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BAIC TO SET UP R2bn COEGA COMPONENTS SUPPLIER PARK

Chinese motor manufacturer will build the park in addition to its R11 billion plant, currently under construction

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Chinese state-owned vehicle manufacturer Beijing Automotive Industry Holding Company (Baic) is planning to establish a R2 billion components supplier park in the Coega industrial development zone near Port Elizabeth.

This development will be in addition to its R11 billion plant, currently under construction, and will provide opportunities for local businesses to participate in the investment.

This was revealed during a recent four-day media tour of the car manufacturer's massive, highly mechanised plant in Beijing.

In late November, Baic SA invited members of South Africa's media, including City Press, to visit the plant.

Gary Yang, Baic SA's acting director, said memorandums of understanding had been signed with six South African component suppliers.

He did not divulge how many jobs would be created.

Yang could not be reached this week to provide the names of the six companies.

In an earlier interview with City Press in Beijing, Yang said: "Baic has put in place a five-man team to investigate how the components hub will be established and run, and they have already reported back.

"Their findings are very encouraging. So, we are going to set up a components supply hub at our plant at Coega."

Yang said a Baic director of strategy would arrive in South Africa in January to "consolidate" this hub.

The Coega project is Baic's first full-value chain manufacturing plant outside of China.

The investment is a joint venture between the Chinese, who have a 65% stake, and the Industrial Development Corporation, which owns 35%.

Construction has been marked by numerous work stoppages, caused by disruptions by local small business enterprises, disgruntled at having been left out of the project.

Construction is five months behind schedule, with some consultants involved in the project saying delays are costing the project R2 million a day.

Despite this, the Chinese remain confident that the project will be delivered on schedule and be fully operational by 2022.

Baic SA vice-president Zhang Liang said the company was "working hard" to resolve complaints from small, medium and micro enterprises (SMMEs), adding that most issues had been resolved.

"We acknowledge the issues raised by the SMMEs, and we will comply with all South African laws. Sometimes there are misunderstandings and misinformation," said Liang.

"We understand this as it could be the result of cultural and governance differences between the two countries.

"We have solutions. We will have meetings with them [the SMMEs] and will reach an understanding that is a win-win for all. We are committed to this project and we are not going to abandon it," Liang said, adding that such issues arose when dealing with enormous projects such as this one.

Thandukwazi Nyawose, an economic counsellor with the South African embassy in Beijing, confirmed that the delays in construction were caused by the SMMEs. He added that the embassy's role in this matter was to facilitate foreign investment.

"Baic has met with the South African ambassador in Beijing to brief him about the issues, and we are reassuring the Chinese that we will do everything we can to see that the project reaches fruition. This is a major investment for South Africa, and China is our strategic partner," Nyawose said.

He acknowledged that the SMME problems might also be the result of cultural differences and the language barrier between the Chinese workers and those employed by the local SMMEs.

"That is why we have also started programmes such as People to People, whereby citizens of the two countries go on exchange visits so that they understand each others' cultures," Nyawose said.

Asked which port Baic would consider for exporting the vehicles, Yang hinted that while the Port of Ngqura was situated closest to the plant, it was better suited for containers.

"Port Elizabeth looks suitable, but we are still studying and evaluating the suitability of them both. We have not yet decided which one we will use," he said.

However, the National African Federated Chamber of Commerce and Industry (Nafcoc) said this week it could not guarantee that there would not be more site disruptions in the future as most issues still had to be addressed.

The business support organisation, which represents emerging black construction contractors, said it was aware of the R2 billion components supply park.

Nafcoc said that since this field required more engineering-oriented workers rather than those adept at construction, most of their members did not qualify to tender for the supply of components.

George Gerber of Uhambiso Consult, one of the major consultants on the Baic SA Coega project, said this week: "Yes, I had heard about the components hub - it has been talked about. Although I have not heard it officially, the figure of R2 billion is close and is, most likely, correct."

Responding to whether the R2 billion investment was separate from the R11 billion one, Gerber said: "That amount [R2 billion] is extra. It is not part of the R11 billion investment for the plant."

Mandla Msizi, Nafcoc's Nelson Mandela Bay general secretary, said: "Baic SA told us that a R2 billion components supply hub would be established, but most of our members are not registered for that category [engineering] and so do not qualify as suppliers.

"Out of our membership count of 120, I am only aware of two to three companies that qualify."

He said it would take between two to three years for most of the chamber's members to qualify as component suppliers.

"We have no clue about what stage that process [the construction of the components supply hub] is at now. This sector is still white-dominated," Msizi said.

● The four-day trip to China was sponsored by Baic SA, which paid for accommodation and airfare