
THE CURRENT SCENARIO OF AUTOMOTIVE INDUSTRY IN ETHIOPIA

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ABSTRACT

The main purpose of this paper is to elevate the need of automotive industry in the Federal Democratic Republic of Ethiopia [FDRE]. However, the importances of automobile vehicles are being demanded, unfortunately the contribution of the automotive sector has not been focused to a great extent. Obviously, increase of auto-industry plays an important role in increase of any national economy. In addition it plays a significant role in increase employability, in trade; in transport etc. The FDRE is being done much in trade sector not in manufacture sector of automotive vehicles and spare parts that directly impinge on country's economy. Regrettably, the automotive sector is being downgraded and has been neglected in several states of Ethiopia by various reasons. This technical paper presents the various factors effecting the growth of automotive industry Ethiopia along with plan, suggestion, improvement; damage control exercises, the agencies sense of duty includes Government Policies, human resources capacity, Public Purchase ability, Shortage of capital, Road conditions and limitations. Finally, some implications have been submitted for the smooth utility of automotive industry.

KEYWORDS:

Automotive;

Spare parts;

Employability;

GDP;

Government Regulations.

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1. INTRODUCTION

Ethiopia, being one of the African countries, needed a continuous improvement in agriculture, manufacturing and service sectors. Ethiopia is one of the land-locked countries in African continent. It uses mainly Djibouti port, which is located about 1000 km away from the capital city for import and export of goods. Ethiopia does not manufacture automotive, construction machines and agricultural equipment locally at present, it import those from various countries of the world. Automotive importing companies in Ethiopia are importing different types of vehicles to the country vehicle market. There is a need of discussion on major issues on the truck market trend in Ethiopia and to indicate ways of increase the contribution of an automotive sector to the country's economy. The project covered briefly the overview of Ethiopia economical, geographical and cultural condition including investment opportunities in relation to the automotive industry.

The demand for automobiles is mainly influenced and adversely or positively affected by Price and running costs, Economic development (GDP), Household income (purchasing power) Promotion and advertisement.

The automotive industry will have immense contribution to the growth of the national economy if it is well addressed and supported with attractive incentives, Job creation market access and saving foreign currency. The major problems observed in the automotive sector are in the areas of Government regulation, lack of adequate road infrastructure, absence of trained manpower and lack of adequate financing facilities. The main objective of this study is to examine the development of the automotive industry in Ethiopia and its contribution to the overall economy in general. This, tried to address only the development and market trend of automotive industry in Ethiopia and the overall effect on the freight transport sector and performance. As it involves wide and complex issue, one should require detail analysis and evaluation and also the experience of other.

2. LITERATURE REVIEW

An automobile (also motor car or simply car) is a wheeled passenger vehicle that carries its own motor. Most definitions of the term specify that automobiles are designed to run primarily on roads, to have seating for one to eight people, to typically have four wheels, and to be constructed principally for the transport of people rather than goods. Automakers, also

known as car makers, automobile manufacturers, or the automobile industry are companies that design and manufacture automobiles. The biggest of these by annual production are Toyota, General Motors and Ford Motor Company in that order. The beginning of road transport in Ethiopia is related with the import of the first automobile to the country in the history of Ethiopia, the first automobile was brought to the country in 1908 during the reign of Emperor Menelik. The vehicle was brought from Britain and the foreigner is Mr. Bentley [1]. In 1904 Emperor Menelik received a present from the king of Austria, which is operated with steam energy. Ethiopia imports all of its automotive (vehicles and machines) needs. It doesn't manufacture automotive. Some companies only assemble and build bodies for buses and trucks. Some of the automotive industry which assemble cars are Nyala Motors, Mesfin Industrial Engineering, Bshofitu Automotive, Ethiopia Air Force Car Assembling and Belayibe Motors [2], [3].

