

# SA's new R14bn automotive plant is well underway

Automaker BAIC Group has announced that the full-scale production of its compact SUV, the BAIC X25 will commence in 2018 Q4.



The company has completed the critical construction and equipment installation milestones for Phase 1 of the historic R11bn investment which was announced in 2016 as well as the completion of the semi-knocked-down (SKD) line and satisfactory progress on construction work streams of its vehicle assembly plant located in the Coega Special Economic Zone (SEZ).

The BAIC SA investment – one of 26 bilateral agreements, with a total value of R94bn, signed in 2015 between SA and China – is reportedly the single largest investment in South Africa in 40 years.



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The project is the result of a memorandum of understanding (MOU) between the South African government's industrial policy implementation arm, the Industrial Development Corporation (IDC) and Chinese state-owned Global Fortune 500 company BAIC Group, which manufactures BAIC models as well as Hyundai and Mercedes-branded cars for the Chinese market through its Beijing Hyundai and Beijing Benz joint ventures agreements.

The R2bn Phase 1 of the BAIC SA plant, comprises a 4,200m<sup>2</sup> office block, an assembly and body shop of 42,000m<sup>2</sup>, and robotic equipment. Construction will commence shortly on the 21,000m<sup>2</sup> paint shop, scheduled to be completed by the end of 2019.

The manufacturing process and the entire plant design is fully considerate of energy conservation and environmental protection by adopting mature, advanced, low pollution and energy saving manufacturing technologies. The factory also makes use of artificial intelligence (AI).

## Hallmark of China-SA relations, and Brics vision

With 2018 marking the 20-year anniversary of bilateral trade, investment and economic relations between South Africa and China, the project is not only set to dramatically advance the economy of Nelson Mandela Bay through investment in the East, but also offers the company a strategic geographic manufacturing and export base to realise its global strategy.

60% of vehicles manufactured at the BAIC SA plant are destined for export markets in Africa, the Middle East and Latin America, with the remaining 40% for the South African market. The company currently has 17 dealerships in South Africa and plans to announce further expansions.



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Xu Heyi, chairman of BAIC Group, says: “The BAIC SA project advances both countries and is testimony to this week’s Brics Summit theme which centres on inclusive growth and shared prosperity in the 4th Industrial Revolution.

IDC CEO Geoffrey Qhena says the event will further redefine economic ties between South Africa and China: “Over and above this particular investment, we expect positive spin-offs in additional investments and job creation from the numerous local and foreign components manufactured in the supply chain.”

## Job boost for South Africa

The company has released forecasts on permanent employment in South Africa and said 120 employees will be employed by the end of 2018.

In relation to Small, Medium and Micro-sized Enterprises (SMME) beneficiation, BAIC said that 73 SMMEs (51% black-owned CIDB grading 1 – 6) participated in various construction and other related work streams during Phase 1.

The total value contracts awarded to SMMEs in Phase 1 was R200m.

Forthcoming projects such as the paint shop, landscaping, and other external works stream, due to be completed by the end of this year, will ensure the company reaching its SMME participation goal of 35% in Phase 1.

## Local content

BAIC has over the last two years extensively engaged automotive South African component manufacturers and suppliers through a procurement and supply division.

It has successfully engaged and formed MOUs with the first group of local suppliers to develop South African supply

chains. This year's localised parts procurement plan will include 39 parts; mainly based on the production of accessories for interior parts, such as roof lining, carpets and seats, among other.

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