

## Need For Strengthening Automobile Industry in Ethiopia

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**Abstract:** The main purpose of this paper is to analyze automotive industry and its trend in strengthening the industry in Ethiopia. In recent years, the condition of the automotive sector is increasing and it is playing a vital role in the national economy. Although the automotive sector is playing significant role, it is still at low level and many factors contributed for that, including

- Government regulations
- Road conditions
- Purchasing power of people
- Lack of skilled manpower and capacity
- Shortage of capital

To address those issues, the research conducted for both primary and secondary data. The collected data were analyzed and the result of the analysis was summarized into positive and negative aspects. It was revealed that the positive aspects, contribution to the national economy, future growth prospects, employment opportunity and profitability of the operation. Outweigh the negative aspects. As the research had scope and limitations, it was recommended to the government authorities to undertake further studies to make an informed decision on how to strengthen automobile industry for the growth and development in Ethiopia.

**Key Words:** Automobile Industry, Automobile vehicles, Spare parts & Government Policies.

### I. Introduction

Ethiopia, being one of the African countries, requires continuous improvement in agriculture, manufacturing and automobile sectors. In accomplishing the development on these sectors, the role of infrastructure is vital. The developments of the infrastructure in turn highly depend on the availability of various types of vehicles (cars, pickups, trucks etc...) construction machineries and agricultural equipment's. In addition, Ethiopia is one of the land – locked countries in Africa. It uses mainly Djibouti port, which is located about 1000 KM. from Addis Ababa for import and export of goods. The transportation of goods from Djibouti port to parts of Ethiopia and from various parts of the country to port is done using trucks.

Since Ethiopia doesn't manufacture automotive, construction machinery and agricultural equipment's locally at present, it imports those from various countries of the world. Automotive importing companies are importing vehicles to the market. The marketing trends of automotive is necessary to clearly see the demand supply gap and for the growth. This paper mainly prepared to reveal the truck market trend in Ethiopia and to indicate ways of increasing the contribution of the automotive sector to the economy. The over view of investment opportunity in relation to the automotive industry.

It is observed that the present status of automobile industry in Ethiopia, the potential of the industry and the demand of automobile vehicles including their spare parts. In Ethiopia many imported vehicles from different parts of the world are in daily use. Maximum numbers of vehicles are of Toyota. Also the spare parts are imported spending lot of money and time. The main source of transport is for all the classes of people are taxis and busses in the country. There are some private taxies playing in almost all the cities like vans, three wheelers Bajaj and TVS from India which is the cheapest mode of transport for the poor people.

Buses, mini buses are operated linking inter states or regions by fleet of transport agencies to transport the public. Also many trucks and Lorries are being used to transport the goods of different categories. There is no train facility in the country and no railway links to connect the cities of the country. People are using flight connections of airlines to travel long distance in order to meet emergency needs. Ethiopia land consist of high lands most of the part hills and uneven surface. The Ethiopian Highlands cover most of the country.

Buses, trucks with trolleys and minibuses including earth moving equipment, Luxury cars and light duty vehicles all are imported as used vehicles from other countries. Now trend is picking up to run motor bikes on the roads of all most all cities by some citizens. All these motor bikes are getting imported from India (TVS& Bajaj) & China (Lifan). The export and import agencies, Djibouti port authorities and Government duty all are added to the value of the products and the traders demand more profits from all this products, all these are taxed to the customers and the customers have to pay more money for the product.

#### 1.1. Ethiopian Industrial Policy

The Government's broad economic and industry specific policies are designed to increase the growth potential and international competitiveness. [1]In addition, Ethiopia's extensive minerals and energy resources ensure that Ethiopia has relatively low utility charges for industrial users. Ethiopia's levels of educational attainment are a source of competitive

advantage and underpin the skills base of the workforce. [2]The Ethiopian Government is undertaking initiatives across the education spectrum to produce employees who will better meet the changing needs of future employers.[3] Ethiopia's welcoming attitude to foreign investment, today, *Invest Ethiopia*, the Government's inward investment agency, provides foreign firms with information in regard to potential investment opportunities in Ethiopia.[5],[6] *Invest Ethiopia* can provide information on location, joint venture partners, establishment costs and skills and taxation information. .

All of the motor vehicles operating in the country are imported. [2]As a result, the following statistics of import of motor vehicles will provide a clear picture of the growth of the automotive.

