

MANUFACTURING - MOTOR INDUSTRY

1991

JANUARY — JUNE

Simpler way of taxing fringe benefits sought

B/D ay 3/1/91 192

GARETH BELL

THE NATIONAL Automobile Dealers' Association (Nada) and the National Automobile Manufacturers' Association (Naamsa) have joined forces in an attempt to secure a simpler form of fringe benefit tax of 1% of a car's value.

Their proposal would maintain the current level of taxation in 1991, Nada chairman Errol Richardson said yesterday.

Naamsa and Nada believed that the level of taxation was correct and should not be increased. The government was set to increase the deemed value under the present system in March, Richardson said.

Naamsa and Nada representatives had already met the Department of Finance and received a "very positive" response, Richardson said. It was hoped that a decision from government would be received before the March Budget.

However, both organisations were concerned about the impact that an increase in tax would have on an industry that was already suffering.

Both retailers and dealers had substantial fixed investments that were at stake if sales were not maintained, Richardson said.

He felt that fixed investment costs were greater for dealers than manufacturers and, as dealers also relied on used-car sales, they were in a more vulnerable posi-

tion than manufacturers

Under the current system, tax liability is worked out on a deemed value calculated from a matrix of engine capacity and car value. The deemed value is equal to 75% of the monthly value of the car.

Ernst & Young tax partner Ray Eskinazi said that while simplifying the system, the change would probably not result in any tax saving.

Under the present system, a 2.3l car costing R150 000 has a deemed value equal to 0,95% of its price. A 2l car with a price tag of R60 000 would have a deemed value of 1,05% of its price. The individual's tax rate is then applied to this rate to calculate liability.

Under the proposed system, should a car cost R50 000 before tax, the deemed value would be equal to 1% or R500, which would then be taxed at the individual's normal rate.

Richardson said the engine capacity of the car was not relevant as the most important determinant of fringe benefit was the purchase price of the car.

He concluded that a further benefit of the proposed system was that government would receive its share of any price increase.

BRIAN PORTER HOLDINGS

NO-GROWTH DECADE

Activities: Sells and services new and used motor vehicles

Control: Brian Porter and directors

Chairman and MD: Brian Porter

Capital structure: 2,83m ords Market capitalisation R8,5m

Share market: Price 320c Yields 7,8% on dividend, 28,6% on earnings, p.e ratio, 3,5, cover, 3,7 12-month high, 455c, low, 275c

Trading volume last quarter, nil

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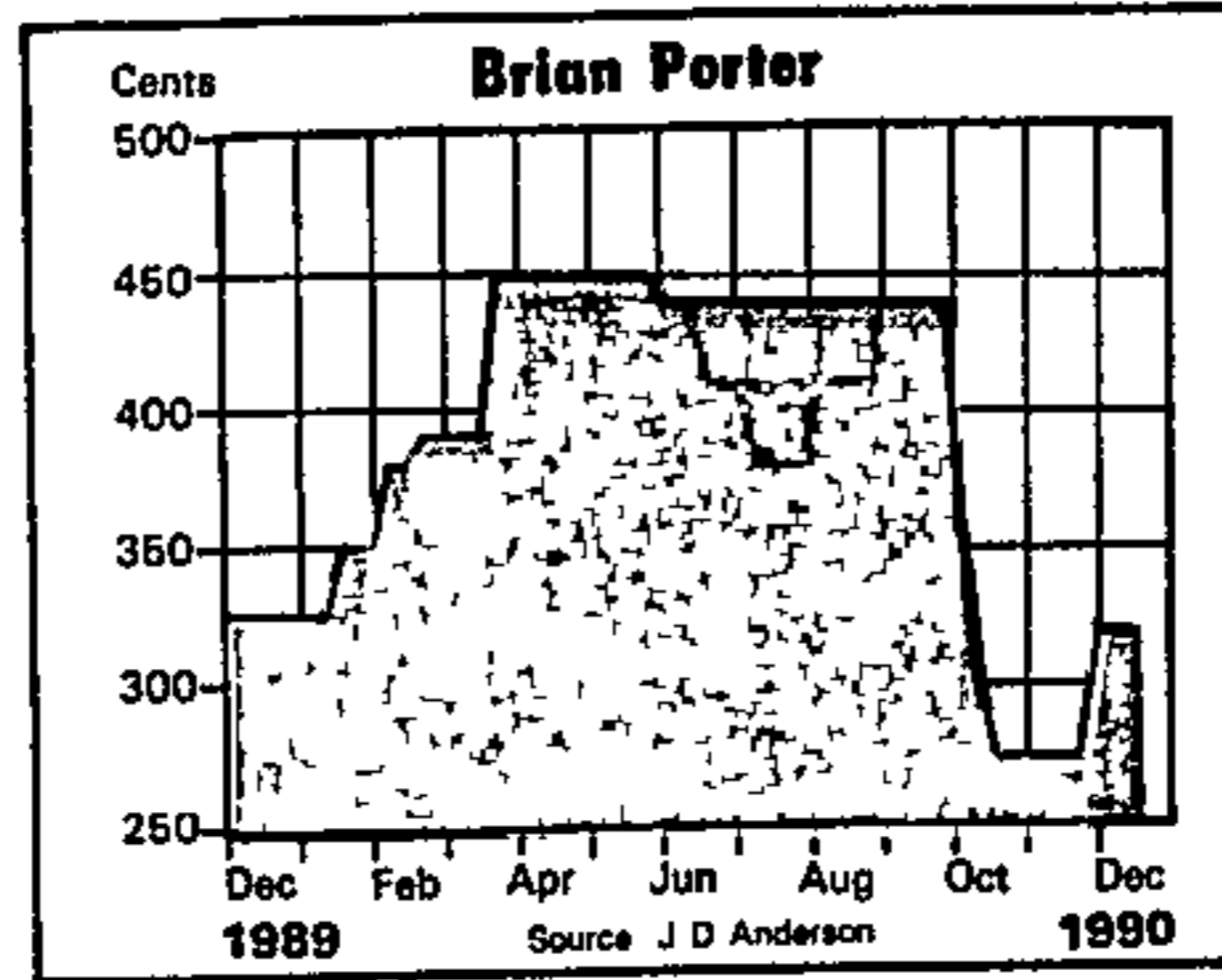
Year to June 30	'87	'88	'89	'90
ST debt (Rm)	1,5	4,0	7,8	7,0
LT debt (Rm)	2,7	3,8	3,7	3,83
Debt equity ratio	0,25	0,44	0,58	0,49
Shareholders interest	0,43	0,39	0,37	0,37
Int & leasing cover	4,7	5,5	3,6	2,5
Return on cap (%)	12,1	11,6	14,7	13,4
Turnover (Rm)	164	208	245	287
Pre-int profit (Rm)	4,2	5,2	7,8	7,9
Pre-int margin (%)	2,6	2,5	3,2	2,7
Earnings (c)	56,1	91,8	111,8	91,4
Dividends (c)	20	25	30	25
Net worth (c)	547	604	686	769

FM 4/1/91

The 10-year financial review suggests that Brian Porter Holdings (BPH) has been caught in a time warp. In 1981, EPS was 91,3c, in 1990, 91,4c. Director Konrad Baudert argues that it is wrong to look back at 1981 which, he says, was a high point and that the record should be evaluated rather from 1985 (the first year that recorded a loss). The growth record since then certainly reflects a different picture.

But it is also true that BPH's long-term

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history is punctured with substantial profit declines after upswings — just as good growth from 1985-1989 has been tainted by the downturn in 1990 — as is symptomatic of the motor industry. The 1991 results will probably be no better.

From 1981 to 1990 inclusive, turnover grew at 17,2% a year compound — real growth of about 3,2%. This is the only component of results that records real growth. Net income before tax grew at 3,9% compound — 10% negative in real terms. Net income after tax grew by an even worse 3,5%. The harsh reality is that there has been not even nominal growth in EPS over the period.

Worse still, in the current economic environment, there appears to be no way out of this stranglehold. The motor industry is fiercely competitive at both sales and service levels. A pre-interest margin of 2,5%-3% bears this out. Simply trading out of this position does not seem a short-term possibility.

Finance costs have risen drastically in the past three years. Net interest payable moved from 21% of pre-interest profit in 1988 to 38% in 1989 and 67% in 1990. Perhaps the group could look to recapitalise to eliminate borrowings and the concomitant expense. But what investor would follow a rights issue in a group that has shown no real growth over 10 years?

In short, other than slashing stocks to cut short-term borrowings, taking drastic steps to increase productivity and slashing dividends to plough back earnings so that long-term borrowings are reduced as quickly as possible, there is not a lot BPH can do.

According to the JSE monthly bulletins, not a single share was traded from July to the end of September. In the circumstances, that's not surprising.

Gerald Hirshon

'n Pay, which has pushed the board to cut the tariff to 20%, decided to pass on the reduction to customers immediately, even though much of its stock had landed under the old tariff. Pick 'n Pay's Invader brand bicycles from Taiwan were reduced by R50, with the mountain bike now selling at R399

Before the 1988 tariff hike, Pick 'n Pay was selling more than 60 000 bicycles a year, but sales collapsed to fewer than 15 000 in 1989. Sales were even slower last year, until the price cuts turned the picture around. By early last month, Pick 'n Pay had exceeded its 1989 total.

The tariffs did little to strengthen local manufacturers and now that their protection is being trimmed back, their future is uncertain. The industry is certainly negligible in world terms. It makes 160 000 units a year, which is only half the local market. It includes two large factories, Raleigh and Western Flyer, and six niche manufacturers. There is R28m invested in the industry and it employs 960 people. To soften the blow, the board abolished the duty on components, except on the three components made in SA — the frame, fork and saddle. But Raleigh's Robin Drake says even without tariffs on components, the local industry cannot beat the imported prices.

However, the two major bicycle manufacturers look set to win either way. Raleigh merged this year with a major importer and distributor, J H Slotar. Western Flyer was recently bought by another importer.

The new regime will be less beneficial to small manufacturers. Johannesburg-based Falcon Cycles, which manufactures 40 bicycles a day, will have to consider whether to remain a manufacturer or to become an assembler, a pure importer or to leave the industry altogether. As a manufacturer of frames and forks, Falcon was entitled to a rebate on the duty on other components, which gave it an advantage over pure assemblers. Now, however, the duty on other components has fallen away.

Says Falcon's GM Allan Urquhart: "The savings on components from the duty reduction amounts to R4 per bicycle, whereas the savings on the reduction in duty amount to anything up to R50 for fully imported bikes."

"We were expected to increase local content during the two years in which tariffs were higher, but it was unrealistic to expect local manufacture of components to compete with Taiwanese operations that sell all over the world."

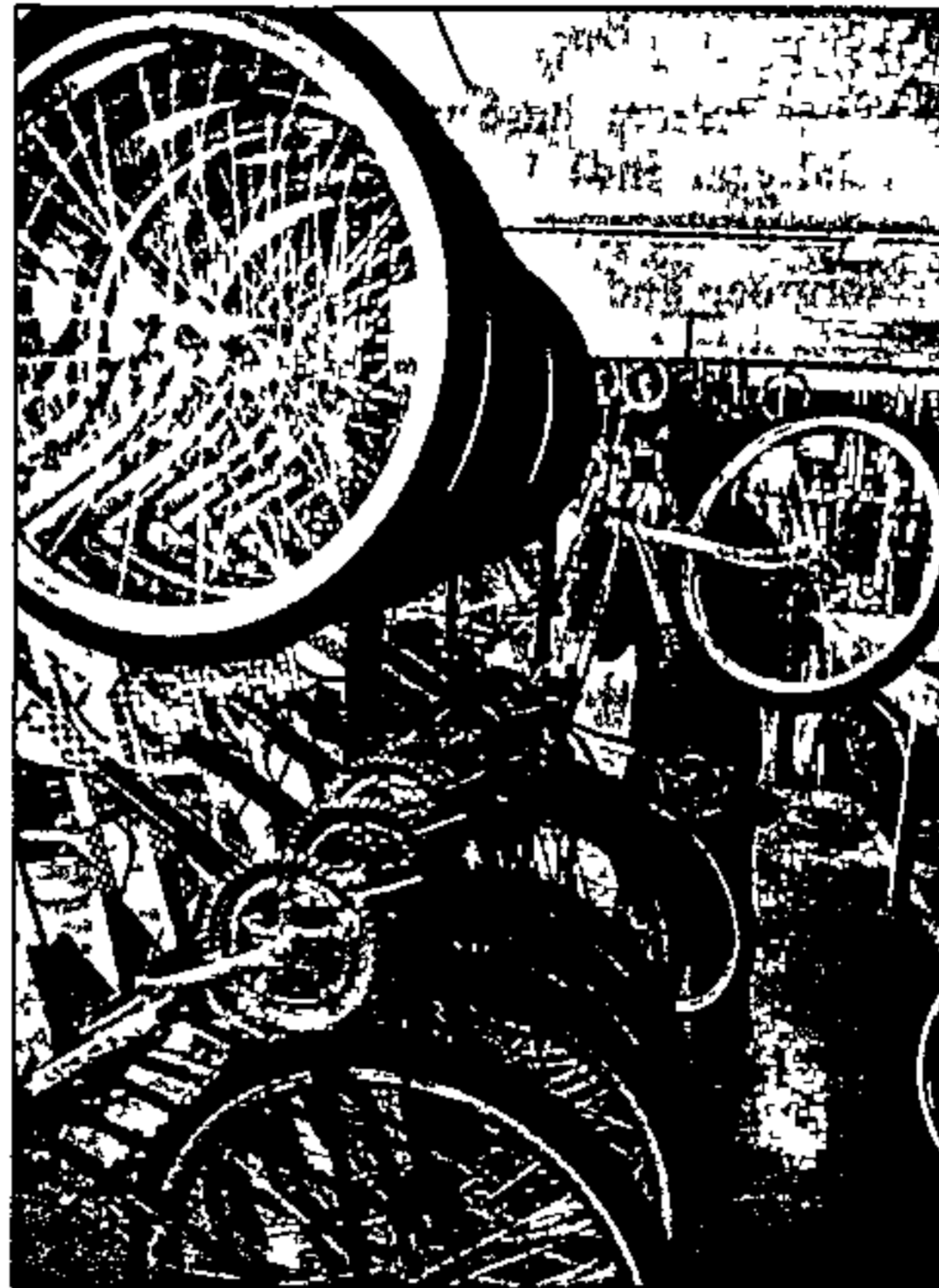
Russells' Thomson says the board distorted the market by taxing both importers and manufacturers. "Only customs and excise benefited from the old measures, which shot the industry in the foot."

The lower prices are turning up gradually. Drake says bicycles are a useful loss-leader because they bring traffic into shops, this is Pick 'n Pay's strategy. Dion buys only locally produced bicycles, so it does not expect the lower price of components to filter through to its suppliers' prices until late this month.

But specialist retailers experienced an up-

turn by mid-December, even though the full effects of price reductions was still to come through. Discount Cycles of Randburg, for instance, saw volume sales increase by 7%-8%, year-on-year, whereas in September and October there was a 2% decline.

One strategy local manufacturers would



Bicycles . putting the brakes on tariffs

like to use against imports is government safety standards, preferably standards that only local companies could meet. Urquhart believes there should be a roadworthy test for bicycles, as there is in Europe.

"Anybody can sell a bicycle and supermarkets do not provide an after-sales service. Let's at least have a minimum standard."

Standards being, of course, the last refuge of an industry that craves protection. ■

FIM 4/1/91
BICYCLE TARIFFS
STEERING CLEAR 192

The automatic reduction in imported bicycle tariffs, which took effect on November 23, turned bicycles into one of the surprise big sellers of the Christmas season. But with the tariff reduced after most retailers had already stocked up for Christmas, the full impact on sales is yet to be felt.

Niall Thomson, of Russells, says the reduction came at precisely the wrong time, right in the middle of deliveries for the Christmas rush. "And the Board of Trade & Industry is talking about reducing the tariff again next November — the worst possible time of year for a change."

The bicycle market had been stagnant since November 1988 when the board introduced a flat two-year tariff of 60% on bicycles imported for less than R500. Imports collapsed from more than 360 000 in 1988 to just over 100 000 in 1989. FIM 4/1/91.

Under the programme aimed at helping domestic manufacturers, the tariff was automatically reduced to 40% in November. Pick

ANC rally
CAPL Times 9/1/91
halts car
production

Own Correspondent

EAST LONDON. — Production was suspended at the Mercedes Benz plant here yesterday afternoon after workers, in defiance of management, left the plant en masse to attend an ANC rally in Mdantsane marking the 79th birthday of the movement

Waving ANC and South African Congress Party banners, the workers toyi-toyed up Fleet Street.

A company spokesman, Mrs Wendy Hoffman, said last night that employees had unilaterally left their work stations, contrary to agreed procedures

She said the company was disappointed the ANC had chosen to hold the rally on a working day without any prior consultation on the effect it would have on business operations in the region

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Capt. Tink

Friday, January 10 1991

ANC rally cost Benz R6m

Own Correspondent

EAST LONDON. — Millions of rands in production were lost this week when most of the 3 500-strong workforce at the Mercedes-Benz SA manufacturing plant here left work to attend an ANC rally, a company spokeswoman said yesterday.

Production was suspended on Tuesday afternoon for about three hours when employees unilaterally left to attend an Mdantsane rally marking the 79th anniversary of the ANC.

MBSA spokeswoman Miss Rene Kilian said from the company's headquarters in Pretoria that the estimated loss for the period production was suspended was R6 million.

Production at the plant returned to normal yesterday when workers returned to work.

She said negotiations would start with the National Union of Metal Workers (Numsa) today on the workers' conduct on Tuesday. Discussions would take place "in accordance with the agreed collective procedure existing between the company and those representing Numsa".

"While recognising the importance of the occasion, Mercedes management made it clear to the shop stewards (on Monday) why the company could not grant their request for a suspension of production," she said.

"The Mercedes management stated that while the company was committed to constructively contributing to the socio-economic development of a true

democratic, non-racial South Africa, it is not a political organisation and cannot accommodate the wishes of one political party above the other."

She added that as the suspension of production is contrary to agreed procedure, the company is considering a no-work-no-pay policy.

Mercedes Benz has reportedly also criticised the ANC for holding a rally on a working day without prior consultation on the effect it would have on business operations in the region.

Numsa general secretary Mr Moses Mayekiso said the MBSA management should understand the obligations of their workers to their political organisations and urged them not to adopt the no-work-no-pay policy.

Political rally hits Mercedes hard

WILSON ZWANE

MILLIONS of rands in production were lost this week when most of the 3 500-strong workforce at the Mercedes-Benz SA manufacturing plant in East London left work to attend an ANC rally, a company spokesman said yesterday.

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development of a true democratic, non-racial SA, it was not a political organisation and cannot accommodate the wishes of one political party above the other," the spokesman said.

She added that as the suspension of production was contrary to agreed procedure, the company would adopt a no-work-no-pay policy.

National Union of Metalworkers of SA (Numsa) general secretary Moses Mayekiso said the MBSA management should understand the obligations of their workers to their political organisations.

"Management should understand that the rally to celebrate the 79th anniversary of the ANC was a historic event. We urge the management not to adopt the no-work-no-pay policy without negotiating with the union structure at the plant."

10/11/91
BIB/10/11/91



AUTOQUIP COST BIND

Activities: Wholesale distribution of automotive accessories, tyres and selected replacement parts

Control: Directors 57,6%

Chairman: G J Santana, MD B D'A Coquelle

Capital structure: 16m ords Market capitalisation R7,2m

Share market: Price 45c Yields 11,1% on dividend, 29,3% on earnings, p e ratio, 3,4, cover, 2,6 12-month high, 70c, low, 30c

Trading volume last quarter, 19 000 shares

Year to June	'88	'89	'90
ST debt (Rm)	0,1	3,9	4,6
LT debt (Rm)	0,1	0,4	0,4
Debt equity ratio	nil	0,58	0,56
Shareholders' interest	0,44	0,35	0,38
Int & leasing cover	14,8	8,9	4,3
Return on cap (%)	18,8	25,0	22,8
Turnover (Rm)	22,2	35,6	44,5
Pre-int profit (Rm)	2,5	5,2	5,2
Pre-int margin (%)	11,3	14,6	11,8
Earnings (c)	10,5	15,6	13,2
Dividends (c)	4,5	6,5	5
Net worth (c)	36,8	45,8	53,8

Judging by the erratic share price over the past year, the market continues to have difficulty in putting a fair value on Autoquip. This is not surprising — three years after its listing, the sustainable level of profitability for the group remains unclear.

After the promise shown in 1989, the 1990 results were disappointing. And while the annual report emphasises the impact of Spareco's problems on profit, investors could be forgiven for viewing this as a red herring. The main impact seems to have been the inability to trade with Spareco on a normal basis, thus inhibiting sales. There was still a 25% gain in turnover, a satisfactory performance given the environment in which it was achieved.

The real problem was that margins crumbled from 14,6% to 11,8%. After taking into account a substantially higher interest charge, this cost the group about R1,3m in pre-tax profit, which actually fell by R600 000, and reduced EPS by at least 4c (actual drop 2,4c). On the face of it, there was potential for earnings to show at least some improvement.

Without the margin decline, a further increase in borrowings would probably not have been necessary. Cash flow would have been about R650 000 higher than the actual

R2,4m, whereas net borrowings increased by a lesser R542 000 to R4,8m.

The annual report lists several factors of a non-recurring nature which dented margins. These include costs incurred and the disruption to trading arising from the relocation of Partquip's Johannesburg and Durban warehouses. Also, it was decided to take out Credit Guarantee cover on the exposure to Spareco — which turned out to be an excellent investment.

But there are also indications that overheads might generally have been getting out of hand, owing to the policy of divisionalising activities according to the various niche markets in which the group concentrates. This led to a multiplicity of distribution centres around the country. That it contributed to an uneconomic cost structure is suggested by the fact that five of these centres have since been closed — two serving the Autoquip division (accessories, tyres, and so on) and three in the case of Techniquip (bearings).

Given that the above factors are either non-recurring, or that corrective action has been taken, margins may recover this year. However, some uncertainty about this arises from last year's 11,8% trading margin, which was not out of line with the group's historical performance.

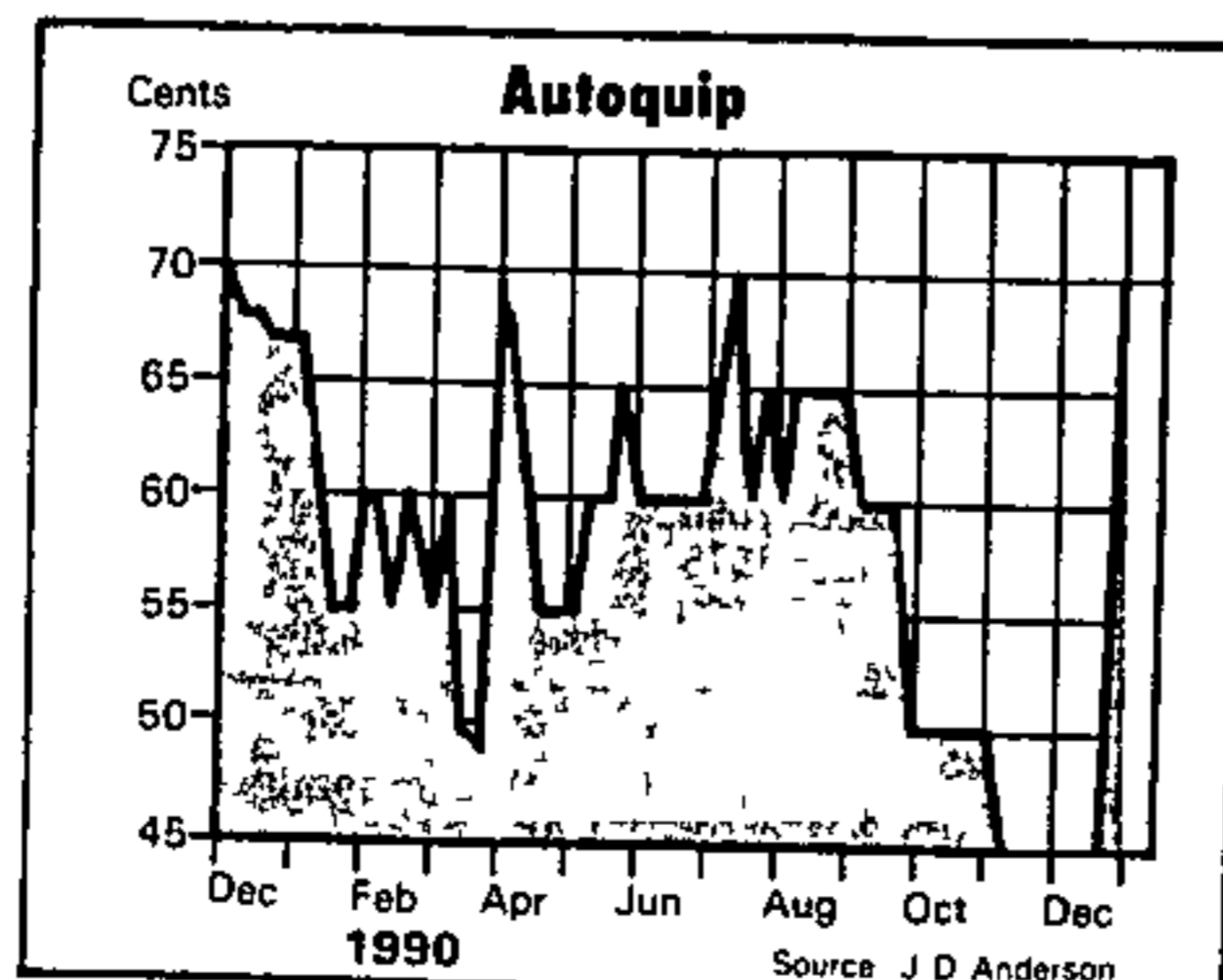
From 1984 to 1988 the pre-interest margin on sales averaged 11,5%, and a noteworthy feature was the consistency of this ratio — the high for these five years was 12,1% in 1985 and the low 10,7% in 1987. It could be argued the 14,6% for 1989 (when EPS jumped 49%) was out of line, and that 1990 merely saw a return to the long-term average.

Supporting this view is management's stated objective of achieving a net return on equity of at least 20% (calculated on average shareholders' funds and a full tax rate). Despite last year's lower trading margin, ROE would still have exceeded 25%, hardly suggesting the group was under-performing against its own objectives. 1989's ROE was well ahead of target at 35%.

If the assumption that 1989 was an exceptional year is correct, the return to normality reflected in the latest results may well be a sounder base from which to project future performance.

If so, the market has probably over-reacted in driving the share price down to the current 45c — giving a p e of only 3,4 times and a high 11,1% dividend yield. Even accepting that trading conditions this year will remain difficult, it could be argued that Autoquip was more accurately valued at the 1989 high of 70c than is the case now.

Brian Thompson



FM 11/191

NICTUS DEMAND DRIES UP

This troubled Namibian industrial holdings group — with interests in furniture, vehicles, carpets and property — is facing a new

11/1/91

Metal union backing for R6-m ANC rally walkout

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EAST LONDON — The National Union of Metalworkers (Numsa) leadership has backed members who walked out of the Mercedes-Benz South Africa plant in East London on Tuesday to attend an African National Congress rally

Mercedes this week recorded its concern about the walkout to Numsa officials

Production was suspended at an estimated R6-million cost after workers left the premises without permission to attend the ANC's 79th birthday celebrations in Mdantsane

Numsa general secretary, Mr Moses Mayekiso, said the workers' action did not go against the terms of any agreement with the motor manufacturer

He said ANC supporters had the right to attend the rally of the party they supported

It was the first time in 30 years that ANC supporters could openly cel-

brate the founding day of their organisation — and they did not choose that the day fell on a weekday

This was the ANC's response to the walkout.

Mercedes had earlier questioned why the ANC had held a political rally on a working day.

ANC spokeswoman Miss Gill Marcus said there should have been some recognition on the company's part for the significance of the day.

"Generally speaking our policy is not to be disruptive to working routines, and most rallies take place over weekends, but in the calendar of the people there are certain significant dates when rallies would be attended, like June 16, December 16 and August 9"

She said the organisation did not choose that these dates fell on weekdays and that working relations should be discussed between workers and union. — Sapa.

FML rides high on soaring costs

S/Times 13/1191.

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By IAN SMITH

SOARING vehicle prices are driving the fledgling full maintenance leasing (FML) sector to new highs.

Companies looking to maintain liquidity in uncertain trading conditions will increasingly try to take expensive fleets off balance sheet — adding to the 25% growth experienced by FML last year.

Although car sales are forecast to fall slightly from the expected 210 000 in 1990 to 205 000 this year, FML operators are confident they will again increase their market share.

They point to the entry of motor manufacturers and big financial institutions as proof that the sector has come of age.

Toyota and BMW were the first car-makers to offer FML through their dealer networks last year. Delta, Nissan and Samcor have linked up with finance houses to offer similar options. Volkswagen will follow suit soon.

Bankfin, formerly Santam-bank, is negotiating for a stake in Tollgate Holdings subsidiary Budget Autolease, one of the four FML leaders.

Major

Nedfin and Imperial Group have big stakes in Prime, and Avis is a subsidiary of Federale Volksbeleggings.

The major independent in the top four is Fleetlease Contracts, controlled by founder David Owens and associates. Financial director Peter Isherwood says the company is comfortable with its funding and has no need to seek a big partner.

SA's biggest vehicle distributor, McCarthy Group, which entered FML last year with the launch of McCarthy Leasing, is staying in the sector after selling its other truck- and car-hire interests.

Joint managing director Dudley Saville says McCarthy Leasing has been retained because it is directly related to the group's core business.

McCarthy sold the companies under the McCarthy Transport Holdings umbrella, including Fleetrent, Perkins Truck Hire, Supreme Truck Hire and Fleet Car Hire, to Nedfin and entrepre-



DAVID OWENS 250 companies among his customers

neur John Pearse for R19-million.

Budget Autolease managing director Sarel Rudd says the poor outlook for the economy has heightened interest in FML among big groups.

"The attractions are the release of capital, removal of fleet management hassles and a fixed fleet budget become."

Mr Owens says the entry of major companies has meant a big increase in advertising, including TV campaigns, which has increased public and corporate awareness of FML.

Employees see a company car as an attractive perk, despite increasing tax charges. Employers, however, are increasingly handing over their transport to FML companies.

Fleetlease Contracts moved into FML two years ago after providing a maintenance service to Stanmic and Barlows. Mr Owens says that by the end of its second

year of trading the company had supplied vehicles worth R170-million on FML with a client list of 250 companies.

Clients operate more than 40 000 vehicles, all of which are likely to be replaced by FML.

Fleetlease has bought fleets and leased them back to customers.

"Our company has been particularly successful in this type of business."

Mr Owens hopes to top R230-million in FML deals this year — a 40% increase.

Prime Car Leasing managing director Nigel Webb says that in the past most companies converted gradually to FML as vehicles became due for replacement. Now they see the advantage of converting more quickly.

Mr Webb says the company's customer base and fleet grew by 25% last year — "and we expect to match or beat this in 1991."

Injection

Mr Webb says fleet conversion should not be seen as a cash injection for an ailing company. It should be motivated by prudent economic decisions to suit the times.

The major worry for the business is that its success has attracted small operators.

Mr Webb says "Their lack of financial resources and fleet experience could lead to disappointing service."

The entry of motor manufacturers also challenges FML companies.

Hand-outs

□ From Page 1 (191)

12 700 Car prices are expected to be about the same as the inflation rate of an estimated 14,5%

The increase in local content has put "severe strain on our cost base"

Volkswagen will incur R200-million capex this year. Of this, R160-million will be for additional plant, maintenance of plant and for productivity improvements, while R40-million will be for additional buildings and computer systems.

Samcor, manufacturer of Ford, Mazda and Mitsubishi, believes car sales next year will be 205 000, light commercials 113 000, mediums 4 800 and heavy trucks 7 200.

Ford plans to introduce new 1,8l and 2,2l Courier bakkies this year and well as a Sapphire Ghia 3l V6 model A 2l 16-valve twin-cam, Laser and a 16-seater minibus will be launched.

Mazda will offer a twin-cam, 16-valve 323. It is considering the import of the MX6 sports car, the 929 and the Mitsubishi Diamante.

Delta will spend R150-million on increasing production, excluding any new tooling costs. SA (wks) 13/1/91

Managing director Keith Butler-Wheelhouse says Delta expects prices to rise by between 16% and 18%, depending on the rand's strength.

Mr Butler-Wheelhouse says manufacturers will have to refine production to make exports competitive.



RALPH BROADLEY

Toyota to spend R7m on Corolla

Business Times Reporter

TOYOTA is to spend R7-million to expand the Corolla-Conquest production line at the manufacturing plant at Prospecton near Durban

It will add flexibility and a production increase for the best-selling range

Toyota Manufacturing managing director Ralph Bradley says "Demand for the latest Corollas and Conquests has outstripped production capacity and led to a backlog in meeting orders

"We realised this was not a short-term problem and committed R7-million to expand the production line"

192 S/Times 13/1191
Machined

Production will increase by 25% at the end of February to 220 units a day from 175. Toyota will be able to build 4 600 Corollas and Conquests a month and eliminate the backlog

The trim and mechanical assembly lines will be expanded, causing additional demand for machined parts. Another R1-million will be spent in the machining plant.

Last year, the company increased production of trucks by 11% compared with the previous year by employing more workers on the production line. Toyota led the medium- to heavy-truck market in 1990.

Hand-outs spur vehicle capex

8 Times 13/1/91 192

EXPORT incentives offered by the Government have prompted the motor industry to set about spending a record of more than R1-billion on capital projects this year.

It is the largest amount to be invested by any industrial sector and excludes spending by Mercedes-Benz and Samcor

Under Phase 6 of the programme introduced in March 1989, at least 65% of the retail value of a vehicle must be local content. In terms of Phase 5 local content was 66% by weight. In 1989, the industry spent about R3-billion on component imports.

However, car-makers are able to reclaim a 50% rebate on exports which they can set off against import duties on components.

Industry response to the new scheme is so keen that the Government faces an estimated net shortfall of R64-million in the fiscal year to March. To compensate for the shortfall, a 2,5% ad valorem duty on component imports has been imposed. It is expected to yield about R50-million. The measure is expected to be temporary.

Net rebates paid by the Government in the year to March are expected to reach R146-million, being the difference between rebates and import duty received. Because of the varying nature of imports and exports, the industry paid the State R82-million in the quarter to November.

Toyota plans to spend R300-million this year, says chief executive Bert Wessels. Of this, R144-million will be on facilities and equipment, R139-million on new tooling, R86-million on new models and facelifts and R53-million on increased "localisation".

Mr Wessels says vehicle prices will rise by between 13% and 16% this year, but much depends on what happens in the Middle East.

Decline

He is confident that profits will be similar to last year's "good" results. The prime overdraft rate is expected to average 19%.

Total sales this year are expected to decline by between 4% and 5% to 200 000 cars, 110 000 light commercials, 4 700 medium commercials and 7 200 heavy trucks and buses.

By DON ROBERTSON

Nissan managing director John Newbury says capital expenditure in the next two years will be about R500-million. Most will be spent on upgrading models.

The Nissan Maxima will be introduced late this year or early in 1992. The cars will be imported in completely built-up units (CBUs), but will eventually be assembled in SA.

An "image-building" Nissan 200SX, similar to the 300ZX sports car, will also be imported in limited numbers this year. In the next four years, the entire model range will be revamped.

Mr Newbury believes prices will rise by between 15% and 15,5%, depending on currency movements.

He expects a token one-point decline in interest rates in the first quarter of the year. He thinks SA could live with a slightly higher inflation rate to allow a further reduction in interest rates to allow for the creation of more jobs and the provision of improved education.

Demand for BMWs beat supply last year, but the company hopes its market share will rise after the launch of new models, including the 520i. The company has financial packages for new and used cars which it believes will help sales.

BMW has capital expenditure programmes of R144,7-million this year — R7,2-million for computers, R40,5-million for tooling, R60-million for equipment and R37-million for plant.

It hopes to keep price rises to 10% provided inflation is held to 12% and that the price of imports is limited to an 8% increase.

Mercedes-Benz chairman Christoph Kopke says total car sales are expected to be 205 000 and commercials

□ To Page 3

Vehicle sales at a four-year low

Finance Staff

Star 16/1/91

Total vehicle sales for 1990, including new cars, light and heavy commercial vehicles, ended the year on 352 629, a decline of five percent from 1989 figures, and the lowest in four years

According to the National Association of Automobile Manufacturers of SA (Naamsa), sales are now well below the long-term historical trend

Combined vehicle sales in December amounted to 20 928 units, down from 28 841 units in November and down from the 23 035 units sold in the same month in 1989

While December is normally a weak sales month for the motor industry, it still reflects a further deterioration of the local industry as a result of the downturn in the economy

The sales of new cars, especially, came as a disappointment to the industry, with sales of 13 198 units, their lowest monthly level since December, 1986 when 12 076 unit sales were recorded

December 1990 car sales fell by 4 967 units, or 27,3 percent, to 13 198 units from the 18 165 units sold in November 1990

Compared with the corresponding month in 1989, there was a decline of 677 units, or 4,9 percent

Sales of new light commercial vehicles and minibuses in December declined by 2 626 units, or 27,4 percent, to 6 946 units from the 9 572 sales recorded in November

Compared with December 1989, new light commercial vehicle sales showed a fall of 1 271 units, or 15,5 percent

Sales of vehicles in the low-volume heavy truck segment of the market also deteriorated

sharply in December, falling by 32,1 percent (235 units), compared with November's sales

Sales of medium commercial vehicles, however, managed a marginal improvement of 1,4 percent in December, compared with November sales

On an annualised basis, the industry's 1990 sales, with the exception of medium commercial vehicles, recorded declines in all four sectors

Naamsa says the duration and severity of the slowdown will be the major determinant in the performance of the new vehicle market this year

Short-term prospects will also be influenced by events in the Middle East and, domestically, by developments in the socio-political field, it says

Replacement

It notes, however, that with actual sales currently well below the long-term historical trend, the replacement needs of the existing vehicle parc (3,5 million cars and 1,3 million light, medium and heavy commercial vehicles) will tend to limit the scope for significant further declines in new vehicle sales

The latest industry projections anticipate essentially a no-growth scenario in terms of unit sales for 1991

Current industry projections for the year envisage sales of 210 000 cars, 115 000 light commercial vehicles, 5 000 medium commercial vehicles and 8 500 heavy trucks

However, it is possible that these forecasts will be revised downwards in light of the lower-than-expected December 1990 sales figures and as a result of the impact of unfolding events in the Middle East, Naamsa says

New car sales plunge by 27%

CMT ~~16/1/91~~ 16/1/91
192

By PIETER COETZEE
Financial Editor

THE continued recession put severe pressure on the motor industry in December with new car sales dropping sharply by 27,3% (compared with November) to its lowest level in four years

According to statistics released by the National Association of Automobile Manufacturers of SA (Naamsa) new car sales in December were 13 198 compared to sales of 18 165 units in November. Compared to the corresponding month of December 1989 there was a decline of 677 units or 4,9%

The picture for the year as a whole does, however, not look as bad with sales of new cars and light commercial vehicles and heavy trucks and buses ending the year 5% lower than the previous year.