3. PRESENT CONTRIBUTION

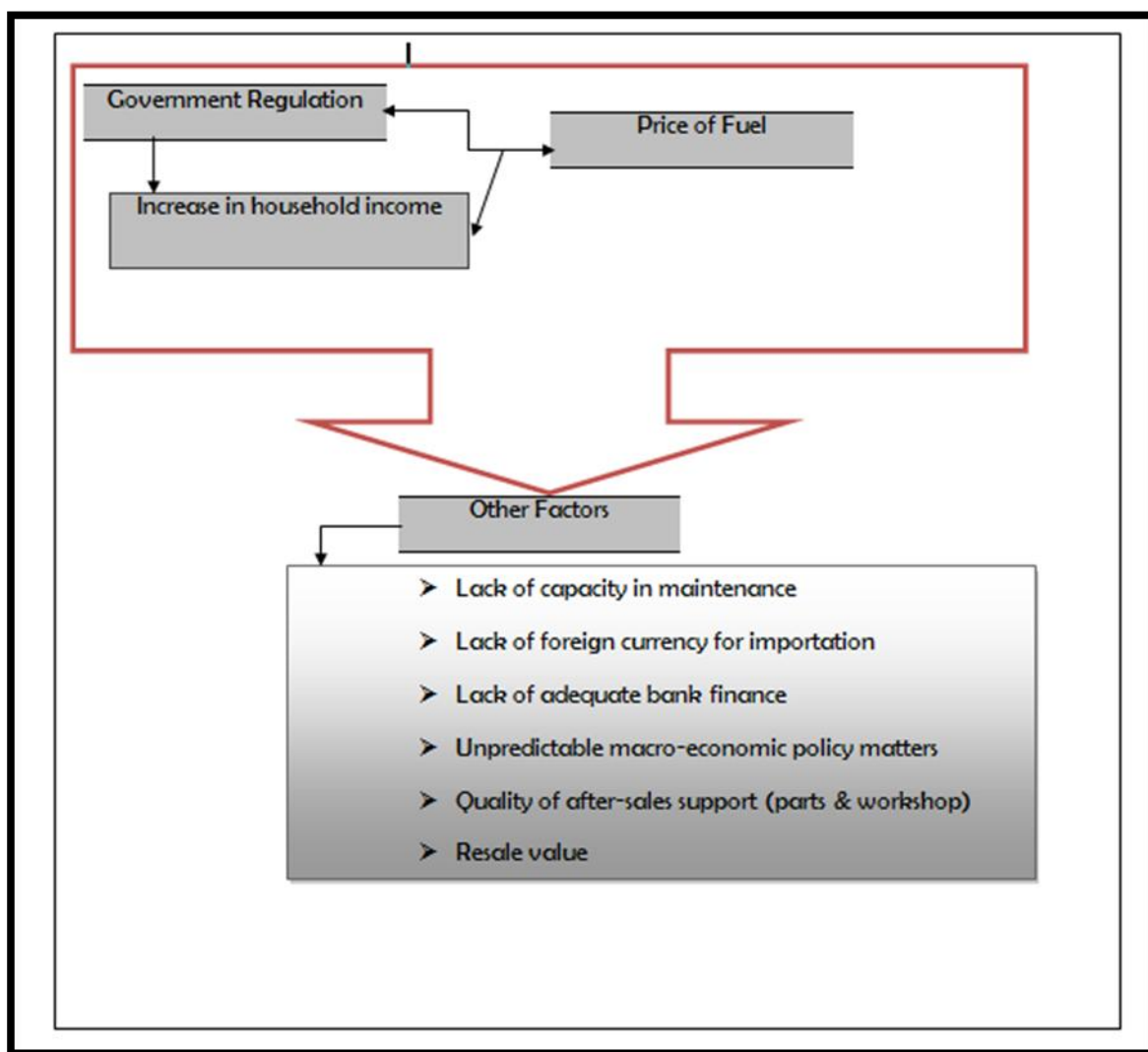
The existing theoretical and empirical literatures have shown us that the automotive sector is a major contributor to the economy. Moreover the review indicates that the sector is affected by government regulation, economic trends, financial and managerial capacity of the operators. Factors affecting the automotive market in Ethiopia

1. Government Regulation

Entry to the Ethiopian automotive import market is open for all domestic investors interested in the business and plan to penetrate the automotive market. Regarding the type of vehicles that can be imported to the country, there is only one government regulation which prohibits dealers from selling to government organization before being tested for 5 years in Ethiopian market. Otherwise the private sector or the majority of the public is free to choose any brand they want to purchase.

2. Price of fuel

The domestic sales of new motor vehicles are showing an increasing trend recently due to the effect of fuel price. Since the new motor vehicles are better in fuel efficiency, the public test/habit is shifting towards purchase of new cars than used cars especially in passenger vehicles class.



