



BAW SOUTH AFRICA

# China Hails The Cab

PRODUCTION: Colin Chinery

Early next year Gauteng-based Beijing Automotive Works SA starts construction of its full CKD manufacturing plant of its Sasuka minicab taxi, with a 25% market share goal and expansion into sub-Saharan Africa. "This is a vehicle specifically designed for African conditions," says BAW SA's Chief Financial Officer, Samson Mojalefa.



Sasuka - the Zulu word meaning 'we are departing' - is the 16-seater minibus taxi poised to make renewed inroads into this burgeoning public transport sector with a package of innovation and passenger orientation and value.

Minibus taxis are a vital part of South Africa's public transport system with more than 16 million commuters' dependent each day. Clocking 1.6 billion passenger trips a year, they are the most affordable, and the servant for the majority of urban poor.

The main player in this R40

billion annual revenue sector is the ubiquitous Toyota Ses'fikile, but Sasuka's manufacturer, East Rand-based BAW SA, is targeting new and major inroads into its market share.

"This is a market with brand loyalty, and Toyota has been around for ever and a day. Our challenge as a company is to try and break the mentality of the consumer who has only ever known Toyota," says BAW SA's Chief Financial Officer, Samson Mojalefa.

**FLAGSHIP VENTURE**

BAW SA is the flagship joint venture

between Beijing Automotive Works China (owned by Beijing Automobile Industry Holding Company (BAIC)) and South Africa's state-owned Industrial Development Corporation.

Opened in 2012, its plant and headquarters outside Springs in Johannesburg's East Rand is currently producing up to 160 Sasukas' a month on a semi knocked-down (SKD) basis. But March 2018 will see a major gear shift - an operational move to full CKD manufacturing at far higher capacity levels and set to bring 100 to 150 new jobs, a 30% increase on the current level.

"We will have our own body and

//OUR CHALLENGE AS A COMPANY IS TO TRY AND BREAK THE MENTALITY OF THE CONSUMER WHO HAS ONLY EVER KNOWN TOYOTA//

paint shops and assembly line, and we will cease to bring in the fully trimmed body in its current SKD format," says Mr Mojalefa. "It's a complete manufacturing facility where we will be importing everything in knock-down form and achieving economies of scale with increased efficiencies and profitability."

Similar in shape and style to the Toyota Ses'fikile, the Sasuka offers significant extras which Mr Mojalefa is confident will give it market edge. "The way we are approaching this is to make our products on a spec-by-spec basis and so achieve superiority.

"For example, we have satellite navigation, better seats than the Toyota, better head lining, full air conditioning throughout the vehicle, and DVD. So we are going forward spec-by-spec, achieving a product that is a lot better than the Toyota."

A two-year/200,000 km service plan that also covers maintenance of the entire braking system is another feature which BAW SA believes will win big sales in this competitive and accident-plagued market. "It's a unique and affordable all-in-one financial package on a rental basis.

"We are aware of the competitiveness in the market and trying to be unique in terms of our offering. Other companies give a warranty up to say 200,000 km, but no other manufacturer is offering a service plan. We are the first to do so and this sets us apart."

If the generality of Chinese autos have a reputation for being unequal to the challenges of our roads, Mojalefa is clear about Sasuka's African credentials. "This is a vehicle specifically designed for African conditions.

"People joke about it, but the fact is

that in Africa you can't compare with a people carrier in China. The Chinese are typically smaller than us for example, and that's the kind of detail that we spend a lot of time on.

"Like any auto manufacture we have had some challenges, but we have never had any complaints from any customer or any of our dealers regarding the vehicle's durability in respect of engine, gearbox or diff. The breaking system for example, has been developed especially for African roads, and many vehicles have gone over the 400,000 km mark.

"To date we have not had a single

failure on our transmissions, and the gear boxes work fantastically. All together I believe this is a testament to the scale of development that has been put into the product."

With China South Africa's largest single trading partner and an increasingly significant investor, BAW SA's BAIC / South Africa's Industrial Development Corporation paternity has been lauded by Economic Development Minister Ebrahim Patel as a role model of the Government's New Growth Path of increased industrialisation and shifting reliance away from imports of manufactured goods.

**SA MANAGEMENT TOP TEAM**

Asked about the relative influence of the two owner-participants, Mojalefa emphasises the decision-making status of the South African management. "As a major shareholder, China has a major

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voice in the company's direction, but we sit as a management team - many with an ex-BMW or Nissan background - and we set our targets. Obviously we need to make a return and enhance shareholder value, and we know where we want to be in terms of sales."

The managerial composition and backdrop has also been a factor in shaping the Springs plant's training and career advancement policy. "From the beginning we made sure the mandate was to employ from the local area. A lot of the guys didn't have any skills, but in the four years since there's been a massive skills transfer."

The biggest challenge said Mojalefa is the currency value impact. "With 75%

of our manufacturing costs exposed to Dollars, adverse news coming out of our country together with the political situation is impacting heavily on the Rand-Dollar. Without doubt this has been the biggest effect on the business.

"But while the economy is sluggish and slow, I think our industry is unique because most Africans don't have an alternative means of transportation to minibus taxis. So while the Rand-Dollar issue has had an effect on our production costs, from a demand point of view I think the economic slowdown has had little or zero effect."

**AFRICAN AMBITIONS**


After settling in the full

manufacturing programme, BAW SA will start looking at the rest of the African market. "We are currently exporting to Namibia and Mozambique, but those markets are very small in terms of what we are selling. Then once we have established our CKD, the plan is to move in to the rest of Africa.

"We will be looking primarily at those countries with a right-hand side drive - we have not as yet addressed the left-hand side - such as Zambia, Zimbabwe, Kenya and Uganda."

Currently producing 150 vehicles a month - 7.5 to 10% in a market that's close to 1,200 - the potential is massive,

and the Springs company has set a goal of a 25% market share. "I believe we will achieve this, with the final Sasuka extras package compelling enough to give us that scale of share in the market."

For new era Sasuka - 'We are Departing' - another Zulu word is taking its message to the minibus taxi market: thina ifika - 'We are Arriving.' 

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