

ADDRESS BY DR JOHAN VAN ZYL, CEO AND PRESIDENT OF TOYOTA SA

THE AFRICAN RENAISSANCE CONFERENCE – 22 MAY 2014

A. INTRODUCTION

Good evening ladies and gentleman. What a privilege to be part of this prestigious conference aimed at promoting and debating the future of this beautiful continent of ours. Thank you for the invitation, I am honoured to be here.

The theme is Africa Renaissance. Before I start, some history about the French word Renaissance – meaning re-birth. The Renaissance cultural movement spanned roughly the period from the 14th ~ 17th century beginning in Florence, Italy in the late Middle Ages. Europe did not experience the changes of the Renaissance uniformly. There are 2 key points to learn from the short history:

- The European Renaissance took 4 centuries, so please be patient.
- The Renaissance of Africa will also not be experienced uniformly. So please be patient.

By the way, the Renaissance scholars study method was humanism and ancient Greek manuscripts. They studied 5 humanities, poetry, grammar, history, moral philosophy and rhetoric. From this there are again 2 key lessons:

- Many of our politicians are Renaissance scholars. They speak ancient Greek to me! and
- They got stuck in the Rhetoric class!

Don't believe all the things I say. I am just a car salesman.

Back to tonight's topic.

B. THE AFRICA MARKET

As Managing Officer for Toyota Motor Corporation, responsible for the Africa Region, I am often asked how I view the African Market and its future and this is what I want to talk about tonight.

In Africa, I believe, you find tomorrow's market today. This is a robust market full of potential, with a great future. Africa is however not one market. It is indeed a continent of opportunity and diversity –

54 countries, each with its own set of cultural values, business practices and political systems. A cosmopolitan continent, brimming with opportunity and potential.

The recent Africa Economic Outlook, published by the African Development Bank earlier this month, forecasts a 4.8% GDP growth for the continent for 2014 with an estimated increase to 5.7% in 2015 – this takes us back to the path we were on before the 2008 global recession, showing the resilience of the African market with other markets still struggling to overcome the setbacks brought about by the 2008 ‘crash’.

During the last year, three of the fastest growing economies (percentage-wise) in the world were in Sub-Saharan Africa.

Mobilisation (that refers to ownership of a car) is still very low in Africa, if compared to the rest of the developed world. Car ownership per 1000 of the population is in South Africa 103/1000 the average in Africa is only 23.6/1000. (The median is only 10/1000).

Thus, ladies & gentlemen, Africa is the last frontier to be mobilised and my dream from both a Toyota and Naamsa perspective is to bring mobility to the region and create opportunities and growth for the vehicle sales and manufacturing industry. We all know that transport is a key requirement for economic growth and prosperity.

The total new vehicle market in Africa last year was 1,7 million vehicles and we forecast that the market will grow to 3 million vehicles between 2020 and 2025. It is estimated that the used car market is 3 times the size of the new car market in Africa. Used cars are mainly imported from Japan and Europe.

I am not very fond of forecasting, because you are always wrong, but if we make a very simple calculation and we assume that we achieve the same levels of motorisation cars / 1000 of the population as say, South Africa (103/1000), for the rest of Africa (currently 23.6/100), the potential market in future is huge. Potentially based on the simple estimate more than 10 million units per annum in the long term. Don't quote me! This is a very simple calculation. We need to increase for instance the per capita GDP from \$1767.00 (Africa Average) to \$7610.00 (SA GDP per capita).

So, how do we do this? This brings me to the crux of what I want to say/impart tonight – lets take a look at the ‘building blocks’ or key points that are important to realise the full potential of the Africa market.

