

Local OEMs and suppliers have been working hard, together with ASCCI, to drive localisation. We are pleased to report our first collaborative localisation success, enabled by the dti's support to ASCCI.

We have also learnt some important lessons along the way which we will use to inform future projects as we endeavour to deliver greater depth and scale of localisation as we move forward.

Localising drive shafts with Dana Spicer Axle South Africa

In 2015, a selection of local OEMs engaged with Dana Spicer Axle South Africa (Dana) with the view to localising drive shafts. ASCCI identified drive shafts as a localisation opportunity following analysis of localisation data together with meetings with each of the seven OEMs. Emerging from this process, drive shafts presented themselves as a localisation opportunity given three primary factors:

- One OEM had shafts locally. This indicated that local capability existed which could potentially be unlocked by other OEMs.
- Locally available technology was aligned with other OEMs. This significantly reduced the barrier to localising.
- Drive shafts are high value components. A localisation success would contribute meaningfully to the industry's localisation objectives.



At the time that the OEMs engaged with Dana, the factors influencing the localisation resulted in a marginal business case which was not sufficiently compelling for any OEMs to localise.

Two and a half years later and following considerable effort and dedication from both Dana and Ford Motor Company South Africa to deliver competitively priced components and the support of global procurement decision makers respectively, Ford will be localising drive shafts with Dana for its next model. The shafts are currently fully imported, with the result that the localisation will see:



Estimated investment of R51 million across the OEM, Tier 1 supplier, and Tier 2 suppliers



Expected 40 jobs to be created

"ASCCI played a valuable role in supporting our drive shaft localisation by identifying the initial opportunity and locally available technology to support a positive outcome."

**- Head of Purchasing,
Ford Motor Company South Africa**

"ASCCI supported a successful localisation by prioritising the opportunity with local OEMs and encouraging them to engage with Dana with the objective of localising".

**- Managing Director,
Dana Spicer Axle South Africa**

WHAT ASCCI HAS LEARNT WITH REGARDS TO LOCALISATION:

LESSON LEARNT	RELEVANCE
1. Localisation decisions are heavily influenced by new model cycles.	Localisation efforts (particularly Tier 1) are best pursued +/-4 years prior to a new model, when sourcing decisions are made.
2. Local content grows in a phased manner, often either a) beginning with one OEM and growing with others later, or b) beginning with assembly and deepening local content later.	Successful localisations should be revisited periodically and with other customers and suppliers to identify further potential opportunities.
3. Small local volumes represent a barrier to localisation.	Projects to localise a part for the first time are best pursued for OEMs with the largest scale in production. Later projects to widen and deepen local content may then engage with smaller volume producers.
4. Multinational suppliers own the designs for many Tier 1 components.	For these components, having the multinational suppliers present in South Africa is an important enabler of localisation.
5. Creating a case to localise when investment has already been made elsewhere is difficult.	Support is often required from global parent companies (OEMs and suppliers) to a motivate for localisation to happen.
6. ASCCI adds value by identifying viable localisation opportunities, aligning suppliers and customers around the opportunity, and maintaining a focus on the opportunity over an extended period.	Developing business cases are costly and not an effective way for ASCCI to support localisation.

Moving forward

As ASCCI looks to increase the scale of its localisation activities going forward, we are engaging in opportunities to both deepen (at lower tiers) and broaden (across OEMs and Tier 1s) local content. Projects will support firms to achieve the cost competitiveness required to drive localisation, unlock funding for required capital investment, and enable transformation opportunities. At its core, ASCCI will engage existing dti funding to initiate activities and will leverage other aligned funding sources to deliver greater scale of localisation impact going forward.



In collaboration with