Sales of new light commercial vehicles and minibuses during December had declined by 2 626 units or 27,4% to 6 946 units from the 9 572 unit sales recorded during November. Compared to the corresponding month in 1989 new light commercial vehicle sales had shown a fall of 1 271 units or 15,5%

Sales of vehicles in the low volume heavy truck segment of the market had also deteriorated sharply during the course of December 1990 falling by no less than 32,1% (235 units) compared to November's 1990 sales.

Sales of medium commercial vehicles had, however, managed a marginal improvement of 1,4%

during December compared to November 1990 sales

On an annualised basis, the industry's 1990 sales, with the exception of medium commercial vehicles, had recorded declines in all four sectors.

Naamsa says the duration and severity of the current slow down in the South African economy would be the major determinant of the performance of the new vehicle market during 1991.

Short term prospects would also be influenced by events in the Middle East and, domestically, by developments in the socio-political field.

Naamsa says that with actual sales currently well below the long term historical trend, the replacement needs of the existing vehicle parc (3,5m cars and 1,3m light, medium and heavy commercial vehicles) would, however, tend to limit the scope for significant further declines in new vehicle sales.

Latest industry projections anticipated essentially a no-growth scenario, in terms of unit sales for 1991.

Current industry projections for the year envisage sales of 210 000 cars, 115 000 light commercial vehicles, 5 000 medium commercial vehicles and 8 500 heavy trucks — slightly higher than that of 1991.

However, it was possible that these forecasts would be revised downwards in light of the lower than expected December 1990 sales figures and as a result of the impact of unfolding events in the Middle East, Naamsa says.

1990 car sales down by 5%

6/0ay 16/1/91
 MOTOR manufacturers ended a dismal 1990 with new passenger vehicle sales for December plummeting to the lowest monthly level in four years, figures re-

MARC HASENFUSS

leased yesterday by the National Association of Automobile Manufacturers of SA (Naamsa) showed.

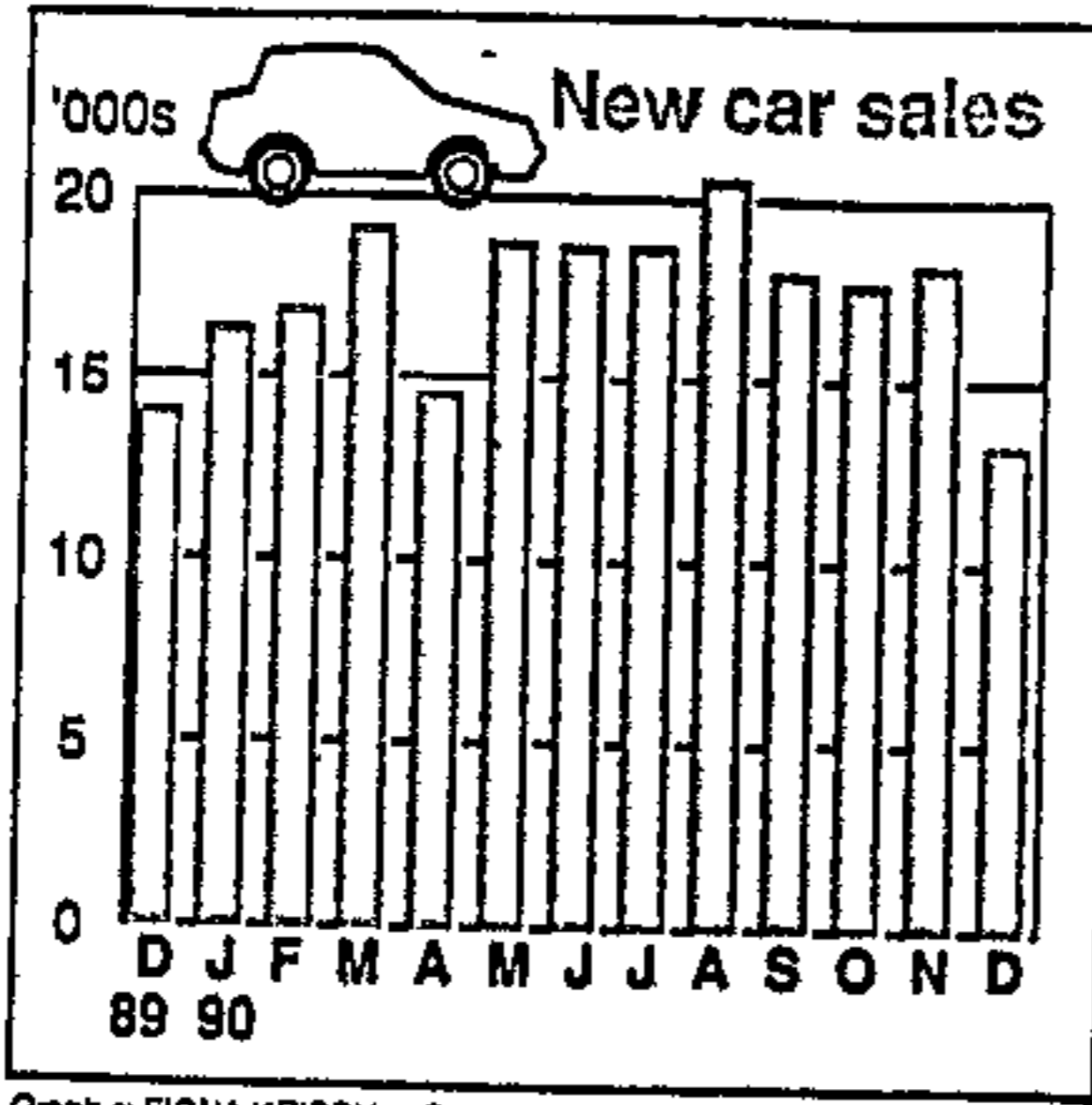
Confirming the downturn in the economy, December car sales decreased 5% to 13 198 units compared with 13 875 in the corresponding month last year

The monthly and yearly sales figures were adversely affected by the serious industrial unrest and work stoppages at Volkswagen and Mercedes Benz during the second half of the year and the fewer trading days in December.

Total passenger vehicle sales for last year showed a drop of 5% to 209 603 units against the 221 342 units recorded in 1989, according to Naamsa figures.

Only medium commercial vehicles (MCV) managed a marginal improvement

□ To Page 2



Graphic: FIONA KRISCH Source: NAAMSA

Car sales

in December to 287 units (283), bringing sales for the year to 4 828, an 8% improvement on the 4 474 units sold in 1989

Last month's sales of light commercial vehicles (LCVs) and mini-buses at 6 946 units was 15,5% down on the 8 217 recorded last year, while the total for the year showed a 4% decline to 112 516 (117 135)

Econometrix's Tony Twine said LCVs' steady sales performance during the last seven years was buoyed by black consumer interest in the minibus sector

Township violence and high interest rates slowed minibus sales during the second half of 1990, having a negative impact on LCV unit sales

Heavy commercial vehicle (HCV) sales deteriorated sharply in December, showing a 24% fall to 497 units (660), while yearly sales figures indicated a 19% slide to 7 830 units compared with the 9 678 units sold in 1989

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□ From Page 1

Combined new vehicle sales for 1990 tumbled to 334 777 units, 5% less than the 352 629 units recorded the previous year

Naamsa said the duration and severity of the current slowdown in the SA economy would be the major determinant of the performance of the new vehicle market during 1991

Short-term prospects would also be influenced by events in the Middle East and, domestically, by developments in the socio-political field

Naamsa said, however, that despite unit sales being well below the long term historical trend, the replacement needs of SA's existing 4,8-million vehicles would limit the scope for further declines in new vehicle sales

Industry projections anticipate essentially a no-growth scenario in terms of unit sales for 1991. Projections for the year envisage the sale of 210 000 cars, 115 000 LCVs, 5 000 MCVs and 8 500 HCVs

Toyota tops with 30% market share

B/Dam 17/1/91 (192)

MARC HASENFUSS

TOYOTA SA has confirmed its position as SA's best-selling car manufacturer with an estimated 30% market share in new car sales in 1990.

Although market share estimates could not be obtained from all manufacturers, of those canvassed Samsung claimed second place with a 18,8% share of the 209 000 new car sales, followed by Delta's 12% and BMW's 8,6%.

Market share estimates were not available from VW, Nissan and Mercedes Benz.

The National Association of Automobile Manufacturers (Naamsa) stopped the publication of individual manufacturers' unit sales figures in May 1988 for strategic reasons, after economic sanctions intensified.

The recent easing of sanctions led industry sources to believe that full

disclosure of manufacturer's figures would be possible in the near future.

Motor manufacturers are geared up for an all-out battle for marginal increases in market share in the expected no-growth sales market of about 200 000 new vehicles this year.

Delta marketing and sales director Wille van Wyk said the challenge for 1991 would be survival in the increasingly competitive market.

A BMW spokesman said although sales figures last year were disappointing, the new car market would remain stable next year because manufacturers were better prepared for the current economic downturn.

There would not be a repeat of the 1986 scenario when car manufactur-

ers were caught off guard as sales plummeted to less than 175 000 units during an industry slump.

Toyota marketing MD Brand Pretorius said although 1991 would be tough, there was still room for innovative marketing and the situation did not warrant getting depressed about.

VW and Mercedes Benz, whose production was interrupted by strikes and work stoppages, have returned to full production and seem set to meet a backlog of demand.

Mercedes board member Peter Cleary said, "an improved relationship with the union and our labour force favours consistent production under which we will be able to supply the market with greater numbers of Honda and Mercedes-Benz cars to satisfy pent up demand for our cars".

MOTOR INDUSTRY

FADING HOPES

The immediate outlook for new vehicle sales is rather like one of those "bad news, good news" jokes. The bad news is that 1990 car sales were lower than in the previous year, the good news is that they will be higher than the following year.

At first glance, it makes a pretty depressing picture. Official industry figures released this week show that car sales last year fell to their lowest level since 1987. December sales represented the lowest monthly level for four years.

Now, with the economy continuing its downswing and events in the Middle East lending further uncertainty, manufacturers are already beginning to abandon hopes that the market has bottomed out.

The National Association of Automobile Manufacturers of SA (Naamsa), which had forecast 1991 new car sales at 210 000 — a marginal increase on last year's 209 603 — now expects the figure to be closer to 200 000. It points out that its original forecast was made before December's unexpectedly poor sales and before the potential impact of the Gulf crisis became fully apparent.

Other industry analysts were less optimistic than Naamsa, even before the latest developments. They put estimates of the 1991 car market as low as 200 000. Those, too, are now being redrawn downwards. So uncertain is the outcome of the Gulf crisis, however, that they could just as easily be raised again.

If sales were to dip below 200 000, it would raise the spectre of the disastrous year of 1986 when the market plunged to fewer than 175 000. A mere five years after annual car sales peaked above 300 000, it was the lowest point of an industry recession that cost manufacturers billions of rand and had foreign companies scrambling over one an-

other to leave the country.

Such a scramble is unlikely today, because surviving manufacturers have learnt their lesson by imposing better cost-management techniques and diversifying into other profit areas, notably exports.

However, if the market doesn't pick up soon, manufacturers will feel the strain. Market talk is that at one major company, senior management has been told heads will roll and major investments re-evaluated if things don't improve — quickly. ■

DECEMBER VEHICLE SALES

	1990	1989	% change
Cars			
December	13 198	13 875	-4,9
January-December	209 603	221 342	-5,3
Nov (18 165)-Dec			-27,3
Light commercials			
December	6 946	8 217	-15,5
January-December	112 516	117 135	-3,9
Nov (9 572)-Dec			-27,4
Medium commercials			
December	287	283	+1,4
January-December	4 828	4 474	+7,9
Nov (372)-Dec			-22,8
Heavy commercials			
December	497	660	-24,7
January-December	7 830	9 678	-19,1
Nov (732)-Dec			-32,1
Total sales			
December	20 928	23 035	-9,1
January-December	334 777	352 629	-5,1
Nov (28 841)-Dec			-27,4

Source Naamsa

charges on deals of less than \$200 the message is that any David Cobble is a director of stock broker Simpson McKie Inc

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Replacements may help motor sales 192

Times 20/1/91

URGENT replacement of old vehicles should limit the decline in motor sales this year in spite of the sharp fall in December caused by the downturn in the economy

December car sales were the lowest in four years at only 13 198 — a 27.3% decline on the November figure of 18 165

Industry expectations of sales for the year of 210 000 were close to being correct Sales volume was 209 603 compared with 221 342 in 1989.

Sales of light commercials (LCVs) and minibuses were also in line with expectations at 112 516 compared with 117 135 in 1989 December sales totalled 6 946 November's figure was 9 572

Medium commercial (MCVs) sales for 1990 were 4 828 compared with 4 474 in 1989 for a 7.9% increase December's total was 287 compared with 372 in November

Heavy commercial (HCVs) volumes showed the largest decline — 19.1% — at 7 830 compared with 9 678 in 1989 Sales in December were 497 compared with November's 732



Ruin faces motor parts industries

S/Times 20/1/91

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Ruin threat ⁽¹⁹²⁾

From Page 1

wants the penalty for falling below 65% local content to be increased from zero at this figure to 32,5% at 55%, while allowing the minimum permissible level of SA content to remain at 45%

Mr Vermooten says that in 1989, the motor trade's total retail turnover was R30,7-billion, made up of new and used vehicles, workshop rev-

enue, spares and accessories and fuel

Of this, new vehicle sales and replacement parts and accessories made up 59,8%, of which 18,74% was made in SA

"The component industry plays an important role in providing jobs and saving foreign currency. By reducing, for example, local content to zero there would be no negative impact on the assembly industry or on the motor trade

However, imports would have to increase from R6,8-billion to R12,6-billion and the 70 000 jobs in the industry would be in jeopardy," he says

But increased local content would not affect the motor trade, would increase the number of jobs and save foreign currency

Mr Vermooten says that even if vehicle sales do not increase this year and the local content requirement is lifted by 10%, additional component sales of R383-million will be generated, 2 500 jobs will be created and imports of parts will fall from R5,3-billion to R4,9-billion

An increase of this size, if passed on to customers, will result in vehicle price rises of only 3%. Vehicle prices have risen by 24,6% since Phase 6 was introduced compared with a rise in the consumer price index of 20,83%

In this time vehicle assemblers were able to import parts free of customs duty and surcharges, says Mr Vermooten. They were also able to "overrecover" on rebates on exports and local content, pushing the Government into a temporary shortfall of about R64-million for the fiscal year to March

Problem

Under Phase 6, the material local content at the target level of 65% by value is also 30%

The problem under Phase 6, however, is that vehicle assemblers, which in 1989 had a turnover of R12,7-billion, are able to reduce local content to 45% by value. That means 15% by material value for local parts suppliers. At this level, they pay duty of only 9,09% and at 44% they pay the full 32,5%

Mr Vermooten says "On average, material local content can drop to 15%. This means the potential closure of 74 component makers. Another threat to parts makers is that motor exports, worth about R1-billion last year, could treble because of the new autocatalyst plants. They could give manufacturers R1,5-billion in rebates a year

Naacarn believes vehicle manufacturers introducing new models will be able to reduce the use of SA parts because of the duty of only

Under Phase 6, introduced in March 1989, car-makers are encouraged to include SA components to the extent of 65% by value of vehicle sales turnover, at which stage they pay no excise duty on imports. However, they can earn a 50% excise rebate on the value of exports. It more than compensates for the penalty on low SA content.

Under the Phase 5 programme car-makers had to have 66% by weight in local components. This represented 30% by value of local content, based on the vehicle's whole sale price.

Non-material overheads and profit margins make up 35% of vehicle sales turnover, says Naacarn executive director Denzil Vermooten.

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Non-material overheads and profit margins make up 35% of vehicle sales turnover, says Naacarn executive director Denzil Vermooten.

A warning - small industrial companies are not for the traders, who should stick to marketable shares, and regulators Nothing is more of the job trendless than the share of a small company that has buying fallen on hard times (try selling Dial-a-Movie)

Under t Even when, after careful selection, you have found a manufacturer, a great deal of patience is often required before you reap your reward. It can be frustrating to hold a share made in that you know is grossly undervalued and see it continue to be treated with sublime indifference by other investors. But if your judgment has been correct, be sure that it is be your ship will steam majestically in one day. In the meantime you can live it up on the other in higher income it produces.

Which shares to buy? Opinions differ and my clients virtually will not thank me if I mention trying to buy, but here are Autom half a dozen which have in common

- A relatively free market, (BTL)
- A good track record,
- First-class management.

Naacarn's claim has been well received by the BTL

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WIDOWS OF EVEN ORPHANS

Wheel and tyre makers set to ride out recession

WHILE most vehicle manufacturers seem set to remain in neutral gear this year, manufacturers of wheels and tyres are geared to ride out the recession, analysts say

Key market players believe the markets for wheels and tyres will continue to grow next year, in spite of the no-growth scenario predicted for new vehicle sales in 1991

Analysts say the strong after-market for tyres will strengthen next year as motorists are now extending the life span of their vehicles in the light of rapidly increasing vehicle prices

Vehicles in SA are now expected to last seven to eight years, which means a set of tyres on average will be replaced at least four times during a car's life span

Trencor, which owns 21% of Contred which incorporates Tycon (formerly Good-year), FSI subsidiary Gentyre and BTR Dunlop have been tipped by analysts as

MARC HASENFUSS

strong market performers next year

Gentyre and Dunlop shares did not perform to expectations last year after investor confidence was knocked by rumours of a supply of cheaper imported tyres

Expensive

Last year Trencor's tyre division made a significant contribution to its R784,6m turnover, while Gentyre posted a 40% increase in earnings to R43,5m (R31m) for the year to December 1990 BTR Dunlop boosted interim earnings 35% to 162c (120c) for the six months end-June 1990

The after-market for alloy wheels, although more expensive to manufacture than steel wheels due to a cost penalty, has grown considerably since its humble start a decade ago

Recessionary conditions have not affected the sales growth of alloy wheels

Analysts said the down-buying trend in cars has ironically resulted in increased interest in alloy wheels which, as they are seen as a symbol of affluence, are used to upgrade basic model vehicles

A number of luxury cars manufactured in SA already have alloy wheels as a standard feature

Local manufacturer and distributor of alloy wheels, Tiger Wheels, could soon woo investors looking for potential shares outside the Blue Chip range, analysts say Tiger outrode the economic slump showing a 17% increase in attributable profits to R3,4m (R2,9m)

Last week AAF, a London-listed subsidiary of W & A Investments, acquired a UK alloy wheel manufacturer and distributor, the Wheels Business. Despite Wheels Business posting a loss of £62 000 for the year ended April 1990, analysts said it was an acquisition that would prove its potential in a few years

Row in motor industry fuelled

A REVISION of the motor industry's local content programme seemed certain as vehicle manufacturers and motor component manufacturers came to loggerheads yesterday. *8/0am 22/1/91*

After meetings between the National Association of Automobile Manufacturers (Naamsa) and the Board of Trade and Industry last year, there were hints of a possible amendment of the programme in the medium term.

Vehicle manufacturers reacted yesterday to an article in Business Times at the weekend in which National Association of Automotive Components & Allied Manufacturers (Naacam) executive director Denzyl Vermooten said that the continuation of Phase VI of the programme could result in the closure of many local component manufacturers.

Vehicle manufacturers discounted statements made by Naacam regarding Phase VI as factually inaccurate and grossly misleading. They said Naacam had acted irresponsibly and had misperceived the realities and mechanics of Phase VI.

Vermooten said vehicle manufacturers could effectively reduce average local material content in vehicles to 15% because they could source imported components from parent companies at a considerable

MARC HASENFUSS

cost advantage. *192*

Under Phase VI car manufacturers are penalised when failing to include more than 65% local content by value in a vehicle. Manufacturers, however, earn 50% excise rebate on the value of exports, which far exceeds the penalty for low local content levels, said Vermooten.

A Naacam spokesman said yesterday the level of protection for component manufacturers had been whittled away, and without government aid the component industry could be adversely affected.

Car manufacturers said yesterday component manufacturers also enjoyed protection under Phase VI, as all imported content was penalised by 50%. If component manufacturers still failed to provide competitively priced parts, then car makers would import better priced parts.

Motor industry analysts believe the consumer will be better off without any protective tariffs. "No industry can survive in the long term if its inefficiencies penalise the consumer," they said. "The unfortunate thing is that the motor industry is so entangled in tariff legislation since Phase I of the programme that it has become too difficult to untangle itself."

BTI to act over local content

MARC HASENFUSS

THE Board of Trade and Industry (BTI) yesterday confirmed that the local content programme for the motor industry would be revised in March at the earliest. (192)

BTI chairman Lawrence McCrystal said appeals made by the National Association of Automotive Component and Allied Manufacturers (Naacam) last year for urgent changes to Phase VI of the programme would be taken into consideration

The BTI would not disclose how the programme would be restructured as certain aspects still required finalisation

Naacam claimed Phase VI of the programme favoured vehicle manufacturers and demanded that the BTI put component manufacturers on an equal footing by instituting a 30% minimum local "material" content for vehicle manufacturers

Naacam executive director Denzyl Ver-

mooten said yesterday Phase V's exit point should be the entry point for Phase VI

Phase V required vehicles to have 66% local content by weight, which translated into 30% local content by value

Phase VI provides vehicle manufacturers with an excise rebate on the value of exports and a penalty on the use of imported components. Revenue obtained by car makers from exports had so far outweighed the costs incurred from import penalties, allowing companies to manufacture minimum local content models

McCrystal said motor manufacturers would not be disadvantaged by changes to the programme. He said Phase VI's flexi-

□ To Page 2

BTI *192* *11/11/91*

bility would be retained along with export incentives

He pointed out that Phase VI encouraged export of components to the level of 65% by value of vehicle sales turnover and in reality local models could be made with minimal local content

In December the BTI imposed a tempo-

(192) *11/11/91* □ From Page 1

ratory 2,5% ad valorem duty on vehicles to compensate for a R64m shortfall for the fiscal year to March after revenue due to car makers for exports exceeded expectations

Motor industry analysts blamed the BTI's intervention via the programme for pushing up new car prices

Parts manufacturers urged to look overseas

192
Blom 24/11/71

MARC HASENFUSS

VEHICLE component manufacturers could avert financial ruin if they stopped relying on local car makers as a main source of business and began looking for overseas options, vehicle manufacturers and industry analysts say

Spare parts manufacturers claim they are facing financial difficulties because of the structure of Phase VI of the local content programme

They want the Board of Trade and Industry to review it so vehicles will be required to have at least 30% local material content instead of the requirement that 65% of the rand value of vehicle sales turnover be locally sourced

This would ensure that vehicle manufacturers relied more on local part makers for components

The present system allows car manufacturers to offset their exports against imports, with the result that the actual local content can be minimal

But vehicle manufacturers say the demand for a review of Phase VI is negative and believe it essential for component makers to look to global markets

National Association of Automotive Component and Allied Manufacturers executive director Denzyl Vermooten said spare part exports last year amounted to over R1bn. But component manufacturers were excluded from the General Export Incentive Scheme (GEIS) which provided vehicle manufacturers with rebates on exports

● Comment Page 6

business within three years, with the loss of 35 000 jobs Naacam has submitted a report to the Board of Trade & Industry, which oversees Phase Six, asking for urgent changes to the programme that will increase minimum real local content levels

Naamsa — the National Association of Automobile Manufacturers of SA — takes a contrary view. It argues that import duties offer SA component firms an effective 50% protection against imports. It stresses that the purpose of Phase Six is to encourage economic import substitution and a trade-off of foreign exchange earnings against un-economic localisation.

By encouraging a competitive, export-motivated attitude in the overall motor industry, including components, it should actually increase employment, it says. Naamsa representatives say Naacam is hiding behind its traditional source of business — SA vehicle companies — and not exploring all export opportunities.

Naacam's Vermooten counters that component exports rose from R184m in 1986 to R1bn last year. He concedes that export values are unlikely to rise this year but blames this on recessions in export markets. He says components turnover in the domestic market is likely to drop by more than 10% this year, but this may be due largely to the expected decline in vehicle sales.

As evidence of vehicle companies' unwillingness to buy components locally, Naacam says it has been told that at least one company's new 1991 ranges will contain minimal local content. However, the MD of a major car company says this can be explained by the fact that the ranges are expected to be produced in low volumes and therefore do not justify local tooling and sourcing.

Industry representatives also say it was always known that Phase Six, by moving from mass-based local content targets to value-based ones, would lead to industry upheaval. The components emphasis today is on low-mass/high-value, instead of high-mass/low-value as before. It could be that much of the component industry's distress emanates from old established companies unable to adapt to new rules. ■

MOTOR INDUSTRY FM 25/1/91

PARTING WAYS (192)

Representatives of vehicle and components manufacturers are clashing over the terms of the Phase Six local content programme for the motor industry.

The National Association of Automotive Component & Allied Manufacturers (Naacam) was called "misleading and irresponsible" this week after claiming that up to 35 000 components industry jobs are at risk because vehicle companies are taking advantage of Phase Six to reduce local component purchases.

At the centre of the argument is the Phase Six formula, which allows vehicle companies to take export sales into account when meeting the statutory local content levels. In effect, the more you export, the more you can economically import. Naacam director Denzyl Vermooten says that, far from encouraging import substitution, increased exports by vehicle companies has actually reduced real local content.

If matters continue as they are, he says, up to 74 component companies could go out of

Motor storm on protection plea

S/Times 27/1/91.

192

By DON ROBERTSON

MOTOR assemblers are outraged by the component manufacturers' appeal to the Board of Trade and Industry (BTI) for more protection

Component makers claimed in last week's Business Times that unless relief in the local content programme was granted, 35 000 jobs would be lost and 74 companies would be forced to close by the middle of 1993

The National Association of Automobile Manufacturers of SA (Naamsa), representing motor manufacturers, says the call to Government by the National Association of Automotive Component and Allied Manufacturers (Naacam) is "factually incorrect, misleading and irresponsible"

Imports

Naamsa president and Samcor managing director Spencer Sterling says Phase 6 offers 50% protection for motor parts makers against imports

"It is this 50% protection which determines whether vehicle manufacturers source their requirements in SA



SPENCER STERLING Parts makers are inefficient

"Any component supplier unable to compete effectively, given the 50% protection, has no business in the motor industry"

Mr Sterling says many component suppliers are inefficient and incapable of competing in world markets

"Phase 6 was born prematurely. The concept is good, but the mechanics are flawed and there are a myriad anomalies"

BTI chairman Lawrence McCrystal confirms that the local content programme will be revised in March at the earliest

Mr Sterling says Naacam's representations to the BTI are nothing more than a plea for more protection for some

segments of the industry which find it difficult to improve efficiency

"For years, the cost of SA-made components has increased at a rate higher than inflation. We are paying a huge premium for local content

"If we continue to nurture industries which exist on protection, it will result in increased prices, reduced sales and more unemployment"

Naamsa has challenged several other claims made by Naacam

It disputes that material local content can fall to 15%, that car prices rose by 24,6% after the introduction of Phase 6, that 35 000 jobs will be lost and that 74 companies will close

Boiling

Naamsa says if parts makers exported more, additional jobs would be created

It says exports last year were worth R550-million, not the R1-billion claimed by Naacam. If local content were raised by 10%, it would not necessarily force assemblers to buy more parts in SA

The dispute between vehicle assemblers and component manufacturers has been on the boil for some time. Naamsa says it has several times volunteered to meet Naacam to discuss problems, but has had no response

Engine reconditioners face tough year

MARC HASENFUSS

TRUCK and bus engine reconditioners face a testing year ahead as the depressed economy is expected to result in another drop in transport activities, causing transport groups to further rationalise fleets.

As SA slid into recession, transport experts believed the market for engine reconditioning would boom, as transport groups began looking increasingly to reconditioners to upgrade older vehicles, instead of paying the enormous cost of new engines or total fleet replacement.

Transport analysts said truck and bus firms, forced to rationalise under adverse economic conditions, had opted for the mothballing of ageing vehicles.

The cost of rebuilding an engine is 40% of the price of a new engine, and the rebuilt engine has a lifespan of over 10 years, including a guarantee varying between six months to one year, or 60 000 to 100 000km.

The engine rebuilding industry, however, has remained in the doldrums with transport groups apparently waiting for

better times before upgrading or expanding fleets. 192

An industry source said engine reconditioning still had "loads of potential", and although the industry was struggling it would see improved business activity when the economy began its recovery.

Analysts said that smaller transport groups and independent operators had taken a severe knock over the past 18 months, and the replacement of fleets would definitely be a long-term option.

The reconditioning of engines would be the most financially viable option for cash-strapped transport operators when the economy improved. BIPAY 28/1/91

An established reconditioning firm warned other market players that cut-backs on their highly trained staff would be regretted in the long term because "they may never get them back again."

Drop in BMW production is predicted this year

Sowetan 28/1/91

192

THIS year does not promise to be a "sheer driving pleasure" for BMW South Africa, with the company predicting a smaller car market - 200 000 units for 1991.

Despite demand for most BMW models outstripping supply last year, in particular the early part of the year when economic conditions were more buoyant, BMW's pene-

tration of the total car market reflected a marginal gain of 8,6 per cent for 1990 and a 8,4 per cent for 1989.

However, the company is confident that with the introduction of new models such as the 520i, this should contribute towards BMW's success during 1991.

Albeit, BMW plans to

limit its new vehicle price increase to 10 percent during this year, a move which is seen to be in line with the Government's plans to curtail inflation.

However, external factors such as the world economy heading for a recession and the war in the Gulf may have a negative effect on the anticipated price increase

Price increase on imported components are expected to be limited to 8 percent and will be made up by German inflation and the estimated deterioration of the Rand-Deutschmark exchange rate

With over 26 000 used BMW's sold in South Africa last year, the used car market is very important to BMW. BMW dealers offer customers a wide range of benefits, in some cases almost the same as those offered for new cars

Used BMW's under five years old are available with a 12 month unlimited kilometre warranty covering mechanical breakdown, or a Motorplan which offers full maintenance at no cost to the customer for two years or 40 000km



Seen at the opening of BP Filling Station in Dobsonville Extension 3 are (from left) Mpho Snel, Jackie Monnagotla, Jimmy Maimela, Irvin Khoza, Elsie Morake and Nomsa Morake.

South Africans hanging on to their old cars

CMT-TMB 1/2/91
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Staff Reporter

STATISTICS from the Central Statistical Service show that South Africans are increasingly driving older cars

The CSS said that by 1989, the average registered car was 9,1 years old, compared to 7,5 years old in 1985

Mr R J (Ginger) Johnson, area manager of the Automobile Association in the Western Province, yesterday attributed this to a combination of new-car technology and the increasing costs of new imported vehicles. He cited several examples

- Improved scientific metallurgy and better-quality metals meant certain manufacturers were offering three-year rust guarantees — as opposed to one-year guarantees a few years ago — even at coastal areas

- Average distances between overhauls had increased and many cars were now serviced every 15 000km as opposed to every 5 000-10 000 km seven or eight years ago. Mechanically, cars were lasting longer

- Cars were not being traded in as early as they had been previously

- New car replacement costs had risen astronomically. The price of new cars had risen about 50% in the past three years, caused by financial restrictions, the foreign exchange rate and increased costs of labour, imported components and parts

- Previously people were able to put replacement money away every month for three years and when they traded their vehicles in they were able to replace their car with a similar new model. But today people were having to save for longer to replace their cars

- People were finding it cheaper and more viable to overhaul their engines than to buy a new car — provided their bodywork was in a reasonable condition

Mr Johnson added that 80% of new cars sold in South Africa were being bought by companies which proved that individuals were keeping their cars longer

NISSAN SA, third-largest player in the motor industry, is to lay off 1 200 workers across the board to cut costs

The industry has been hard hit by the recession and vehicle sales fell to 334 777 last year from 352 629 in 1989

The retrenchments are expected to cost Nissan R1-million in payouts

They follow similar job losses in other sectors of the motor industry

The steel and engineering layoffs rose by 52% last year to 25 200 from 16 600 in 1989. A total of 35 000 new workers lost their jobs last year.

Other divisions of the motor industry are expected to suffer

The Nissan retrenchments represent 14% of the labour force of 7 550 and include hourly and monthly paid people on the marketing and manufacturing staffs

Spending

Nissan public relations chief Nico Britz says that given the changing economy and the host of opportunities which will result from a new SA, the company has decided to streamline its structures and operations

It will capitalise on these opportunities. The layoffs are intended to ensure that the company remains successful in the medium to long term

Nissan will concentrate on exports, an increase in local content and a model restructure in its efforts to remain profitable

Nissan's spending plan for the current year has been drawn up in consultation with holding company Sankorp and Sanlam, and its Japanese and Italian suppliers. To achieve its new strategy, it was necessary to trim expenses by cutting the wage bill

Nissan was extremely profitable in 1989 and made a good profit last year, says Mr Britz

Nissan fires 1 200 in cost-cutting bid

S/Times 3/2/91

By DON ROBERTSON

The company increased market share last year, largely as a result of the launch of the Fiat Uno, but there are plans to revamp the model mix this year

There has been a buy-down in vehicle purchases in recent years from luxury European cars to the more modest Japanese models. Medium-priced family cars have given way to cheaper models

Nissan may drop several mid-range models. It will

also import the Nissan Maxima, which will initially be brought in fully built up

The company has a large commitment to its local content programme and plans to spend about R500-million in the next two years

Mr Britz says "The Phase 6 local content programme is advantageous to Nissan and it is intended to further increase local content. This will cost more money for equipment"

The company also intends

to enlarge its export market which will also require additional finance

"We believe that in the next six to 12 months, our export potential will increase, particularly after sanctions are lifted"

Employees with 10 years' service or more will be paid seven months' salary, including one month's notice. Those with four to six years will receive four months' pay and those with two years two months' salary

The retrenchments have been negotiated with the National Bargaining Forum, Numsa and the Iron and Steel Union

Nissan ^{ARGUS} retrenches ^{4/2/91} 1 200 ⁽¹⁹⁷⁾ sales drop

The Argus Correspondent

PRETORIA. — Motor manufacturer Nissan has retrenched 1 200 workers — most of them at the Rosslyn plant

Nissan public relations officer Mr Nico Brits said 14 percent of the company's manufacturing workers and 14 percent of its marketing personnel were retrenched.

"The majority were voluntary retrenchments by workers who opted to take a package deal. No pressure was put on them to accept retrenchment. The whole process was finished at the end of last week," he said.

Mr Brits said that in terms of the retrenchment package, which was negotiated with the National Bargaining Forum and Numsa, employees with 10 years' service or more would be paid seven months' salary, including one month's notice.

RECESSION

Employees with four to six year's service would receive four months' pay and those with two years' service two months' salary.

The retrenchments were prompted by the recession, which resulted in vehicle sales dropping to 344 777 last year compared to 352 629 in 1989, and to ensure the company's profitability in a new South Africa

Mr Brits said Nissan had increased market share and made a good profit last year

McCarthy's interim earnings dip

By Ann Crotty

SAW 4/2/91

Disappointing results from Midas, a significant decrease in the profit of its Mercedes-Benz division and weak conditions in the vehicle market combined to produce a 19 percent knock to interim earnings at McCarthy group.

In the six months to end-December earnings a share were down 19 percent to 27,4c (34c). The interim dividend was unchanged at 7,5c a share. To celebrate its 100th dividend payment manage-

ment has decided to pay an additional 2,5c a share bonus distribution.

Turnover for the six months was up 2 percent to R1,484 billion (R1,450 billion). As the total new vehicle market declined by 2 percent, McCarthy's performance represents an increase in market share.

The tough trading conditions resulted in an 11 percent drop in operating profit to R48,2 million (R54,1 million). Tight asset management helped to produce a significant cut

in interest payments — these were down 28 percent to R3,8 million (R5,3 million).

Pre-tax profit was down 10 percent to R44,5 million (R49,5 million). The tax bill was little changed and, after a 77 percent drop in income from associates, taxed profit showed a 19 percent drop to R23,5 million (R29 million).

In the 1990 annual report, chairman Brian McCarthy indicated that he was expecting a marginal decline in financial

1991 earnings

Commenting on the interim earnings dip he notes that the group would in fact have produced a small bottom line increase if Mercedes-Benz and Midas had been able to report results in line with those of the previous interim.

Mr McCarthy is expecting full year earnings to be down by only 10-15 percent — on the assumption that the current recessionary state of the economy does not deteriorate any further.

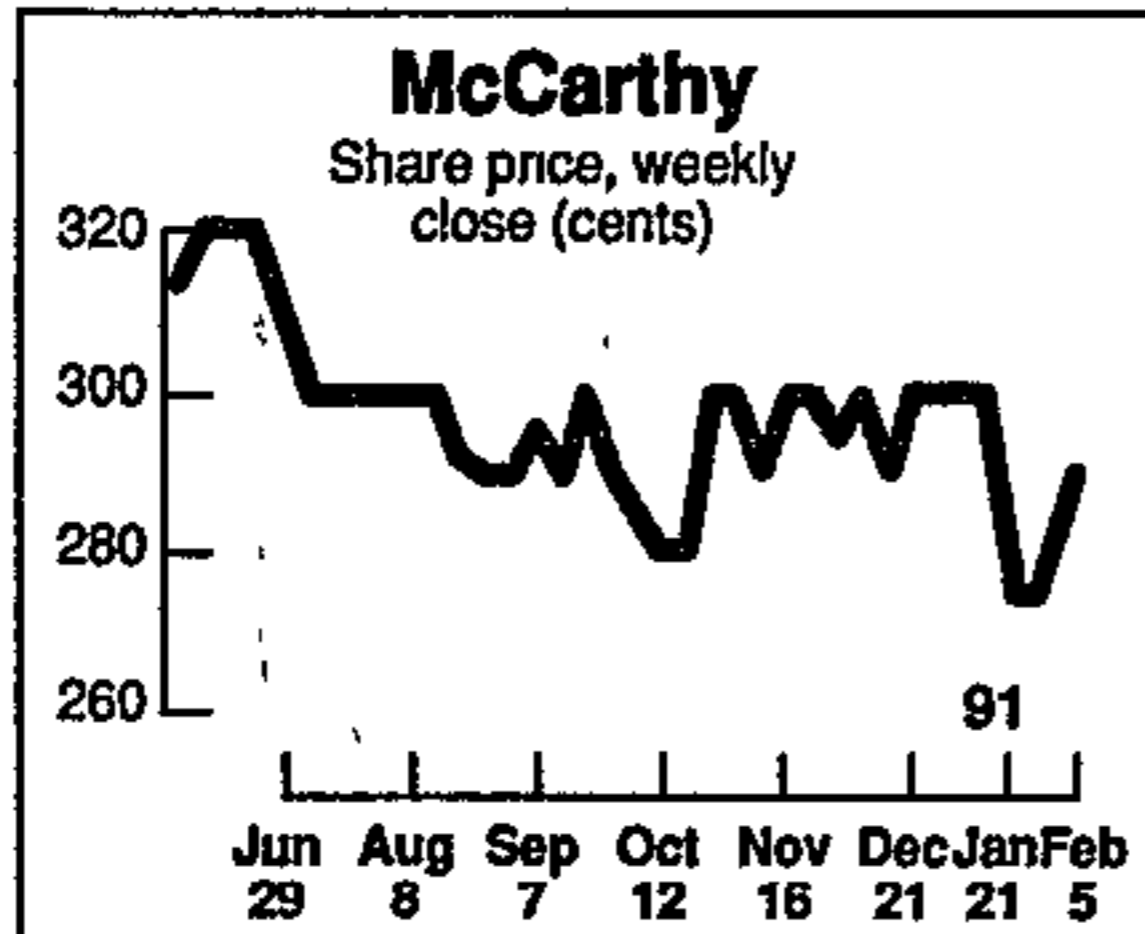
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McCarthy bonus cheers ⁽¹⁹²⁾

F1M 6/2/91

MARC HASENFUSS

SA's largest motor vehicle distributor, the McCarthy Group, reported a 19% fall in interim earnings a share in the six months to end-December after a significant decrease in the profit of its Mercedes-Benz



Graphic: LEE EMERTON Source: JSE

division and a poor performance by its 30%-held spares associate Midas.

