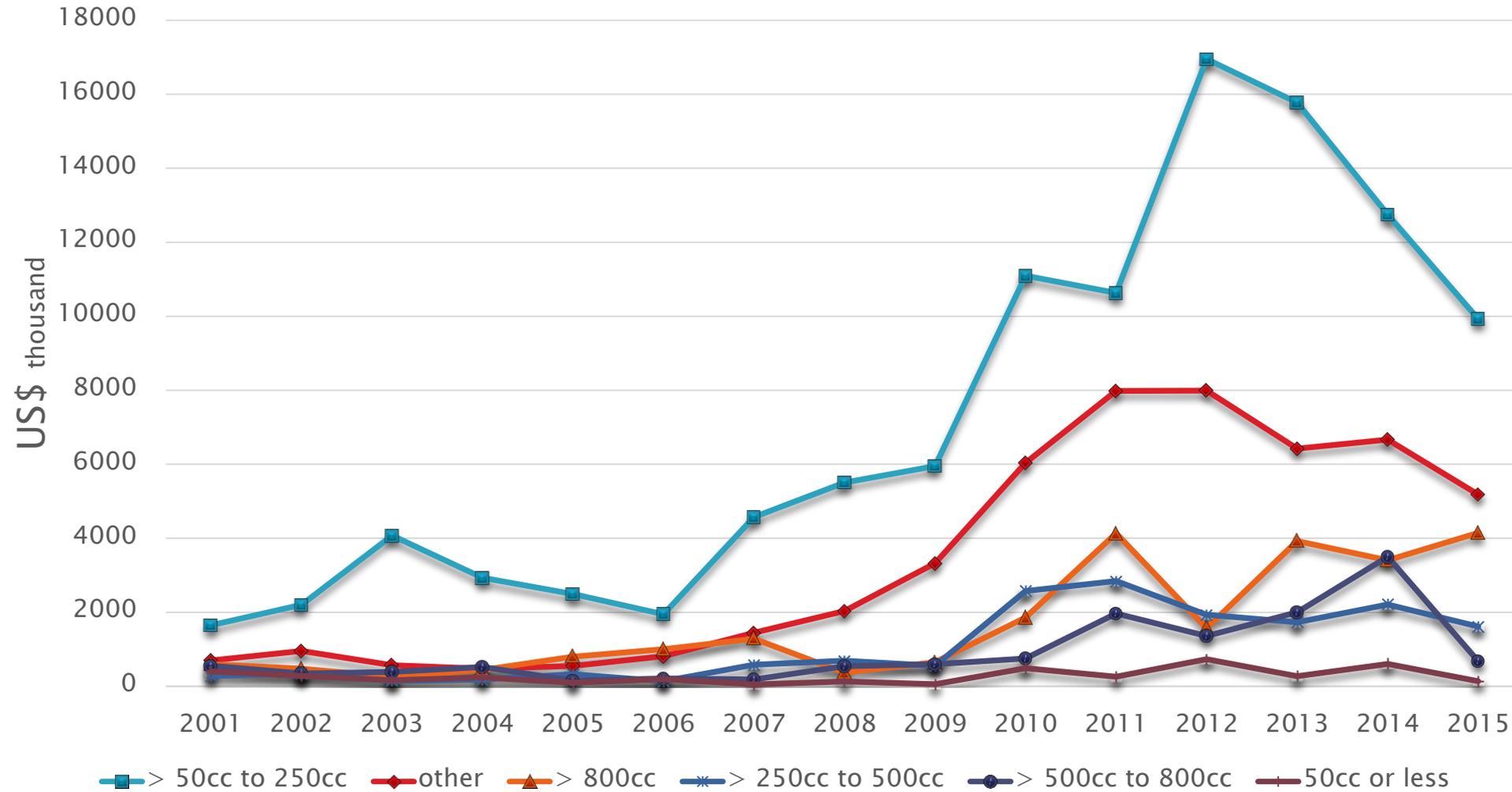


SA's MC Imports by Product Segment, 2001-2015



Source: UNComtrade (2016)

SA's MC Exports by Product Segment, 2001–2015



Source: UNComtrade (2016)



The challenge in South Africa

- ▶ **South Africa's motorcycles industry is facing challenges in a global environment where other emerging markets are experiencing growth in their industries.**
- ▶ the number of industry participants has declined – value chain leading to after-market has been reduced (many dealers and distributors have closed down)
- ▶ Imports have declined – there are also export restrictions which have made it challenging to promote inter-regional trade
- ▶ MCs have become more expensive – unaffordable to the general population
- ▶ **South Africa does not manufacture motorcycles – imports are required to supply the domestic market**