### 1.2. Import And Export In Ethiopia

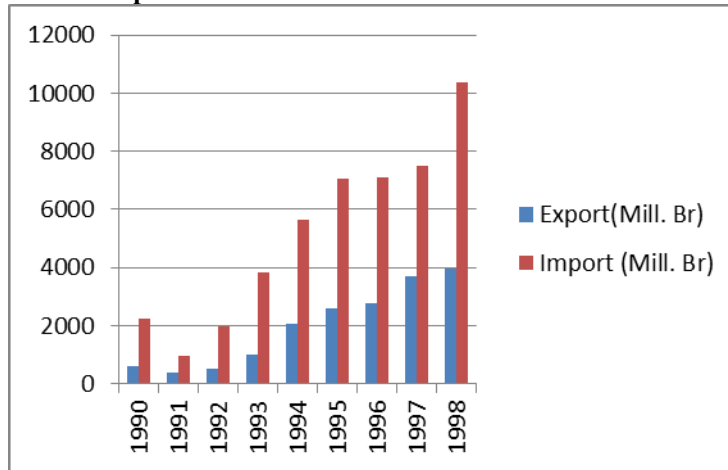


Fig.1. Import and export in Ethiopia

### 1.3. Factors Affecting The Automotive Market

- Fluctuating demand (seasonality of the demand)
- Tough terrain (road condition)
- Lack of capacity in repair and maintenance
- Lack of foreign currency for importation
- Lack of adequate bank finance

There are good numbers of industries in operation throughout the country in various sectors and are in different fields. Mostly the sugar and cement industry is doing well in the country. Agricultural industry, textile industry and spare parts manufacturing units including floricultural industry are some of the additional activities.

### 1.4. Auto Spare Parts Production

The spare parts manufacturing company Akaki industry is well established company in the country apart from the other industries like Mesfin Industrial Engineering, Maru metal and automotive company, are operating for manufacturing the trolleys and for tankers production.[7][BISHOFTU automotive industry, FDRE metals & Engineering Corporation, Metals and Engineering Corporation Adama, Agricultural Machinery Industry, Bus body units and auto garages/works shops are in operation for the full capacities. There are some steel manufacturing units producing nails and zinc sheet manufacturing. As mentioned earlier the spare parts and vehicle manufacturing industry is not in operation. [8]Main focus of the above mentioned industries is assembling, upgrading and localizing city and cross country buses, mid and mini-buses, construction, military and agricultural vehicles. So emphasis is to be made to establish this industry in the country to have their own products.

### 1.5. Value Of Import Of Motor Vehicles

Table.1. Import motor vehicles

Period	Motor vehicles ( in thousand)	Increase from previous year	Increase during five years
1979 -	135789	-	
1980 -	165328	22%	
1981 -	259372	57%	
1982 -	164765	-36%	
1983 -	210621	28%	
1984 -	179589	-15%	32%

1985 -	287134	60%	
1986 -	339324	18%	
1987 -	369944	9%	
1988 -	379220	-25%	
1989 -	189288	-32%	5%
1990 -	249844	32%	
1991 -	177203	-29%	
1992 -	402403	127%	
1993 -	825890	105%	
1994 -	1015951	23%	43%
1995 -	1393422	37%	
1996 -	1117480	-20%	
1997 -	795978	-29%	
1998 -	1390946	75%	
1999 -	1548459	11%	52%
2000 -	1456285	-6%	
2001 -	1437245	-1%	
2002 -	1817630	26%	
2003 -	2124501	17%	37%

The growth of the automotive sector can also be analyzed from the employment creation perspective. As the following table indicates, the employment creation of the sector has been gradually increasing though with fluctuation for some years. [9]As it's discussed above, the manufacture of motor vehicles in Ethiopia is limited to assembly, manufacture of bodies of vehicles and small scale manufacture of parts and accessories.

### 1.6. Number Of Employees

Table.2. Employees list

INDUSTRIAL GROUP	NUMBER OF EMPLOYEES				
	2000/01	2001/02	2002/03	2003/04	2004/05
Manufacture of motor vehicles	1,060	1,082	1,019	1,130	1,232
Manufacture of bodies for motor vehicles	987	1,009	946	1,029	1,148
Manufacture of parts and accessories for	73	73	73	101	84

The above table indicates that the number of employees engaged in the manufacture of motor vehicles bodies and accessories increased from 1,060 in year 2000/ 2001 to 1,232 in year 2004/05. [2]This overall increase in number of employees engaged in the sector by more than 16% implies the growing trend in the manufacturing section of the automotive industry

## II. An Over View Of Asian Countries Automobile Industry

### 2.1. Export Market of China from 1990 to 2000

Table.3. Export Market of China

Year	Total (in unit)	Trucks (in unit)	Passenger cars (in unit)	Auto parts (ten thousands of US\$)	Total auto products (ten thousands of US\$)
1990	4 431	3 254	73	8 170	12 784
1991	4 108	2 253	789	10 138	15 284
1992	6 375	2 243	914	12 395	30 615
1993	11 116	4 534	2 866	17 165	42 422
1994	18 648	10 234	784	24 580	51 520
1995	17 747	9 070	1 413	37 609	72 138
1996	15 112	6 525	635	38 208	81 650
1997	14 868	8 297	1 073	44 718	98 784
1998	13 627	8 176	653	48 960	88 343
1999	22 717	3 868	326	70 599	118 727
2000	39 327	7 093	523	152 400	247 900

**2.2. Automobile Industry in India**

In India, as in many other countries, the auto industry is one of the largest industries. It is one of the key sectors of the economy. [10]The industry comprises of automobile and the auto component sectors and encompasses commercial vehicles, multi utility vehicles, passenger cars, two-wheelers, three-wheelers, tractors and related auto components. [11], [12]There are at present 13 manufacturers of passenger cars and multi utility vehicles, 7 manufacturers of commercial vehicles, 11 of 2- or 3-wheelers and 10 of tractors besides 4 manufacturers of engines.