However, the group is to pay out a bonus dividend to celebrate its 100th dividend declaration

Mercedes-Benz's East London plant was crippled by strikes and stayaways last year, resulting in a severe shortfall in the supply of new vehicles to dealers

Earnings dropped to R23,6m (R29m) or 27,4c (34c) a share in competitive trading conditions. Turnover remained almost static at R1,48bn (R1,45bn).

A special "centennial" dividend of 2,5c to mark the 100th dividend payout has been added to the unchanged interim dividend of 7,5c

Chairman Brian McCarthy said the

□ To Page 2

McCarthy ^{B1 day 6/2/91}

group would have shown a marginal earnings increase had the Mercedes-Benz and Midas divisions posted similar results to the previous year

Group operating profit decreased 11% to R48m (R54m) for the period under review

McCarthy considered the reduction in the interest bill to R3,8m from R5,3m as an indication of satisfactory asset control

The group also gained market share by increasing new vehicles sales by 2% in a market that was down by the same margin, McCarthy said

⁽¹⁹²⁾

□ From Page 1

A capital profit of almost R4,9m stemmed from the disposal of McCarthy Transport Holdings, the group's truck rental interests

Looking to the future, McCarthy expected earnings for the year to end June 1991 to decline by 10-15%, on the assumption that the current recessionary state of the economy did not deteriorate further

McCarthy shares rose 5c yesterday to come off last month's low of 275c. The share peaked at 375c almost a year ago

New vehicle sales nosedive

NEW vehicles sales for January this year have taken a nose-dive and the figures are well below those for the same period last year

The National Association of Automobile Manufacturers of South Africa (Naamsa) said yesterday that overall new vehicles sales for January were 10 per cent down on last year's January total at 23765 (20925) *81w 9/2/91*

New car sales were down by 7,1 per cent at 15090 (16252) while medium commercial vehicles took a massive drop of 28 percent to 282 sales compared to the January 1990 sales of 394

Heavy commercial sales dropped by 24 percent to 423 (558)

Commenting on the figures, Naamsa said "The weaker trend in evidence during the last quarter of 1990 had continued during the course of January, 1991 and whilst retail inventories during the first month of the year had been on the low side, it was nevertheless disturbing that sales in all sectors had shown sharp declines"

January, 1991 new car sales declined by 1162 units or 7,1 percent compared with the corresponding month in 1990 Light commercial vehicle sales and minibuses during January recorded a decline of 1261 units or 13,6 percent compared with January, 1990

"Sales of vehicles in the low volume medium and heavy truck segments of the market had deteriorated sharply during the first month of 1991 falling by 28,4 percent (112 units) and 24,2 percent (135 units) compared with the corresponding month of January, 1990" said Naamsa

"Trading conditions in all segments of the industry were expected to remain extremely difficult and, unless there was some material reduction in interest rates in the short term, the downturn in the South African motor industry, and in the South African economy as a whole, would turn out to be more prolonged and severe than appeared warranted by economic fundamentals — Sapa

One-tonners get boost

S/Times 10/2/91

By DON ROBERTSON (192)

STRONG competition in the one-ton bakkie market has prompted Samcor to increase the power output of its Mazda B-Series range.

In 1987, B-Series sales represented 12,6% of total one-ton sales, rising to 13,3% in 1988. Market share fell to 12% in 1989, but rose to 12,2% last year.

The decline in market share resulted partly from a shortage of vehicles and partly from updated competitive products, says Tony Tidbury, director and general manager of Samcor's MMI division.

In the light commercial sector (LCV), the one-ton bakkie is the largest segment representing about 57% of sales and is the most competitive.

To gain an added advantage in this sector, Mazda has increased the previous 1,6 litre engine to 1,8l and the 2l to 2,2l with 12 valves in the four-cylinder motor. These engines are fitted to both the short-wheel (SWB) and long-wheel (LWB) models. There are also minor interior changes.

The LCV sector was the only one to show a modest growth in the past four years. It repre-

sented 34,9% of total car and LCV sales in 1990 compared with 31,2% the previous year.

In 1987 the LCV market grew by 22% and sales rose by 16,4% in 1987. The increase in 1989 was 4,4%, but volumes eased last year by 3,9%.

There has been a switch to LWB bakkies and the petrol model is preferred.

The petrol share of the one-ton segment rose to 78% in 1990, and the petrol LWB increased from 29,2% in 1986 to 39% of all MMI bakkie sales last year. In the same time, the petrol SWB fell from 49% to only 22% in 1990. In 1988, the diesel SWB represented 2,7% of B-Series sales, falling to 0,1% last year. The LWB fell from 13% to 0,6%.

The SWB 1,8l bakkie costs R27 830, rising to R29,230 for the more luxurious Drifter model. The 2,2l LWB costs R31 265, increasing to R32 665 for the Drifter.

Tom-up McCarthy pins hopes on black buyers

S Times 10/2/91

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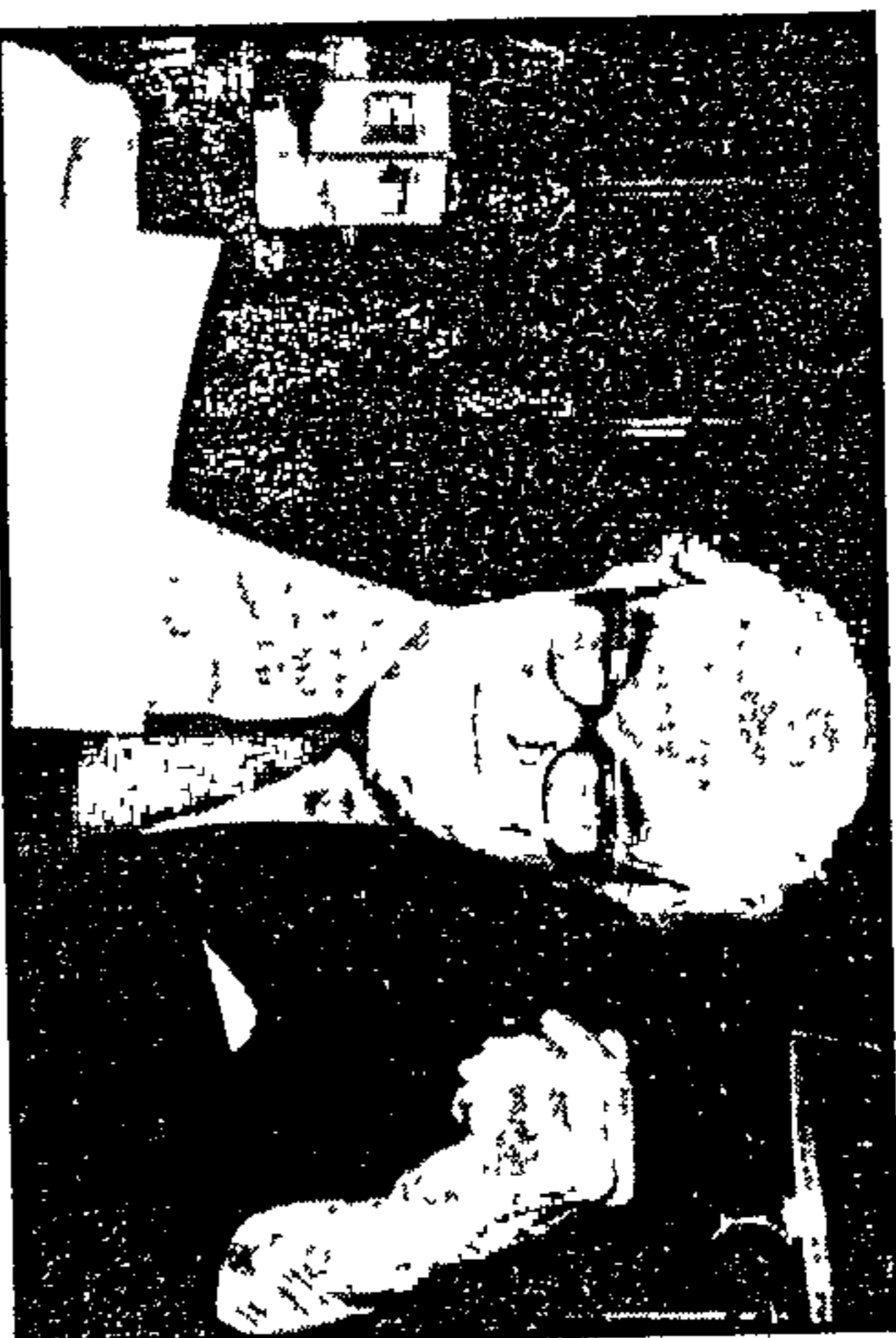
By DON ROBERTSON

MCCARTHY GROUP, by far SA's largest vehicle distributor with 12.5% of the market, celebrated a dividend-payment century with a bonus of 2,5c a share this week.

Last month, the group was named one of the world's leading 150 motor organisations by American-based Wright Investors' Service.

The bonus dividend alone will cost R2.15-million, a huge increase over the first of £7 875 in 1937.

The 55-year-old company has paid a dividend every year since then. In earlier years, only an annual dividend was paid.



BRIAN MCCARTHY in fear of car perks tax overkill. Picture: TOM EDLEY

Chairman Brian McCarthy is proud of the performance of the group which his father Justin started in 1936 when he bought Fisher Simons Rodway, taking it to the London Stock Exchange.

It was listed on the JSE as McCarthy, Rodway in the following year.

Realising that vehicle assembly in SA was inevitable, Justin McCarthy bought property in Jacobs near Durban and established Motor Assemblies in the early years; Motor Assemblies imported and assembled Chrysler products.

In 1963 Motor Assemblies was sold to Albert Wessels, who is still chairman of Toyota SA.

Listings

With R3-million from the sale, McCarthy, Rodway bought JSE-listed Atkinson Oates to set the ball rolling for what is now the largest dealership network in SA, Anglo holding a 37% stake and the McCarthy family 13%.

Brian McCarthy joined the group in 1949 at the age of 24 after a stint with Chrysler in America. His task was to direct the sales team. It was through the sales force that he reached his present position.

The share price has outperformed other blue chips on the JSE. The annual compound growth rate has been 27% since 1979 — compared with, for instance, Amic at 14%, Barlows 15% and Tongaat 11%.

It took the group 50 years to reach a turnover of R1.1-billion. At

the end of this year, turnover is expected to top R3-billion.

The bonus will be paid in addition to an unchanged interim of 7,5c which has been declared in spite of a 19% decline in attributable profits in the half-year to December to R23.5-million from R29-million in the same 1989 period.

Earnings a share were lower at 27.4c (34c).

Mr McCarthy says that provided the economy does not deteriorate further, earnings for the year are expected to fall by between 10% and 15% on the 1990 figure.

The reason for the interim drop, says Mr McCarthy, was primarily the decline in profits from the Mercedes-Benz division. It was short of cars for four of the six months as a result of a strike at the

East London manufacturing plant and a poor performance from spares dealer Midas.

Mr McCarthy fears that car perks tax will be increased by 33% in this year's Budget. He says it would be an "overkill" measure. He strongly supports the industry's representation to Government to change the present formula to one assessing the deemed value at 1% a month on the price of a car.

He says higher perks tax will lead to a major switch from company cars to car allowances. Motorists would then keep their cars for longer.

In spite of his fears, he has made his year-end forecast on the basis that there will be no major change in perks tax.

Margins

Sales of vehicles to blacks are expected to play a major role in the group's business. In 1982 about 70% of cars were owned by whites, only 9% by blacks.

White ownership fell to 65% in 1988 and the black figure rose to 12%. By the year 2000, white ownership is expected to drop to 54% and blacks will own 22% of an increased car park of about 1-million vehicles.

Mr McCarthy says every effort will be made to improve profit margins. With turnover forecast at R3-billion this year, a 1% movement would mean an increase of R30-million in gross profit.

The shortage of some cars is expected to be resolved in the second quarter of this year.

Uphill for cars

Business Times Reporter

S/Times 10/2/91 **192** compared with 494 They
uary 1990 Heavy commercials were were 24,2% lower than
also down on December at 423 January last year

VEHICLE sales got off to a slow start in January compared with last year.

Only cars and light commercials beat extremely poor December figures.

Conditions in the industry are expected to remain difficult unless there is a reduction in interest rates and an improvement in the economy, says the National Association of Automobile Manufacturers of SA (Naamsa)

Car sales were 14,3% higher in January at 15 090 compared with 13 198 in December, the lowest for four years

Compared with January last year, however, sales fell by 7,1%

Light commercials were also up on December at 7 970 from 6 946, but fell by 13,6% compared with January last year

Sales of medium commercials dipped to 282 in January from 287 in December, but were 28,4% lower than in Jan-

Sales of vehicles down by 'a disturbing 10%'

MARC HASENFUSS

NEW vehicle sales in all categories started the new year on a weak note, the National Association of Automobile Manufacturers of SA (Naamsa) figures released at the weekend showed

Combined new vehicle sales dipped 10% to 23 765 units in January compared with 26 435 units recorded in January 1990

Naamsa said the weaker trend during the last quarter of 1990 continued last month, and while retail inventories during January had been on the low side, the sharp decline in all sectors was disturbing

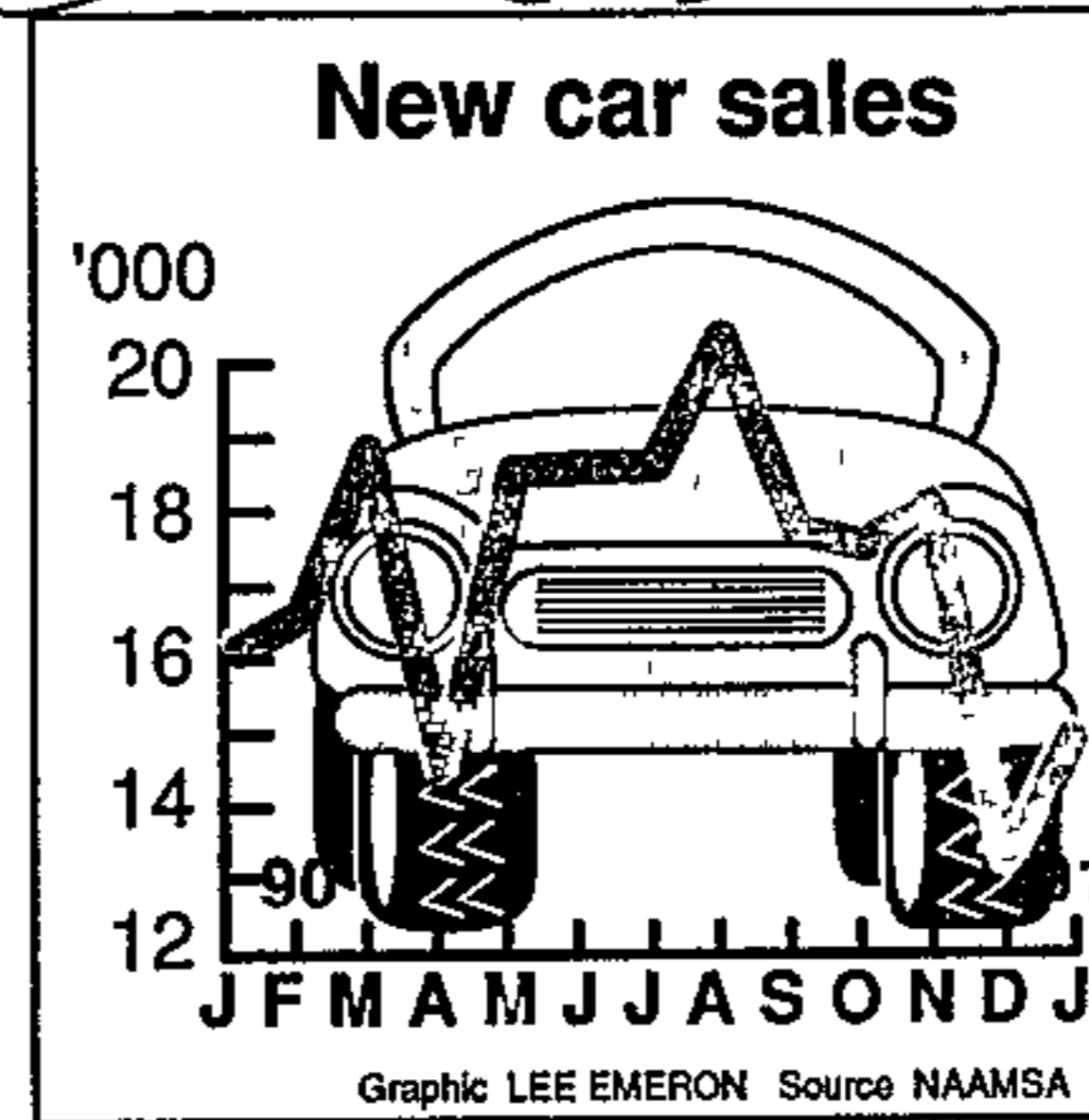
Passenger vehicle sales dropped 7% to 15 090 units (16 252 units in January 1990), while light commercial vehicles (LCVs) showed a hefty 14% fall to 7 970 units (9 231)

The medium and heavy commercial vehicle market deteriorated alarmingly MCV unit sales in January dropped 28% to 282 units (394), while HCV sales dropped 24% to 423 units (558)

January is traditionally a weak sales month for manufacturers, as demand often outstrips production levels which are limited by the December holiday factory shut-down

Econometrix's Tony Twine said on a seasonally adjusted basis sales for the passenger and LCV sectors were still within vehicle manufacturers' expectations

However, Twine said the sales perform-



ance by the MCV and HCV sectors warranted some concern for the industry

The sale of commercial vehicles closely followed business cycles and the decline was indicative of the downward trend in fixed investments

Naamsa director Nico Vermeulen said trading conditions in all segments of the industry were expected to remain extremely difficult and, unless there was some material reduction in interest rates in the short term, the downturn in SA's motor industry, and in the SA economy as a whole, would turn out to be more prolonged and severe than appeared warranted by economic fundamentals

COMPANIES

R220m order for Toyota's books

TOYOTA SA had received a combined order forecast for 7 450 vehicles worth about R220m from car rental firms Avis, Imperial and Budget for this year, said a statement released yesterday

With escalating new vehicle prices almost entirely eliminating the individual buyer from the new car market, the car rental industry has become one of the most critical vehicle buyers in the country

Toyota marketing MD Brand Pretorius said the motor industry faced one of its toughest challenges during 1991. Depressed market conditions necessitated

MARC HASENFUSS

192

some difficult decision-making in order to achieve balance between financial production inputs and overall profitability

The car rental industry's support for Toyota indicated that decisions requiring investments in a declining market were a lot easier to make where there was a high level of product acceptability, he said

Toyota recently invested R7m in the expansion of its Corolla/Conquest production line to push production from 175 units a day to 220 units

81227 12/12/91

Opposition to ADE's appeal for protection

B/D am 7/21/91

TRACTOR sales declined sharply in January, leading the SA Agricultural Machinery Association (Saama) to reject appeals by Atlantis Diesel Engines (ADE) for government protection against imports

ADE has appealed for the introduction of a temporary 20% tariff on imported diesel engines

January sales figures showed a sharp 30% fall to 139 (200) units compared with the same month last year

MARC HASENFUSS

In a statement yesterday, Saama chairman Corwyn Botha said ADE should not receive government protection as the focus should rather be on protecting the end consumer of these engines from price increases

Botha said imported tractor engines were vastly cheaper than the ADE product

ADE has asked for the introduction of import duties for at least two years to relieve it from its financial difficulties

ADE claims the measures, if introduced, will result in a 20% reduction in the price of its diesel engines

Saama said tractor sales showed a hefty 30% decline in sales last year to 3 902 (5 646) units, and it was predicted the trend would continue this year

EXECUTIVE SUITE

By William Wells and Jack Lindstrom

THE WAY TO BUILD COUNTRY

GO WITH THE

FOR THE

Africa could provide export avenue

THE lifting of economic sanctions could prompt the SA motor component industry to look for new export markets mainly in Africa and Eastern Europe, industry sources said yesterday

Depressed economic conditions in the countries traditionally served by the local motor component industry are expected to hamper further export growth, even if formal trade links are established when sanctions are lifted

"The recent economic slowdown in the US, Western Europe and Japan, and not the remnants of economic sanctions against SA, will curtail efforts by local vehicle manufacturers to increase exports of components," a motor industry source said yesterday

National Association of Automotive Component and Allied Manufacturers (Naacam) executive director Denzyl Vermooten said traditional markets in Western

MARC HASENFUSS

Europe and the Far East would not see further growth this year, but lucrative markets could open up in Eastern Europe and Africa

He felt the local motor industry was well placed to serve the vehicle needs of African countries

"Although new vehicle markets in most African countries will start from a low base, if we are patient the enormous growth potential in these countries will be realised"

The value of exports by SA component makers rocketed by 65% last year to almost R1bn, but Vermooten expects growth this year to taper off substantially

Econometrix's Tony Twine said the African and East European markets had a serious drawback in that both areas did not have the hard currency to pay for exports

Twine said Africa and Eastern Europe represented largely unex-

ploited ground by the motor industry worldwide.

They were, however, structurally more open to opportunity than SA's established markets

Opportunities in Eastern Europe could be taken advantage of in the short term as the Eastern bloc countries were restructuring their economies, he said

These countries would benefit from the SA motor industry's technological expertise, he added

However, exports to the rest of Africa would not be immediately viable because of certain African leaders recalcitrance in renouncing socialist principles that had kept most of the continent "wallowing in an economic morass", Twine said

Zimbabwe, with a meagre 230 000 vehicles, has one of the highest vehicle populations in Africa. Most other African countries have significantly less in comparison

13/2/91
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13/10/91

down on 1989 by nearly 4% (192)

Last month, they showed a year-on-year drop of 13,7% from January 1990 — nearly twice the drop in the car market

Though generally overshadowed by the car market, the LCV sector is a valuable revenue source to the motor industry, with sales now running at over 50% of cars. It is also a barometer of business activity and confidence.

With much of the economy remaining in recession, hopes of a quick resurgence appear unlikely. As the National Association of Automobile Manufacturers of SA (Naamsa), which compiles the figures, comments, "the situation is disturbing".

Adds Naamsa. "Trading conditions in all

VEHICLE SALES Fm 15/2/91

LIGHTER STILL (192)

One year ago this week, vehicle manufacturers were bemoaning January's disappointing sales figures and the fact that there was no early end in sight to the downturn.

Nothing much has changed in 12 months, except for one factor — as manufacturers once again ruefully survey January sales figures, the ray of hope that flickered last year appears to have been extinguished.

In January 1990, when sales of cars, trucks and buses were slowing, at least the light commercial vehicle (LCV) sector — bakkies and minibuses — still promised growth.

Sales of LCVs were 24% up on the previous year and the industry was predicting further growth for the sector. By the end of last year, however, the LCV market had slipped to the point where annual sales were

JANUARY VEHICLE SALES

	1991	1990	% change
Cars			
January	15 090	16 252	-7.1
Dec (13 198) to Jan			+14.3
Light commercial vehicles			
January	7 970	9 231	-13.7
Dec (6 946) to Jan			+14.7
Medium commercial vehicles			
January	282	394	-28.4
Dec (287) to Jan			-1.7
Heavy commercial vehicles			
January	423	558	-24.2
Dec (494) to Jan			-14.4
Total vehicle sales			
January	23 765	26 435	-10.1
Dec (20 925) to Jan			+13.6

Source: Naamsa

segments of the industry are expected to remain extremely difficult. Unless there is some material reduction in interest rates in the short term, the downturn in the SA motor industry will turn out to be more prolonged and severe than appears warranted by economic fundamentals." ■

BUSINESS

Relentless surge in new car prices

Further increases in prices this year are set to push private ownership of a new car way beyond the reach of most South Africans. By 1989 the average car was 212 percent more expensive than in 1985 but manufacturers claim the hikes are justified, reports REG RUMNEY



MOST new car prices look set to rise 14 percent to 20 percent this year.

The notable exception is BMW, which plans to lift prices by 10 percent on average.

Mercedes Benz says it hopes to keep price increases to around the level of South African inflation this year. Toyota has forecast 16 to 20 percent, while Nissan believes 15 to 16,5 percent will be the range of its price increases.

The renewal of the relentless surge in prices is putting the purchase of a new car further out of the reach of individuals.

Companies already account for the lion's share of new car sales. Toyota Marketing MD Brand Pretorius estimates 65 percent to 70 percent of new cars are sold to companies or individuals with car allowances. But there must come a point when companies can no longer absorb the increases or pass them on their customers. The phasing out of the fringe benefit tax will also shrink the market for company cars. To put this year's price rises in per-

Pipe dream ... thanks to continuing price hikes, a new car is beyond the reach of most South Africans spectively they have to be seen against averages in past years.

According to the National Association of Automobile Manufacturers of SA (Naamsa) the rises have been 1986 35 percent; 1987 13 percent; 1988 20,5 percent; 1989 15,5 percent.

The cumulative increase during those years is 212 percent. That increases were either at inflation or well above it for those four years means the base off which the increases are coming is high. Last year price increases were eight to 10 percent for Japanese manufacturers, because of the rand's strength against the yen. But price rises were 12 to 15 percent for German manufacturers, because the rand deteriorated against the

The reason for the price rises are:

- A fairly big percentage of the parts that go into a South African car is imported. The value of the rand, which showed remarkable strength last year, looks shaky again against the yen and the mark, the currencies of the countries from which those parts are mostly imported.

- The parts that are made here are made pricey by local inflation, which is still in the double digits.

- The Phase 6 local-content programme, though price neutral in theory, threatens to push up costs. It would seem to necessitate massive investment in local plant, at least for some manufacturers. Toyota, for instance, plans

to double its asset base over the next five years to accommodate local content.

A recovery in the car market, according to Nissan Marketing MD Stephanus Loubser hinges on better economic conditions generally and a decline in interest rates.

The price rise worries motor companies, who see overall car sales declining this year by about five percent.

"Marketing conditions will be difficult this year," notes Pretorius.

Another factor affecting prices is that the motor industry worldwide, in response to customer demand, has in general been taking its products steadily upmarket. This has meant making them more comfortable, sturdier, safer,

er, with better performance — and more expensive.

Pretorius says Toyota is sensitive to the affordability problem this climb presents and extends model life beyond that of the parent company, skipping one model change. This keeps prices down because the cost of tooling up for model changes is limited. Pretorius also hints Toyota has something up its sleeve which will partly address the affordability problem for those who need a solid family car.

"Technology is improving and increasing all the time," says Loubser. "You can't fall behind if you want to be competitive."

Motor companies also recognise it is difficult to persuade motorists they are not being ripped off. But they maintain the motor industry, unlike many other areas of business in South Africa, is highly competitive and returns on new car sales are not magnificent.

Hence motor manufacturers have had to develop after-sales service and parts supply as other sources of profit.

Phase 6 is not the only problem faced by motor manufacturers.

Motor companies have recently been free from industrial unrest caused by wage disputes, but motor manufacturers complain productivity in South African industry is low.

Pretorius points out: "Wages are only part of our cost. There is the indirect cost attached to disruption and high absenteeism."

Insurance crisis as claims skyrocket

Namibia hosts investment conference is time to form an alliance with the international investment community." The 1 000-odd delegates discussed farming, fishing, tourism, manufacturing for export and import-substitution, and mining.

By TOM MINNEY Windhoek

AN INVESTMENT in national reconciliation was how Namibia's Trade and Industry Minister Ben Amathila described the Private Sector Investment Conference in Windhoek

Toyota to S/Times 17/12/91 buck job losses

192
1987
Business Times Reporter

WHILE several motor manufacturers are laying off staff, Toyota SA's R7-million investment to raise production of Corollas from 175 a day to 220 will create 1 200 jobs this year, says chief executive Bert Wessels

About 500 jobs will be at Toyota and the rest at component suppliers

Mr Wessels says: "With the market still dropping there will be tremendous pressure on some manufacturers to cut overheads by reducing staff

"In the medium to long term this could spell disaster for the industry because it will lose trained people. Other negative aspects of mass layoffs are diminished worker morale and a drop in quality"

Toyota is investing another R300-million in projects to increase local content and R700-million in tooling to produce new models in the next five years

The first major project will be for SA manufacture of cylinder heads, camshafts, connecting rods and machined crankshafts for Toyota's Y series four-cylinder engines. It is expected to save about R60-million a year in foreign currency

New Fleishmans boss sets sights ¹⁹² on R40m a year

STEPHEN SZEWACH has acquired full control of the Fleishmans group, SA's largest independent motor spares supplier

Fleishmans was bought from the liquidated Spareco group last March by Broshure Investments and Mr Szewach for R5,3-million

Mr Szewach, through his holding company Fleipro Holdings, has now bought out Broshure's interests for about R2,5-million. Fleipro owns the entire share capitals of Fleishmans and Progress Performance.

STimes 17/2/91
Recovery

One-time high-flyer Midas, in which McCarthy Group has a 30% stake, has fallen on hard times

Mr Szewach has been in the spare parts business for the past 13 years as managing director of Progress Performance. It began as a speed and accessory shop in Eloff Street, Johannesburg, in the 1950s.

Mr Szewach says "Better buying, more aggressive marketing, improved store merchandising and house-keeping will help us reach

By DON ROBERTSON

R40-million turnover by the end of our financial year in June"

This should produce taxed profits of between 12% and 15% of turnover. The group carries stocks of about R25-million which it turns over four times a year.

In the next five months, the operations of the 31-store group will be consolidated after having recovered from a position of "virtually no business six months ago"

It is intended to open an additional store on the East Rand and one in the north of Johannesburg. Several sites in black areas have also been identified, says Mr Szewach.

The company operates one wholesale outlet, Performance Distributors, which is showing good growth.

Mr Szewach has changed the concept of the stores in Fleishmans and they now sell a full range of spares and accessories. About 50% of the products are imported from the Far East.

A JSE listing will be considered in the next two to three years.



STEPHEN SZEWACH. Full control of SA's No 1 in spares

Never on Saturday aligning

Business Times Reporter

A DEALER can sell a tyre on Saturday, fit it and balance the wheel ^{(192) (192)}

But if he tries to align the wheels he could be in trouble

That is what Safe-T-Tyre discovered after receiving a summons for aligning wheels on a Saturday

Its problem stems from an agreement involving the National Industrial Council for the Motor Industry in terms of 1956 legislation. Under this law, a tyre alignment operative is regarded as a motor-industry journeyman and may not work at weekends.

Safe-T-Tyre marketing director Hylton Epstein says, "It is ridiculous. The law can only be described as archaic."

Mr Epstein says virtually every specialist tyre fitment centre flouts the law.

"When a tyre is fitted the wheel must be aligned for safety" (192) (192)

The legislation was introduced to prevent exploitation of employees meant to work a five-day week.

"In a free-market economy, however, employees should surely be able to choose to work one extra day for additional pay."

Rough ride for T & N

By Des Parker

8/21/91
DURBAN — Earnings at T&N Holdings were driven down to little better than 1985 levels last year by tough conditions in the vehicle industry and higher finance charges on borrowings

While group turnover in the 12 months to December rose six percent to R413,4 million (R391,4 million), attributable income fell to R8,1 million, or 35c a share (R16 million in 1989)

The total payout is 13,8c (31c)

Income benefited from a lower tax rate — R1,5 million (R4,9 million), a result of allowances arising from R19,4 million in capital expenditure and losses incurred at Asseng

The chemicals and plas-

192
tics division remained a problem, particularly BIP, where volumes were low

However, Butakem, where 30 percent of sales were outside SA, is showing promise

Management summarises the following trading performances

Friction and heat exchanger division - Ferrodo and Beral improved profits, but operated below capacity

Silverton countered a poor after-sales market by lifting market share.

Harpo Components is to close as Payen Components can serve the group's market for gaskets

The industrial and mining division performed satisfactorily, though at reduced capacity

Asseng earnings go into steep decline

By Ann Crotty *SAW 2/2/91*

A R2 million pension fund holiday provided motor component and distributor Asseng with some cushion from the impact on earnings of weak local demand

For the 12 months to December the group, a subsidiary of T&N, reported a 44 percent drop in earnings to 18,8c (33,8c) a share. A final dividend of 4c (9c) a share has been declared for a total payout of 7c (15c) a share

Management says turnover of R128,9 million (R130,1 million) represented a drop in real terms of

15 percent

Trading profit was down 70 percent to R12,4 million (R21,1 million), reflecting a sharp drop in margins — down from 16,2 percent to 9,6 percent

The directors say that although component exports showed strong growth, the fall in local demand had an adverse impact on both efficiency and profitability

"Cutbacks from original equipment customers were particularly severe for our piston factory and a losses were incurred in this business"

Industrial interests held their

results at levels similar to those in 1989

Financing charges were up to R5,6 million (R3,7 million), tax took R1,4 million, leaving attributable profit of R7,4 million (R13,3 million)

Management says there are no signs of domestic demand improving "To combat this, the company will further reduce costs, contain capital spending and control working capital"

Attention is being given to improving the performance of the Roodepoort operation where a loss of R6 million occurred

R6m loss hits Asseng hard

Blom 21/2/91 (192)

MARC HASENFUSS

PROBLEMS at Asseng's Roodepoort plant, coupled with a drop in local component demand and high interest rates, slashed the T & N-owned group's earnings by 44%

Attributable earnings for the motor component manufacturer and distributor slumped to R7,4m (R13,3m) or 18,8c (33,8c) on the back of turnover that slid to R129m (R130m) for the year to end-December 1990

The final dividend was cut to 4c (9c), making a total payout of 7c (15c) for the year, covered 2,7 times

Refurbishing

A R2m holiday on pension fund contributions and a reduced tax bill at R1,4m (R4,1m) did not benefit the bottom line as finance charges rocketed 51% to R5,6m (R3,7m)

MD Johan Meyer said Asseng would have "more or less maintained its earnings were it not for the R6m loss in the Roodepoort plant last year

"A great deal of money has been spent on refurbishing plant and equipment and

on training, with the result that product quality and customer satisfaction have been raised," he said

Although component exports showed strong growth, Meyer said the fall in local demand had an adverse impact on both efficiency and profitability.

The group's industrial interests held their results at similar levels to the previous year, Meyer said

Asseng incurred capex of R11,7m (R21,1m) during the period under review

A further expenditure of R4,9m was contracted for and R1,8m was authorised but not contracted for

Looking to the future, Meyer said there were no signs of local demand improving

To combat this, Asseng would further reduce costs, contain capital spending and control working capital

"Major management effort is being given to improving the performance of the Roodepoort manufacturing operation and to achieving further export growth."

REVVING UP HONDAS

FM 22/2/91

Mercedes-Benz SA has embarked on a programme to import hundreds of Honda sports cars. In a clear indication of relaxing Japanese trade restrictions on SA, Mercedes-Benz intends importing up to 400 this year alone.

About two-thirds will be Honda Preludes, which disappeared from local car showrooms in the late Eighties as a result of self-imposed Japanese trade restraints.

The rest will be the CRX, a two-seat sports car already popular in Europe and the US. Convinced by Mercedes-Benz that there is a market for small sports cars in SA, Honda has agreed to divert cars that were bound for the British market.

The Prelude will cost more than R90 000 while the CRX will sell for R74 200. Mercedes-Benz car marketing director Peter Cleary explains that because the cars are fully imported, they fall outside the Phase Six local content programme and will not

continue →

FM 22/2/91 (192)

affect the company's local content targets. They are, however, subject to a 110% import duty.

Cleary warns that links between SA and overseas motor companies might be harmed if SA continues to resist car pollution controls.

He notes that much engine development work overseas is based on unleaded petrol, which is not yet available in SA.

If the situation continues, SA will be increasingly by-passed by new motor technology. Cleary says Mercedes-Benz has already had to defer introducing certain developments because of the lack of unleaded petrol here.

He hopes pressure by motor companies and oil refiners will persuade government to change its mind. If not, the SA motor industry's long-term ability to compete in export markets may be hurt if it has only outmoded technology to offer. Companies such as Mercedes-Benz, whose reputation rests on producing the latest in vehicle technology, might even be tempted to reconsider its place in SA if to stay means offering outdated vehicles. ■

The local content programme was designed to encourage motor manufacturers to build lower-priced cars and save foreign exchange. **REG RUMNEY** examines whether it has achieved its aims.

W/Mon 22/2 - 28/2/91 (191)
S South Africa's motor vehicle local content programme achieving its purpose?

The answer to that question is difficult because the Phase 6 local content programme is complex and bears its name. Its emphasis is more on saving foreign exchange than import replacement.

The programme is designed to give the manufacturer some latitude. The target by value is 65 percent and the manufacturer whose local content drops below this level set by the Board of Trade and Industry (BTI) stands to pay a 50 percent duty on imported components.

Crucially, money received from exports of vehicles and motor components counts as local content. If the manufacturer exports more by value than he imports and exceeds the target he is in effect rewarded by the government, also to the tune of 50 percent of the amount by which the target is exceeded.

He can also achieve a higher local content merely by raising the wholesale price of a vehicle.

The original aim of the programme was also to encourage manufacturers to build lower-priced, more affordable cars but the programme has moved away from this, says Ian Byers, author of the *SA Motor Industry in Perspective*.

In theory, according to Samcor MD and Naamsa president Spencer Sterling, the programme is neutral in terms of price now.

"It remains to be seen whether major investments have to be made or whether exports can take care of formula content." Sterling cautions against the pur-

Local content programme: Is it really still necessary?



suit of uneconomic local content, but he doesn't see it happening. However, judging by the amount of money that Toyota is investing in plant to fit the programme, it does envisage cost-raising effects.

Sooner or later, costs must rise as the local content requirement rises. Toyota is one of the independent South African motor manufacturers, as opposed to the wholly owned subsidiaries of foreign companies, like Volkswagen SA.

This means it competes with the parent company on exports. For instance, Toyota can't export to the rest of Africa without the permission of Toyota Japan. Because of its complexity, the local content programme is open to manipulation.

The foreign content percentage is the amount spent by the manufacturer on any imported inputs, less the value of exports, expressed as a percentage of wholesale turnover.