The argument

- ▶ **One of the reasons identified as the cause of the decline is a policy introduced in 2013 which is in effect a non-technical barrier (NTB) that has had a negative impact on the growth of the industry – downward pressure on domestic demand**
 - **Compulsory Specification for Motor Vehicles of Category L** involves a special testing of MCs that are brought into the country by parallel importers, together with a system of issuing certificates for such MCs.
 - There are no testing facilities in SA to conduct the special test - **homologation**
 - Parallel importers have played a significant role in supplying the domestic market with affordable MCs and a wider range of MC models to market segments that the current authorised suppliers in operation in South Africa are not meeting the domestic demand
 - This NTB would not only require parallel importers to raise their prices, but have put many of them out of business leaving authorised suppliers as the only source of MCs in the country – the existing parallel importers are sourcing their MCs from the authorised suppliers
 - ***Key question? Was this policy meant to promote local manufacturing capabilities or purely for consumer protection against substandard imports***

The context

- ▶ **SA's automotive sector is one of the most protected and supported sector in the country to promote local manufacturing currently taking place whereas with MCs no local manufacturing is taking place yet the industry is hindered by trade restrictions**
- ▶ South Africa is a net importer of motorcycles and that has been the case throughout the observed period.
- ▶ In global terms South Africa is a minor player in motorcycles trade
- ▶ In both imports and exports South Africa contributes below one percent in the global share of motorcycles trade.
- ▶ Globally South Africa ranks 33rd in imports and 27th in exports of motorcycles.
- ▶ All imported motorcycles are categorised as 'new' motorcycles imports that are shipped in predominantly as Completely Built Units (CBUs)
- ▶ ***SA's automotive masterplan currently under developed – should MC industry development be included?***

Top 10 Import Markets trade indicators 2011-2015

Importers	Value imported in 2015 (US\$ thousand)	Annual growth in value between 2011-2015 (%)	Annual growth in value between 2014-2015 (%)	Share in world imports (%)	Average distance of supplying countries (km)	Concentration of supplying countries	Average tariff (estimated) applied by the country (%)
Africa	1 864 384			9.8			
1 Nigeria	446 646	-7	-38	2.4	9 601	0.48	13.9
2 Egypt	165 602	2	112	0.9	7 125	0.57	14.8
3 South Africa	123 042	-8	-7	0.6	10 457	0.2	*0
4 Kenya	98 428	5	16	0.5	7 194	0.47	11.8
5 Tanzania	92 542	9	-9	0.5	8 673	0.67	11.9
6 Guinea	75 813	-7	-17	0.4	11 547	0.49	15
7 Ethiopia	71 962	21	74	0.4	6 185	0.33	29.8
8 Ghana	65 399	-1	30	0.3	11 689	0.74	0
9 Morocco	63 781	4	-42	0.3	9 109	0.59	7.5
10 Benin	59 500	12	-15	0.3	8 253	0.48	13.9

*Note: * South Africa's Ad Valorem tariff for the different motorcycles product segments are: < 250cc - 0%; 250cc-800cc - 5.75%; > 800cc - 8.05%*

Source: ITC calculations based on UN Comtrade statistics & AMID (2016)

POLICY IMPLICATIONS



Policy Implications (1)

- ▶ Policy that affects the use and production of motorcycles should be designed from a broad perspective, which includes ***the lifestyle and life quality of the people, urban and traffic planning, and industrial promotion***
- ▶ Motorcycle policy should be consistent with, and constitute an integral part of, an overall ***transportation master plan*** as well as an overall ***industrial master plan***.
- ▶ Motorcycle policy should pursue the following four objectives:
 - ***People's mobility and convenience***;
 - ***Quality of life***; traffic congestion, traffic accidents and air pollution associated with transportation should be reduced for the safety, health and comfort of the people.
 - ***Reasonable cost and timing*** of building transport infrastructure
 - ***Levelling-up of industrial capability*** - South Africa motorcycle industry hasn't yet reached a domestic demand size which is sufficiently large for aiming at production efficiency and supporting industry development

Policy Implications (2)

- ▶ Government does not have to worry about the **competitiveness of major producers**, since motorcycle supply in the country is dominated by OEMs with high technology and global reputation.
- ▶ Government has to be engaged in close dialogue with them to **compile and revise policies**, but there is no need to dictate their production, investment, marketing, export or R&D activities.
- ▶ Apart from supply-side policies, people-oriented policies to improve motorcycle use are extremely important in the case of motorcycles, since motorcycles can have great impact on the general welfare of the country's people.

Policy Implications (3)

- ▶ The motorcycles industry sector is **an important part of local business and economy in developing countries**
- ▶ Although figures vary from region to region, especially for the retail sector, **it is estimated that worldwide up to four million people are employed by the motorcycles industry.**
- ▶ **Increased sales and market size mean economic growth**, more jobs and more income to the state, factors that should be recognised and welcomed by government and society.

The key findings & evidence

- ▶ Because of the **trade restriction** sales and trade of MCs in South Africa have declined
- ▶ Less importers and distributors are able to conduct business in the industry
 - Interviews with industry participants (associations, importers and dealers) have provided evidence of job losses and company closures
- ▶ The after-market has also been affected with excess demand for parts and spares
 - Prices have increased – motorcycles have become more expensive to maintain



Trade and Industrial Policy Strategies

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