**2.2.1. Indian car exports, 1996-2001 (number)**

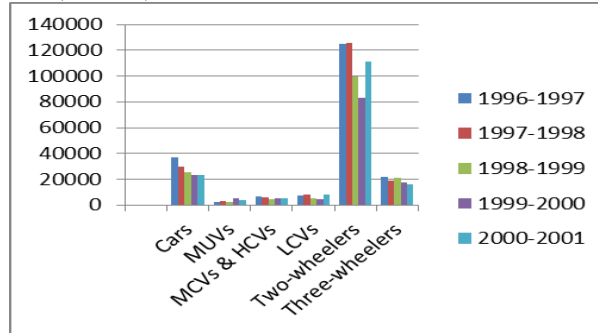


Fig.2. Car exports in India

**2.2.2. Main export destinations**

Table 4. Main export destinations

Cars	Egypt, Kenya, Nigeria, Somalia, Tanzania, Afghanistan, Nepal, Turkey, Hungary, Greece, Italy, Netherlands, Spain, Austria, Malta
CVs	Egypt, African countries, Nepal, Sri Lanka, Jordan, Kuwait, Hungary, Russian Federation, France, Brazil
Two-wheelers	African countries; Bangladesh; Sri Lanka; Turkey; United Arab Emirates; Paraguay; United Kingdom; Germany; Argentina; Mexico; Australia; Hong Kong, China

**2.2.3. Projected export turnover (millions of USD)**

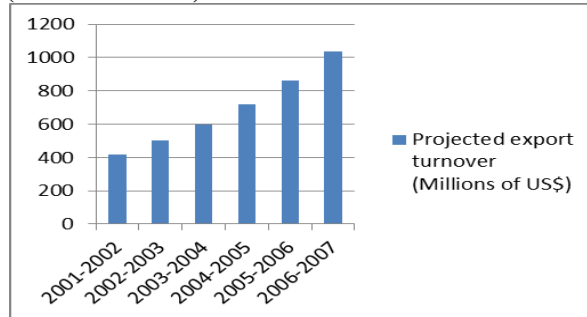


Fig.3. Projects export turnover

**2.2.4. Export market size (in USD bln)**

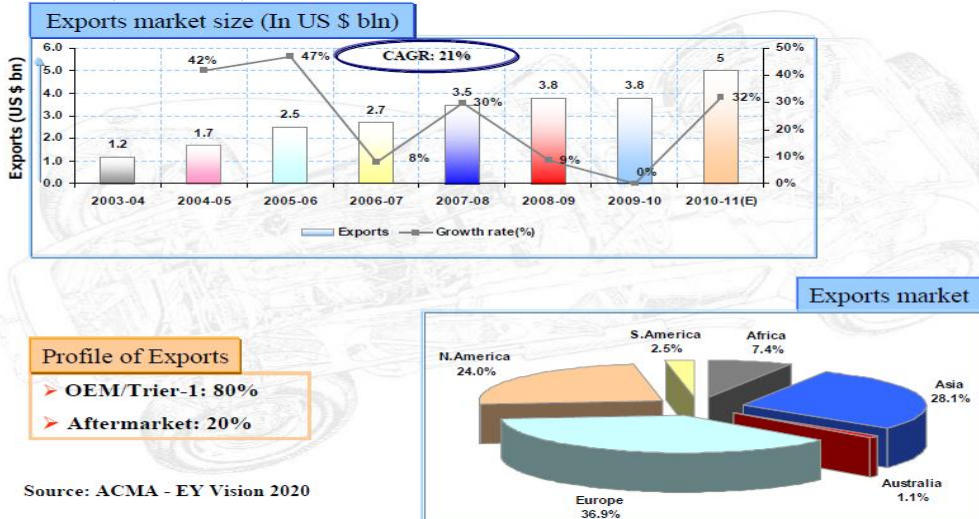


Fig. 4. Export market

### III. Conclusion

The development level of automobile industry in the country is low in comparison to other developing countries. ETHIOPIA, being a trucking country, the potential is high but not being exploited properly. There are various factors which contribute for hindrance of the sectors development. The main points are Government regulation, tax inconsistent, production output, shortage of road access, lack of foreign currency and finance for the purchase of trucks.

The contribution of the automobile industry for the economy and employment creation is big compared with the investment outlay to the industry. Therefore attention to be paid in strengthening the Automobile industry is must. Upgrading the capacity in maintenance and servicing of auto motives is important.

Major decision to improve and enhance the operation of the automotive industry lies in the hands of Transport authority, which is believed to be staffed with under qualified personnel. Strengthening automotive industry is one of the ways to increase the growth of the national economy.

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