Hence, explains Volkswagen SA's Ronnie Kruger, a delay in selling cars because of, say, failure of local suppliers to deliver components can mean the foreign content shoots up because the cars are not sold and the particular manufacturer's turnover drops.

Another factor is the pending push into the export of autocatalysts, demanded by law in the US and increasingly a must in Europe. Autocatalysts use platinum to clean up exhaust emissions, so it is logical they be made in South Africa, the world's biggest platinum producer.

A number of manufacturers are considering getting into this business. It promises to cause their export earnings to soar.

However, BTI chairman Lawrence McCrystal points out: "The figures involved are relatively small at this stage. The position is being closely monitored, however. Bear in mind that South Africa is not the only source of exhaust catalysts. Market forces will thus also restrict local output."

Already, an unexpected surge in motor manufacturers' exports has meant, according to motor industry sources, the local content percentage has been put up ahead of schedule, to its present 65 percent.

The government, sources say, did this to avoid paying out of its coffers,

W/Mon 22/2 - 28/2/91
but it is rumoured there is still R60-million to be paid out.

McCrystal admits: "It is true that the income was less than anticipated. That is why a temporary increase in the excise duty was imposed last December. This should meet the shortfall" (192).

A big problem some manufacturers have with the programme is that it is making planning difficult. When the programme started in 1989 the original target of 75 percent was meant to be reached, in stages, by 1997. That target level is already 65 percent, and is expected soon to be raised again.

Again, foreign exchange values of the rand are crucial to the calculations involved in determining local content, and volatile foreign exchange markets also make planning difficult.

McCrystal says the BTI has received an application from the National Association of Automotive Component and Allied Manufacturers to review certain elements of the programme and so is duty bound to do so. Also, certain elements like the unexpected overpayment of manufacturers need to be looked at, he says. "This is, however, not a review of the entire programme. The BTI will make recommendations to the minister within the next few months."

In sum foreign exchange has been saved and free market forces are allowed to play a role in shaping what motor manufacturers do; but the programme is unwieldy for the motor manufacturers and has complicated their planning.

It has proved difficult to administer, and has been criticised on the grounds that frequent changes necessitated by overcoming problems in its implementation gives rise to uncertainty. And so far cars show no signs of becoming cheaper and new car ownership is still limited to the wealthy.

● In our article last week on car price increases we said Toyota had forecast price increases of 16 percent to 18 percent this year. In fact Toyota forecast price rises of 14 to 18 percent.

Permprop plans R30-million housing development



Efficiency puts motor dealer in the top ten

8/Day 22/2/91

BIG does not always mean best, but in Pietersburg a mammoth motor dealer is chalking up millions in annual turnover after establishing and maintaining a reputation for efficient service

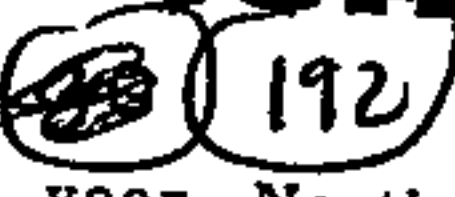
Constantly ranked in the top 10 Toyota dealers in the country, Northern Transvaal Motors in Pietersburg boasts a turnover in excess of R50m a year, but group MD Fred Weber says it could be a lot higher

"We could have moved an extra 60 to 70 units last year, but we could not get enough stock up to Pietersburg," he says

Weber — who holds the 1990/91 Pietersburg Business Personality of the Year award — attributes the volume to customer service

"All the motor manufacturers are represented in Pietersburg and competition is tough," he says

"We have to fight for every sale. Just because we have a good product doesn't mean it will automatically

sell"  192
Last year, Northern Transvaal Motors sold more than 950 vehicles, an average of about 2,6 a day, with at least 60% of the business being fleet transactions

"Pietersburg is represented by most of SA's bigger companies and is a natural distribution point for the rest of the far northern Transvaal, so it's natural for them to establish a fleet of vehicles here," Weber says

Movers

The 950 vehicles sold did not include trucks, which are sold by Northern Transvaal Motors' Hino agency, Trust Motors

"Our biggest movers are the Corolla/Conquest range — 294 sold in 1990 — followed by the HiLux bakkie range and the HiAce minibus series"

He says although the national market has suffered a 7% drop in sales, the motor trade in Pieters-



FRED WEBER

burg need not be affected and can sustain current sales levels for the next few years

"We are not looking at growth as we cannot even meet current market demands in the region due to stock shortages, but if we can achieve the same turnover as 1990 this year I'll be satisfied," Weber says.

Northern Transvaal Motors is regarded as the largest motor dealer north of Pretoria — new and used car stands and service centres span almost three city blocks and are manned by a staff of about 130

The annual motor trade turnover is estimated to be about 3 500 new vehicles and the northern Transvaal area's market share is about 28% of that, Weber says

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Saturday ban protest

FIRMS that fit exhaust systems and tyres to cars met this week to plan a campaign against restrictions on Saturday work.

The meeting follows a Business Times report last week about a summons served on Safe-T-Tyres for aligning wheels to which it fitted tyres on a Saturday.

Marketing director Hylton Epstein says: "After the report we received scores of phone calls of support from the public and the trade. We have met competitors and decided to launch petitions to be signed by the public and our staff members to have the law scrapped.

"The public wants the service and many of our employees welcome the chance to earn more by working on Saturdays."

Under an agreement between the trade and the National Industrial Council for the Motor Industry firms may sell and fit tyres on a Saturday and balance the wheels — but they may not align them.

The agreement, which has the force of law, also bans the fitting of exhaust systems on Saturdays.

Many exhaust and tyre fitment centres, including the biggest, have been breaking the law for years and several have been prosecuted. They appear to regard the fine — usually a few hundred rands — as an unavoidable business cost, says an industrial council spokesman.

192 By CURT VON KEYSERLINGK

The council has 24 inspectors in the Southern Transvaal to monitor motor firms and prepare charges against offenders.

The spokesman says about 15 firms are prosecuted each month for working on Saturdays and there are enough contraventions to keep double the number of inspectors occupied.

To change the law the firms must come to a new agreement with trade unions that work under the auspices of the council. But the difficulty is that after years of campaigning, the unions won a five-day week.

Although many of their members would now like to work legally on Saturdays the unions are not likely to agree unless certain conditions, considered unacceptable to employers, are met.

One union will not agree to the change unless its members receive triple pay for Saturday work.

Motor Industries Federation executive director Vic Fourie says the law should be such that each employer can decide, in consultation with his staff, the hours he remains open, that a fair rate of overtime be paid and that staff who do not wish to work overtime not be penalised.

5/ Times 24/2/79



JAMES McGRAW: Pressure to quit SA eases Picture GARTH LUMLEY

Door to Africa opening for trailer exports

1979
1972

57 Times 211 24 91

THE THAWING of relations between the rest of the world and SA will help Henred Fruehauf Trailers (HFT) to increase its exports to the rest of Africa.

James McGraw, executive vice-president of Henred Fruehauf International, says pressure for it to quit SA has eased

Repairs

Mr McGraw, whose headquarters are in Detroit, says there have been dramatic changes in SA since his first visit in 1978. He is here to look at operations and offer technical assistance.

"We have decided to leave our share of profits in SA to help finance expansion"

Expansion will include the introduction of trailers for containerisation and tank carriers. The container factory at Isithebe in KwaZulu will be enlarged.

Last year HFT contributed about 8% to total international sales of \$1,6-billion and

By DON ROBERTSON

15% to earnings. In 1990 sales of semi-trailers, parts and repairs earned the company about R300-million

Fruehauf Corporation operates in 21 countries and is the world's largest trailer manufacturer. HFT has about 55% of the SA market.

"The management team here is one of the best in the world and we are able to introduce manufacturing techniques such as the just-in-time concept and other Japanese production tricks," says Mr McGraw.

HFT also repairs and rebuilds trailers, manufactures to order, offers a rental option which can run from one day to five years. Local content is about 95%.

HFT has four production plants and a smaller operation at Isithebe, branches throughout SA and 27 parts outlets.

HFT is owned 75% by Trecor and 25% by Henred Fruehauf America

FINANCE

Foreign buyers knock at SA industrial door

per 24/2/91



UP and DOWN
DIAGONAL
STREET



John Spira

In general the marketability of South African industrial shares is poor, with only a handful of blue chips offering adequate liquidity to British investors

Higher ratings

It should also be remembered that whereas some 75 local industrial shares were quoted on the London Stock Exchange 30 years ago, today the number is only around 20

Even so, any new foreign buying of industrials could easily intensify the two-tier nature of the local share market in the sense of precipitating even higher ratings for blue-chip counters.

This may force local financial institutions to look further afield for equity investments, in the process lifting a whole host of counters currently labelled second-line.

roughly 52 percent of UK pension funds by value were run with a prohibition on share investment in South Africa, according to a survey conducted in 1989

of 29 of Britain's top pension-fund managers, who controlled \$30 billion (47 percent) of British pension-fund money

The same general situation prevailed among British insurance companies.

Although these obstacles are beginning to recede, any new buying will almost certainly be restricted to a limited number of counters

since the South African share market is insignificant in global terms, amounting to less than one percent of world stockmarket capitalisation

Negatives

The negatives should not, however, be ignored. Thus Japanese financial institutions are barred — at least formally — from investing here, while American investors may not buy any securities issued after October 1988

The younger generation of international investment managers has largely ignored the JSE for years, owing to political inhibitions

Disinterest may remain the order of the day

Historically only British investors have taken any active interest in South African industrial shares

About 20 years ago, British investors played a dominant role in the JSE, but in the past decade they have

drastically reduced their holdings of industrial shares

If British purchases of industrials are to increase significantly, this will involve new participation by institutional investors

Unfortunately, there are obstacles in the way of such investment.

At the end of 1989, roughly 52 percent of UK pension funds by value were run with a prohibition on share investment in South Africa, according to a survey conducted in 1989

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FOREIGN buying of JSE-listed industrial shares, although at this stage limited, promises to open up a new dimension — with major ramifications — for Diagonal Street

Indeed, the State President's political initiatives, together with the crumbling of sanctions and boycotts, may prove to be the trigger for foreign institutional and private investors to review their stance towards South Africa

During the past year or so foreigners have become less worried about the long-term political risks of investing in South Africa

Little of substance on economic philosophy has yet emerged from the ANC, but many foreign investors now suspect the organisation's talk of wholesale nationalisation is no more than a political bargaining chip

Taking a line through the numerous overseas reports that regularly come across my desk, more than just a smattering of foreign investors are projecting

Potential

A discernible increase in buying programmes for South African equities — buying that will be fuelled by expectations of an economy boosted by withering trade and capital sanctions and more emphasis being placed on expansion of the private sector

The immense potential of a country of 30 million-plus people, where many are economically inactive but perfectly able, given time and opportunity, to acquire financial and industrial skills.

Black infrastructure, such as housing and education, will attract substantial government spending over the next 10 years, stimulating

economic growth

Rising black economic activity will be focused on the industrial sector rather than manufacturing, providing industrial shares with outstanding long-term growth potential

Overseas portfolio investors are distinctly underweight in South African industrial shares and the instability in the Soviet Union and, more particularly, the Middle East, means that there are now fewer havens for long-term equity funds than a year ago

A change in policy by foreign institutions could exert a dramatic effect upon the JSE.

CONDITIONS in the motor industry are expected to deteriorate further this year in the face of the continuing downswing, high interest rates and anticipated increases in fringe-benefits tax.

Above all, however, the industry is highly sensitive to interest-rate movements, so conditions could improve later when the long-awaited decline materialises

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The brakes are still on but you can start revving up

CONDITIONS in the motor industry are expected to deteriorate further this year in the face of the continuing downswing, high interest rates and anticipated increases in fringe-benefits tax.

Above all, however, the industry is highly sensitive to interest-rate movements, so conditions could improve later when the long-awaited decline materialises

Accordingly, depressed motor shares warrant close consideration

Total vehicle sales in 1990 amounted to 352 629, a decline of 5 percent on 1989 and the lowest in four years

The severity and duration of the downturn will be a major determinant of the industry's 1991 performance, with short-term prospects influenced by socio-political factors and events in the Middle East.

Sales are now well below the historical trend, which means replacement needs of the existing vehicle population will tend to limit the scope for significant further declines

Profits in the second half of the current financial year should therefore stabilise at the levels achieved in the six months to June 1990, so that profits for the full year could fall by as little as 10 to 15 percent.

The dividend for 1990-91 looks like remaining unchanged at 20c, plus a special one-off centennial payment of 2.5, for a generous 6.9-percent yield

Saficon is involved in vehicle trading, materials handling equipment and the manufacture of motor components

The group also has a substantial investment in building materials group Bounat.

In the year to March 1990, Saficon earned 149c a share against 147c in the previous year, while the distribution was 43c (42c)

In the six months to September 1990, earnings a share fell by 65 percent, while the interim dividend was cut by 46 percent to 11c.

The disappointing figures stemmed from the cessation of the supply of Mercedes-Benz and Honda vehicles

from the plants for more than a month, poor used-car sales, weak results from Bounat, and some dilution in earnings a share owing to the conversion of debentures.

Management warned that difficult trading conditions were expected to persist in the final six months and it accordingly forecast a decline in earnings and dividends of 53 percent for the year to March 1991

The remaining debentures will be converted on July 1, resulting in an 8-percent earnings a share dilution for the year to March 1992

However, some improvement in the vehicle supply situation and a revival in used-car sales could see earnings of this quality-managed group recovering strongly, helped by a fall in interest rates.

The shares are on a prospective dividend yield of 3.8 percent — a touch on the low side but a return which by no means discounts a major earnings advance during the next economic upswing

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Blacks unable to buy new cars for 10 years ⁽¹⁹²⁾ sales experts

B/day 26/2/91

MARC HASENFUSS

THE struggling motor industry, anxiously awaiting a surge in black spending power, will have to wait for at least another 10 years before this market realises its potential, industry sources say

With new and used car sales declining last year and a no-growth scenario forecast for this year, increased black buying would be a tonic for the ailing industry

However, despite ongoing urbanisation and an increase in black spending power, only minibus sales have rocketed, with the severe economic downturn and soaring vehicle prices keeping the majority of black buyers at bay.

National Automobile Dealers' Association (Nada) statistics show that black vehicle ownership represented 12% of a total vehicle population of 3,1-million in 1988, a marginal increase over the 9% represented in 1982's figure of 2,6-million

The current vehicle population, dominated by white ownership (about 65% of all vehicle registrations), is close to saturation point

Nada national chairman Errol Richardson expects black vehicle ownership to reach just over 1-million (an estimated 22% of total vehicle registrations) by the turn of the century, while Toyota's market-

ing MD Brand Pretorius was more bullish in predicting 1,4-million

Richardson said that black spending power in the car market would not be revolutionary but rather evolutionary

He said the first wave in black buying, in the early eighties, was negated by spectacular price hikes for new and used vehicles, which had increased fivefold since the mid-1980's

Misconception

Pretorius pointed out that a popular misconception was that vehicle purchases by blacks had rocketed in the last five years because of the high visibility of minibuses in urban areas

The Toyota Hi-Ace sold only 200 units out of a total light commercial vehicles (LCV) monthly sales average of 8 000 units. And only 5% of Toyota's current new passenger car sales were to blacks, but blacks represented 12% of its LCV sales

However, black spending was very strong in the vehicle after-market, Pretorius said

Delta sales and marketing MD Willie van Wyk said indications were that the black market had potential

for growth

He said the minibuses were the only sector to show total market growth over the past three years

"The orientation of this market at present does not lend itself heavily toward new passenger car sales. The emergence of the black taxi has reduced the need for privately owned transport in this market sector"

Van Wyk said the black market had always been attracted to the parts and accessories retail business, because of the higher incidence of older models and used vehicles requiring out-of-warranty servicing and maintenance

Econometrix's Tony Twine said the immediate effects of black buying would not be perceived in the passenger vehicle sector. Instead it had started in the minibus segment and spread to the rest of the LCV sector, where half-ton and 1-ton pickup models were in demand from informal sector businesses

Twine said blacks would not be enticed into the new passenger vehicle market via smaller, basic models

"As long as new car prices remained out of reach to most buyers, black spending power will be aimed at used cars rather than low-range new cars"

Toyota to invest R55m in local content programme

Call Times 26/2/91

By AUDREY D'ANGELO 192

ALTHOUGH the motor industry is facing a tough year Toyota (SA) plans to invest R55m in its local content programme, creating about 1 200 jobs, CE Bert Wessels said yesterday

He said the SA motor industry was "entering one of its toughest years ever"

He had "little doubt that all the players will survive the rough times ahead, but not all will emerge totally unscathed

"With the market still dropping there will be tremendous pressure to cut back on overheads by reducing staff levels

"In the medium to long term this could spell disaster for the industry — one that is already drawing on a limited skills pool as it loses trained people to other areas of the economy

"Further negative aspects of mass lay-offs are diminished worker morale, and quality drop-offs"

Wessels said Toyota would expect higher productivity and less waste "but we do not see ourselves having to retrench staff

"On the contrary, barring any major unforeseen economic catastrophe, we see the company providing some 1 200 direct and indirect job opportunities as we progress through 1991

"Of these, around 500 will be at Toyota itself and the balance at component suppliers."

The first major project this year would be to manufacture cylinder heads, camshafts, connecting rods and locally machined crankshafts for Toyota's "Y" series four cylinder engines. This would save about R60m a year in foreign exchange

Farming crisis sees tractor sales plummet

By Monica Nicolson

star 26/2/91
Tractor sales have plummeted as a result of the poor financial situation of many farmers.

According to companies that sell tractors, farmers can no longer afford new tractors because of high interest rates on debt accumulated over the past decade, drought conditions and

(192) @clawson
poor prices paid for crops.

They have been forced to repair old tractors, buy second-hand vehicles, or even share with their neighbours.

The Malcomess company said their tractor sales had dropped by 34 percent and the company had been forced to close a number of branches.

A Massey Ferguson spokesman said their new tractor

sales had dropped by about 60 percent but the second-hand market had opened up

Willem Grobler, national sales manager at John Deere, said farmers used to replace tractors every five years — but now they were holding onto them for 15 years or more.

A new tractor costs between R60 000 and R160 000.

would either be sold or raised Metro will assume control of the company's day-activities

son said other rationalisation plans were that a single board with management functions would be concentrated in core business, and Metro would reduce borrowings by the sale of assets — which would save on overheads and reduce assets by R100m

son said the rationalisation would restore the group "to its former pre-eminence" and it would regain previous levels of ability in financial 1992

Setback

The total taxed return of property trusts between 1989 and 1990 was 20,76% and for the JSE all property trusts 20,78%

"We advise people who want to diversify and diversification to invest in property trusts rather than either a direct investment in single property or participating in property syndications"

Yields on property trusts were higher now than yields on comparable physical property, and should offer a buying opportunity in the property trust sector, said

Big tax and interest bills hit Basil Read's earnings

Basil Read Holdings — the building, housing, mining, property development and civil engineering group — recorded a 29% drop in earnings in the six months to end-December because of a large tax bill.

Although the group's turnover showed a strong advance and pre-tax figures were still positive, an escalation in interest charges and the tax liability, plus the board's own pessimism about prospects for its various divisions, do not bode well for year-end results

Directors say in today's interim report that no upturn is foreseen in any of the divisions this financial year and it is unlikely that the company will achieve the growth that was expected

This is the first setback for Basil Read since the management buy-out five years ago. The group had achieved an annual compound growth rate of nearly 30% until this setback. Chairman Leon Dison was still optimistic in the previous annual review as the group appeared to be weathering the downswing towards the end of 1990

The group's net taxed income for the six months to December declined to just over R5m from the previous comparable half-year's R7m, equal to 35,1c a share (49,4c a share). However, the interim dividend has been maintained at 10c

B Day 26/2/91

LIZ ROUSE

Turnover increased by 62% to R277,8m (R171,5m), but operating income rose by a much slower 33% to just under R12m (R9m), narrowing the profit margin to 4,3% from 5,2%

Interest charges increased by 45% to R2,9m (just under R2m), leaving pre-tax income up 29% at R9,1m (R7m). The tax bill came to almost R4,1m (nil at the 1989 halfway stage and jumping to R6,9m in the year ended June 1990)

Directors report that the decline in the profit margin was largely attributable to the poor performance of the building division in the Cape, while the housing division continued to suffer from high interest rates, lack of bonds and political unrest

Only the mining and property divisions performed well in the past half-year. The civil engineering division did not fully meet expectations

Basil Read directors warn that the outlook for the second half of the year is not promising

The award of a number of contracts has been unduly delayed, making it extremely difficult to plan for the future

Basil Read shares came off 10c to 285c yesterday ahead of the release of results

Fleishmans to shift into higher gear this year

FINDING "recession-proof markets" has allowed motor spares and accessories distributor Fleishmans to shift into a higher gear this year, says MD Stephen Szewach B Day 26/2/91.

He says a hands-on approach and aggressive marketing have secured lucrative niche markets

Fleishmans, with its 31 stores, is now fully controlled by Szewach. His holding company, Fleipro Holdings, bought out Broshore Investments' minority interests for about R2,5m

MARC HASENFUSS

Accessories represent a large part of Fleishmans' business.

Szewach said in an interview at the weekend he regarded "car accessories" as far wider than the generally accepted definition

Gimmicky add-on items were certainly "accessories", but so were car alarms, immobilisers, roof racks, lighting kits, switches and hooters.

The recession had not halted demand in this field, especially from

the black taxi sector and enthusiasts

Fleishmans had expanded into areas such as Veereniging, Wynberg, Springs, Kempton Park and Roodepoort, all of which were well served by taxis

Although Fleishmans was already a discount retailer, Szewach said, further deals were being made with taxi companies

He estimated turnover would reach R40m for the year ended June 1991

Toyota keeps on trucking

By Sven Lunsche

192 8/28/91

Toyota defied last year's slowdown in the motor industry and through a substantial increase in market share lifted earnings 29 percent in financial 1990

Total car sales last year fell by five percent to 334 777 units, but Toyota's sales rose 6,6 percent to 96 629 units, boosting its market share to 28,9 percent (1989. 25,7 percent) and lifting turnover 6,8 percent to R3,12 billion (R2,92 billion)

The directors say the company managed to limit price increases on new models to well below inflation, as the yen-rand exchange rate remained stable in 1990

The rise in market share lifted operating income 43,3 percent to R252,4 million (R176,1 million), but tax charges soared 55 percent to R138,8 million (R89,6 million) after providing for depreciation on higher revalued assets

The company cautions that previous expenses claimed in respect of export marketing expenses and warranty provisions could be disallowed when discussions with the Receiver of Revenue have been finalised

Despite the higher tax charge, attributable income was up 28,6 percent to R112,4 million (R87,4 million), which translated to earnings per share of R27,64 (R21,49) and a 16 percent rise in the total dividend to 475c (410c)

Toyota earnings rise by 28,6%

CAH-wis 28/2/91

192

By PIETER COETZEE
Financial Editor

TOYOTA has put in a strong performance for the year to end-December 1990, increasing earnings by 28,6% in spite of the decline in the general level of economic activity and a drop in the total new vehicle market

Net attributable income rose from R87,38m to R112,39m and earnings per share from 2 149c to 2 764c

A final dividend of 305c a share was declared giving a total of 475c against the previous year's total of 410c a share. Dividend cover was increased from 5,2 to 5,8 times

Turnover increased 6,8% from R2,92bn to R3,12bn, while operating income rose 43,3% from R176,13m to R252,35m

Taxation, however, was 55% higher at R138,79m against the previous year's R89,56m

Chairman Albert Wessels said the taxation charge reflects the effect of the group's policy of providing for de-

preciation on increased revalued assets, whereas tax computations are based on original cost

He said contrary to the general market trend that saw total new vehicle sales drop by 5,1% from 352 629 to 334 777 in 1990, Toyota retail sales increased by 6,6% from 90 629 to 96 629 units increasing market share to 28,9% (25,7%)

"A significant factor affecting the financial results was the stable yen/rand exchange rate in 1990, which enabled the company to peg price increase below the rise in the CPI"

Shareholders' equity increased significantly by 34,1% and the debt asset ratio likewise reflected an improvement to 38,8% from 46,2% in 1989.

"The general expectation is that the new vehicle market will decrease by about 4% in 1991 as compared to the 1990 total

"In spite of this, Toyota expects to maintain a reasonable level of profitability, said Wessels

Toyota comfortably beats effect of falling car sales

192

3

By Day 28/2/91 -

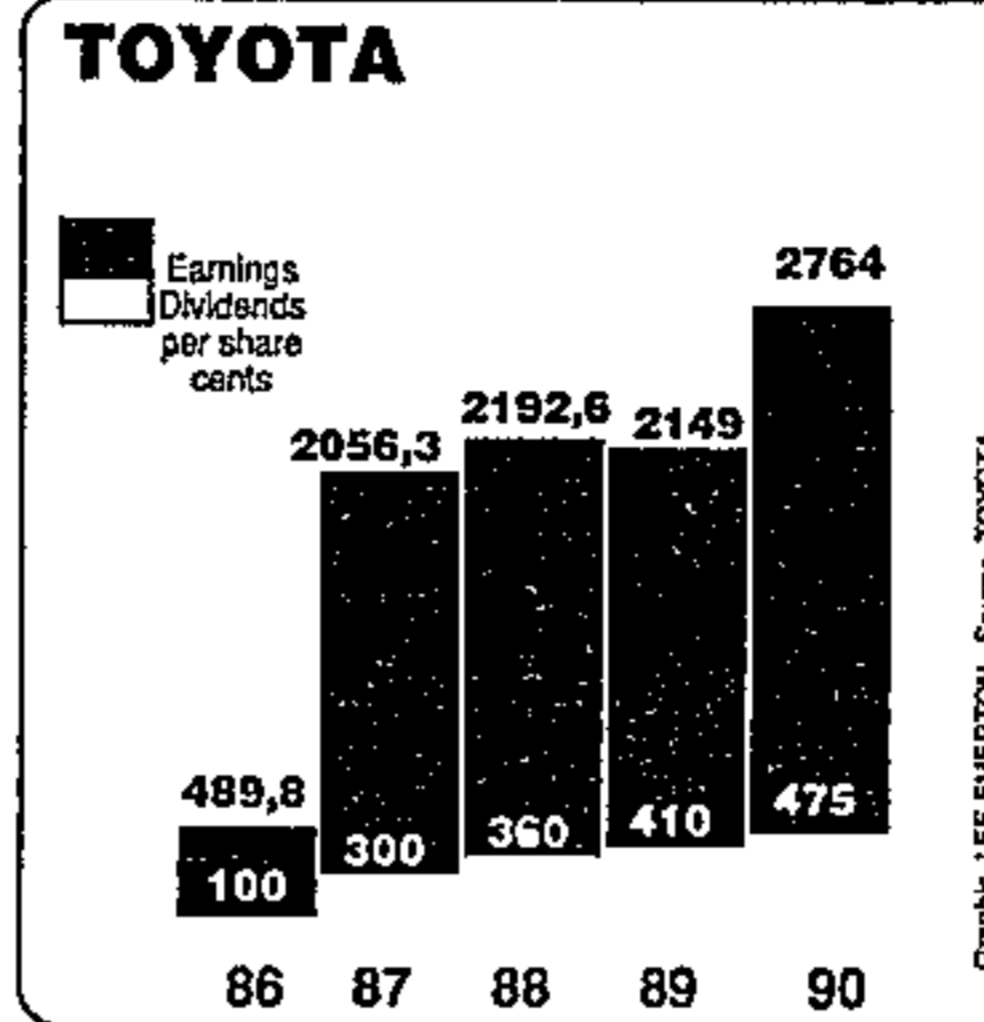
MARC HASENFUSS

AN increase in market share helped SA's largest vehicle manufacturer Toyota SA to boost final earnings by 28% despite a decline in the total new vehicle sales last year

Toyota's retail sales for the year to end December 1990 increased 6% to 96 629 units (90 635), giving the group a market share of 29% (26%). The demand for Toyotas remained in excess of supply, directors said

Directors said a significant factor affecting the results was the initial improvement in the yen/rand exchange rate which remained stable during most of 1990, allowing the group to keep price increases on new vehicles well below the increase in the Consumer Price Index

Turnover increased 7% to R3,1bn (R2,9bn) for the period under review



A 43% increase in operating profit to R252m (R176m) was offset by a 55% increase in the tax bill to R139m (R90m)

Attributable profit rose 29% to R112m (R87m), translating into earnings a share of R27,64 (R21,49)

A final dividend of 305c a share was

declared lifting the total payout 16% to 474c (410c), covered 5,8 times All dividends absorbed R19,3m (R16,7m)

Directors said the increase in the taxation charge reflected the effect of the group's policy of providing for depreciation on increased revalued asset values, whereas tax computations were based on original cost

Comparative figures for 1989 have been restated after accounting for tax effects arising from the change in tax legislation relating to reserves and consumable stores

In addition, Inland Revenue indicated that expenses claimed by group subsidiaries, in respect of export marketing expenses and warranty provisions in previous tax returns, could be disallowed

Despite the expected 4% drop in new car sales this year, directors expected the group to maintain a reasonable level of profitability

MOTOR INDUSTRY

FIM 1/3/91

192

EXPORTS TO THE RESCUE

Long-suffering car buyers, still punch-drunk from the steep price hikes of the Eighties, could see vehicle prices drop in real terms in the next few years.

This possibility has become apparent in the past few months as the impact of the two-year-old Phase Six local content programme becomes clearer. Exports of car components are soaring, allowing cost savings from improved economies of scale. At the same time, imports of cheaper car components are increasing.

Phase Six encourages components exports by including them in the 65% target for a car's local content by value. By surpassing the target, manufacturers qualify for a rebate of more than 100% on the 32,5% excise tax they must pay on all new cars they sell.

With excise taxes rebated, Phase Six also enables manufacturers to increase their imports of lower-priced components, thus leading to a reduced local content level. This, together with the lower unit costs resulting from increased exports, should reduce price tag shocks for new car buyers in the years ahead.

"Phase Six is aimed at making the whole industry more internationally competitive," says Nissan director Andries du Toit. "As exports grow and local content is in fact reduced by the programme, the benefits of lower vehicle prices should reach the man in the street."

Du Toit says the greater focus on the export of lighter, high-value electronic components should increase profitability, and the reduced need for massive investment in local content manufacture should also bring down costs.

"In the longer run, reduced levels of import replacement should apply, which, together with growing exports, should lead to lower car prices."

Phases One to Five were based on the weight, rather than value, of the local content. This naturally led to excessive protection for bulky, low-tech vehicle component manufacture and prices that outpaced inflation.

Now, with the focus changing towards high-value components and with exports playing a major role in the programme, manufacturers of low-tech components are feeling the competitive heat as vehicle manufacturers switch to imports for low-tech parts.

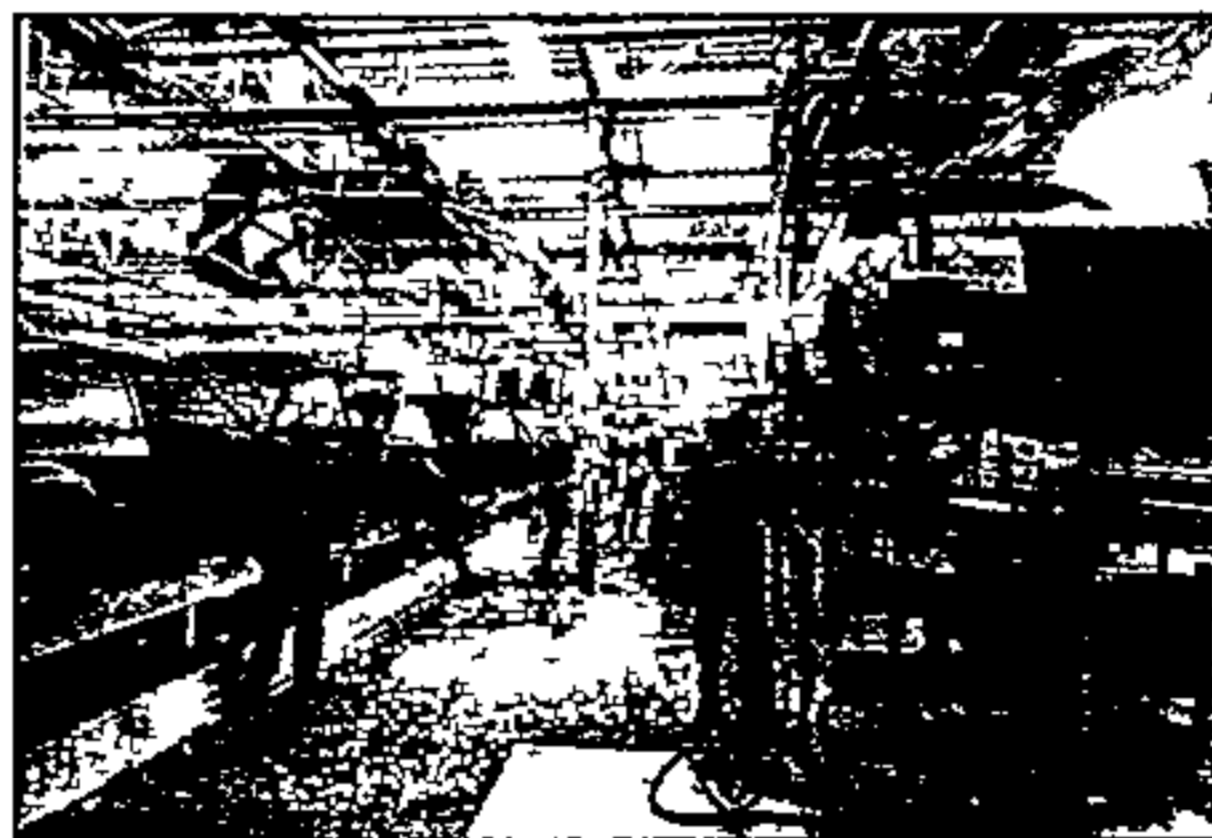
This has set off intense lobbying by the R5bn-a-year component manufacturing sector, represented by the 150 companies of the National Association of Automotive Component and Allied Manufacturers, which complains that they are being left behind as the whole industry changes direction.

But Du Toit says "As they can still quali-

fy indirectly for Phase Six rebates, while they are protected against imports by shipping and transport costs as well as the low rand, they should be able to make ends meet."

Meanwhile, exports are soaring — they rose from R40m three years ago to almost R800m last year — and they're expected to jump by another R1bn-R1,3bn a year once local catalytic converter manufacturers come on stream.

Bosal, an exhaust system manufacturer, is investing heavily in catalytic converter man-



Car production . . . more imported parts and more exported parts

ufacture. Group marketing director Jan Burger says Bosal is gearing up to make 1m units a year for export to Europe at a wholesale price of about R500 a unit. Local content will be about 90%, he says.

Delta director Andre van Rooyen praises the Phase Six programme. "It not only forced the industry to focus on exports, but also allows us to source from overseas suppliers. The tremendous flexibility spin-offs for the industry includes reduced tooling costs, as low-volume models can now be sourced overseas, rather than investing heavily into local manufacture."

These factors will help to "provide SA consumers in the future with access to more products at more affordable prices, I expect that price benefits to consumers will be passed on within the next two to three years." Van Rooyen says he expects a surge in exports to take place at Delta this year and next.

"But, while the motor industry is heading for billions in exports, we will remain net importers of car components for a long time to come."

AIR TRAVEL FIM 1/3/91

SAVING A BUCK

The revolution has begun — at least in the travel industry. Last week's launch of SA's first discount international air ticket "bucket

F M 1/3/91

shop" has thrown the industry into something resembling disarray.

As soon as Just the Ticket — a joint venture between Nedtravel and Travelink — advertised international airfare discounts of between R600 and R3 000 to some 40 destinations, British Airways and SA Airways rushed to slice many of their own fares.

Within the industry, opinion is clearly divided — the big agents don't seem to mind, but the smaller ones feel threatened. Barney Singer, president of the Association of SA Travel Agents (Asata) condemns "bucket shop" operations. "We believe discounted fares are available from all Asata travel agents in the country. There is no need for a special shop to open selling so-called cheaper tickets."

Asata CE Chris du Toit, however, believes the whole issue is a tempest in a teacup. "Just the Ticket is a niche company that will attract the incentive traveller who can fly at any time provided the price is right. Maybe we need this catalyst to get discounting off the ground."

But the real concern in the industry is that travel agents could be made redundant in a climate of avid price-cutting.

Just the Ticket MD Bob Williams denies he is competing with travel agents. "We will not offer any agency services, such as itineraries, hotel bookings or visa services. We are simply a ticketing operation. Our major target market is people who generally book directly with the airlines and who can no longer afford international travel."

Williams, in fact, hopes to work closely with travel agents. He says a division of Just the Ticket — Trade Tickets — will make blocks of discounted tickets available to agents. It is this aspect of his operation that has provoked most of the industry criticism.

Retail travel agents buy their tickets directly from the airlines and don't see any advantage in dealing through a subsidiary. And while the airlines might be tempted to sell their tickets *en bloc* to Williams, they regard the agents — who sell 62% of airline seats — as their marketing arm. Any preferential or exclusive deal with Just the Ticket would endanger the airlines' relationship with agents.

Malcolm Freeman, British Airways' manager for SA, says the airline does not sell tickets in bulk to anyone. "We have a very sophisticated network of agents and we cannot afford to fragment the industry."

For Williams, it makes economic sense for airlines to give any consolidator like himself excess seats because, unlike agents, he is geared to dispose of them quickly.

Williams also says the 9% set commission airlines pay agents is something of a farce.

Toyota share rises in falling market

S/Times 313171 (192)

By JULIE WALKER

TOYOTA vehicles paid dividends for both manufacturer and retailer reporting results this week.

Demand for Toyotas exceeded supply in spite of a 5% decline in the new-vehicle market. Market share rose by 3,2 percentage points to 28,9% and Toyota SA's sales topped R3-billion in 1990 — a 7% climb.

Taxed income was up a third to R113,6-million, and earnings a share were 29% higher at 276c in the year to December. The dividend was increased by 16% to 475c, 5,8 times covered.

The initial improvement and stability in the yen-rand exchange rate helped Toyota to keep price increases well below the rate of inflation. It expects to maintain a reasonable level of profitability in 1991 even though the new-vehicle market is expected to slide 4%.

In the six months to

December Toyota dealer and car rental group Imperial pushed turnover 13% up to R315-million and pre-tax profit by 23% to R23-million. Higher tax held bottom-line growth to 20%. Earnings a share were 17,6c and the dividend was 7c.

The prospects of interest-rate relief leads Imperial to expect the second half to at least match the first.

Printer supplier Coates excelled in 1990 with a 36% climb in earnings to 232,6c a share from a rise in turnover of 19% to R145-million.

Interest

Instead of a million rands of interest paid in 1989, Coates earned R159 000 last year.

These aside, only Curnow, Middle Wits, Concor and Sasol were able to outpace inflation with earnings growth.

Concor met its forecast. It does not furnish absolute turnover, but it rose by 13% in the six months to December. But attributable income doubled to R6-million, and management expects the same for the second half.