1. Tangible benefits of AUTO-Industry in Ethiopia

3. Increase in household income

Previously most of the passenger cars were second hand cars which served for more than 10 years. Since recently brand new, latest version and luxury class cars are being seen. Even a kind competition on style and comfort of car that one is driving is observed in the upper and affluent class of the society.

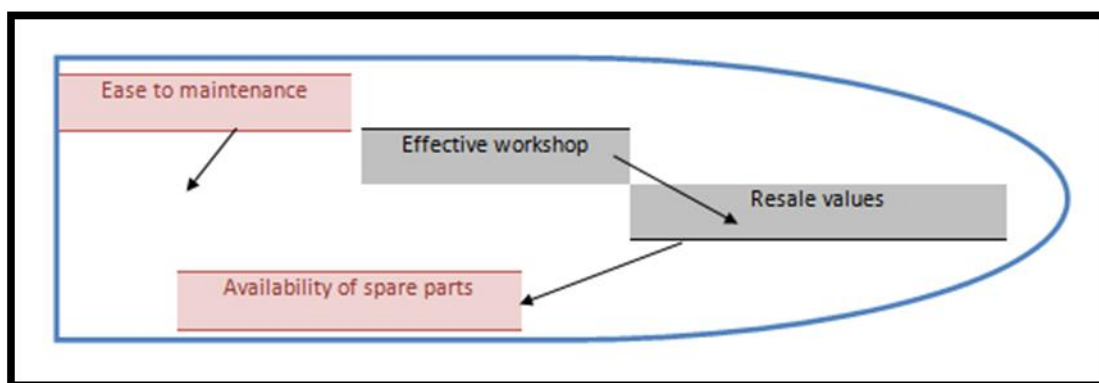
4. other factors affecting the automotive market

The following are among other factors affecting the market of the automotive sector.

- Lack of capacity in maintenance
- Lack of foreign currency for importation

- Lack of adequate bank finance
- Unpredictable macro-economic policy matters
- Quality of after-sales support (parts & workshop)
- Resale value

In Ethiopia, the majority of vehicles imported are Japanese make, particularly Toyota, Nissan, Isuzu and Mitsubishi. During the last five years, Japanese vehicles are being imported, impacts on around 78% of the total vehicles on foreign exchange. The following factors need to be consider while develop a auto industries in Ethiopia.



2. Factors to be consider in auto-industry in FDRE

4. RESULTS AND ANALYSIS

- a. It is found that a majority of the auto sector businesses are managed by non professional owner managers. However, they are failing in maintenance and facilitating the public.
- b. Encouragement should be given for public private partnership for the growth of the automotive industry and promote economic development

- c. Create awareness to the business community to understand the economies of scale and advocate the advantages of being big business firms.
- d. The level of development of the sector should be improved at least to the level of other African countries such as Algeria, Egypt, Nigeria and South Africa.
- e. Sufficient foreign currency should be allocated for importation of automotive as a necessity for the economic development.
- f. Efforts should be exerted to build capacity and solve the lack of man power in the sector.
- g. Adequate bank finance should be availed for the purchase of automotive and for investors who are engaging in the automotive industry.
- h. It may take years to introduce competitive environment and efficiency in services considered from the current low level of development of the automotive sector, but it is hardly possible to achieve a sustainable economic growth without having an efficient and robust automotive industry/transport system.
- i. By following the other countries policies on Auto- industries, Establishment, commitment, technological transfer, deployment of technical staff, engineers and start off new plants collaboration with other countries like Japan china and India.
- j. Encouragement should be given to those who well qualified and skilled professionals
Example BSc , MSc Engineering Unemployed graduates
- k. Basic infrastructure should be developed in the areas where public transport is being faced a problem.

5. CONCLUSION

The importance and necessary of establishment of auto industries in the Federal Democratic Republic of Ethiopia [FDRE] has been discussed. However, some suggestions have been given towards responsibility of Governing authorities as well as private public partnership. Import of automobile vehicles is effects on foreign exchange. Automotive sector has not been focused to a great extent due to the lack of interest and to priorities the issue. the various factors effecting the growth of automotive industry Ethiopia along with plan, suggestion, improvement; damage control exercises, the agencies sense of duty includes Government

Policies, human resources capacity, Public Purchase ability, Shortage of capital, Road conditions and limitations has been presented. Some implications have been submitted for the smooth utility.

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