



Mercedes-Benz

MIDP

Motor Industry Development Program in South Africa

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Background and Rationale MIDP

- Program introduced in 1995
- Widely regarded as a major success of South Africa's post-apartheid trade and industrial policies
- Designed to help an inefficient, high cost and uncompetitive motor industry adjust to trade liberalization
- Assist the motor industry to achieve international competitiveness



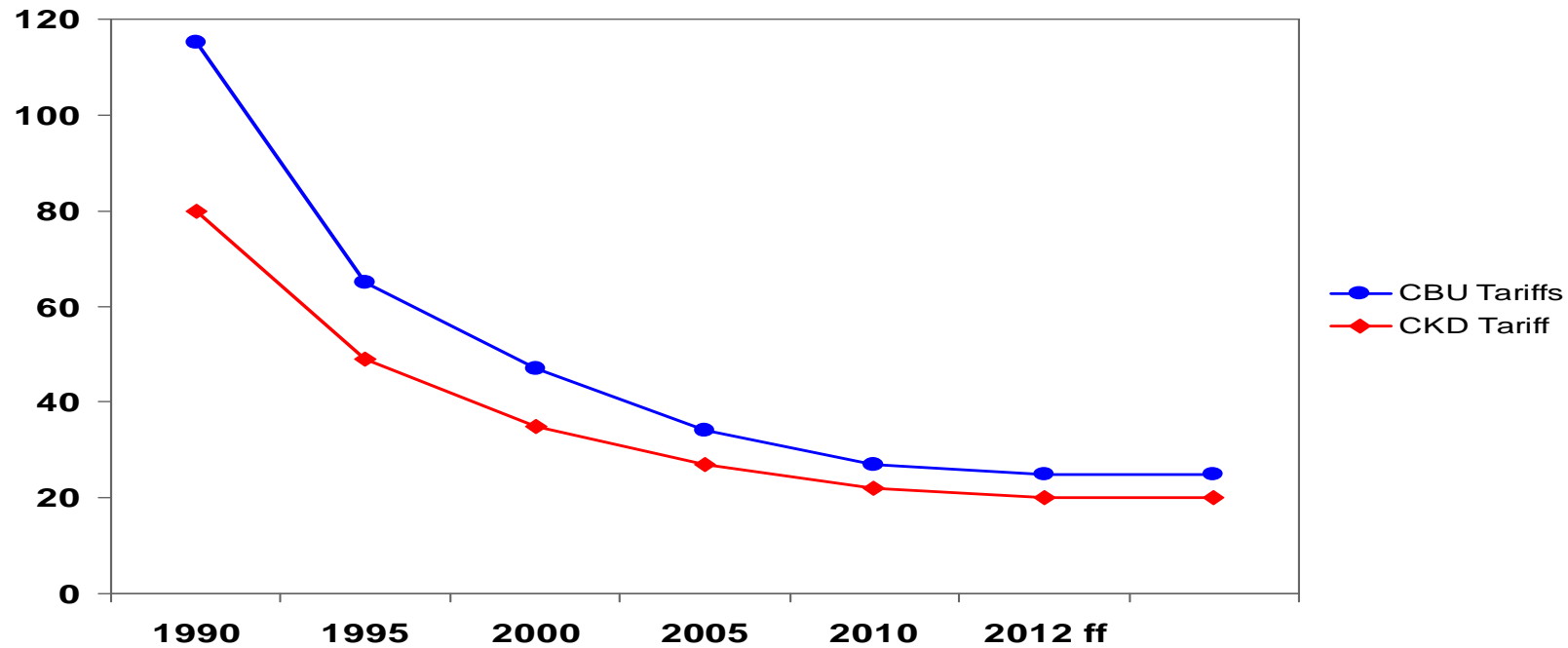
Elements of the MIDP Programs

- Gradual reduction in import duties on vehicles and components
- Creation of incentives for local material in vehicle and component exports to off-set duties on imported vehicles and components*
- Duty free allowance on imported vehicles of 27 percent of the value of vehicles produced for the domestic market
- 20% support of investments in capital and human resources

* Export incentives will be replaced in 2013 by production incentives due to WTO regulations



Import Duty Tariffs 1990 to 2012 ff



CBU	115%	65%	47%	34%	27%	25% ff
CKD	80%	49%	35%	27%	22%	20% ff



Economics of MIDP Program

- Rapid growth of vehicle imports and exports
- Rapid growth of component exports to approximately 350 Mill USD, (e.g. 35% catalyst converter, 15% leather seats)
- Substantial investment in state of the art technology, average/year 400 Mill USD
- Creation of employment, especially in supplier industry (e.g. Bosch, Lear, Johnson Control, etc.)
- Rationalization into fewer production lines, economies of scale due to exports
- Reduction of customer prices



International Car Manufacturers Exporting From South Africa

- Toyota Corolla for Europe
- Mercedes-Benz C-Class USA, Canada, Australia
- BMW 3-Series USA, etc.
- Volkswagen Golf
- Ford
- General Motors



Vehicle Statistics

Wholesale South Africa

• Locally produced	350.000
• Imported	150.000
Total	500.000

Production South Africa

• Local Market	350.000
• Export	250.000
Total	600.000