Sasol was a gulf war winner because of higher product prices. But improved production at Sasol 2 was the biggest booster to the big jump in interim earnings to December.

Turnover leapt by 69% to R4-billion, and attributable earnings to R464-million. The dividend was raised by 18% to 32,5c a share. Sasol does not expect the same rate of profit growth in the second half.

Flush

Construction and industrial giant Murray & Roberts presented its December interim results to the who's who of SA business at a cocktail party on Wednesday.

M&R's turnover was 14% up at R2,2-billion and the bottom line by 6% to 208c.

Chief executive David Brink says the group is flush enough with R130-million cash to increase dividends at the sacrifice of cover. The dividend was lifted by 15% to 46c.

It bought three cement-brick makers which are expected to shine when the economy improves.

M&R also took the outstanding 50% of asphalt and

bitumen maker Abecol.

The group says it will be difficult to top last year's earnings because of the deteriorating economy.

Marlin's pre-tax profit for the six months to December slipped by 7% to R9,1-million — not too bad considering market conditions. More shares in issue caused a dilution at the bottom line to 14,8c a share, a third down on 1989.

Production has been maintained at its quarries in expectation of resumed demand from major customer Italy Stone Dresser and re-exporter Italy ran its stocks down because of the Persian Gulf crisis and will need to rebuild them.

It is also difficult to halt then restart quarrying of the highly sought but fractious Belfast black material.

Blue Circle did well to increase the payout by 5c to 115c in 1990. Turnover at the cement giant edged up 5% to R776-million, but operating income was down a shade at R118-million.

Bankorp shares added 10c to 290c on the back of a profit without writing back previous provisions for doubtful debt. In the six months to December the three-bank group reported net operating income of R221-million compared with R149-million previously.

Reserves

Bad-debt provision accounted for 64% of income, and the full provision for tax of R25-million will strengthen reserves because it is not due for payment.

Earnings a share halved because of the higher number in issue, but the dividend was maintained at 10c. Bankorp hopes to pay 25c for the year.

Major shareholders in the Sanlam group will take bonus shares, not cash, for a few years to conserve capital.

Anglovaal shares were unchanged at R46, close to their year's low, after the company announced a decline of 8% in earnings a share for the six months to December.

Taxed profit climbed by 21% to R259-million out of the same jump in turnover to R3,8-billion. But a rights offer last year diluted the bottom line. The dividend was maintained at 30c. Interest earned on the cash raised helped income.

In a busy six months the mining and industrial group bought Weedons andalusite and Yardley of London's SA business.

END-UP

Earnings share (c)	% change	Div a share (c)	% change
12,0	-76	12,0	-74
23,6	-22	13,5	+13
49,5	+1	14,9	0
47,3	+2	18,0	0
47,7	+3	17,0	0
99,0	+1	30,0	0
102,3	-47	34,0	-29
2764,0	+29	475,0	+16
232,6	+36	61,0	+25
11,6	N/A	3,75	N/A
294,5	-11	115,0	+5
331,0	-14	105,0	+11
5,6	+30	2,25	+29

36,8	+11	11,0	+10
109,0	-44	40,0	-43
35,1	-29	10,0	0
82,5	+29	32,5	+18
41,6	-29	10,0	-23
7,1	-35	2,4	-20
7,5	-15	2,5	-17
363,0	+5	—	—
26,7	+102	5,0	N/A
-257,5	-503	0	—
53,9	-9	17,0	0
-141,6	-480	0	—
27,0	-18	27,0	-18
2,0	-45	—	—
186,0	+8	41,0	+14
208,0	+6	46,0	+15
17,6	+20	7,0	+22
31,3	+2	5,0	0
16,1	-30	4,5	-17
21,6	-49	10,0	0
15,7	-26	0	N/A
7,2	+50	2,0	0
227,0	-8	30,0	0
15,0	+7	15,0	+7
14,8	-33	5,0	-29

Motor-makers step up capital spending

S/Times 3/3/91

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MOTOR manufacturers had committed capital expenditure of R366,7-million in the fourth quarter of last year compared with R124,5-million in the third

Most of the money will be spent on tooling for new models and machinery replacement, says the National Association of Automobile Manufacturers of SA (Naamsa)

Surprisingly, however, capacity use in the four sectors — cars, light, medium and heavy commercials — was marginally better in the fourth quarter at 70,3% compared with 67,8%

Because of the duration and severity of the economic downturn, manufacturers

By **DON ROBERTSON**

have again been forced to reduce their sales predictions for the current year. Car sales are expected to fall to 200 400 in 1991 compared with the third-quarter forecast of 210 000

Light-commercial sales are expected to be 110 000 against the earlier forecast of 115 000. Medium commercial sales are expected to fall to 4 880 from 4 900. Heavy commercial sales are predicted at 7 400 compared with 7 600

Total sales in the fourth quarter deteriorated sharply on the figure for the third

Cars sales were down 13,5% on the third quarter, light commercials 10%, medium commercials 14,9% and heavy commercials 6,1%

They were also down on the fourth quarter of 1989

A total of 1 427 jobs were lost in the second half of 1990

No significant problems were experienced in the supply of imported components, which rose by 3,4% in the final three months, says Naamsa

Sporadic shortages of SA components were noted and prices rose

There is some hope for the industry. Although sales are well below the long-term historical trend, replacement needs could limit declines in new-vehicle sales

MMG earnings down

Market Motor Group's turnover showed an increase of 13,5 percent for the six months to December, but there was a marginal decrease in attributable earnings

Turnover increased to R105,19 million (R92,67 million), but net income before taxation declined by 6,5 percent to R4,83 million (R5,17 million)

Attributable income decreased marginally to R2,85 million (R2,93 million). Earnings per share also showed a slight drop

from 13 cents for the same period last year to 12,7 cents

An interim dividend of 6c a share (3,6c) was declared last month, payable in April. This increase is the result of a revision of dividend policy in the light of the even spread of income throughout the year.

In future, more or less equal dividends will be declared at mid-year and year-end. In the past the initial dividend was somewhat lower than the final payout — Sapa

4/3/79
Sapa
(192)

Car dealers all smiles over changes to VAT

S/Times 10/3/91 (192)

USED car dealers are overjoyed with the changes that will be made to the sale of vehicles detailed in the new VAT draft legislation

It was previously believed that VAT would not be payable on used cars sold by private individuals, but that cars sold by dealers would be subject to VAT

The National Automobile Dealers' Association (Nada) made representations to the government in September and almost all of its recommendations have been agreed to

Price

Dealers feared that, in terms of the draft legislation, most used car purchases would be done on a private basis to avoid VAT

When VAT was introduced in Germany and other countries, used car dealers lost a lot of business to private sellers because of the difference this made to the selling price

SA's VAT Bill provides for a system of notional input tax credits which, in effect, means that although used cars sold by dealers still carry VAT, it will make a negligible difference to the selling price

Assuming that the VAT rate is 10%, a car sold by a dealer will, other things being equal, cost only 1,5% more than one sold private-

By DON ROBERTSON

ly

"This is marvellous news," says Motor Industries Federation executive director Vic Fourie

"And, generally speaking, buying through a dealer gives the purchaser more protection because he has some comeback if things go wrong"

Wider publication of this news may help to stimulate the used car market, because some dealers believe the current slump in sales is partly due to buyers waiting for the introduction of VAT so they can buy their vehicles tax free from private sellers

The government has also agreed that company cars can be treated in the same way as other capital goods and that VAT on them is subject to rebate on company tax

Errol Richardson, chairman of Nada, explains that if, for instance, a dealer buys a car for R22 000 from an individual, the dealer may write it in his books at a price of R20 000, assuming that VAT is introduced at 10% He may then add his mark-up — say 15% — which would set the resale price at R23 000

The 10% VAT of R2 300 which would be added to this figure would leave the total resale price at R25 300 With the notional input tax credit of R2 000 when the car was

purchased by the dealer, a total VAT of only R300 is payable

The same VAT amount would be liable on a private deal, but it is unlikely that the government will collect this

Mr Richardson says that, because the VAT element on dealer sales is small, it is unlikely that buyers will resort to private sales to avoid paying VAT

Mr Richardson says that the new regulations could give the used car market a much needed boost and new car sales could also benefit because of the dispensation offered on company cars

● VAT and financial services
See report, Page 4

MARC HASENFUSS

SA's motor industry is well geared to take advantage of potential export markets in sub-Saharan Africa after economic sanctions are lifted

Indications are that most motor manufacturers are already exporting components to Africa, albeit in some instances only in small volumes

Nissan marketing MD Stephanus Loubser says Nissan's export drive into Africa started some years ago with the advent of export incentives under Phase VI of the local content programme

Growth

Because of sanctions Nissan operated through an independent unit, Motoware, which distributed Nissan products throughout Africa

Loubser says African markets are still relatively small. However, strong growth is expected during the next few years

Nissan currently exports components and a limited number of fully built vehicles to various African countries

Although much of Africa

Motor trade set to venture into Africa

192
B Day 11/3/91

remains impoverished, Loubser says his company monitors countries' economic strengths by remaining in contact with their governments

Toyota SA Marketing MD Brand Pretorius says no formal ties have been established with the rest of Africa because of limitations set by franchise agreements with Toyota Japan. Toyota SA, with permission from Japan, would be keen to expand further into the continent in the medium to long term

The sourcing of components and vehicles from SA will prevent increased transport costs, while local manufacturers could help set up dealer infrastructures and offer a high standard of training, he says

Further opportunities to forge trade links with the rest of the subcontinent will

be presented to the SA motor industry at the Bitex annual industrial trade show in Botswana during May

Recent calls from Botswana for a single transport system across the subcontinent and the planned introduction of a cross-border permit quota system for transport operators in SA, Botswana, Lesotho and Swaziland are expected to create marketing opportunities, increasing demand for new trucks, spares and services

Bitex operations director John Thomson says a third of all SA exports of manufactured goods flow north to neighbouring states

"What these countries urgently need is motor spares and accessories

"SA has the expertise and products to tap this tremendous growth potential"

New vehicle sales 'could drop further'

192 100

10/10/91

MARC HASENFUSS

COMBINED new vehicle sales declined further during February, dropping 4% to 26 855 (27 860) units compared with the same period last year

This was shown by National Association of Automobile Manufacturers of SA (Naamsa) figures released at the weekend

The current slump in new vehicle sales could intensify in the next eight months as input tax credits, available from October this year under the value added tax system (VAT), were expected to keep prospective buyers at bay, said Econometrix's Tony Twine

He expected new vehicle buyers qualifying for an input credit to wait until October to purchase, instead of buying now and paying GST

Sales in heavy commercial vehicles (HCV) fell a hefty 32% to 446 (656) units

Light commercial vehicle (LCV) sales decreased 13% to 8 581 (9 919) units, and medium commercial vehicle (MCV) sales decreased 15% to 412 (486) units

An improved inventory position contributed to a modest improvement in February car sales, which rose 4% to 17 416 (16 799) units

Twine said the declines in LCV and MCV sales were in line with expectations, but HCV sales were extremely weak

"This segment is seeing the reluctance of consumers to spend on capital goods ahead of the introduction of VAT"

This could cause sales distortions to spread to other segments as certain LCVs and MCVs qualified for input credits under VAT, Twine said

A car, for VAT purposes, refers to a vehicle with more than two wheels, constructed wholly or mainly for the carriage of passengers

KPMG Aiken and Peat tax expert Andre Meyburgh said where a company acquired a panel van or bakkie, which had been constructed for the delivery of goods, as a fringe benefit for an employee, the company would be able to claim input tax

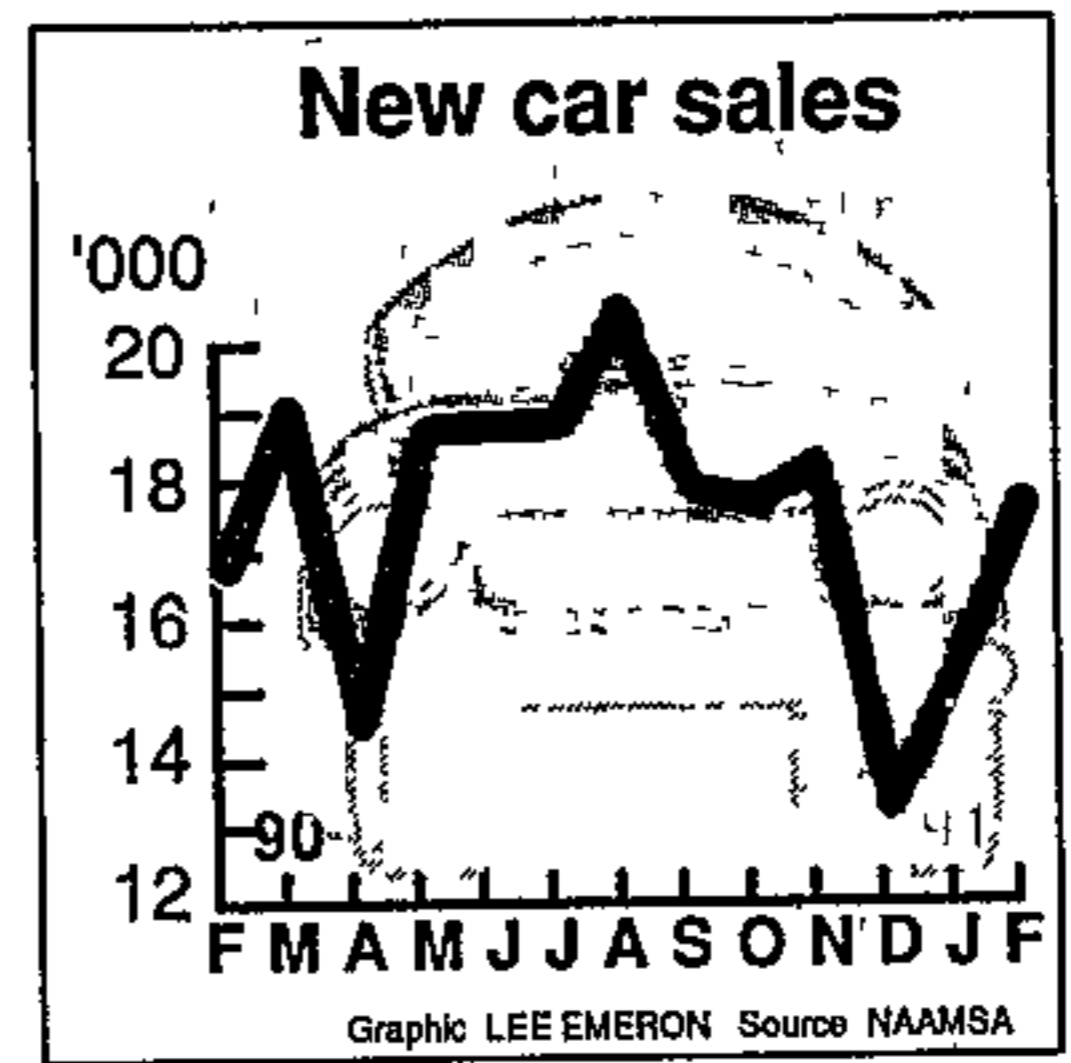
In addition, companies could claim an input tax credit on repairs and maintenance to its passenger vehicles

Combined vehicle sales for the first two months of 1991 were down 4% against the same period last year

Naamsa expected trading conditions in all segments of the motor industry to remain extremely difficult

Naamsa director Nico Vermuelen said that during 1991, the SA motor industry faced a scenario of declining new vehicle sales at a time of rising costs

Tractor sales for February fell 27% to 256 units compared with 351 units in February 1990, SA Agricultural Machinery Association figures show



New vehicle sales running at low levels

Star 11/3/91. 192

By Sven Lunsche

South Africa's motor industry faces a tough year ahead, as declining sales volumes will be coupled with rising costs for spares and labour

The National Association of Automobile Manufacturers of SA (Naamsa) reported on Friday that new vehicle sales fell by almost 10 percent in January and February this year compared with the first two months of 1989

Last year total new vehicle sales dropped by over 18 000 units to 334 777 units and Naamsa has recently forecast a further decrease in 1991 to around 322 500 units

According to the Naamsa figures, the weaker sales trend in evidence during the last quarter of 1990 — when car sales fell by 13,5 percent compared with the previous quarter — had continued during the first two months of 1991

The lower new vehicle sales are a reflection of the slowdown in economic activity levels, and trading conditions in all segments of the industry are expected to remain extremely difficult,

Naamsa commented

Sales of new passenger cars in January and February, at 32 505 units, were 1,7 percent below the industry's sales recorded during the first two months of 1990

Sales of light commercial vehicles and minibuses for the first two months of 1991 were down by 13,6 percent to 16 552, while sales of medium and heavy commercial vehicles showed declines of 21,1 percent to 694 and 28,4 percent to 869 respectively

Combining these figures total new vehicle sales in the first two months fell from 54 295 in 1990 to 50 620 units this year. On a monthly basis February sales of 26 855 outstripped the 23 765 unit sales recorded in January

● Tractor sales for February fell by 27 percent from the level achieved in the same month last year, Sapa reports

Figures released by the SA Agricultural Machinery Association, show that February's sales decreased by 95 units to 256 units. Year-to-date sales of 395 units are 28,3 percent lower than for the same period in 1990

Toyota keeps Wesco's fortunes going right

Biday 15/3/91

192

METAIR Investments' poor results last year were offset by Toyota SA's strong year-end performance, allowing holding company Wesco Investments to lift earnings 23%

Attributable profit reached R61m (R50m) or 72c (589c) a share for the year to end-December 1990

Chairman Albert Wessels said Wesco's two underlying companies showed more divergence than in previous years — Toyota's earnings improved 28% and Metair's declined 38%

Wesco has a 50% and 42% stake in Toyota and Metair respectively

Turnover crept up 7% to R3,1bn (R2,9bn), while the dividend payout increased 20% to 72c (60c)

Wessels said 1990 was a difficult year for the motor industry, with vehicle sales declining as the economy moved into

MARC HASENFUSS

recession

In spite of this, Toyota increased unit sales and market penetration

"We also benefited from improved industrial relations, a stronger than expected rand and received excellent co-operation and technical assistance from Japanese suppliers"

Previous restraints on supply from Japan ceased to be a factor in stock availability by the end of the year, Wessels said

Toyota should maintain market share, he said

Metair's turnover would be influenced largely by demand from motor manufacturers and after market sales, but Wessels expected profitability to improve

The shares remained at their R29,50 high yesterday

Local catalyst plant gets first EC order

JOHNSON Matthey's local autocatalyst manufacturer this week won its first order to supply Volkswagen SA with components

Johnson Matthey MD Peter Emmel said yesterday the company would supply Volkswagen with "substantial numbers of catalysts" from its R35m plant in Germiston. The components would be exported to Volkswagen's parent company in Germany

Johnson Matthey, the world's largest manufacturer of catalytic converters with 40% of the international market, had supplied the German car company with catalysts from its operations around the world since 1974

Emmel said the deal with Volks-

bloey 15/3/91
MATTHEW CURTIN
192
wagen, concluded after a year of negotiations, justified his company's decision in April last year to establish a plant in SA. The plant, scheduled to come on stream in April, would have an initial capacity of up to 2-million units a year

He would not comment on the size of the deal, but said the company, as Rustenburg Platinum's (Rusplats) sole marketing agent, had access to a ready supply of platinum. A Rusplats official would not comment on the significance of the deal from the mining operation's perspective

Emmel said Volkswagen's exports were geared to the soaring demand for autocatalysts in Europe after exhaust emission legislation was passed requiring the use of catalysts on new motor vehicles in the EC

Johnson Matthey was also benefiting from the government's Phase 6 programme affording local companies export credits

Analysts say SA is ideally placed for making autocatalysts because it is by far the largest producer of platinum and rhodium, the two metals essential for the catalytic conversion of the harmful emissions from car exhausts — carbon monoxide, hydrocarbons and nitrogen oxide

Metair hit by drop in vehicle sales

MARC HASENFUSS

METAIR Investments, Wesco's 42% held automotive component manufacturer, showed a 38% drop in earnings a share last year on the back of declining new vehicle sales

Attributable profit slipped 38% to R8,6m (R13,9m) or 153c (245c) a share for the year to end December 1990

Metair's replacement market was badly affected by the economic downturn and turnover increased 7% to R330m (R309m)

MD Alan Plummer said substantial losses were incurred at two operating companies. In previous downturns the replacement market had reacted in an anti-cyclical manner to vehicle sales, he said

An unchanged dividend of 63c was declared. The inclusion of a R2,8m extraordinary item further reduced attributable profit to R5,8m.

The extraordinary item represented the net effect of tax payable on a reversal tax allowance claimed on fixed assets in previous years

Plummer said the reversal resulted from restructuring effective from January 1990, and should result in significant cash flow benefits in the future

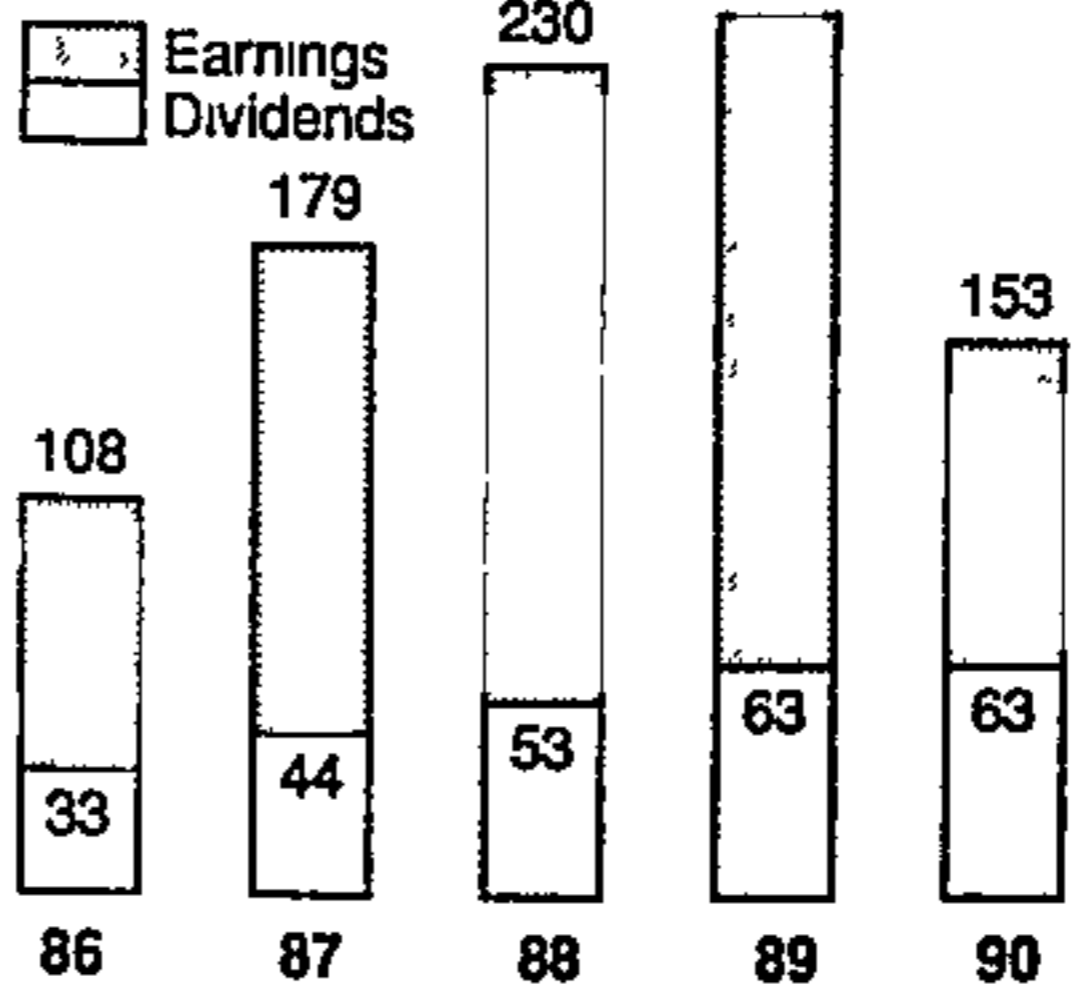
He said Metair had been issued a preference share, attracting a scrip dividend which would increase its 30% stake in First National Batteries to 33%

During the interim period, Metair acquired the remaining 25% shareholding in Motorrubber for R3m.

Plummer said major extensions had been undertaken to premises and manufacturing plants at two major subsidiaries

Metair

Earnings and dividends per share (cents)



Graphic: FIONA KRISCH Source: METAIR

to accommodate additional business secured through the Phase VI local content programme

He stressed that the full benefits of the new business would not be felt until the second half of 1992

Despite the predicted 2-3% decline in new vehicle sales this year, both companies which experienced abnormal losses in the period under review were expected to improve their financial position

Plummer said profits for 1991 should show a substantial improvement over 1990 but a return to real growth was unlikely before 1992

The share moved 50c to a new high of R13,50 yesterday. It hit a R11,25 low in January

Slump in car sales hits Metair results

By Sven Lünsche

star 15/3/91
The slump in new car sales last year hit earnings at automotive component manufacturer Metair for financial 1990

Attributable income plunged by 38 percent to R5,8 million (R13,4 million), equivalent to a fall in earnings per share from 245c to 153c. However, the total dividend for the year was maintained at 63c

Turnover increased by only seven percent to R330,4 million (R309,1 million) and substantial losses were incurred by Metair's two operating companies, First National Batteries and Motorubber

During 1990 the group gained full control of Motorubber, by acquiring the remaining 25 percent shareholding for R3 million

First National Batteries, in which Metair holds 30 percent, was formed through the merger of Raylite Batteries and Chloride SA

The directors comment that apart from the declining car market, the replacement market was also badly affected by the

general economic conditions

They are, however, confident that the profitability of the two operating companies in the current financial year will improve considerably

"Major extension programmes have been made to accommodate additional business secured as a result of the Phase 6 local content programme," the directors state

However, they add that real long-term growth in profits was unlikely before 1992, as sales of new cars are still expected to drop by a further three percent this year and the full benefits of the local content programme will only be felt by then.

Metair's holding company Wesco, however, reported a strong growth in earnings as the losses at Metair were more than offset by Toyota's good performance

In financial 1990 Toyota's earnings rose by 28 percent. As a result Wesco's earnings per share increased from 589c to 724c, while the dividend was raised by 20 percent to 72c (60c)

First order for JM

^{Star 15/3/91}
Volkswagen South Africa will be supplied with a substantial number of autocatalysts by the recently established Johnson Matthey (JM) autocatalyst fabrication plant near Germiston.

Johnson Matthey managing director Peter

Emmel said yesterday that the catalysts would be exported by Volkswagen SA to the parent company in Wolfsburg, Germany

(192)
The first autocatalysts produced by Johnson Matthey will come off the production line in April — Sapa

provement in the rand/yen rate, which then remained stable for the rest of the year. The effect was significant: it reduced unit import costs and allowed Toyota to restrict average price increases to below 10%. While the overall vehicle market fell 5,1%, Toyota unit sales rose 6,6%.

While Toyota expresses confidence of continued "reasonable" profits this year, it points out that the vehicle market is again expected to shrink. Bert Wessels suggests the market is starting to bottom out, but price competitiveness is likely to intensify this year and motor manufacturers' margins may come under pressure. Even so, Wessels expects price increases at least to match inflation in 1991.

Though some competitors are retrenching, Toyota expects to increase its work force in 1991. Bert Wessels says the group is likely to employ another 500 workers to man its expanding manufacturing facilities, while up to 700 more workers may be needed at component supply companies.

Since release of the results, the share has gained 200c, rising to R145, where the dividend yield is a thin 3,3%. *David Furlonger*

TOYOTA FM 15/3/91 (192) SPENDING PICKS UP

Capital spending is rising sharply at Toyota, resulting in higher levels of profit retention. CE Bert Wessels tells the *FM* that the group spent just under R130m on capex in the year to end-December but the bill will rise to R300m in the current year.

Between now and 1996, the group expects to spend R700m on new locally manufactured car and commercial vehicle models, and another R300m on localisation projects to meet the demands of government's Phase Six local content programme for the motor industry.

Chairman Albert Wessels suggests some of these projects may be downgraded, if targets can be achieved through other means. Exports, which are included in the formula that determines local content levels, have enabled a number of companies to cut back on expected localisation plans.

Nevertheless, Toyota's chairman is confident that capex will remain sufficiently high for the group's debt ratio to come under pressure. While he insists that "we will never operate permanently above 45%," he says of last year's 38,8% level "it won't be easy to improve."

The group has maintained a good sales and profit performance which leaves Toyota in a relatively strong position to handle the funding requirements as well as the steadily tightening market conditions.

In 1990 it lifted its market share to 28,9% of all cars and commercial vehicles sold in SA.

That, and a favourable rand/yen exchange rate, contributed to Toyota's 31,2% increase in after-tax profit in the year to end-December 1990. Attributable earnings improved by 28,6%, and EPS rose from 2 149c to 2 764c. The dividend increase was more modest, rising by 15,9% to 475c.

The group benefited from an initial im-

MOTOR INDUSTRY FM 15/3/91

WISHFUL THINKING (192)

Talk of European car-makers re-entering the SA market is probably just that talk. This is the view of Toyota Marketing MD Brand Pretorius, who suggests that the cost of setting up a new vehicle assembly plant in a market as small as SA's would be prohibitive.

French car-makers Renault, Peugeot and Citroen are all said to be interested in returning to a market they left several years ago. Other European companies have reportedly also investigated the idea.

It is unlikely that they are eyeing the SA market alone. More probably they are contemplating the day when an easing of sanctions will allow them to use SA as a manufacturing base for other parts of southern and central Africa.

While such a move would appear economically logical, a number of factors might

FEBRUARY VEHICLE SALES

	1991	1990	% change
Cars			
February	17 416	16 799	+3,7
January-February	32 505	33 051	-1,7
Jan (15 089)-Feb			+15,4
Light commercials			
February	8 581	9 919	-13,5
January-February	16 552	19 150	-13,6
Jan (7 971)-Feb			+7,7
Medium commercials			
February	412	486	-15,2
January-February	694	880	-21,1
Jan (282)-Feb			+46,1
Heavy commercials			
February	446	656	-32
January-February	869	1 214	-28,4
Jan (423)-Feb			+5,4
Total sales			
February	26 855	27 860	-3,6
January-February	50 620	54 295	-6,8
Jan (23 765)-Feb			+13

Source: Naamsa

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stand in its way

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The first is whether governments of other African states, already envious of SA's comparative economic strength, would be happy to see SA reap all the investment and employment benefits while they are left in the cold — and with a heavy foreign exchange bill for cars to boot.

A second problem could be the sophistication of the SA market. Given that SA is inhabited mainly by a Third-World population, the range and technological advancement of vehicles available here far outstrips many similar countries. Manufacturers could be faced with the choice of tailoring production to the traditional SA vehicle market or the new black African market, both of which have very different requirements.

Given that volumes probably rule out dual production, a compromise is likely. As the number of black SA vehicle owners is predicted to double in the next five years, the compromise could be at the expense of the white market, which has been the mainstay of the SA motor industry.

It could be argued that the process has already begun. Vehicle model life-cycles in SA are already lengthening and it's common for companies to miss out every other model change by overseas principals. While manufacturers argue that the black motorist can be every bit as demanding as his white counterpart, there can be no doubt that the overriding future need will be for basic, affordable transport.

Cost also comes into it. New entrants to the market will be faced with huge start-up costs. Unless they go the Fiat Uno route, through a licensing agreement with an existing manufacturer, the bill for setting up shop will be enormous.

Complicating the situation further is the government-imposed local content programme. While sales to other African countries might satisfy the programme's export needs, other programme demands may deter major manufacturing investment.

Toyota's Pretorius estimates SA annual car sales will fall to 200 000 this year, then grow by only 5,5% by 1996, to 211 000.

FM 15/3/91

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Commercial vehicle sales growth, he says, will be faster, but from a much lower base. By then, according to predictions, sales will reach 139 000 from 1991's expected 122 000.

Considering such limited growth and the fact that SA will continue to represent the huge bulk of a regional vehicle market, it would be a brave foreign manufacturer who takes the plunge.



GENCOR'S BERNARD SMITH Production of unleaded fuel at the R1,2-billion Engen plant could be announced by the end of the year

Car-makers groan under the weight of leaded motoring

STWes
192
1 11 31 91.

By DON ROBERTSON

lysts and most European countries will follow suit by the middle of next year

Hein te Poel, Mercedes-Benz SA management board member, engineering and procurement, says if lead-free fuel is not introduced within three years all manufacturers will suffer

He says that the full range of Honda motors is not available for SA markets because the "manufacture of engines for leaded fuel in Japan is no longer a consideration in engine design" MBSA assembles Honda cars in SA

Mr Te Poel says that it will soon be necessary for SA manufacturers to import "special execution" engines and components for which a premium will have to be paid "We would be quite prepared to offer vehicles with exhaust catalysts and we believe that most other manufacturers would follow," Mr Te Poel says

In line with this Sasol is presently calculating, as part of a study for the National Energy Council, the cost of modifying its fuel refineries to produce lead-free petrol

John Marriott, managing director of Sasol Technology, says, however, it is likely to be at least five years before refineries will be able to produce lead-free fuel

Engen, the energy subsid-

LEAD-FREE petrol could be introduced in South Africa within five years, but motor manufacturers insist that it must come sooner

Unleaded fuel is essential if exhaust catalysts are to be used on SA vehicles because the lead in the fuel destroys platinum in the catalyst

World engine technology is now based on unleaded fuel and local assemblers of cars are already feeling the consequences

Japan, the United States and Australia all require vehicles to be fitted with cata-

ary of Gencor, is currently involved in upgrading its Genef refinery at a cost of R1,2-billion

Chairman Bernard Smith says the first phase of the upgrading will be a R670-million "de-bottlenecking" exercise

He says a decision whether to make provision for producing unleaded fuel is expected to be made before the end of the year

The increased costs of producing lead-free fuel are significant and motorists will need some incentive to switch

Mr Marriott says the cost of fuel will probably rise by between 5% and 10% and that "harder" refining will be necessary

Conform

While autocatalysts and lead-free fuel are justified in a city like Los Angeles, which has more vehicles than the whole of Africa, Sasol is not convinced this is true in SA

Sasol supports demands for a cleaner atmosphere but believes that all the issues surrounding lead in petrol need to be carefully considered before any decision is taken

The lead content in SA petrol has been reduced from 0,836g/l a litre to 0,4g/l

But lead is the most economic way of boosting the octane rating of petrol and all refineries operate at fairly close to maximum lead levels

Volkswagen¹⁹² joins catalyst export boom

VOLKSWAGEN has joined the growing number of motor manufacturers who will benefit from the export of autocatalysts to Europe

Peter Emmel, managing director of Johnson Matthey, which has established a factory in Germiston South to coat imported monoliths with platinum group metals, says his company has been awarded a contract to supply "substantial" numbers of monoliths to Volkswagen SA

The monoliths will be supplied directly to VWSA and will be canned or inserted into stainless steel containers by Bosal Afrika

VWSA says that the first exports will begin in the last quarter of this year when

By DON ROBERTSON

6 000 units will be sent to Europe each month. This will rise to 11 000 a month the following year and 35 000 a month in 1993. It is expected that earnings for VWSA will rise to about R150-million a year.

The first coated monoliths to be produced by Johnson Matthey will come off the line next month and full production levels of about one million bricks or monoliths will be reached later in the year.

Should demand increase further, a second shift could be worked to increase production to two-million a year.

Secured

Algorax, a company owned jointly by the Industrial Development Corporation and German-based Degussa, is to increase production to 500 000 units by the end of this year.

To date, the VWSA contract is the only one which Johnson Matthey has secured, but it is negotiating with other manufacturers.

"The order that Volkswagen has placed with us is of considerable significance and it justifies the faith placed by Johnson Matthey in its decision to establish an autocatalyst fabrication plant in SA last year," says Mr Emmel.

Johnson Matthey has been a major supplier of autocatalysts to Volkswagen Germany since 1974.

VWSA now joins Mercedes-Benz and Delta which have announced plans to export autocatalysts.

F M 22/3/91
STANDARD ENGINEERING

STRIKING SETBACK

The seven-week strike at Mercedes-Benz's East London plant, and an overstocked situation at original equipment manufacturers due to a market downturn, had a major impact on first-half results to February. Heavy vehicle gearbox manufacturer Astas suffered a severe setback.

However, buying out minorities at the end of last year helped to reduce the minorities' interest by 66,6%. This led to a 28,5% rise in attributable earnings but a higher issued equity of 34,3m shares (26,9m) diluted EPS

Chairman Hugh Brown says the strike and customer destocking led to the cancella-

FINANCIAL MAIL • MARCH • 22 • 1991 • 91

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LEVELLED OUT

Six months to	Feb 28 '90	Aug 31 '90	Feb 28 '91
Turnover (Rm)	326	365	296
Operating profit (Rm)	43.6	36.5	35.1
Attrib profit (Rm)	12.3	13.4	15.8
Earnings (c)	45.5	49.7	46.0
Dividend (c)	14	18	14

M 22/3/91 (192) (192) (192)
tion of firm orders As a result, Astas's turnover halved from the year-ago figure and operating profit dropped by 80% It has a six-month lead time with its German suppliers and by the end of the review period was R20m overstocked Management had to lay off about 200 people, 30% of the work force, Brown says "the slice was from top to bottom, including some top management"

Standard Engineering was reshaped two years ago when all Malbak's engineering interests were combined into it Brown notes that the diversity of products and markets is an enormous strength Proof is the increase in group earnings despite the Astas setback

The group started to shift towards exports some time ago to shelter it from local conditions This also paid off handsomely Brown reckons continuing penetration of export markets, particularly a strong performance by train manufacturer Union Carriage, countered the shortfall from Astas Had Astas "produced even a modest profit, results would have been extraordinarily good"

Union Carriage's first-half turnover beat the previous full year's It is running at 50% capacity, which is good at this time, Brown feels A R150m order book extends to end-1992 and the company is tendering for large export projects to begin in 1993

Fluid Holdings returned to health, but slower than Brown expected. Considering the 50/50 dependence on mining and agriculture it did well Hall Longmore's products fared well in Africa, where prices tend to be better than on other export markets Abertech Industries also had a good first half, the doubling of Harvey Tiles' exports making a significant contribution

Brown is particularly pleased with asset management Group working capital fell by 20%, but for the setback at Astas the decline could have been 28% Gearing increased from the financial year-end 30,1% to 35,3% due to the Astas overstocking But for this it could have been below 25%, notes Brown

The second half should be better The traditional profit split is 45,55, because of the Christmas shutdown Brown expects Fluid, Hall Longmore and Abertech to do slightly better, with Astas and Union Carriage repeating their first-half performances

The share has improved from a 450c low in November to 575c On a 6,0 p/e ratio it does not look overpriced

Gerhard Stabber

BMW announces low interest rates

South African
22/3/91 By ALI MPHAKI

192

BMW of South Africa has announced special financial packages throughout its dealer network, which on average will have interest rates fixed at seven percent below current rates.

The interest rates now available from BMW will vary from 16 to 19 percent depending on the customer's credit rating, compared to the rates of between 23 and 26 percent available from other sources.