C. BUILDING BLOCKS TO REALISE THE FULL POTENTIAL OF THE AFRICA MARKET

For this section, I will focus on the South African situation and our industry's quest to realise 1,2 million units production. Can it be done? I will highlight 6 focus areas:

i. Economic Growth

Firstly, Economic Growth: The forecasted GDP growth for Africa is higher than the world average – however, the economic growth we require must be qualified. The growth must be felt by the masses of the people in terms of job opportunities and improvement in the quality of life. Jobless growth will not create a sustainable market. We therefore require clear and stable economic policies to attract foreign direct investment. In SA we have the National Development Plan. This plan needs the support of business in SA. It is admittedly not a perfect plan, but show me a plan that is perfect. This plan provides the direction and the intent and its very simple – business needs to participate and work with Government and society to realise the objectives of the plan. Investors need stability in economic policy. SA has the APDP (Automotive Production and Development Plan) 2013 ~2020 which gives the SA Auto Industry a clear and stable policy framework.

ii. To realise economic growth we need to focus on education and skills development.

Secondly, I want to focus on education and skills development – both imperative to realise economic growth. Dr Wessels, the founder of Toyota SA said that the road to self-empowerment leads through primary school, high school and tertiary education. I believe in this. We need to become absolutely focussed on education and training. Japan's success is based on education and skills development. What is required is the focus on skills development for self-employment and entrepreneurship: Take a look at the Toyota SA story – who would have thought the importation of 10 Stout Pick-ups in 1961 to establish Toyota in SA would lead to the company being the biggest Auto manufacturer in the country today, with capacity of 220 000 units and boasting export figures of 85 000 last year. It is this mind-set of brave entrepreneurship and self-reliance that is required for success.

iii. Infrastructure

This brings me to the challenges – infrastructure is often cited as a crippling challenge for sustainable mobility growth. While this is true and there is certainly a desperate need for development of infrastructure in the Africa region; we view this as a huge opportunity in itself. When the development of infrastructure is taking place it requires mobility solutions and this is where we

see the opportunity. The development of infrastructure will be a major stimulus for sustainable growth in South Africa and the rest of the Africa Region. (Roads, harbours, dams and electricity).

iv. Inter-Africa trade and investment.

Let's move to the promotion and strengthening of inter-Africa Trade and Investment. SADC (14 Nations) removed duties – this, off course, is extremely beneficial for South African vehicle manufacturers and consumers in SADC countries such as Tanzania, Zambia, Mozambique. But, ladies and gentlemen, it must not stop here. We need to establish FTA or PTA with North Africa. The EU already established FTA with Morocco/Egypt/Algeria and Toyota (SA) exports to all 54 Africa countries; as well as Europe, Russia and South America.

v. “Consumption Continent”.

This brings me to my fifth building block – prevention of Africa from being a ‘Consumption Continent’. We cannot just consume – to be a global player Africa needs to produce. We need to add value through manufacturing to the vast resources of the continent. Value addition creates job opportunities which in turn stimulates a sustainable economic growth. There is a Japanese philosophy called Monozukuri – this means to make things is to develop people and this is what Africa must focus on.

vi. Mindset.

And, this brings me to the last building block: the correct mindset – Kaizen, another Japanese philosophy. This refers to the mindset to continually improve, never to be satisfied with what we have achieved. People ask me how is SA doing. My answer is always very good. Why do I say this? Because we have a mindset of nation and teamwork. Working to a common goal. We are a “can do nation” (just look at the achievement of the 2010 World Cup – a nation came together on a world stage and shone like a bright star!). Thus, kaizen or the improvement of society, competitiveness and productivity must always be top of mind for business and government, coupled with respect for people.

Ladies and Gentlemen, I want to conclude.

Toyota South Africa is seen as a very important asset for Toyota Motor Corporation and to this extent investments of over R9-billion has been made into our Durban facility over the past few years. We have invested millions in the training and development of our team members. Our plant, ladies and gentlemen, is world-class: and more importantly, this investment offers us the opportunity to provide those mobility solutions tailor-made for the African Region.

Toyota SA is ready to contribute to the motorisation of Africa and in this way make a contribution to society.

Let's keep Africa moving. It's time for Africa.

Thank you for listening to me.