

VOLKSWAGEN'S CHALLENGE: COMPETING AGAINST IMPORTS IN SOUTH AFRICA

The local automotive industry has been under pressure for a while now. However, bucking the trend, several new import brands have been able to grow their market share.

[Martina Biene, Chair and Managing Director of Volkswagen Group Africa](#), shared valuable insights into the automotive industry from an OEM perspective, highlighting the challenges faced by local manufacturers and the pressing need for solutions that encourage investment rather than protectionism.

Speaking about VW Group Africa's operations, Biene highlighted how the OEM is grappling with rising operational costs in South Africa, making its locally manufactured vehicles less competitive against imports. Key issues include load shedding, high transport and logistics costs, and a lack of incentives to support local production. While the company remains committed to investment, these challenges threaten long-term sustainability and future expansion.

According to Biene, Volkswagen's locally produced vehicles struggle to compete with imported models due to the additional costs of operating in South Africa. These costs, stemming from unreliable electricity supply, inefficient transport and logistics, and high port charges, put local manufacturers at a significant disadvantage compared to global competitors who operate on larger economies of scale.

She explains that Volkswagen, like other local manufacturers, is not exempt from loadshedding in the Nelson Mandela Bay Metro, forcing the company to invest heavily in backup power solutions. Biene is of the opinion that these additional expenses, such as the R130 million investment in generators and the R1.6 million daily cost to operate them, directly impact vehicle pricing, making locally built cars less competitive in the market.

Unlike some industry players who advocate for protective trade policies, Biene believes that incentivisation is the key to strengthening local manufacturing. She emphasises that Volkswagen does not seek protectionist measures but rather policies that support and encourage investment in the local automotive sector.

She pointed out that Volkswagen and other OEMs contribute significantly to the South African economy through job creation, skills development, and transformation. Despite this, local manufacturers often feel undervalued compared to importers who do not invest in production within the country.

As Biene explained, Volkswagen is currently the only manufacturer producing a model in the small car segment in South Africa, the Polo Vivo. However, competing small vehicles imported from high-volume production plants overseas benefit from lower costs per unit, making them more affordable than the locally built Vivo.

This imbalance raises concerns about the long-term sustainability of certain vehicle models in South Africa. Biene noted that Volkswagen is preparing for future investments, with R4 billion already allocated to refurbishing the Kariega plant for the production of a new compact SUV from 2027. However, she acknowledged that continuing production of the Vivo in the long term may not be viable, drawing a parallel with the Citi Golf's eventual discontinuation.

Beyond production costs, Biene stressed that South Africa's unreliable power supply remains a major obstacle to securing further investment. With 117 Volkswagen plants worldwide, the local facility must compete internally for new projects, and ongoing electricity and infrastructure challenges make presenting a strong business case increasingly difficult.

The National Automobile Dealers' Association (NADA) represents South African business owners managing new vehicle dealerships and qualifying used vehicle outlets.

She highlighted that Volkswagen is already working on its next investment proposal, but the country's persistent logistical and energy issues pose a risk to future expansions.

Biene delivered an insightful and compelling presentation, leaving the audience with much to consider. She made it clear that while local manufacturers remain committed to South Africa, long-term success depends on creating an environment where they can compete on a level playing field. Without decisive action to address infrastructure challenges and introduce meaningful incentives, South Africa risks losing further automotive investment to more stable markets.

Click on [this video link](#) to view Martina Biene's full presentation

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