In practical terms this means that the BMW financing scheme would save the customer finance charges of up to R9 000 on a used car costing about R50 000.

Financial packages

All used BMW's that were registered in 1987 and which have passed BMW's 20 point check to qualify for BMW's Approved Used Car Warranty, will qualify for the plan.

These cars are only available through BMW dealers and can be purchased on one of the financial packages offered by BMW Finanz, BMW's own vehicle financing company.

The packages include installment sale, financial rent, financial lease and full maintenance leasing.

A confident Midas set for expansion ¹⁹²

Bloom 22/3/91
MARC HASENFUSS

MIDAS, the struggling vehicle parts and accessories distributor, has embarked on a R2m expansion programme

This includes the acquisition of a controlling stake in Johannesburg spares retailer S Silvers, and an increased shareholding in Cape-based Quay Buffalo

The group, in which McCarthy has a 31,6% stake, has rationalised and reorganised, disposing of its motorcycle accessories division and the Fastfit fitment franchise

MD John Rich said profits for the year to February 1991 would be down on previous years. The group's poor performance adversely affected McCarthy's interim earnings.

"It has been a disappointing year in terms of profitability, due to excessive costs incurred in reorganisation and substantial write-offs because of difficulties experienced with new computer systems"

However, Rich said the rationalisation and reorganisation, coupled with the latest expansion, had provided the means for Midas to turn the corner

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Benz strike dismissals 'fair'

JOHANNESBURG. — An arbitration exercise arising from last year's sit-in and strike at Mercedes-Benz has upheld the dismissal of 521 former employees

Mercedes said yesterday that the arbitration had found the dismissal of employees who occupied the manufacturing plant in East London was fair.

Independent arbitrator Mr Chris Albertyn found that employees occupying the plant had been guilty of misconduct and that the company's decision to dismiss them was fair.

Handwritten notes and scribbles at the bottom right of the page.

Motor industry to protest at VAT ruling on company cars

S/Times 24/3/91

along the lines of that applicable in West Germany which involves a standard rate of 1% a month of vehicle cost

The fact that it was not mentioned means that Naamsa assumes the current framework for fringe benefit taxation of company cars will remain unchanged for the time being

Mr Sterling says that overall the budget represents a sincere attempt by the Government to deal with, in a pragmatic and positive manner, the many challenges facing a society and an economy in transition

At the same time, Mr Du Plessis' speech correctly identified the limitations on SA's economic growth rate brought about by sanctions and disinvestment as well as the continuing high level of domestic inflation, the country's poor record of productivity and the actions and statements of various labour and political organisations

THE MOTOR Industries Federation (MIF) is to seek urgent talks with Finance Minister Barend du Plessis about the Budget ruling that company cars will not qualify for VAT exemption as capital equipment

The ruling has come as a blow to the motor industry, which reckons that 80% to 85% of new cars are sold to companies. As it is, the industry is not looking for much change from the forecast sale of new cars this year of about 204 000 to 205 000. The industry was looking at a major boost if new cars

qualified for exemption from VAT, which is being introduced on September 30 at 12%. Vatcom, the body made up of private and public representatives which was set up to advise on the introduction of the new tax system, accepted an MIF recommendation that cars bought by companies should be treated as capital equipment, which would have meant they were not subject to VAT.

But Mr Du Plessis' Budget has drawn them into the net. As an economist says "It would have looked strange to the worker paying VAT on his loaf of white bread while

his boss drove off in a VAT-free Mercedes-Benz". MIF executive director Vic Fourie says the organisation argued for company cars to qualify for input credits under VAT.

"We thought this was logical, and our argument was accepted by Vatcom", National Association of Motor Manufacturers president Spencer Sterling says the decision to deny an input credit in respect of company cars means that corporate vehicles are placed in a dif-

ferent category from other capital goods

However, the decision will ensure that new-vehicle sales before the introduction of VAT will — unlike other capital goods — not be affected by the inevitable deferment or staggering of capital expenditure

Mr Fourie says the MIF is concerned about the effect the high level of VAT will have on disposable incomes. "The used-vehicle market is highly dependent on the salary earner, and VAT will

have a serious effect on disposable incomes"

But motor dealers are relieved that second-hand car sales will attract VAT at a "notional" levy — 12% of the mark-up on the price of the vehicle.

Mr Fourie says that in effect this will be about 1% to 1.5% of the price of a vehicle — "but that is very little compared with the peace of mind that comes from buying from an established dealer".

The motor industry expected an announcement on the possible introduction of a simpler and more equitable basis of taxation of the fringe benefit of a company car,



SPENCER STERLING Pragmatic and positive approach

CHECK the courses offered by our leading graduate business schools, and search as you may, you will not find purchasing or materials management among them.

Ask, as I did, why this is so, and you will be told there is no demand. The demand is for sales and marketing courses, for financial and accounting courses, for personnel management courses and for variations on these basic themes. SA management apparently sees little value in strong materials control and efficient purchasing.

Of course, if you question any CEO he will admit that material input costs are a major factor insofar as profitability is concerned. He could even concede that savings in purchase and holding costs have a direct impact on profit and competitiveness. Push him a little harder and you'll find yourself passed on to the person in charge of purchasing and inventory management. And if you think of the man least suitable for the task, you will find the right person — the financial director.

The only possible reason for placing materials management under the financial director is that it helps to balance the organization chart. Without it the finance department looks a bit thin alongside manufacturing and marketing. Both of the latter have a direct interest in the performance of materials management yet it is only in exceptional companies that either has responsibility for the function.

Ideally — and I can name only one or two companies where it happens to — the materials division answers to the managing director.

Why should materials management merit more attention? There are many reasons, but a major one is that inventory is usually the biggest investment any company makes and is consequently its largest asset.

In industry, the cost of materials and services combined with inventory holding costs amount to between 55% and 65% of turnover. In trade, that percentage is often higher.

Other reasons include

- Effective reductions in material input and holding costs reflect as bottom line profit. Achieving the same increased sales unavoidably involves committing additional capital and manpower resources.
 - Tight inventory management releases working capital and results in more efficient use of space.
 - A well-managed materials division provides management with accurate market intelligence regarding future product costs and cost trends, and
 - Inflation-motivated price rises require professional scrutiny and negotiation, otherwise unwarranted excessive cost increases will tend to make a company uncompetitive. Conversely, adequate resistance to cost increases will improve a company's competitive position.
- There is no argument that a properly-run materials and purchasing department influences the efficiency of all other operating departments. In practice it is found that installing good materials management reduces costs by between 3% and 8% of turnover and releases as much as 20% of working capital. This obviously has an enormous impact on the profitability and wellbeing of a company.

It could also happen that a company is making good profits, and it does not occur to management that these could be a lot better.

The responsible executive, be he financial or manufacturing director, may feel he has enough on his plate already and can't — or won't — face the additional work involved.

In tough times, when cost reduction is critical, the first inevitable directive enforces a head-count freeze. Thus management traps itself in the position of not being able

to employ people who will really reduce costs.

There is also the effect of conceit, particularly in engineer-driven companies. These professionally trained managers really believe that the disciplines of material management are simple and that training is superfluous.

This conceit is also found in government circles and other bureaucratic institutions where management hides behind "the system" and refuses to come out in spite of clear evidence of gross wastage.

Companies in comfortable and — too frequently — monopolistic situations find it is a lot easier to increase the selling price than to reduce costs. The customer is over a barrel and that apart, hasn't the skills necessary even to attempt resistance.

For "monopoly" read "cartel", and the same rules apply. At least 25 major commodity groups are produced and marketed by monopolies and cartels.

In some industrial sectors, industry practice not only protects the company against the effects of price increases but in many cases creates profit from such increases.

Take, for example, the building

Management has an expensive blind spot in its makeup

B/P ay 27/3/91. (172)

BOB MALCOMESS explains why inflation always lives up to expectations, and points to a way this could be changed.

industry which has the worst inflationary record of all. It shelters behind cleverly structured cost escalation formulas which make good buying a waste of time and money.

There will be other reasons, but at the end of the day they all contain the same basic flaw: they overlook the long-term effect not only on their own organisation but on their industry, the community and the whole economy.

The effect of millions of acts of bad buying and material hoarding has a colossal impact and is devastatingly inflationary. Until significant improvement comes about in these disciplines, the macro economic and fiscal policies of government will achieve only limited success.

Inflation is self-nurturing to a degree. Each loop in the inflationary spiral takes a little more than it needs in the way of price increases. The compound result of this greediness (conservatism?) is the Tornado Effect. This upward spiral is the most pernicious aspect of inflation. The faster price increases are passed around, the higher they will rise. If we can retard the rate of the spiral we will automatically reduce the extent of the rise.

We have a generation of executives who have never known anything but double-digit inflation and accept rising costs as inevitable. Every contract bristles with escalation clauses and all budgets embody contingency allowances, inflation is generously anticipated and always lives up to expectations.

A change of attitude at this level is essential.

The ideal to which we must strive is cost containment to a level that is reasonable when related to environmental and social factors, and which recognises all legitimate factors of cost.

A final thought: ask any successful owner of a business about the key to that success, and he will answer that it starts and often rests with buying. If this is true on a small scale, surely it becomes vital on a large scale?

Malcomess is MD of Malcomess Consulting.

T&N HOLDINGS Fm 29/3/91
COUNTING THE COSTS

Activities: Manufactures and distributes automotive components, industrial products, chemicals and plastics

Control: T&N Plc 51%

Chairman: C F N Hope, MD M C Pretorius

Capital structure: 23,1m ords Market capitalisation R53m

Share market: Price 230c Yields 6,0% on dividend, 15,2% on earnings, p e ratio, 6,6, cover, 2,5 12-month high, 500c, low, 190c Trading volume last quarter, 127 000 shares

Year to December	'87	'88	'89	'90
ST debt (Rm)	12,7	30,4	60,6	73,3
LT debt (Rm)	25,3	19,0	40,0	35,3
Debt equity ratio	0,32	0,41	0,82	0,63
Shareholders' interest	0,61	0,52	0,39	0,39
Int & leasing cover	9,2	4,5	2,5	1,5
Return on cap (%)	12,2	13,8	15,0	11,1
Turnover (Rm)	146	235	391	241
Pre-int profit (Rm)	22,6	26,3	39,5	32,7
Pre-int' margin (%)	13,7	11,2	10,1	7,9
Earnings (c)	67,8	87,7	69,3	35,0
Dividends (c)	34,5	44	31	13,8
Net worth (c)	482	429	389	408

Whereas a year ago T&N was basking in the good fortune of having sold its investment in Everite (whose earnings plunged), and bought control of Asseng (which recorded acceptable growth), 1990 saw the tables turned. Not only were Asseng's earnings significantly down (see separate report) but T&N still had to service the additional debt taken on in 1989 to finance the purchase.

A straight deconsolidation of Asseng suggests that this subsidiary was responsible for about R4,4m (56%) of T&N's overall R7,9m decline in attributable earnings. But, higher up the income statement, one finds that T&N's own interest charges were up R3,3m despite lower year-end debt. So if this amount can be attributed to the borrowings taken on to finance the Asseng purchase, and bearing in mind that T&N itself has almost

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Fm 29/3/91

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no tax liability (and therefore no tax relief on interest charges), it could be argued that Asseng was responsible — directly and indirectly — for almost the entire fall in group earnings.

Operationally, T&N seems to have performed relatively well. Its own sales, excluding Asseng, were up about 8% and, at the operating level, T&N's profit more or less level-pegged after bringing to account a favourable R2,5m credit (1989 R2,7m) in respect of what it calls a pension holiday, as a result of a surplus on the valuation of the pension fund. The total credit was R4,5m, of which R2m was attributable to Asseng's pension holiday.

But where the situation becomes less satisfactory, is that operating profit exceeded T&N's own finance costs by only R2,8m. This, apart from giving an uncomfortably low interest cover of only 1,2 times, means that T&N itself would only have broken even had it not been for the pension credit.

Under the circumstances, it is not surprising that, as with Asseng, management focus over the past year has been directed at cost-cutting. Chairman Colin Hope makes the point that this contributed to group operating profit (including Asseng) being 29% greater in the second half of 1990 than in the first six months. This, with a reduction in net borrowings — despite an increase at Asseng — suggests the cost reduction exercise is bearing fruit in improving efficiencies and reducing working capital requirements.

Whether this is going to be enough to reverse the downtrend in earnings, which have declined 60% over the past two years, is another matter. There will, it is true, be interest savings flowing from last year's reduction in borrowings and, while T&N's own tax liability remains close to zero, the full effects of this will flow through to the bottom line.

Against this, Hope makes clear that, with the major portion of group sales directed to the automotive industry, no early improvement in trading conditions is likely, suggesting pressure on margins will remain intense.

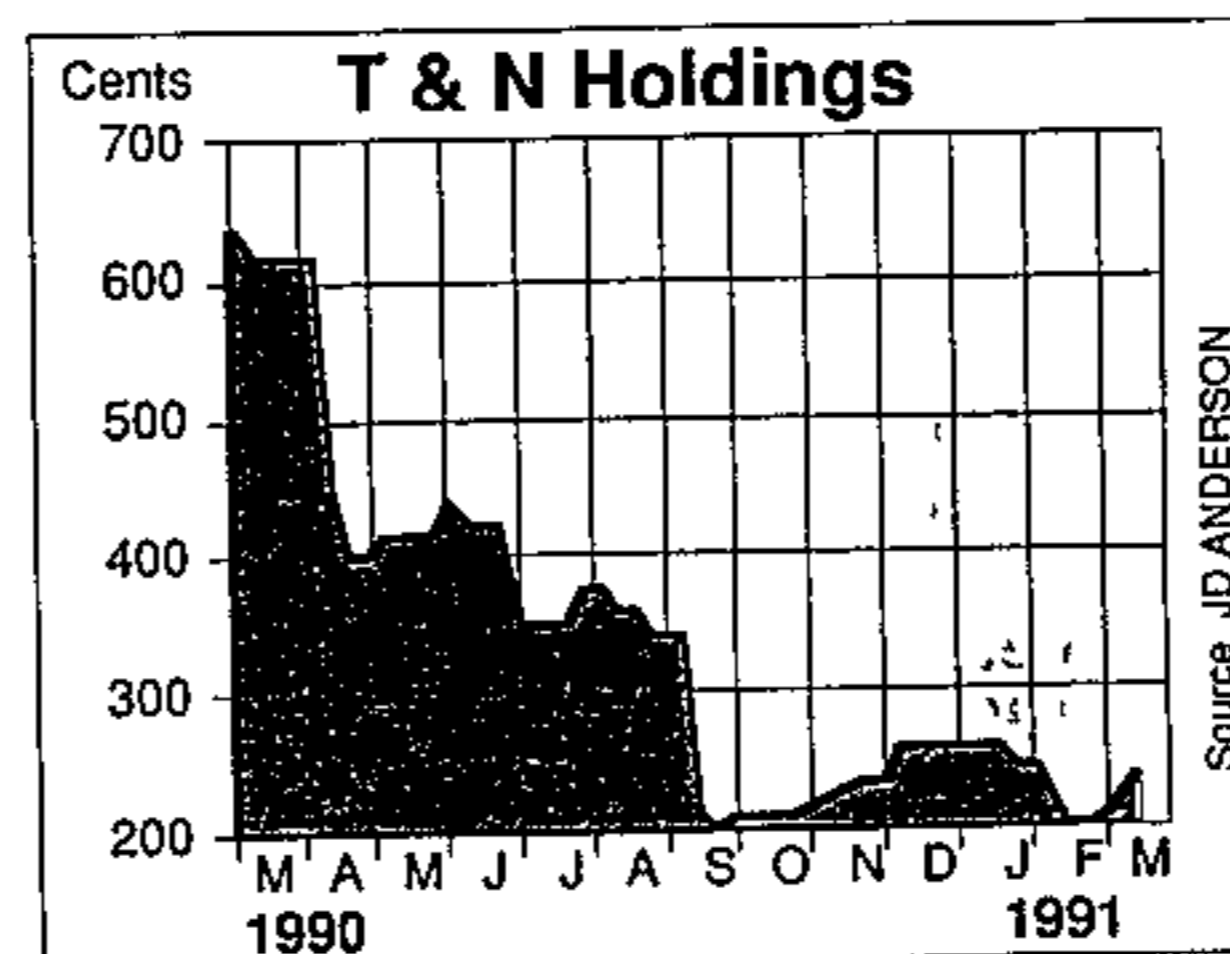
T&N's own product range seems to have a much smaller value-added component than that of its major subsidiary. This much is clear from the fact that, even after Asseng's 40% drop in operating profit, its operating margin, at 9,6%, was still almost double that of the rest of the group. A one percentage point movement in T&N's margin makes a

much bigger difference to profit (either way) than is the case with Asseng.

Despite this, the market's rating of T&N is higher than that of Asseng, reflected both in its 6% dividend yield (Asseng 6,7%) and p e of 6,6 (Asseng 5,6).

In the long run, this view may be proved right. But in the short term perhaps investors should also note that Asseng's returns (gross and net) have traditionally been higher than those of T&N. Its balance sheet is also stronger, with a debt equity ratio of only 0,43 against T&N's 0,63, and an interest/leasing cover of 2,5. T&N last year was barely managing to keep ahead of its finance costs.

Brian Thompson



Source: JD ANDERSON

CORRECTIVE STEERING

Activities: Manufacture and distribution of automotive components

Control: T&N Holdings 76%

Chairman: C F N Hope, MD J A Meyer

Capital structure: 39,4m ords Market capitalisation R41m

Share market: Price 105c Yields 6,7% on dividend, 17,9% on earnings, p e ratio, 5,6, cover, 2,7 12-month high, 180c, low, 102c

Trading volume last quarter, 152 000 shares

Year to Dec	'87	'88	'89	'90
ST debt (Rm)	—	5,6	1,3	2,8
LT debt (Rm)	4,2	7,4	23,3	25,4
Debt equity ratio	—	0,28	0,38	0,43
Shareholders' interest	0,64	0,59	0,53	0,53
Int & leasing cover	7,6	7,9	4,0	2,3
Return on cap (%)	21,7	21,5	20,5	13,1
Turnover (Rm)	79	106	130	129
Pre-int profit (Rm)	10,9	16,9	21,1	14,4
Pre-int margin (%)	13,9	16,0	16,2	11,2
Earnings (c)	26,0	28,6	33,6	18,8
Dividends (c)	34	14	15	7
Net worth (c)	84	119	138	150

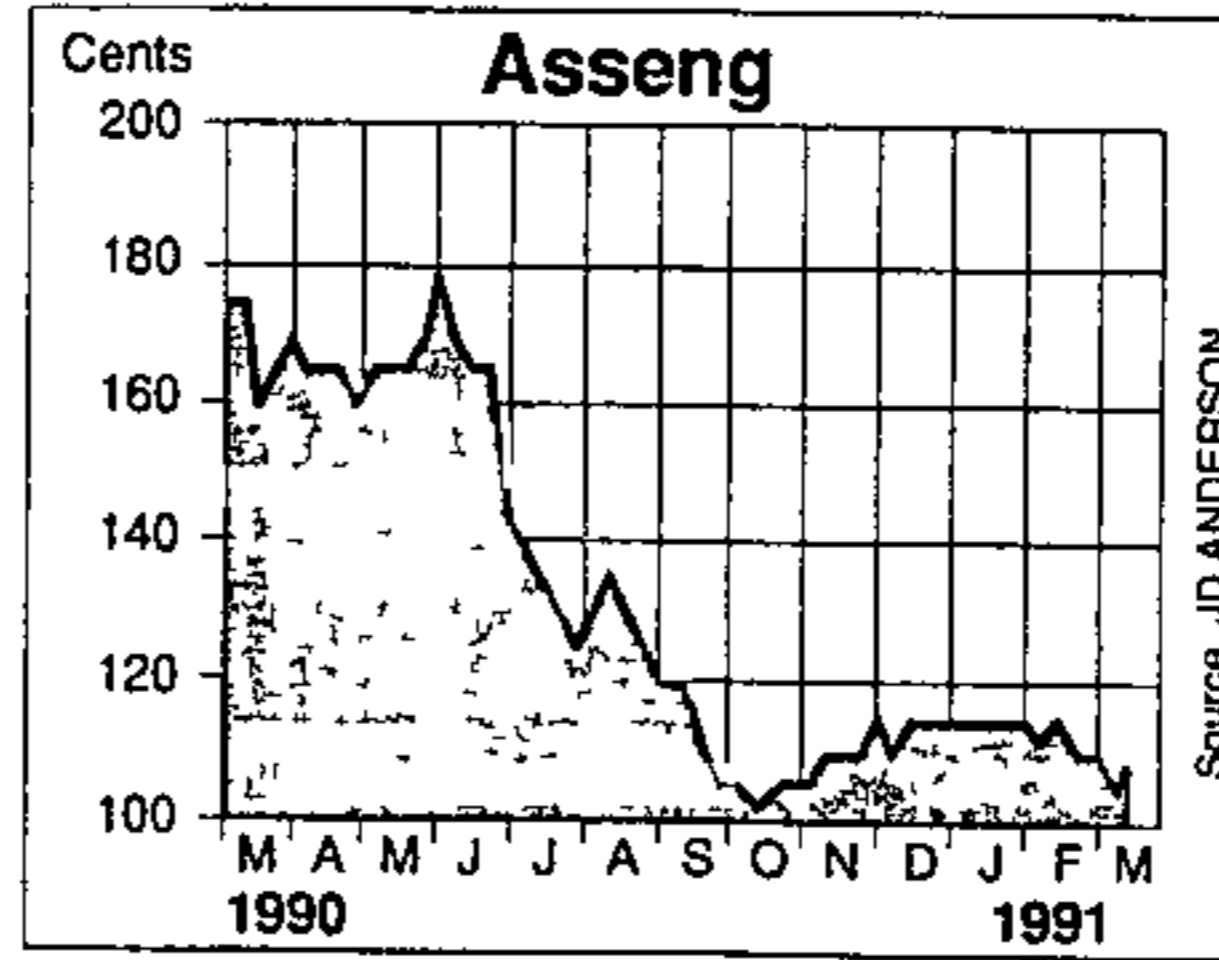
The phenomenon of companies completing expensive expansion programmes at the peak of the business cycle is hardly rare. In this instance, the consequences were compounded by two additional factors the unexpected severity of the downturn which, unusually, affected both original equipment and replacement sales, and the non-event (in terms of additional business generation) of Phase VI of the local content programme

Inevitably, Asseng has been criticised in some quarters for misreading its markets. However, if the science of hindsight is excluded, it is less clear whether this view is justified. As early as 1988, demand in certain areas was starting to outstrip capacity and the group was having to import to keep up with orders

Probably, had management known what was going to happen two years later, it would have continued with this programme. Meanwhile, the balance sheet was suffering from a sharply higher working capital requirement attributable to the long lead times associated with imports. This contributed to a swing from a net cash position of R5,8m at end-1987 to net debt of R12,9m

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With demand still strong in 1989 — turnover that year grew 23% — a decision was taken to expand capacity on various fronts. Most of the expenditure was incurred that year, resulting in a sharp increase in total assets to R102,5m (1988 R78,6m) and a further increase in net debt to R20,9m

Even at that stage, the expansion programme was adversely affecting the income statement, with most of the additional profit swallowed by higher financing costs. With a lower tax charge, EPS growth for 1989 was an acceptable 17% — with an apparent prospect of more to come once benefits of the additional capacity were seen from the first quarter of 1990

But the anticipated additional sales did not materialise. Instead, as chairman Colin Hope notes, turnover in real terms declined 15%. With higher overheads to be recouped because of additional capacity, margins crumbled. So did cashflow, resulting in borrowings moving still higher to R25,7m, lifting the debt equity ratio to 0,43 and adding another R2m to finance costs. Earnings virtually halved, wiping out most of the gains laboriously achieved during the previous three years

The company seems to have responded quite well. Though the brunt of the downturn in sales occurred in the second half, the drop in earnings during this period was held to 33% against 57% in the first six months. Working capital has been well controlled and, despite the drop in sales, the net figure remained at just over a quarter of sales. But a fundamentally weak financial position is reflected in a low interest and leasing charge cover of only 2,3 times

Nor is the short-term outlook bright. De-stocking by intermediaries, which worsened the downturn for manufacturers such as Asseng, does not yet appear to have run its course. Nor is there any reason to believe that pressure on margins stemming from low-cost imports is about to abate, especially while international demand for engine components remains depressed

This leaves as the main short-term hope the prospect that the current restructuring will restore profitability in the Roodepoort manufacturing facility (housing AE Pistons and AE Liners), where R6m was lost last year. Also, other cost-saving measures instituted in 1990 should make their impact for the full year.

MD Johan Meyer notes that the board

still believes a higher dividend cover is appropriate, in view of the need to maintain a high level of investment. Cover was raised this time from 2,25 to 2,75 times

The market seems to think the group has weathered the worst of the storm. While the share price has dropped from its 180c high to the present 105c, this fall was smaller than the declines in both earnings and dividends, so the share's rating, in terms of yields, has not deteriorated

Still, a 6,7% dividend yield does not indicate rampant optimism that a turnaround is going to be achieved overnight. Brian Thompson

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FM 5/4/91 192

A SILK PURSE OR SOW'S EAR?

The spare parts industry appears to be fighting for its life. In an unprecedented show of solidarity, suppliers and manufacturers of motor vehicle replacement parts have joined forces to fight the Draft Designs Bill of 1991 — the latest piece of legislation designed to protect “intellectual property rights”

The Bill, strongly supported by luxury car manufacturers, affords protection to the “functional designs” of any item or part which has a new shape and is intended to be manufactured in quantity. It was first published in August. After numerous representations and complaints, an amended Bill was prepared, but indications are that it too will be found to be unacceptable.

The potential protection afforded by the Bill is not available under existing copyright and patent law, but legislation which provided similar protection existed before 1987 when the Copyright Act was amended to legalise “reverse engineering”

This decision was taken to help SA circumvent sanctions and get access to imported technology — even if it meant copying it. Ironically, as soon as the Act was amended, the spare parts industry boomed. Component manufacturers started up and pirate parts landed in SA, often at a fraction of the price of the genuine item.

Manufacturers were understandably put out. BMW, having registered copyrights over certain components, last year sent a lawyer's letter to dealers ordering them to return non-authentic parts to BMW, pay damages for those sold and give an undertaking never to sell these parts again.

The concern the spare parts industry now has is that, if the Bill is passed, it will pave the way for manufacturing cartels which will be able to dictate prices once they have registered functional designs over their components. Monopolies could result and prices could increase dramatically, not only on repair bills but also in respect of insurance premiums.

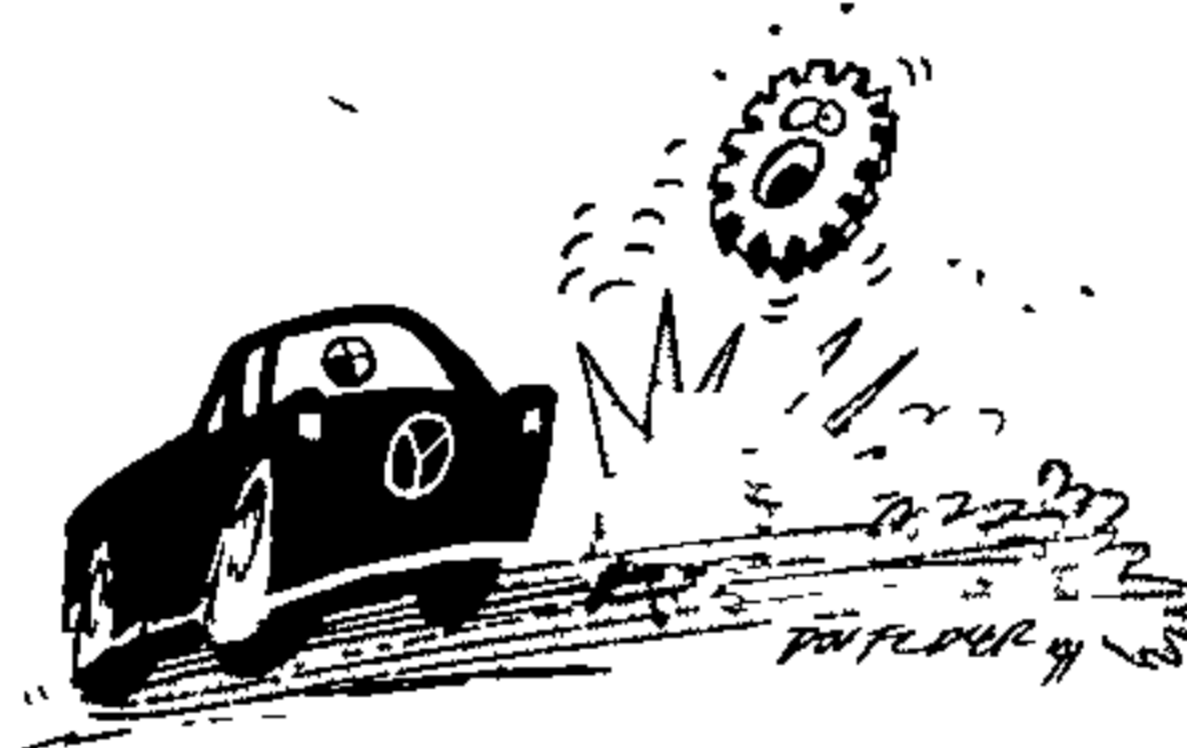
Says John Fourie, a partner at Allmakes, importers and distributors of spare parts: “Employment opportunities will be lost and inflation will be fuelled, especially in view of the increasing age of SA's motor vehicle and truck fleet.”

Ultimately, the fear is that the spare parts industry will gradually wind down, ending the employment of about 70 000 people.

An advisory committee has been appointed by the Minister of Trade & Industry to examine the implications of the Bill. However, the spare parts industry is concerned that it has no representative on the committee, comprised chiefly of patent attorneys and academics and chaired by Judge Louis Harms.

Clearly the scope of the Bill is wide. “There is no mechanical device, no matter how simple, which will not qualify for registration as long as its shape can be said to be new,” says Fourie. He points out that the Bill touches every sector utilising replacement parts, in particular the mining industry. “SA is heavily dependent on imported capital equipment and machinery. Everything possible should be done to ensure that equipment and machinery can be repaired and maintained in service at the lowest possible cost,” he argues.

But standing committee member and patent attorney acting for BMW Chris Job says the Bill merely seeks to update the law. He



adds that the Designs Act 1967 provides only for the protection of “aesthetic designs”

“This will be retained but protection will be broadened to protect designs not aesthetic but only functional. Someone who spends lots of time and money should be given exclusivity over their product for a certain time. A happy balance needs to be found between those who spend millions and those who just copy,” he says.

BMW marketing director John Jessop says the legislation is needed to protect car manufacturers' reputations.

He says “A BMW seriously damaged in an accident because of faulty spare parts has serious implications for us. We have a right and responsibility to protect parts. We can't condone a situation where non-BMW parts affect our reputation.”

He denies that quality will be at the expense of price. “If our parts are too expensive, car owners will decide BMW running costs are too high,” he says.

HEALTH CARE FM 5/4/91

AN OVERSUPPLY?

Officially at least, there is a moratorium on the granting of private hospital licences, especially in the over-traded metropolitan areas.

Yet, inexplicably, the Department of Health and Welfare has recently granted hospital licences right in the heart of two of

FM 5/4/91 the most over-traded areas in the country, in Randburg and Goodwood near Cape Town.

Clinic Holdings, the largest private hospital group, was turned down when it applied for a hospital licence in Randburg, but a licence has been granted to an independent company which plans to run a facility at a former drive-in site within the Randburg municipality. An application to open a day clinic in Goodwood was also recently turned down on the grounds that the area was already well-served, but a full hospital is to be built nearby as part of the NI City complex.

Existing hospitals in the vicinity of the new Goodwood clinic include the Libertas, Louis Leipoldt, Panorama and Jan S Marais, not to mention the large Tygerberg State hospital.

Says Dick Williamson, GM of Afrox Healthcare: “These decisions open the whole licensing policy to question. We have accepted the moratorium and have been unable to extend at least one of our hospitals as a result. In return, we expect the policy to be applied consistently.”

It is widely felt, even in the private sector, that there should be some form of control over hospital licences. Ultimately, patients could find themselves paying higher fees to make under-used hospitals profitable if the situation is not brought under control.

Statistical solutions

Says Rob Speedie, executive director of the Representative Association of Medical Schemes: “There is a maldistribution of medical services, whether private hospitals, doctors or pharmacies and it may be wise not to exacerbate this by granting licences in over-traded areas. Government is aiming for an average of two beds per 1 000 patients, yet in Cape Town the ratio is in excess of 12 per 1 000.”

The problem is hospital licensing does not form part of national health policy. It is still considered an “own affair” which is administered by the three “own affairs” Departments of Health.

The department does not give reasons why it accepts or rejects licence applications, but it makes exceptions to the moratorium when there is a “need”. In other countries, such as the US, statistics are used to determine the need for a hospital in a particular area. These figures determine the need for specific facilities, such as geriatric care or maternity units, according to local conditions. In SA, however, a crude head count is applied.

Says John Cowlin, MD of the Zandfontein Clinic in Sandton, who has been turned down for several licences: “By its own admission, the department does not use detailed statistics. It has been offered access to statistics

Plant 'just (192) for export'

810am 9/14/91
MARC HASENFUSS

THE Algorax plant in Port Elizabeth, jointly owned by the Industrial Development Corporation and Degussa of West Germany, is set to generate substantial export orders when it commences full-scale production of automotive exhaust catalysts.

The entire output from Algorax will be exported as SA law does not require the installation of catalytic converters in vehicles, according to a statement released yesterday.

Algorax GM Tony Drinkwater said the plant produced samples for final approval in December last year, and had been operational since February producing catalysts for major SA car manufacturers for their export requirements to Europe.

The plant will be officially opened on Thursday by Deputy Minister of Trade and Industry Theo Alant.

EC legislation requires all vehicles manufactured after October next year to be fitted with these converters.

Metair marks 1992 as year for growth ¹⁹²

SEAN VAN ZYL

VEHICLE component manufacturer Metair Investments was not expected to return to "real growth" before 1992, the group's chairman Douglas Steward said in his latest annual review.

Steward said the difficult business conditions which the group's operating subsidiaries faced in 1990 were likely to prevail for most of the current trading period. Metair's growth opportunities were largely reliant on new vehicle sales which were forecast to drop by between 2% to 3% this year, he said.

However, new vehicle sales were expected to climb by 4% during 1992.

While the short-term picture did not look good, Steward said the lifting of sanctions and "easing of economic barriers" internationally could produce export opportunities.

9/14/91 Management

"The group will give increasing emphasis to this market given the change in emphasis in the local content programme."

Metair's 38% drop in attributable profits to R8,6m (R13,9m) for the year to end-December 1990 was largely a result of losses incurred by its Motorrubber and First

National Batteries operations. Motorrubber's replacement of most of its management team in the period under review resulted in "a loss of control over and production output", which adversely affected the company's performance.

The merging of Raylite and Chloride into First National Batteries did not run as smoothly as expected.

Difficult trading conditions and increased pressure on operating margins forced Metair to implement retrenchment programmes at both these operations.

As a result, Steward said Motorrubber and First National Batteries were expected to make "modest" profits this year, which would signal a significant turnaround for the group.

While the immediate prospects for the group were limited, profits for 1991 should show a substantial improvement over 1990, Steward said.

March's new car sales up ahead of quarterly increase

30 (192)

Biday 10/4/97

PASSENGER car sales in March were bolstered by pre-emptive buying by the private and corporate sectors ahead of the quarterly new car price increases.

Figures released by the National Association of Automobile Manufacturers of SA (Naamsa) yesterday show new car sales, further aided by manufacturers' improved supply position, rose 7% to 20 369 units compared with the 19 045 units sold in the corresponding period last year.

Despite the prevailing high cost of finance and low levels of business confidence, light commercial vehicles (LCVs) held up well, and the sales decline was limited to a slender 4% to 9 968 (10 350) units.

Quarterly sales for passenger vehicles at 52 000 units are at the same level as last year, but LCVs showed a 10% drop to 26 520 (29 500) units.

Combined new vehicle sales showed a 2% increase to 31 258 (30 576) units for the month on the back of improved passenger car sales, but quarterly sales were down 3,5% to 81 878 units against the 84 871 units sold in the corresponding period last year.

Naamsa said the continuing weakness in the medium commercial (MCV) and heavy commercial vehicle (HCV) sales was of serious concern to the motor industry.

MCV and HCV sales in March fell 24% to 364 (478) units and 21% to 557 (703) units respectively.

MCV and HCV sales have remained severely depressed throughout the first quarter, with MCV sales 22% lower at 1 050 units (1 358) and HCV sales down 26% to 1 426 (1 917) units compared with the corresponding quarter last year.

Naamsa said the introduction of value added tax (VAT) at the end of

MARC HASENFUSS

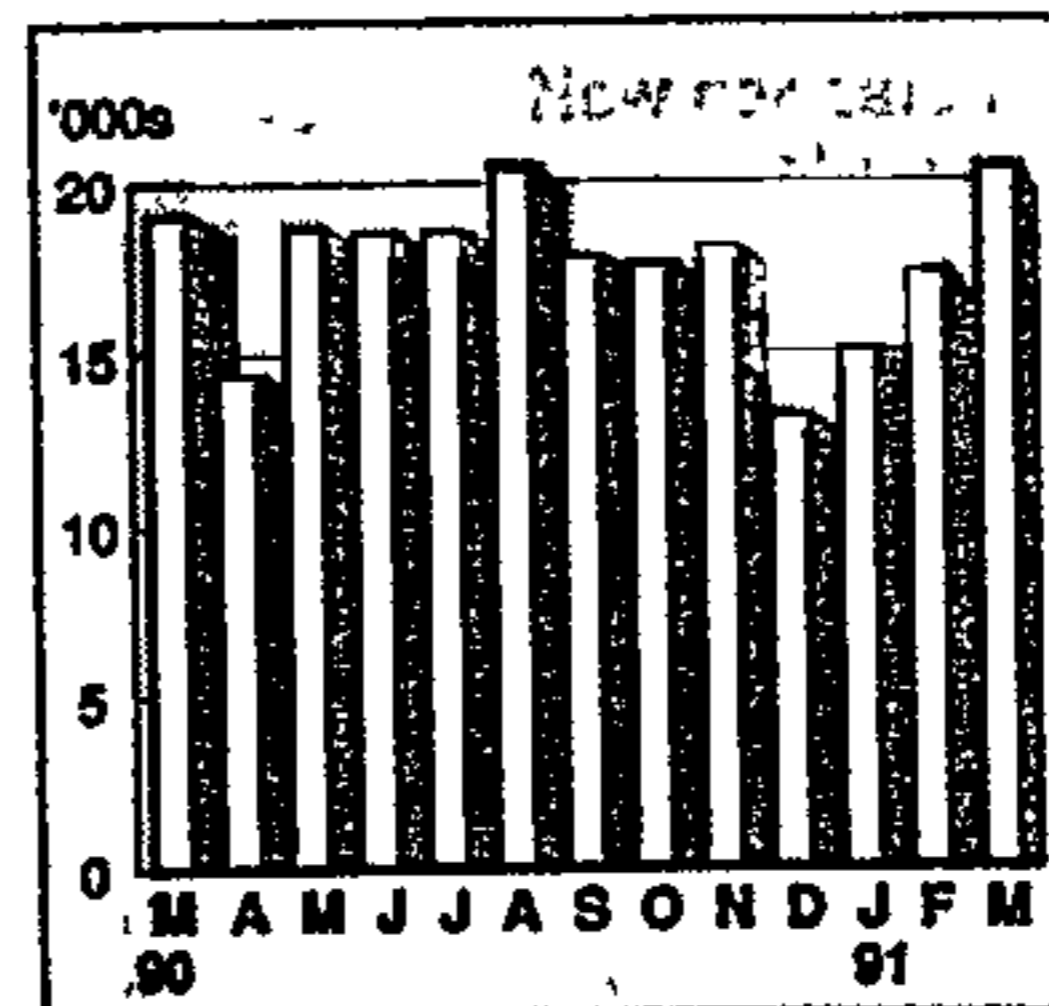
September this year on the basis of an immediate, full input credit in respect of capital goods could create serious problems for the new commercial vehicle sector of the industry.

