

# **PNEUMATIC TYRES NEW OF RUBBER FOR MOTOR VEHICLES EXPORTS FROM KWAZULU NATAL**

## **1. Overview**

The South African retail market for tyres is worth about R25bn annually. Of the approximately 11 million tyres sold locally each year, about 5 million are imported. About 2 million locally manufactured tyres are exported each year. The tyre industry accounts for 80% of natural and synthetic rubber used in South Africa. The key issues facing South African tyre manufacturers and importers are the government's levy on tyres to fund waste tyre recycling, imports and dumping of low-cost subsidised Chinese tyres, declining labour productivity and rising electricity costs.

## **2. Description of the Industry**

Pneumatic tyres, which are made of reinforced rubber and filled with air, are used on passenger vehicles, as well as vehicles and implements in the commercial, agricultural, mining, construction and transport industries. There are four South African tyre manufacturers, all owned by international tyre companies with extensive global footprints.

These four manufacturers supply tyres to two primary markets:

- South African auto-makers, or original equipment manufacturers (OEMs), that require tyres produced to specification for South African-assembled vehicles that are often, but not always, exported; and
- the replacement market for tyres on vehicles in South Africa, as well as consignments to other parts of Africa and the rest of the world.

The South African Tyre Manufacturers' Conference (SATMC), the association representing these four manufacturers, estimates there are less than 100 tyre importers in South Africa. Approximately half import relatively large quantities of tyres, while the remainder import speciality tyres, such as those designed for vintage cars. The number of tyre importers in South Africa has dropped sharply from an estimated 450 importers in 2007, mainly due to eroding profit margins. The prevailing weak rand in 2013 could further reduce the number of importers in South Africa. Importers are represented by the Tyre Dealers and Fitment Association (TDFAFA), a subsidiary of the Retail Motor Industry (RMI).

According to the SATMC, there are about 75 South African retreading companies that remove and replace the worn thread from a tyre, a process that extends the lifespan of a tyre to about 60% of that of a new tyre. It is estimated that about 2 million commercial and industrial tyres are retreaded annually in South Africa. Many small retreaders are located outside major urban areas, their business boosted by the high costs associated with transporting heavy truck tyre casings. There is no industry association specifically for retreaders, and they are represented under the ambit of the TDFAFA

### **3. Industry Supply Chain**

Tyre manufacturers source inputs from suppliers of natural and synthetic rubbers, steel and textile fabric. Textile fabric is woven into the side walls of tyres for strength. Synthetic rubber is normally used for passenger tyres, while natural rubber is used for truck tyres. Most of South Africa's imports of natural rubber come from the East, in particular Vietnam and Indonesia. Synthetic rubbers are produced in South Africa by Karbochem, a privately-owned company with operations at Sasolburg and Newcastle. About 80% of Karbochem's synthetic rubber production is supplied to the tyre industry. South African nylon spinners have stopped producing the textile thread used in tyres, and manufacturers now import all of their requirements. The copper-coated steels used in tyre treads are specialised imported products. Local wire manufacturers supply tyre-makers with their other steel requirements.

### **4. Size of the Industry**

About 11 million tyres, including locally produced units and imports, are sold in South Africa annually

There are four main tyre manufacturers in South Africa, Apollo Tyres (formerly Dunlop Tyres), Bridgestone, Continental Tyres and Goodyear compete against an estimated 200 importers of tyres of various brands, more than half of which are from China and Japan.

#### **South African Tyre Manufacturers**

- Goodyear SA (Pty) Ltd
- Apollo Tyres SA (Pty) Ltd
- Bridgestone South Africa
- Continental Tyres SA (Pty) Ltd

There are about 75 South African retreaders of tyres, who now focus exclusively on the commercial and industrial markets.

#### **Main South African Retreaders**

- Max-T Solutions
- TrenTyre SA (Pty) Ltd
- Leader Thread SA (Pty) Ltd
- Bandag SA (Pty) Ltd

### **5. Regulations**

The following legislation and regulations apply to tyre manufacturers, vehicle fitment centres and retreaders.

- **The Consumer Protection Act**, which established the National Consumer Commission (NCC) to deal with consumer complaints. The RMI says its

associative members are assisting member companies with regard to complaints lodged with the NCC.

- **The Second Hand Goods Act**, which requires the registration of dealers in second-hand goods to obtain official certification.
- **Waste tyre regulations**, which make participation in a waste tyre management plan compulsory for all participants in the tyre supply chain. **The Integrated industry waste tyre management plan of Redisa**, gazetted on 30 November 2012, spells out the intention to have only one waste tyre management plan in South Africa. See Influencing Factors: Redisa for more information.
- **The Import Control Act**, which requires new tyre and casing importers to have a valid import permit and ensure they are not sold as second-hand tyres.

The National Regulator for Compulsory Specifications (NRCS) applies compulsory standards to the following categories of pneumatic tyres manufactured and imported into South Africa.

| Description  | Category  |
|--|---|
| New pneumatic tyres for passenger cars and their trailers      | Compulsory Specification:<br>VC8056 ECE Regulation 30 |
| New pneumatic tyres for commercial vehicles and their trailers | Compulsory Specification:<br>VC8059 ECE Regulation 54 |

## 6. Barrier to Entry

Massive capital investment in complex technology and labour skills are the biggest barriers to entry in the tyre manufacturing and retreading sectors. The existing four tyre manufacturers dominate the market and are all owned by multinationals, giving them access to global distribution channels and cutting-edge research. Competition for retreading companies comes in the form of cheap imports.