Naamsa anticipated that, during the period leading up to the introduction of VAT, new commercial vehicle sales would be adversely affected by the inevitable deferment of capital expenditure by businesses.

Corporations would be able to acquire capital goods, including any type of commercial vehicle free from VAT by virtue of the fact of the credit companies would receive for tax paid on capital goods.

"Moreover, commercial vehicle manufacturers would probably face a quantum leap in orders for delivery during the fourth quarter of 1991, whilst experiencing cash flow difficulties during the second and third quarters."

In the light of government's decision to deny an input credit in respect of company cars, Naamsa said VAT was unlikely to disturb demand for new cars in the months prior to its introduction.



Graphic: FIONA KRISCH Source: NAAMSA

Anglo's switch helps to boost new car sales

By Derek Tommey

The strong upward trend in new car sales in the first three months of this year — 15 090 in January, 17 416 in February and 20 369 last month — at first sight suggests that the motor trade and the economy are on their way to better times.

But unfortunately this is far from the truth. Sources in the motor trade say that much of March's good sales figures were the result of the Anglo American Corporation — SA's biggest company — changing its policy on company cars.

Dealers say that many Anglo American employees now receive a car

allowance instead of a company car.

This has led to a new-car-buying spree by Anglo American employees, which has given a welcome boost to the smaller-car market.

It was not possible to confirm this report with Anglo officials yesterday.

But the auction marts have been selling a large number of cars recently, which have been advertised as coming from Anglo's head office and which seems to confirm the dealers' reports.

The March new car sales figures are the best since last August's slightly freakish figure of 20 460, and before that the best since October, 1988.

Sales of light commercial vehicles increased from 9 581 in February to 9 968 in March (last year, 10 350). But sales of medium commercial vehicles dropped to 364 from 412 in February and 478 in March, 1990.

Heavy commercial vehicles showed some improvement, rising from 446 in February to 557 last month, but this was below the 703 sold a year ago.

Altogether, new vehicle sales in March totalled 31 248, compared with 26 855 in February and 30 578 in March last year.

New vehicle sales for the first three months were 81 878, down from 84 871 in the same three months of last year.

The National Associa-

tion of Automobile Manufacturers welcomed the increased sales in March.

But it said it was seriously concerned by the continued weakness in medium and heavy commercial vehicle sales.

It said the Government's decision to introduce value-added tax on September 30 on the basis of an immediate full input credit for capital goods could create serious problems for the new commercial vehicle sector.

It was likely to face cash flow problems in the next two quarters owing to the deferment of capital expenditure followed by a huge leap in orders for delivery in the fourth quarter.

Bert Wessels, chief executive of Toyota, said he was satisfied with the March figures, which saw his company increase its market share to above 29 percent.

However, he was not optimistic about the outlook for new car sales in the coming months owing to the difficulties facing the economy.

FM 12/4/91

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early end in sight to the market slump that has seen truck and bus sales plummet by more than 25% so far this year

Figures released this week by the National Association of Automobile Manufacturers of SA (Naamsa) show that sales of heavy commercial vehicles in the first quarter fell to 1 426 from a depressed 1990 figure of 1 917 for the same quarter. Medium commercials fell by more than 22%.

Nor does Naamsa expect the situation to get any better. Indeed, at least until VAT is introduced on September 30, it predicts things will be worse.

The association says commercial vehicles bought by companies after that date will be effectively VAT-free "by virtue of the credit they will receive for tax paid on capital goods." Avoiding the GST payment amounts to an effective 13% saving.

The result will be that businesses may defer capital expenditure until after September 30. From that date, suggests Naamsa, dealers and manufacturers may receive a flood of orders for delivery in the fourth quarter.

However, Dave Scott, director of Nissan's heavy vehicle division, argues that the real saving on a deferred purchase will be considerably less than 13%. He points out that truck prices may rise by as much as 8% between now and then. In addition, businesses must consider the extra cost of maintaining old equipment. At the end of the day, the saving may be minimal.

He adds that if there is a flood of orders from October 1, delivery times will be greatly extended. "There will be a bulge in the delivery chain."

While agreeing that VAT savings will be less than some companies expect, Adolf Moosbauer, head of Mercedes-Benz SA's commercial vehicle division, doubts whether a flood of orders will occur from October. Stating that Mercedes already has downgraded its forecast for the 1991 heavy truck market from 7 500 to 6 200, he says some companies that defer purchases for VAT purposes are likely to do so into the next financial year.

Moosbauer and Scott agree that while VAT poses a threat, the main reason for the weakness in truck sales is economic and political uncertainty.

Says Scott "It's no longer a question of finance and economics. It's related to what's going on in the country and around the world. A truck is an expensive, long-term capital investment. If there is a lack of confidence, you are less likely to buy. Do you want to spend a lot of money on a truck if you think there's going to be nothing to haul?" ■

MOTOR INDUSTRY FM 12/4/91
TRUCK SLUMP 192

Some blame value-added tax while others blame political uncertainty. Still more say the economy is to blame. Truck-makers are united on one thing, however: there is no

MARCH VEHICLE SALES

	1991	1990	% change
Cars			
March	20 369	19 045	+7,0
January-March	52 874	52 096	+1,5
Feb (17 416)-Mar			+17,0
Light commercials			
March	9 968	10 350	-3,7
January-March	26 520	29 500	-10,1
Feb (8 581)-Mar			+16,2
Medium commercials			
March	364	478	-23,8
January-March	1 058	1 358	-22,1
Feb (412)-Mar			-11,7
Heavy commercials			
March	557	703	-20,8
January-March	1 426	1 917	-25,6
Feb (446)-Mar			+24,9
Total vehicle sales			
March	31 258	30 576	+2,2
January-March	81 878	84 871	-3,5
Feb (26 855)-Mar			+16,4
		Source Naamsa	

By **DON ROBERTSON**

TOYOTA hopes to beat an expected sharp decline in the sale of commercial vehicles ahead of the introduction of VAT on October 1

It is feared that companies will defer the purchase of commercial vehicles until that date. Commercial vehicles or other capital purchases will be exempt from VAT. They carry GST until September 30.

The Toyota-Wesbank deal involves a plan to allow companies to enter a six-month rental agreement with Wesbank. At the end of this period, the operator will have an option to buy the vehicle or enter a new contract.

This means that the operator will pay only interest for the first six months and GST on it. He avoids payment of GST on the vehicle.

The decline in sales is already evident in commercial vehicle sales for March released by the National Association of Automobile Manufacturers of SA (Naamsa).

In all three categories—light, medium and heavy—sales were well down on the same month last year.

Naamsa says it could cause serious problems for this motor sector.

Sales of light commercials rose in March by 16,1% to 9 968 from 8 581 in February, but were 3,7% below the March figure last year.

Medium commercials fell to 364 compared with 412 in February and 478 in March last year for a 23,8% decline. Heavy commercial sales

Toyota in bid ⁽¹⁹²⁾ to boost ^{S/Times 14/4/91} trucks ^(Bus/T)

were better in March at 557 against 446, but were 20,7% lower than last year.

Sales of medium commercials are 22% lower in the first quarter of the year compared with the first three months of last year, and heavy commercials are 25,6% down.

Car sales in March, however, showed a 17% increase over February, rising to 20 369 from 17 416. They were also up on the 19 045 in March 1990. A better stock position and buying ahead of the April price rises were responsible for the improvement.

Motors hurt W&A group

(Bus/T) S/Times 14/4/91. 192

SHARPLY reduced profits from Delta vehicle and spares distributor Williams Hunt and from V&R Engine Spares dented the performance of W&A in the year to December.

Edworks, bought out of liquidation as a loser in 1989, is taking longer to turn around than was expected

The shoe business lost R11,4-million in the year. Another R4-million was lost in toys.

But stockings pulled up W&A bought Arwa, the price to be settled in scrip, so taking over the biggest hosiery competitor and wiping out the "irrational competition". Exports will be promoted and the directors hope they will double in 1991.

Associate Elcentre's contribution showed a large decline.

The W&A group's turnover

By JULIE WALKER

grew by 30% to R3-billion, but the operating profit margin fell from 12,6% to 10,4%. This was enough to cover the interest bill 2,7 times. The directors believe this an acceptable figure given the circumstances.

Good news was a tax rate lowered mainly because of capital allowances. The rate will take several years to rise to the previous range of 25% to 30%.

The directors say unfavourable conditions prevail worldwide, and management is concentrating on operating efficiency and profitable market share. W&A is also preparing for the end of SA's trade and political isolation.

The share price dropped from 525c to 470c on the results — five times historic earnings. It was 830c last July and 425c in October.

Gifts, toiletries and household goods chain Clicks

raised profit by a quarter in the year to February. Turnover rose by almost 30% to R552-million and earnings a share were 25% higher at 102,3c. Profit margins were pinched by shrinkage. The dividend climbed from 34c to 43c.

Cemenco's six months to March showed a loss of R361 000 before an interest bill of R5,7-million took it beyond R6-million. Short-term borrowings grew by R12-million to R42-million. Turnover is not disclosed.

Poor conditions in mining and manufacturing resulted in losses on low-margin business. Cemenco will not pay the cumulative preference dividend for the six months to June 1991, or an interim ordinary. The directors do not expect an improvement in trading conditions this year.

The lightly traded share was offered at 535c on Friday.

Amgold's results for the 13 months to March were well down, reflecting the drop in gold-mining profits as well as a R20-million write-off against the holding in curtailed Barbrook.

Depressed

Amgold's income was R178-million compared with R309-million for the previous 12 months. The share is trading at R200 in line with net asset value.

Italtile felt the pinch in the building sector. Turnover rose by a tenth in the year to February, but on lower volumes. Margins were depressed and commissioning the Samca 2 factory at Babelegi was more difficult than expected.

Earnings slipped from 93c to 76c a share, and the dividend was maintained at 18c. The directors do not expect real growth in sales this year, but believe earnings will be maintained.

Upgrading to cost Toyota R30m this year

TOYOTA SA is to invest more than R30m this year on plant improvement, extensions and automation, including the installation of robots to increase Corolla production

81004 16/4/91 (192)
MD Ralph Broadley said that R7m was being spent on increasing Corolla volumes from 177 a day to 220 a day

A further R20m was earmarked to extend the assembly hall, increase volumes of light commercial vehicles from 155 to 170 a day, modernise the receiving opera-

MARC HASENFUSS

tion for local components and create facilities in the body shop for increased storage space for stampings

Almost R4m had been set aside for automation, primarily in the paint shops

Broadley stressed that no one would lose a job because of higher levels of automation

"People will be relocated in the expansion and growth phase of the company," he said

Wesco diversifies to beat depressed vehicle market

192
BIDM 16/4/91.

MARC HASENFUSS

FALLING new vehicle sales and the depressed after-sale market have seen Wesco, the holding company of Toyota and Metair, diversify into furniture and container manufacturing, says the group's annual report

Wesco has acquired a 49% share in furniture manufacturing concern Gomma-gomma Holdings (Gomma) for R13m and formed 90%-held Camargue Transport Systems to manufacture and market standard steel containers

Gomma reported a loss of R1,4m (previously earnings of R125 000) or 7,2c (1,6c loss) a share for the year to end-December 1990 as a result of relocating its Industria factory to Garankuwa

Wesco chairman Albert Wessels said in his annual review that Gomma's problems during its last financial year, associated with the relocation of its plant to Garankuwa, had been resolved

He was confident that the recapitalised Gomma would be in a strong position to take full advantage of domestic and international markets, and that profits from Gomma would contribute satisfactorily to Wesco's earnings

Wessels said Camargue's steel containers would be largely for export and were expected to become substantial earners of

foreign currency

Production is scheduled towards the end of the year

Wesco's initial investment in Camargue would be R4,5m Both investments were funded from available cash, Wessels said

Gomma's share rose 9% or 5c to 60c yesterday, as it continued its recovery from its March low of 40c The share has gained more than 50% since last month, but is still below last June's 80c high

Wesco shares accelerated from R35 to R45 last week

In its year to end-December 1990, Wesco reported a 29% boost in earnings to R61m (R50m) as Toyota's strong performance offset a problematic year for spares manufacturer Metair

Wessels did not expect the decline in the economy to be reversed before the latter part of 1991

"The vehicle market, however, is more likely to decline further, and any improvement can only be expected towards the end of the year"

He said Toyota should maintain market share, but Metair's turnover would be influenced by demand from motor manufacturers and from after-sale outlets



TOYOTA

FM 19/4/91

LABOUR STABILITY NEEDED

192

Activities: Assembles and distributes Toyota and Hino motor vehicles

Control: Wesco 50%

Chairman: A J J Wessels, CE A J J Wessels

Capital structure: 4,1m ords Market capitalisation R691m

Share market: Price 17 000c Yields 2,8% on dividend, 16,3% on earnings, p e ratio, 6,2, cover, 5,8 12-month high, 17 000c, low, 9 700c Trading volume last quarter, 5 000 shares

Year to Dec 31	'87	'88	'89	'90
ST debt (Rm)	5 8	24 0	105 6	29 5
LT debt (Rm)	75 7	108 8	32 4	49 7
Debt equity ratio	0 19	0 24	0 22	0 09
Shareholders interest	0 62	0 60	0 54	0,61
Int & leasing cover	5,9	3 8	6 6	390 4
Return on cap (%)	18 7	23,0	18 2	18 7
Turnover (bn)	1 92	2 51	2 92	3 12
Pre-int profit (Rm)	126 1	206 5	206 0	251,1
Pre-int margin (%)	6,4	8 0	6 9	7 9
Earnings (c)	2 056	2 193	2 149	2 764
Dividends (c)	300	360	410	475
Net worth (c)	10354	13143	15010	20130

Management acknowledges that favourable shifts in the exchange rate made a big contribution to Toyota's 29% climb in attributable earnings in the year to end-December

The group bought most of its annual stock from Toyota Motor Corp in Japan in the first half of 1990, when the rand was valued at about 56 yen. This was better than budget, as well as the previous year's exchange rate of 52 yen to the rand, and enabled the group to contain increases in production costs. On the back of this, trading profit rose 22% to R251m, even though turnover rose only slightly to R3,12bn.

However, Toyota CE Bert Wessels says it is almost impossible to quantify effects of exchange rate gains in last year's performance. He declines to say how the group might have performed had there been no change in the rate of exchange.

Wessels points out that Toyota used savings incurred by the strengthening of the rand to peg price increases over the year at about 10% — in line with the industry average. Aggressive marketing and dealer support programmes enabled Toyota to increase combined unit sales of cars and light and



Toyota's Wessels provisions have been made

heavy commercial vehicles by 6,6%, despite a 5% contraction in the total vehicle market.

Wessels says the two biggest influences on the group's performance this year will be the exchange rate and industrial action. Stoppages at its plants late last year cost the group 1 200 units in lost production and helped to push up stocks at December by 22%. Component deliveries were disrupted by disputes at some suppliers. Management hopes subsequent agreements between representatives of the motor industry and unions will help eliminate such disputes this year.

Labour stability is likely to be the key to Toyota's performance in the current year, as a repeat of 1990's exchange rate boost seems remote — since the beginning of the year the rand has traded at between 52 and 49 yen. The group usually provides for a steady weakening of the rand at a rate determined by the difference in the inflation rates in SA and Japan.

There is little good news on the sales front. Sales of new vehicles in SA are at best likely to remain flat this year. The introduction of full VAT credits on capital goods such as commercial vehicles — though not on cars — should bolster sales from October, but deferring of orders until then could stretch cash flow.

Wessels, however, remains confident that by increasing market share — Toyota last year accounted for nearly 29% of all new vehicles sold — the group will be able to generate real earnings growth this year.

After substantial investment in local sourcing and manufacture of components, Wessels says, the group is no longer constrained by the export ceiling imposed by

Japanese companies in 1989. And he expects this moratorium — which limits the yen-value of Japanese companies' exports to SA to no more than 1987 levels — to be lifted soon.

"We expect to increase annual production from 93 500 units to more than 97 000 vehicles this year," he says. Some of this increased production will bolster the low stock holdings of dealers.

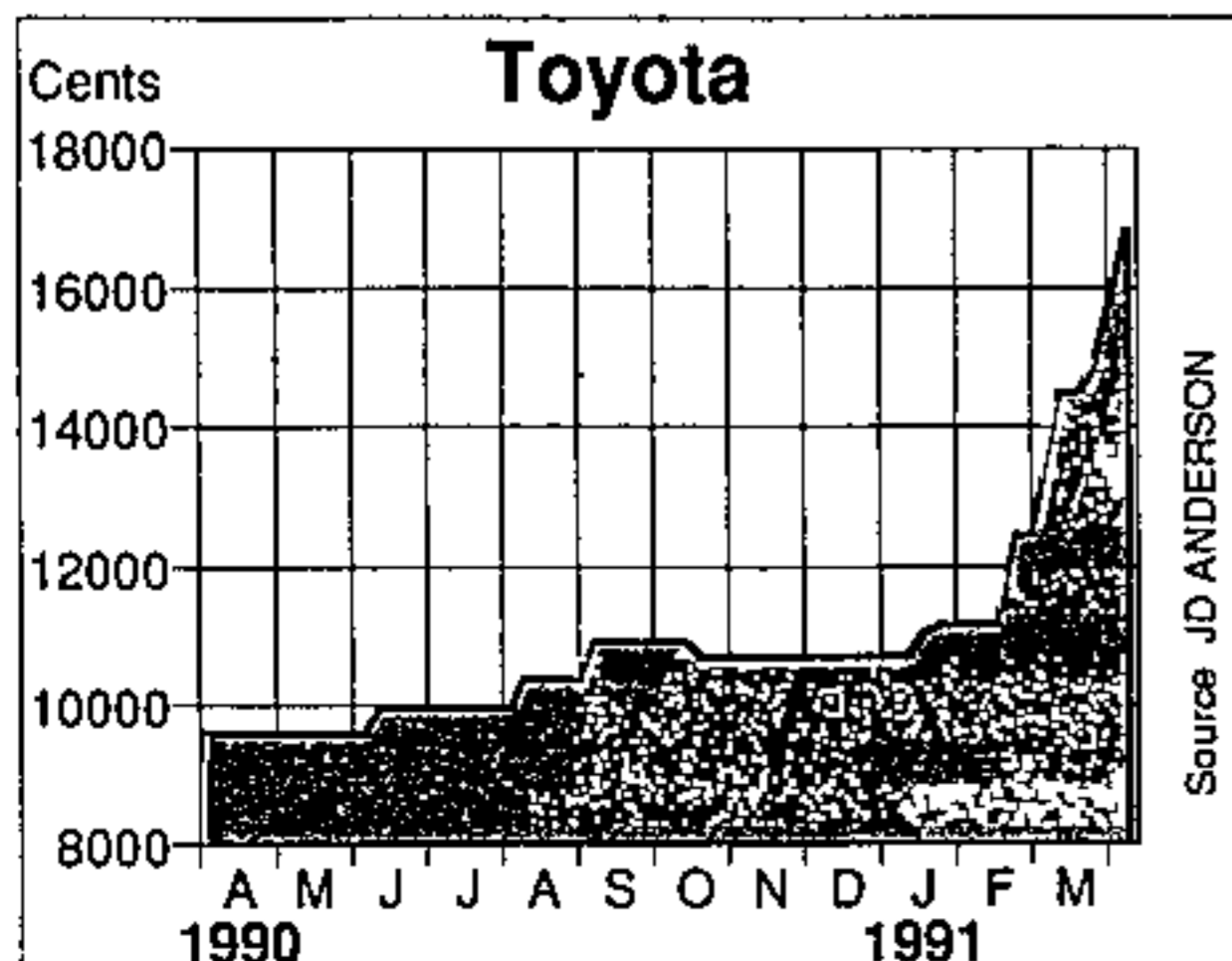
Management did much to strengthen the balance sheet last year with gearing down to 9%, and 1989's net interest charges of nearly R30m turned into a positive contribution of R1,2m. Though capital expenditure, budgeted to climb from less than R130m to R300m this year, will be funded mainly from cash flow and conservative depreciation reserves, gearing is likely to return close to the 1989 mark of 22% and earnings retention could increase. Dividend cover is unlikely to rise much further.

EPS are unlikely to benefit from a weakening of last year's effective tax rate of 55%. Chairman Albert Wessels adds that provision has been made for the possibility that the tax authorities might disallow previous export claims by the group.

With few industrial groups reporting real earnings growth — and even fewer bold enough to forecast earnings above inflation this year — the share has strengthened significantly. Since Toyota reported results early in March, the share has gained R27 to R170, and offers a thin historical dividend yield of 2,8% — though the p e ratio is a more attractive 6,2.

The group's frequent revaluation of assets means the share is trading at a considerable premium to NAV, but it is difficult to justify a rating much higher than current levels.

Simon Cashmore



METAIR FM 19/4/91

GEARING UP

192

Depressed sales across the motor vehicle industry, and losses in its battery and rubber components operations, put a clamp on Metair's cash flow last year.

In the year to end-December, gross cash flow at the vehicle component supplier fell by one-tenth. As a result the group turned to debt to fund much of its capital expenditure. Net borrowings at year-end more than tripled to R28m while interest charges rose 40% to just more than R5m.

Gearing and interest cover weakened considerably but remained well within acceptable limits at 26% and 4,8 times respectively. However, the climb in finance charges did



Activities: Manufactures and distributes motor vehicle components

Control: Wesco 42%, directors 30%

Chairman: D C Stewart, MD A D Plummer

Capital structure: 5,7m ords Market capitalisation R72,2m

Share market: Price 1 275c Yields 4,9% on dividend, 12,0% on earnings, p e ratio, 8,4, cover, 2,4 12-month high, 1 350c, low, 1 125c Trading volume last quarter, 20 000 shares

Year to Dec 31	'87	'88	'89	'90
ST debt (Rm)	0,2	0,6	2,1	4,2
LT debt (Rm)	0,7	2,1	8,1	26,2
Debt equity ratio	nil	0,01	0,08	0,26
Shareholders interest	0,75	0,74	0,65	0,60
Int & leasing cover	112,2	18,7	8,5	4,8
Return on cap (%)	14,8	19,8	18,0	13,4
Turnover (Rm)	176	253	309	303
Pre-int profit (Rm)	14,0	27,5	30,6	24,3
Pre-int margin (%)	8,0	11,5	9,9	7,4
Earnings (c)	179	230	245	153
Dividends (c)	44	53	63	63
Net worth (c)	1 268	1 884	1 925	1 921

much to pull attributable earnings down by 38% to R8,6m, on slightly increased turnover of R330m

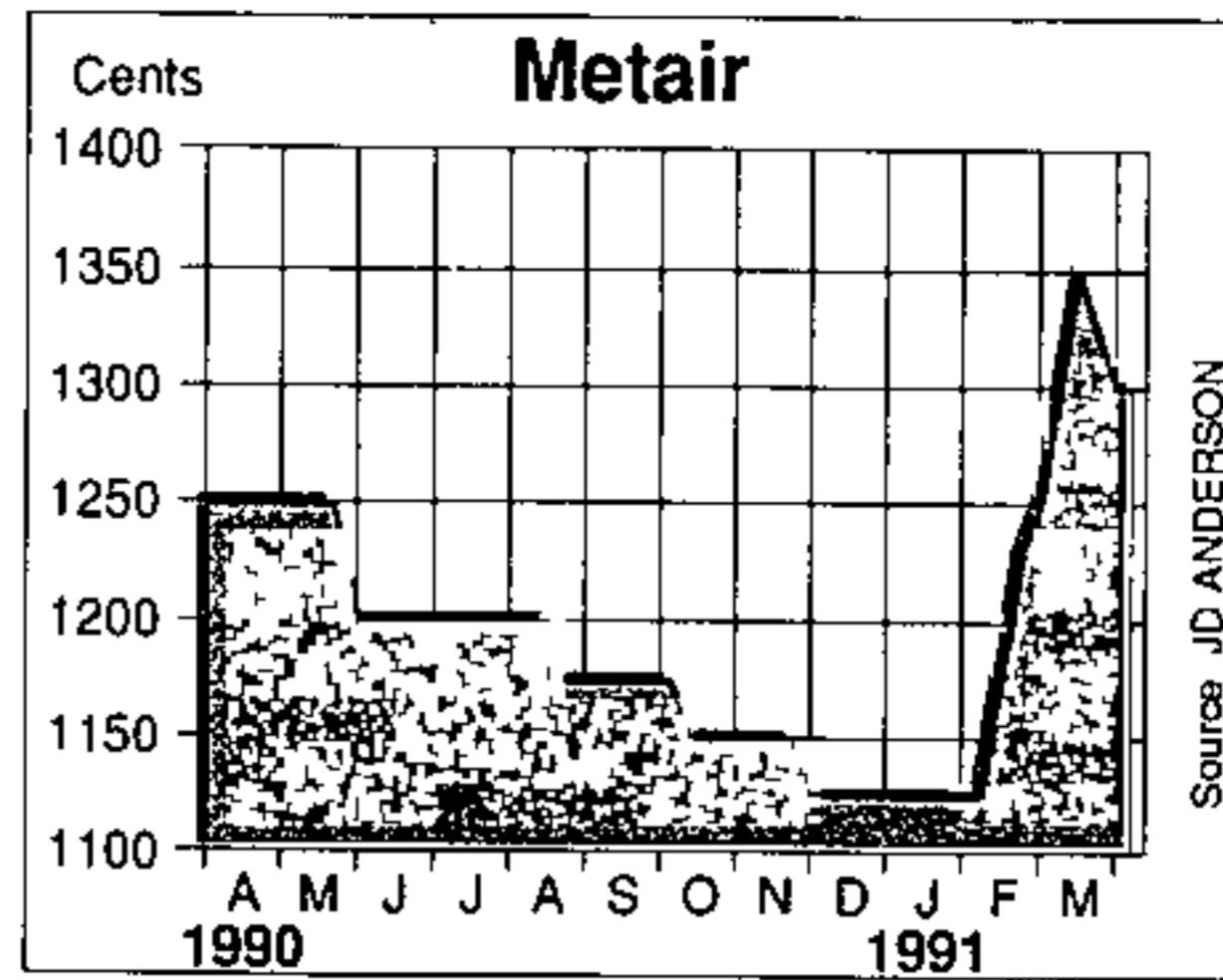
MD Alan Plummer expects a further increase in gearing this year, as the group feels the full effects of a R35m capital expenditure programme that will upgrade facilities at Metlink and Smiths Manufacturing, to take advantage of the motor industry's Phase 6 local content regulations Plummer declines to forecast levels of gearing in the current year, but says the conservative depreciation policy will help to contain borrowings

Though interest rates are expected to ease, it seems likely that finance charges at Metair will at least remain at current levels and this will continue to temper earnings Chairman Douglas Stewart expects a further 2%-3% decline in new motor vehicle sales this year, and says benefits from the investments in new plant and technology — which will improve the group's export capability — will not be felt until the second half of next year Clearly, improvements in the performance of the loss-making battery and rubber components operations will be needed if Metair is to avoid a further slide in earnings in 1991

In April 1990 Metair merged its troublesome Raylite Batteries subsidiary with Chloride SA to form First National Batteries Metair and Federale Volksbeleggings each hold 30% of the enlarged group, with the rest of the equity owned by UK-controlled Chloride Holdings Metair also spent R3m acquiring the outstanding 25% equity in rubber components subsidiary Motorubber

Losses at these operations helped cut the group's operating margins from 9,9% to 7,4% Both companies have undergone substantial reorganisation, which led to extraordinary write-offs last year of R2,8m, and Plummer expects them to make positive, if modest, contributions to earnings this year Such a turnaround, he says, would have a significant effect on the bottom line

While these measures should enable Metair to recover much of last year's earnings decline, real growth is only expected from



1992 By then it is hoped that vehicle sales will have started to improve, various new models will have been launched — contracts for the supply of components for some of these models have already been secured — and the group will be able to use its enhanced production facilities to increase penetration of the domestic and international component markets

The share has risen on the back of improved sentiment in the industrial sector, and touched 1 350c in March It stands at 1 275c, on a p e of 8,4 and dividend yield of 4,9% Much will depend on Metair's ability in the next few years to generate sales to support its high investment in capital expenditure, but the share could appreciate significantly when the vehicle market recovers

Simon Cashmore

JD GROUP

SALES GALLOP



Activities: Furniture retailer

Control: W&A, ultimate holding company is FSI Group

Chairman and MD: I D Sussman

Capital structure: 35,7m ords Market capitalisation R205m

Share market: Price 575c Yields 3,8% on dividend, 24,9% on earnings, p e ratio, 4,0, cover, 6,5 12-month high, 615c, low, 290c Trading volume last quarter, 172 000 shares

Year to Dec	'88	'89	'90
ST debt (Rm)	0,60	0,35	0,28
LT debt (Rm)	77,0	79,2	115,7
Debt equity ratio	0,59	0,55	0,55
Shareholders interest	0,35	0,36	0,38
Int & leasing cover	4,5	3,7	2,9
Return on cap (%)	19,2†	16,4	15,1
Turnover (Rm)	422†	472	646
Pre-int profit (Rm)	50,4†	66,5	83,6
Pre-int margin (%)	12,0	14,1	13,0
Earnings (c)	86,8†	102,6	143,2
Dividends (c)	—	17	22
Net worth (c)	367	407	592

* Pro-forma figures † Six months figures annualised

One of the peculiarities of this downturn has been the continuing strength in the demand for durables Like most furniture retailers, JD Group has benefited accordingly — after rising in its 1989 financial year by 12%, the pace of the group's turnover advance increased last year to 37%

While the economy was moving further

into recession during the second half of JD Group's 1990 financial year, the group's sales continued to accelerate, rising by 44% on the 1989 second half

These sales were not achieved without a weakening in profitability Second-half operating income was up by only 24%, with a trading margin of 15,1% compared with 17,5% in the 1989 second half One reason for this was that the group's two discount operations — which usually work on lower margins — Joshua Doore (24 stores) and Price 'n Pride (23 stores) — showed strong gains in turnover and increased market share

Chairman David Sussman contends the performance from these chains is no surprise, as "in times of illiquidity the consumer looks for the best value possible" Still, with consumers likely to be under greater pressure this year, the trend towards stronger sales at the discount operations will presumably continue That, and a probably weaker overall sales performance, would mean a further drop in trading margin

Effects on earnings should not be too severe provided the group can maintain sales growth at sufficiently robust levels After group sales grew by some 22% in real terms last year, the net working capital requirement at year-end had increased by R85m, and long-term liabilities were up by nearly a half, or R36m, at R115m

Financial director Colin Stein reckons the gearing is better than industry averages and the intention is "at least to maintain" the gearing ratio But the board has also held the dividend cover as high as 6,5 times, investors will probably want to see either the cover or the gearing reduced over time

Sussman notes that borrowings were affected by a significant increase in credit sales, together with higher levels of stock, which climbed by almost a half Management believes the group entered the 1991 year slightly overstocked, though Stein says stocks have since been brought into line with budget

As long as the quality of the debtors' book is adequately controlled — which appears to



JD Group's Sussman lower rates will help

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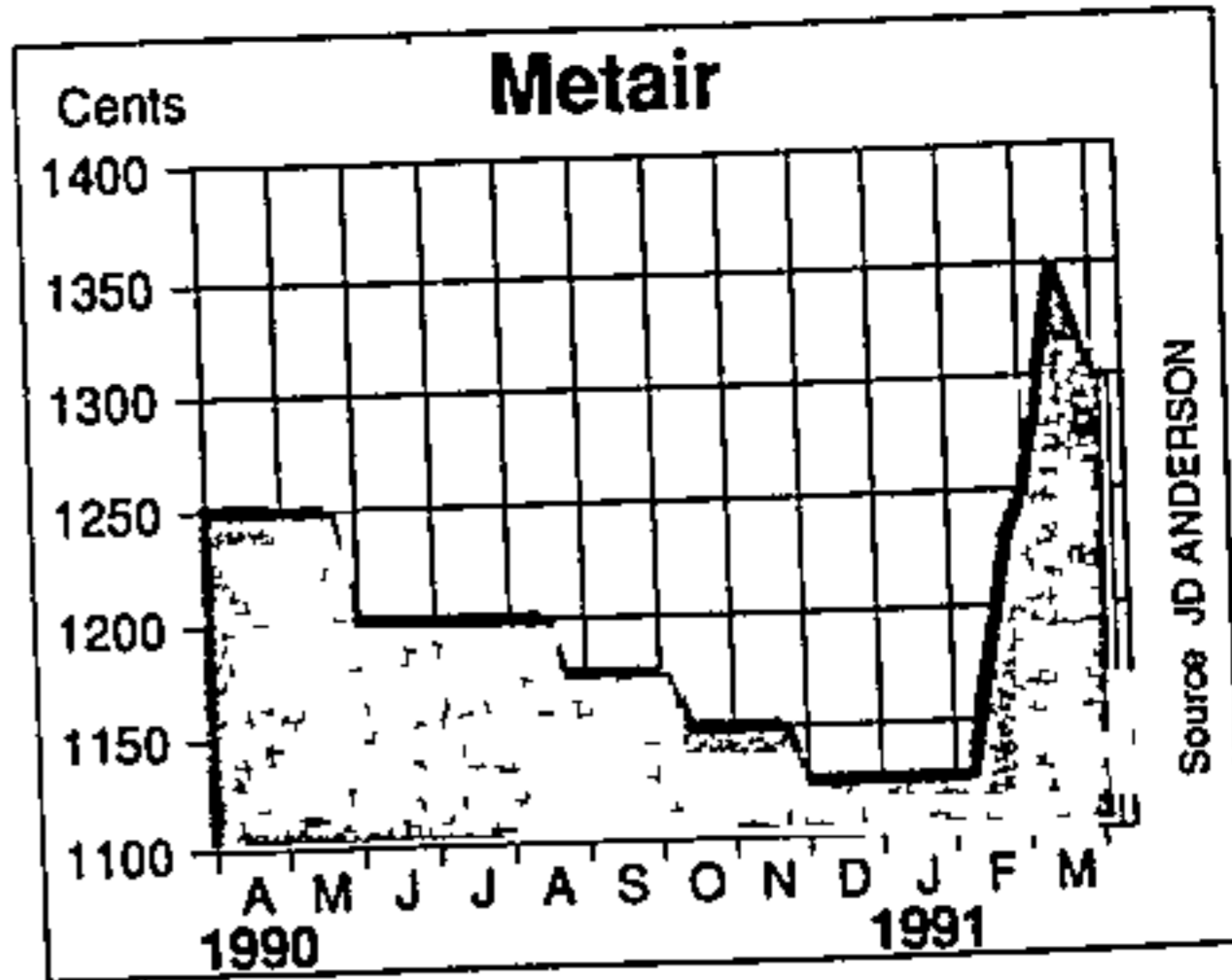
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JD GROUP FM 19/4/91

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While the economy was moving further

Transport prices hit by Gulf crisis

THE Gulf crisis abruptly halted the steady downward trend in transport prices — a 32c/1 petrol price hike in November 1990 boosted the year-on-year rate of increase by about 8% in that month

All components of transport costs — vehicle prices, running costs and public transport fares — were hit by higher global oil prices and domestic petrol prices.

A series of petrol price hikes boosted running costs directly and the effect only began to filter out of the figures in January this year in line with falling petrol prices

The petrol price soared by 36% to R1,60/1 in October after the outbreak of tensions in the Gulf. It has since fallen by 23% to R1,30/1, but remains above the pre-crisis level of R1,18/1

Vehicle prices slowed down in the first half of 1990 as a result of a stable rand, which dampened the large imported component of vehicle costs. But prices rose again after the outbreak of Middle East tensions.