There are opportunities for small entrants in the fitment centre and tyre distribution sector, particularly as franchises develop and alliances are created with capacity for combined negotiation with tyre suppliers. New tyre importers face difficulties breaking into the market because of the high upfront costs of shipping bulk containers, as well as distribution challenges.

## 7. Product

**Description of Product:** Pneumatic Tyres new of Rubber for Motor Vehicles'

**Description as per product code:** 401110 New pneumatic tyres, of rubber: Of a kind used on motor cars (including station wagons and racing cars)

| Product & code   | Trading partners | Barriers to entry          |                |                                    |                                 |                                       | Trade Agreements                        | Key Industry Role Players |
|--|------------------|----------------------------|----------------|------------------------------------|---------------------------------|---------------------------------------|---|---------------------------|
|  |                  | Tariffs                    |                |                                    | Non-Tariffs                     |                                       |   |                           |
|  |                  | Tariff Regime              | Applied tariff | Total ad valorem equivalent tariff | Non Tariffs Measures (NTM) Code | Measures applied by importing country | Preferential tariff for SA              |                           |
| H: 4011201000 - Pneumatic tyres, new, of rubber, of a kind used for buses or lorries, with a load index of ≤ 121 | Zambia           | MFN duties (Applied)       | 25%            | 25%                                | None recorded                   | None recorded                         | Rules of Origin                         | Apollo Tyres              |
|  |                  | Preferential tariff for SA | 0%             | 0%                                 |                                 |                                       |   |                           |
|  | Brazil           | MFN duties (Applied)       | 16%            | 16%                                | None recorded                   |                                       | None recorded                           |                           |
|  |                  | Preferential tariff for SA | None recorded  | None recorded                      |                                 |                                       |   |                           |
|  | Germany          | MFN duties (Applied)       | 4.5%           | 4.5%                               | None recorded                   | None recorded                         | Africa Investment Incentive Act of 2006 |                           |
|  |                  | Preferential tariff for SA | None recorded  | None recorded                      |                                 |                                       |   |                           |
|  | Zimbabwe         | MFN duties (Applied)       | 25%            | 25%                                | None recorded                   | None recorded                         | None recorded                           |                           |
|  |                  | Preferential tariff for SA | None recorded  | None recorded                      |                                 |                                       | None recorded                           |                           |
|  | Mozambique       | MFN duties (Applied)       | 20%            | 20%                                | None recorded                   | None recorded                         | None recorded                           |                           |
|  |                  | Preferential tariff for SA | None recorded  | None recorded                      |                                 |                                       |   |                           |

## 8. Industry Associations

### I. Tyre Dealers and Fitment Association (TDFA)

One of 14 constituent associations of the Retail Motor Industry, the TDFA is an industry representative body that works closely with authorities to identify and mitigate risk, illegal practices and corruption.

Director : Vishal Premlall

Tel No.: +27 11 886 6300

Fax No.: +27 11 789 9121

Email: [vishal.premlall@rmi.org.za](mailto:vishal.premlall@rmi.org.za)

Website : [www.tdafa.co.za](http://www.tdafa.co.za)

### II. Retail Motor Industry (RMI)

An organisation of 7500 members that is the major employer representative of the Motor Industry Bargaining Council. It has six regional offices. Here are contact details for its Johannesburg office:

Representative : Sibongile Mtaopane

Tel No.: +27 11 886 6300

Fax No.: +27 11 886 6719

[Email: hilda.boucher@rmi.org.za](mailto:hilda.boucher@rmi.org.za)

Website : [www.rmi.org.za](http://www.rmi.org.za)

III. SA Tyre Manufacturers' Conference (SATMC)

Represents the big four South African tyre manufacturers, Goodyear, Bridgestone, Continental and Apollo.

Chief Executive : Etienne Human

Tel No.: +27 11 791 1449 or +27 11 792 0359

Fax No.: +27 86 503 9880

[Email: info@rubbersa.com](mailto:info@rubbersa.com)

IV. National Association of Automobile Manufacturers of South Africa (NAAMSA).

The official body representing new vehicle manufacturers, importers, distributors and assemblers of new vehicles.

Director : Nico Vermeulen

Tel No.: +27 12 323 2980

Fax No.: +27 12 326 3232

[Email:](#)

[naamsa@iafrica.com](mailto:naamsa@iafrica.com)

Website :

[www.naamsa.co.za](http://www.naamsa.co.za)

V. Recycling and Economic Development Initiative of South Africa (REDISA)

A not-for-profit organisation whose waste tyre management plan was gazetted in November 2012 as South Africa's single waste tyre management plan.

Chief Executive: Hermann Erdmann

Tel No.: +27 21 671 7207

[Email: atinfo@redisa.org.za](mailto:atinfo@redisa.org.za)

Website : [www.redisa.org.za](http://www.redisa.org.za)

VI. Rubber Association of South Africa (RASA)

Rasa offers a technical support system to the rubber industry and users of rubber products. Its mission is to improve the industry's image, improve the quality of rubber products, improve productivity, and raise technical awareness within the industry.

Tel No.: +27 11 425 1356