Public transport costs suffered directly from higher local petrol prices. But these prices had been rising sharply prior to the crisis and have not yet fallen

In this, the third of four articles on inflation, SHARON WOOD examines the various trends in transport costs

Prices for domestic and international airfares soared during 1990, partly as a result of the crisis. But fares have remained at high levels despite the reduction in petrol prices. The fuel levy imposed directly in response to the level of petrol prices was, however, abolished in December 1990

Bus services have been hard hit by the growing black taxi business and the reduction in subsidies from the government, putting substantial upward pressure on bus prices

The fall in the petrol price to R1,30/1 for 93 octane in March will lead to falling transport prices. This effect will first be seen in running costs, where the petrol price is directly measured, and then possibly in producer transport costs. But the latter effect will be more difficult to measure and experience has shown that these prices are inelastic downwards and thus cannot be expected to fall to the level seen prior to the crisis

Car price increases have outstripped all other commodities monitored by the CPI since 1985. Vehicle prices are up a significant 229% from 1985 prices, compared with a 122% rise in the overall inflation rate

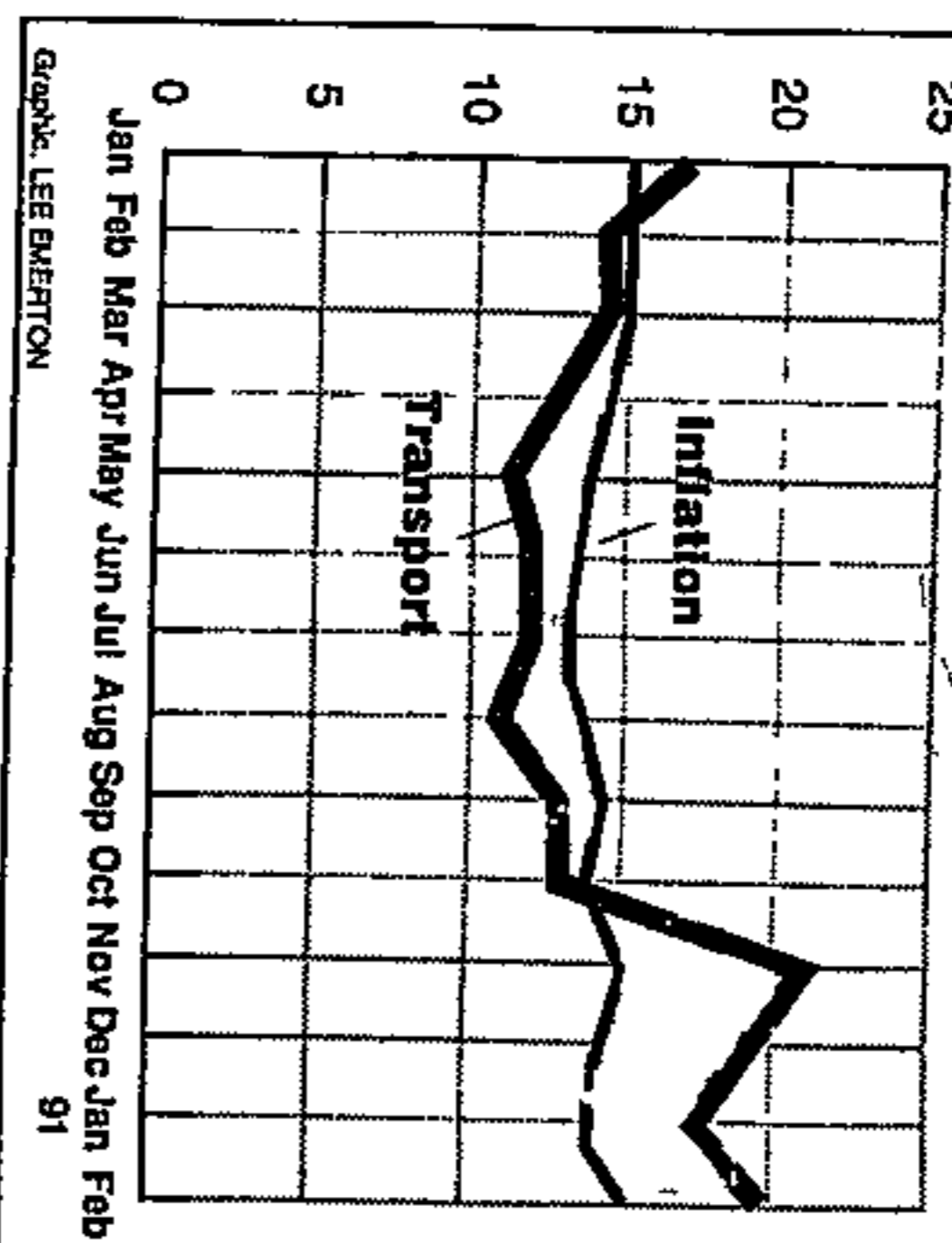
The main reason behind this spectacular rise since 1985 is the depreciation of the rand. Car prices have a large imported component — as high as 50% — which is directly affected by the strength of the rand, particularly against the Deutschmark and yen

The maintenance of a relatively stable rand over the last two years slowed down the rate of increase in car prices

The new local content programme, which is determined by the value of components as opposed to the original mass criteria, could have a profound upward effect on car prices, say motor industry analysts

By increasing the price of a car the local con-

Transport costs



tent specification is more easily reached, they say

In addition, company sales consist of about 80% of the new car market, which enables car companies to pass on price increases instead of reducing margins, they say

Used car prices have also soared in the last few years, with a move from the private car market to the used car market, they say

CMH feels the squeeze as vehicle sales tail off

biday 22/4/91. 192 30

FALLING new and used vehicle sales prevented Durban-based motor group Combined Motor Holdings (CMH) from benefiting from a substantial reduction in interest paid in its past financial year

CMH is a holding company for subsidiaries which serve the major segments of the retail motor market, namely new motor vehicles, used vehicles, parts, workshop facilities and finance and related insurance

In the year to end-February earnings dropped about 20% to R4,2m (R5,3m) or 22c (28c) a share

However, the total dividend was maintained at last year's level. A final dividend of 7c was paid, bringing the total payout to 10,7c, covered 2 times (2,8)

MARC HASENFUSS

The interest bill was cut to R2,5m (R3,4m), while taxation came down to R4,1m (R5,3m)

The extent of the contraction of the vehicle market is evident in last year's vehicle sales

According to figures compiled by the National Association of Automobile Manufacturers of SA, vehicle sales dropped 5% to 209 603 units in 1990 compared with 221 342 units recorded in 1989

CMH's turnover remained virtually static at R367m (R370m), but tightly squeezed margins reduced operating income a hefty 22% to R11m (R14m)

In last year's annual report, CMH chairman Maldwyn Zimmerman forecast an earnings growth in excess of

the inflation rate

CMH's earnings were knocked down 15% to R5,3m (R6,3m) in this financial period by a threefold increase in interest paid

Zimmerman remained confident, expecting group turnover to approach R500m in the year ahead, and CMH to return to an earnings level in line with that achieved during 1989 and 1990

This would be achieved by the full year's contribution from recent acquisitions, the expected commissioning during the third quarter of a large new truck outlet in Westmead, Pinetown, and the possibility of further acquisitions, he said

CMH shares remained untraded at 90c on Friday, hovering just above its February low of 85c. The share peaked at 160c in May last year

Edspare takes bank holding

Business Day Reporter

192

THE International Bank of Johannesburg (IBJ) has sold its shareholding in motor spares company Eddies Holdings to Edspare Holdings in a R5m bookover deal

Edspare Holdings is a subsidiary of Vaalbro Holdings, which is controlled by a consortium consisting of Vaalauto Limited and Max Brozin Investment Corporation Broshure Investments *BIP on 22/4/91*.

The Vaalbro consortium bought IBJ's 25-million shares, equivalent to 89,7% of the issued share capital of Eddies, for a cash consideration of 20c a share. IBJ had held the shares in pledge as security for its claims against Spareco Holdings, liquidated last year and subsequently bought by Vaalauto and Broshure Investments.

11 organisations make up the Motor Industries Federation of SA

Star 25/4/91. (192) (1920)

Apart from the Tyre Dealers' Association (TDA), 10 other motor employer organisations are affiliated to the Motor Industries Federation of SA (MIF).

● Samta — the SA Motor Traders' Association — which represents the service station and non-franchise workshop industry.

● The TDA — whose membership made is up of the tyre retreading and retail industry

● Nada — The National Automobile Dealers' Association — comprises franchise holders for new passenger and commercial vehicles.

● Savaba — the SA vehicle and Body Builders' Association — are companies that build vehicle bodies for commercial and passenger vehicles.

● Sambra — the SA Motor Body Repairers' Association — represents SA's panelbeating and spraypainting industry.

● The NMPEA or National Motor Parts & Equipment Association is made up of leading motor parts and equipment suppliers.

● Sadfia — the SA Diesel Fuel Injection Association — comprises major diesel fuel injection establishments

● The MCIDA — Motorcycle Importers' and

Dealers' Association — represents dealers in new and used motor cycles and repairs

● Acra — the Automotive Component Remanufacturers' Association — has a membership of clutch and brake component remanufacturers

● The AEASA or Automotive Engineers' Association of SA comprises engineering establishments that recondition internal combustion engines.

● Namta — the National Agricultural Machinery Trade Association — has a membership of dealers in agricultural machinery

Probe into local content delayed

192

B 10am 20/4/91

MARC HASENFUSS

THE Board of Trade and Industry's (BTI) proposed revision of the motor industry's local content programme has been delayed by the volume of submissions received

In January the BTI said the programme would be revised by March at the earliest. BTI chairman Lawrence McCrystal said that, due to the unforeseen inflow of information, the investigation would continue for another "couple of months"

The BTI's investigation is in response to recommendations made by the motor component manufacturers' organisation, the National Association of Automotive Component and Allied Manufacturers (Naacam)

Last year Naacam called for urgent changes to Phase VI, claiming that the export incentives under the programme favoured vehicle manufacturers

National Association of Automobile Manufacturers of SA (Naamsa) director

Nico Vermeulen said before any changes to the Phase VI were implemented, it was essential to create a streamlined and workable programme

Vermeulen said one of the major problems was the fluctuation in local content achievements by individual motor manufacturers

This was due to forex being predetermined in one quarter and directly accounted for by expected vehicle sales in the next quarter

Vermeulen said the solution was to introduce a standard costing approach, measuring the actual forex used in respect of vehicles sold in the same quarter

Industry analysts accept it is better to evaluate the implication of planned changes to Phase VI before they are implemented, in order to avoid further problems

~~(1989)~~ (192) ~~(1991)~~
**Delta Motors to
join national ^{gar}
negotiating forum** 1/5/91

PORT ELIZABETH — Delta Motor Corporation has agreed to join the National Bargaining Forum for all automobile manufacturers countrywide.

A statement by the National Union of Metalworkers of South Africa (Numsa) yesterday said Delta management had signed an agreement with the union that the company would join the NBF immediately.

"This brings to an end a process launched by Numsa in 1989 to establish a national negotiating forum for all automobile manufacturers. Delta will join with Volkswagen, Samcor, Nissan, BMW, Toyota, Man Truck, Mercedes-Benz and AAD in the NBF," it said.

Numsa, in turn, has agreed to exempt Delta until January 1995 from the NBF clause concerning hours of work. It will also regulate overtime through a working committee — Sapa

Delta falls in line

SI Times (Bus Times) \$1591 192

THE NATIONAL Association of Automobile Manufacturers of SA (Naamsa) and its employer negotiating group have welcomed Delta's decision to join the National Bargaining Forum (NBF)

After years of conducting its own pay negotiations, Delta has agreed with the National Union of Metalworkers of SA (Numsa) to join the NBF subject to certain conditions

About 95% of all vehicle and component manufacturers adhere to the NBF agreement

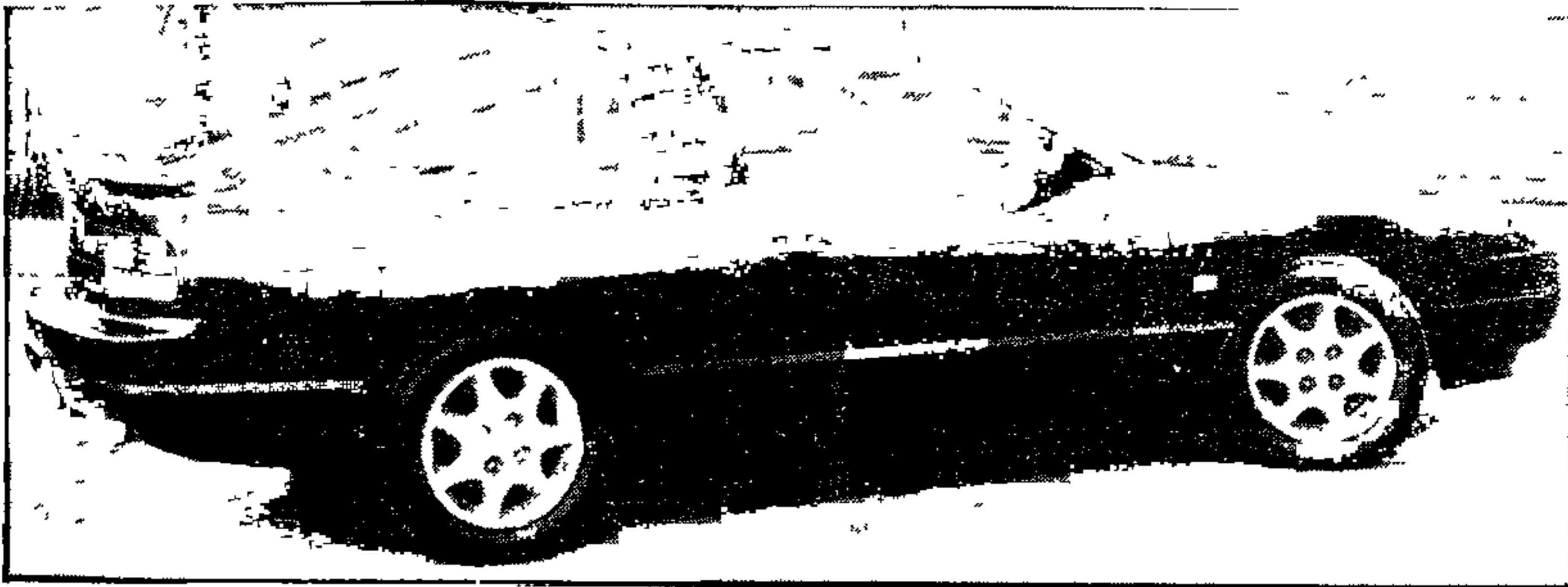
Delta will maintain a 42-hour working week until January 1995. This compares with the 40-hour week at oth-

er manufacturers

Should circumstances allow for an earlier reduction in the working week, it will be discussed at the annual management meeting

Delta will also require its 2 800 hourly paid workers to complete 10 hours of overtime a week if necessary. Overtime exceeding this is voluntary. At other plants, all overtime is voluntary

Delta will join the NBF and adopt the industry's working conditions for maternity leave, separation allowances and other benefits



SPORTY MODEL TAKES TO SA'S ROADS. Nissan 200SX with all the latest in gadgetry will sell for nearly R90 000

Nissan the silent exporter of SA-made components

S/ Times 5/1791. (192) (Bus Times)

SANKORP-controlled Nissan SA has lifted the curtain on its undisclosed exports.

After years of secrecy the group concedes it has become a large exporter of motor components to various parts of the world

Managing director John Newbury says the company has been selling engine blocks to the Far East for many years

This was possible because the blocks are competitively priced and the quality is good

He said at the launch of the Nissan 200SX sports car he was confident about exporting autocatalysts. Nissan would be a big player in this market

Mr Newbury says Nissan hopes to export up to 650 000 units a year to Europe.

"We are determined to be a large exporter of products in an effort to create jobs"

Capital expenditure by Nissan in the next few years will be about R500-million. But because SA new-vehicle sales this year are expected to total about 325 000, expenditure on tooling

By DON ROBERTSON

will be restricted to upgrading existing models

He says, however, that the industry faces several problems

"We are not unaffected by the activities of the Government. Wages and salaries are rising at a rate higher than the increase in productivity

Interest

"VAT will impact on the industry, although the Government has decided to deal with this issue

"Aspects of the Industrial Development Corporation (IDC) report on the reduction of import tariffs are good for SA and could have a far-reaching impact on the motor industry

"It is vital that SA becomes a global player, but this can only be done by providing improved quality, price competitiveness and reliability of deliveries. Interest rates must also fall"

Nissan hopes to sell about 30 of the 200SX coupes, using its export credits as the main plank for finance

Nissan's decision follows that of Mercedes-Benz which has re-introduced the Honda Prelude and the new 1.6 litre Honda CRX and Mazda with the Miata M5

The 200SX "image builder" is powered by a turbocharged 1.8l, 16-valve twin-cam motor which gives the car a top speed of 225km/h. It can go from standstill to 100km/h in only 7.2 seconds. It produces 126kW at 6 400rpm and 228Nm of torque at 4 000rpm.

The car, which has been praised in foreign magazines, has power steering, electrically operated windows and exterior mirrors, central locking, air-conditioning, a radio-tape with four speakers and an impressive, but simple-to-read set of instruments

It has a wind-cheating drag coefficient of 0.30. It will sell for R89 950, an anti-lock-breaking system costing another R6 000

Nissan will import an initial batch of 110, all of which have been sold, and then 30 a month. It will sell to people between the ages of 25 and 45, in the A-income group, 15% of whom will be women

Merc in FMR

SI Times 5/5/91

192

By DON ROBERTSON

MERCEDES-BENZ SA (MBSA) is moving into the full maintenance rental (FMR) market, especially the light-vehicle sector

MBSA will offer its dealers additional assistance in the FMR market. MBSA's drive is aimed at businessmen for whom transport is an essential, but only an ancillary aspect.

The promotion comes at the right time in the current economic cycle because the cost of new vehicles is rising at alarming rates and many companies face cash-flow problems.

It also comes ahead of the full deregulation of the transport industry which will require operators to submit vehicles for safety testing every six months. For most, this will be a costly experience because all trucks will have to be properly maintained to meet strict standards.

MBSA has also introduced a "stepped" rental plan by which businessmen can acquire a new commercial vehicle at current prices, but with future payments geared to inflation.

Adolf Moosbauer, management board member for the commercial vehicle division, says truck operation without ownership is the trend.

SEAN VAN ZYL

Slow start for restructured Vaaltrucar

FOLLOWING major restructuring, motor group Vaaltrucar has disclosed a 45% drop in attributable earnings to R1,4m for the year to February, despite a 35% rise in its turnover to R138,2m

The group underwent major restructuring and

acquisitional expansion last September when Vaaltrucar transferred its operating subsidiaries to Vaalauto, which was subsequently listed

Vaalauto is now wholly owned by Vaaltrucar, which has become a pyra-

mid holding company for the group

Vaaltrucar's earnings fell to 8,6c from 15,6c a share the previous year. Vaalauto's earnings were 11,1c

Vaaltrucar declared a dividend of 3,2c (5c) a share

and Vaalauto 4c. However, the latter's dividend cover is slightly higher at 2,7 to Vaaltrucar's 2,6 times

The group's improved sales at R138,2m (R102,1m) for the year were blunted by a fall in operating income to R4,1m (R4,2m)

The operating margin fell by 1% to 3%

Despite the addition of an undisclosed extraordinary item of R483 000, Vaaltrucar's attributable profits of R1,4m were still lower than the previous year's R2,5m

The group's stake in Spareco and subsidiary Edies was not taken into account in these results

Exports of vehicle parts 'approaching R1bn'

^{B Day}
^{7/5/91}
EXPORTS of vehicle parts were expected to approach R1bn this year, National Association of Automotive Components and Allied Manufacturers director Denzyl Vermooten said yesterday

This would be about R100m up on last year's figure

Vermooten said in an interview increased exports had helped compensate for static passenger car and truck sales

Most companies were still operating at an unacceptably low capacity and could comfortably accommodate

¹⁹²
GERALD REILLY

any increase in vehicle sales that might result when the economy emerged from recession

Vermooten said price increases this year were expected to be between 8% and 14% — more or less in line with inflation

He said main overseas markets were the UK, Germany, Austria, Italy, the US, Taiwan and sub-Saharan Africa

All were capable of being expanded in the medium and long term

There was also scope for export growth in Eastern Europe

Vermooten said the industry was unable to compete head on with the mass production industries of Europe and the US. However, niche markets where small volumes were needed could be further exploited

Exports covered virtually the full range of components — from wheels and rear springs to bumpers and body parts

Vermooten said high vehicle prices and static sales had resulted in owners extending their vehicles' lives

CATALYTIC CONVERTER CONFLICT

The R8bn-a-year motor industry is split on whether catalytic converter exports should remain part of the Phase 6 local content programme

Manufacturers who have not yet signed converter export contracts with overseas buyers are opposed to including converter exports in the programme. They complain that the playing field won't be level, should converter exports run into billions of rands, because they won't be able to take advantage of as many Phase 6 benefits as the other companies

While these manufacturers refuse to go on the record, it is known that Toyota has not been able to convince its Japanese affiliate to buy SA-manufactured converters from Toyota SA. Another group that may be having difficulties with its Japanese connection is SA Motor Corp (Samcor), manufacturer of the Mazda and Mitsubishi ranges.

"Manufacturers that can link catalytic converter exports to their local content value could potentially earn massive rebates in terms of Phase 6, which could cost other manufacturers dearly," says Samcor CE Spencer Sterling

"As these exports depend on the overseas parent companies being prepared to buy converters from the SA motor manufacturers, this leads to a situation where the playing field is not even. This anomaly has to be addressed shortly. We need to devise a scheme that will continue to encourage converter exports, but without a major distortion to the Phase 6 scheme."

Manufacturers who reach the 65% local content target (including exports) get a full rebate on the 32,5% excise duty paid on new cars. Because converter exports could push up local content levels at a relatively low cost, this is seen as an unfair advantage for the companies that can benefit

The best solution, say the potentially disadvantaged companies, may be to exclude converter exports from Phase 6 and put them under the general export incentive scheme operated by the Department of Trade & Industry. But with the Industrial Development Corp recently recommending abolition of the incentive scheme, along with changes to SA's tariff structure, this may not be the way out

"The answer would be for the groups who feel aggrieved by the potential impact of converter exports on Phase 6 to lobby harder with their parent companies to cement export contracts," says BMW (SA) spokesman Johan Kleynhans. "Or they should look for other technologies to export competitively"

The issue now rests with the National Association of Automobile Manufacturers of SA, which has made presentations to the

Board of Trade & Industry, which administers the Phase 6 scheme. Chairman Lawrence McCrystal says the board has not yet taken any action

"Depending on the volume of exports and world market demand for locally manufactured converters, this could lead to distortions in the scheme," he says. "But until exports really take off, we will take no action, apart from monitoring the situation closely"

The potential exports could be sizeable. Port Elizabeth-based Algorax has invested R23m to produce 1m converters annually. But MD Pierre-Olaf Pehlergard says it won't reach full production for two years, by which time its SA customers should have finalised their export contracts

"We came on stream last month and have already produced at a rate of 50 000 a month. But we don't expect to maintain a production level of 500 000 units a year before the latter half of next year"

Pehlergard says an average of about two grams of platinum group metals will be used in each converter. "The value added locally would be about 90%"

Johnson Matthey's R40m Germiston-based converter plant will be on stream by November, says MD Peter Emmel. It has a double-shift capacity of 2m units a year, but he does not expect it to reach 1m a year in the next two years

Emmel is enthusiastic about the outlook for exports. He says annual SA production of about 2,5m units (at an average current price of about R400 a unit) in four years is not unthinkable. This would not only mean foreign exchange earnings of more than R1bn a year, but the resulting economies of scale could lead to an expansion of local capacity. "Eventually, we should be able to export competitively *without* the help of Phase 6," he says

Another incentive for expanding local capacity is the possibility that unleaded petrol may become available here in the next few years, opening up a local market for tens of thousands of units a year

After coating the imported ceramic monolith with a mixture of platinum, rhodium and palladium, the converters are "canned" locally in a stainless steel casing by companies such as Bosal Exhaust, Delta Motor Corp and two Eastern Cape companies linked to Mercedes-Benz and BMW

Other companies such as Nissan and Volkswagen SA are also negotiating export contracts with European parent companies for the export of converters. Nissan is linked to Fiat in Italy

"We should easily be able to can about 1m converters a year, as soon as contracts are finalised," says Bosal (SA) group marketing

director Jan Burger. "And the outlook for global sales is excellent, especially with the EC and the US both tightening up exhaust emission standards"

DELTA RELENTS ^{FM} 10/5/91

The dominant motor industry trade union, the National Union of Metalworkers (Numsa), has won a significant victory with Delta Motor Corp's decision to enter the

central bargaining process

Delta, having held out for two years against union demands to take part in the national bargaining forum to negotiate on industry-wide pay and employment conditions, announced last week that it had finally agreed to participate

Lone holdout

The maker of Opel and Isuzu vehicles had been the only major manufacturer to hold out against Numsa. When the union first announced its intention to implement industry-wide bargaining, companies were almost unanimous in their rejection of the idea. However, they fell into line one by one when work stoppages and other industrial action forced them to reconsider.

With Delta at one stage winning a Supreme Court action against attempts to force it into central bargaining, and management adamant it would continue to reject the national bargaining forum, a number of other companies indicated they, too, would like to opt out. Last year's strike by Mercedes-Benz workers, demanding that their company should withdraw from the forum, was a further threat to Numsa's strategy.

But now, with Delta having joined the forum — though with concessions from Numsa — the union has effectively brought the industry to heel.

Delta spokesman George Stegmann ex-

plains the company's about-turn by saying it is adapting to changing circumstances and sees no point in continuing a policy that would lead to indefinite conflict with its work force and the union. The company has been the target of intensive Numsa pressure.

He adds that Delta's attitude in the past was dictated less by its dislike of the forum than by the way the union tried to impose it. Having failed to persuade Delta to join by the front door, Numsa tried to force it to participate in an oblique way by turning the Eastern Cape industrial council into a de facto national forum.

The council, having allowed manufacturers from outside the region to join as observers, then began allowing them to take part in the proceedings, turning the body into an unofficial national forum. It was this activity that Delta successfully challenged in the Grahamstown Supreme Court.

Delta was also unhappy with forum agreements that it felt would harm the company's operations — and it is on these issues that it has wrung concessions from Numsa. While the rest of the industry is limited to a 40-hour week, Delta may continue with its 42-hour week until January 1995. Similarly, it may impose limited compulsory overtime until the same date.

Stegmann says these concessions are needed for Delta to overcome production constraints in its Port Elizabeth plant. A joint

management-union committee will meet occasionally to determine the continuing need.

Delta has agreed to forum provisions on several issues, notably maternity leave, separation allowances, short-time, paid holidays, sick leave and grading structures. However, agreement has not been reached on Numsa's contention that wage increases should be backdated and that the company owes employees more than R2m in back pay.

Despite previous management arguments, that joining the forum would reduce the company's ability to run its own affairs, Stegmann insists this is not the case. "We believe in management's right to manage the business. We don't see involvement in the forum as changing that at all."

Another bad turn for motor industry

Star 10/5/91.

By Sven Lunsche (192)

New car sales slumped by almost 18 percent in April, reversing a four-month rising trend and suggesting that the tough times for the industry are far from over

Figures released by the National Association of Automobile Manufacturers (Naamsa) show that new car sales fell from 20 368 units in March to 16 722 last month, while sales of commercial vehicles plunged to 9 322 from 10 889 units in March

The drop in commercial vehicle sales since the beginning of this year is of particular concern for the industry as further declines are expected up to the introduction of VAT in October

Businesses are likely to defer all but essential purchases of commercial vehicles until then when they would qualify for a full input credit.

Naamsa says the decision by the Government to allow companies to write off a greater proportion of depreciation costs — an additional 15 percent on top of the existing 20 percent until the introduction of VAT — should be of some help to the industry

Sales of medium commercial vehicles in April amounted to 300 units — 18 percent below the

sales recorded in March — while heavy commercial vehicle sales declined by 117 units, or 21 percent, last month

So far this year total sales in these two categories at 3 226 units are almost 22 percent down on sales of 4 129 units in the January-to-April period last year.

Sales of new cars were sharply lower, after they had risen consistently from 13 198 units in December to 20 368 in March.

For the year to date sales at 69 645 units are running 4.7 percent ahead of the 66 527 units sold in the corresponding period in 1990

Much of the 17.6 percent decline in April can be explained by the fact that March is a traditionally good sales month and almost half the decline of 3 600 units can be ascribed to seasonal factors

Analysts expect sales to fall to around 205 000 units this year from 209 000 units in 1990, on a combination of lower corporate demand and declining sales to private buyers.

Corporate demand held sales at fairly high levels in 1990, but the recent slide in company profits is an indication that heavy demand from that sector will not be forthcoming over the next few months

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SANLAND PROPERTY TRUST

New vehicle sales up 13%

COMBINED new vehicle sales increased 13% in April compared with the corresponding month last year, but industry sources stress that vehicle sales are not on the road to recovery

National Association of Automobile Manufacturers of SA (Naamsa) figures show combined sales lifted to 26 094 units last month compared with the 23 096 units recorded in April 1990

Volkswagen SA spokesman Ronnie Kruger says April is seasonally a strong month as purchase decisions are normally suspended until after the Budget

Econometrix's Tony Twine says April sales this year were aided by a better spread of public holidays which allowed more selling days than in April last year.

Passenger vehicle sales for the month rose 16% to 16 772 (14 431) units, while January-to-April sales figures for 1991, at 69 645 units, were 5% ahead of the 66 527 units sold during the same period last year

Light commercial vehicles (LCV) sales increased 10% to 8 582 (7 811) units, but sales in the first four months of 1991, at 35 100 units, were 6% down on the 37 311 units sold during the same period in 1990.

MARC HASENFUSS

Medium and heavy commercial vehicles (MCV and HCV) sales remained in the doldrums April MCV sales were static at 300 units, while HCV sales plunged 21% to 440 units (556) Sales in the four months to April were down 18% to 1 360 units (1 656) and 26% to 1 866 (2 473) for MCVs and HCVs respectively.

Naamsa expects the new commercial vehicle market to continue trading under pressure, with unit volume sales off fairly sharply until VAT is introduced.

Naamsa director Nico Vermuelen says government's decision to allow companies to write off more depreciation costs will help counter corporations' expected massive capex deferral during the period prior to VAT's introduction.

However, he doubts whether the accelerated depreciation will fully offset the incentive for businesses to defer purchases.

Combined new vehicle sales for the first four months of 1991, at 107 971 (107 967) units, are in line with motor manufacturers' predictions.

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10/5/91

Vehicle sales look better than 1990's

1 Times (Bus Times)

192 300

FORECASTS of a depressed car market this year may be wrong because sales for the first four months are much better than expected

By DON ROBERTSON

Although car sales in April fell by 17.6% compared with March, total vehicle sales for the four months are 4.7% higher than in the same time last year

Sales of commercial vehicles, including light commercials, are well down and this is "a source of serious concern", says the National Association of Automobile Manufacturers of SA (Naamsa)

Car sales in April fell to

16 772 from 20 368 in March, usually a good month. Sales in April last year were 14 431. Light commercial sales in April fell by 13.9% to 8 582 from 9 966 in March, but were 9.9% higher than in April 1990

Medium commercial volume dropped to 300 units from 366 in March. Sales were 298 in April last year. Heavy commercials fell by 21% to 440 from 557 in the previous month and 556 last year

Minimum wage rise to hit motorists

STimes 12/5/91

By DON ROBERTSON

(bus times)
STEEP increases in the cost of car repairs are in the offing

Motorists will have to pay more for not only workshop repairs and panel beating, but for insurance

A letter from the SA Motor Body Repairers Association (Sambra) under the auspices of the Motor Industries Federation (MIF) lays down the new minimum rates for various grades of workers

Some are as much as 83% higher. The increases do not affect workers in manufacturing plants

The letter to short-term insurance companies, says although minimum labour rates in most categories have been lifted by more than 40%, a general increase in the "charge-out rate of labour of between 12% and 15% must be expected"

It is likely that insurance companies will take these increases into account when setting new premiums

The minimum wage for a general worker will rise by 37% from R2,70 an hour to R3,70, drivers of vehicles of over 3 500kg by 83% from R2,84 to R5,20, a body shop assistant by 37,5% from R3,78 to R5,20 and an artisan by 30% from R7,88 to R10

Wages for repair shop assistants, unindentured journeymen and clerical staff have also been increased

John Hurdman, president of the SA Motor Industries Employers Association (SAMIEA), says that in most cases employers pay more than the minimum. The increase in minimum wages will not be as dramatic in the actual workplace



Vehicle dealers suffer profits plunge

13/Day 13/5/91
LOCAL motor vehicle and component dealers saw a 16,5% drop in net profits during last year to R1bn (R1,3bn), according to Central Statistical Service (CSS) figures released last week.

No relief is in sight for struggling motor dealers, and analysts expect a further slide in profit for the motor trade in the current year.

Most motor dealers performed weakly under recessionary conditions last year.

New car sales were hard hit by a dramatic reduction in company spending (which accounts for over 85% of new car sales), used car sales slumped as prices soared and the expected boom in after markets sales failed to materialise.

Analysts said, in light of the predicted no growth scenario for vehicle sales during 1991, motor retail groups faced an uphill struggle to maintain

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MARC HASENFUSS

earnings and smaller, less established groups would be extremely hard pressed to survive financially.

The CSS figures also show a 24% increase in capital expenditure on new assets to R236m (R190m) during 1990. Analysts said the increase in capex was due to groups diversifying their base of operations in attempt to offset flat vehicle sales by expanding into after market activities and full maintenance leasing schemes.

The Cape-based Market Motor Group minimised its earnings drop to R2,85m (R2,93m) by offering a broad spectrum of motor related services, and is increasing the spread of its services in response to the present trading environment.

Labour problems also played havoc with vehicle retailers, particularly the Mercedes Benz strike on the Mc-

(200)
Carthy Group and Saficon

McCarthy, SA's largest vehicle distributor, reported a 19% fall in interim earnings to R23,6m (R29m) or 27,4c (34c) a share in the six months to December 1990 after a supply shortage in its Mercedes Benz division

Luxury vehicle distributor Saficon was worse hit by the Mercedes Benz strikes, and reported a 65% earnings plunge to R8,9m (R22,4m) or 31c (89c) a share for the six months to end September 1990.

The downturn in vehicle and component sales slashed the Vektra Corporation's earnings 57% to R5,5m (R12,7m) or 46,3c (108,6c) a share and Vaaltrucar's earnings fell sharply to R1,2m (R2,6m) for the year to end February 1991. However, analysts said Vaaltrucar could perform in the next financial year when the group's stake in spares groups Eddies and Spareco are taken into account

Vehicle insurance

'could rise by 65%'

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GERALD REILLY

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MOTOR insurance premiums could increase by 65% by the year-end, says Compuquote MD David Hersch.

In an interview from Cape Town at the weekend, he said motor insurance premiums increased by 52% last year.

Similar conditions applied this year, with continued pressures from inflation and soaring claims, particularly in the Transvaal. *Siom 131577*

Therefore the motor premium curve would follow the same pattern as last year.

However, during the last quarter of the year, an additional 12% would be added to premiums because of VAT.

This would raise the expected premium hike to about 60%.

Hersch said VAT would mean more administrative work for brokers and agents and force them to absorb the extra costs or pass them on in the form of service fees.

Brokers' margins were already low and it was more likely that they would pass the added costs on, probably adding about another 5% to premiums.

Against this background, the vehicle owner would opt more and more for limited cover — balance of third party and theft.

The higher insurance costs might also force buyers to opt for less expensive models. This could result in an ageing motor fleet with less roadworthiness and a resultant increase in accidents.

"Increases could therefore easily be in the region of 65% at the end of the year".

Another cost factor loading premiums was steadily increasing excesses. Motorists were not only paying higher premiums, but were also expected to bear a higher proportion of the losses involved.

Challenges face motor firms

THE local motor industry will have to boost productivity, find alternative markets and become more efficient to successfully overcome the immense challenges facing it, according to Nissan SA CE John Newbury

"Despite the dramatic changes in the country, which are leading to the end of SA's international isolation, we also have to face rising unemployment, internal instability, and the stringent requirements of Phase VI of the local content programme"

To survive, local motor manufacturers would have to utilise all their assets to the fullest, while significantly increasing production levels, Newbury said in a statement

The motor industry's minimum hourly wage had increased to R8,41 an hour, but productivity in the motor industry declined 25% to 9,1 vehicles per employee a year

B1 Day 14/5/91

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MARC HASENFUSS

"This trend needs to be addressed urgently"

Newbury said SA needed a fast-growing economy with increased productivity levels

"Wages are rising too rapidly, and our huge domestic cost pressure must be reduced" He said SA had to become a player in the global market in the post-sanctions scenario

Most manufacturers had an enormous amount of spare capacity

Newbury said that although export opportunities were already being exploited, these would have to be extended much further

Phase VI had up to now revolved around import replacement, he said

He said Nissan had a number of export-related projects which were already reaping significant benefits



● NEWBURY

productivity low

meet goals

However, since nearly every company is exceeding the 65% target, there isn't enough cash in the fund to pay them out hence the need to balance the fund by pushing up targets and creating more penalty payments

The reason for so many companies being in credit is exports Under Phase 6, which is primarily intended to reduce foreign exchange usage, export earnings are included in the formula which determines local content levels Most manufacturers have been so successful in instituting export programmes, that they have been able to comfortably exceed local content targets and thus qualify for rebates

Nico Vermeulen, director of the National Association of Automobile Manufacturers of SA (Naamsa), says "There is a pretty substantial imbalance between fund income and expenditure Rebate claims far exceed net duty paid by the industry There will have to be some adjustments"

More will follow With most companies predicting significant returns from export programmes for catalytic converters, target levels could soon be under pressure again But some companies, without access to converter contracts, have asked that all or part of such exports should fall outside Phase 6

Vermeulen suggests the local content target will rise from 65% to 67% or 68% on June 1 BMW MD Reinhard Kunstler and others believe it could reach 70% If that is so, and since retail prices are also used to determine local content levels, some companies sitting close to the present 65% may raise prices to help bring them up to the new plateau

Meanwhile, the industry wants government to adopt new Phase 6 principles that will do away with occasional huge fluctuations in local content levels

As matters stand, calculations include the comparison of forex usage in one quarter with vehicle sales and retail values in another This often leads to big swings in perceived local content levels since business activity may be vastly different between the two quarters

Naamsa wants a system that compares forex and retail in the same quarter "If that is done, it will stabilise the programme and do away with sharp fluctuations," says Vermeulen

It may also lead to a system of regular, minor adjustments to target levels Since Phase 6 was introduced in 1989 there has been only one adjustment — from the opening 55% to 65% On that occasion, as now, it was because the central fund had accumulated millions of rands in debt to companies exceeding requirements

To avoid this in future, companies have asked the BTI to devise a system of regular monthly adjustments to keep the fund at break-even point

The BTI and government will also be asked to turn down requests by industry newcomers that they should be exempt from Phase 6 France's Ci-

troen is reported to be planning a car plant in Namibia to supply southern Africa including SA

Regional agreements dictate that Citroen would have to comply with Phase 6 local content regulations but the company has asked for exemption until the late Nineties

Local car-makers, pointing out that the market is already overtraded, say they have no objection to fresh competition but insist that newcomers should play by the same rules as everyone else ■

MOTOR INDUSTRY

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ANOTHER CARROT?

FM 17/5/91

Local content targets for the motor industry are likely to be raised again on June 1 Manufacturers believe the target level, now 65%, could go as high as 70% They warn that if that happens prices of certain car models could rise by up to 2,5%

Vehicle manufacturers say they have been asked by the Board of Trade & Industry (BTI) to provide figures on current local content performance No final decision has been made but the self-funding nature of the Phase 6 local content programme makes an increase inevitable

In terms of Phase 6, companies exceeding local content target levels may claim cash rebates from a government-administered industry fund Income to the fund is provided by penalties levied on companies which don't

APRIL VEHICLE SALES

	1991	1990	% change
Cars			
April	16 772	14 431	+16,2
Jan-April	69 645	66 527	+4,7
March (20 368)-April			-17,7
Light commercial vehicles			
April	8 582	7 811	+9,9
Jan-April	35 100	37 311	-5,9
March (9 966)-April			-13,9
Medium commercial vehicles			
April	300	298	+0,7
Jan-April	1 360	1 656	-17,9
March (366)-April			-18,0
Heavy commercial vehicles			
April	440	556	-20,9
Jan-April	1 866	2 473	-24,5
March (557)-April			-21,0
Total vehicle sales			
April	26 094	23 096	+13,0
Jan-April	107 971	107 967	+0,001
March (31 257)-April			-16,5

Volkswagen buys Ford plant for R18m

PORT ELIZABETH — Volkswagen has bought the former Ford plant at Neave township from Samcor for R18m to produce motor components for export

Volkswagen said it wanted a plant nearer the harbour than Uitenhage to facilitate exports, and that the purchase was cheaper than building a new establishment on its existing property in Uitenhage

The R18m was merely the purchase price, to "tool up" and install a production line would cost considerably more

Initially employees from Uitenhage would man the project but jobs for between 100 to 200 people might eventually be created

Own Correspondent

Volkswagen is believed to want to take advantage of current exchange rates to build components in SA

A company spokesman said there had never been any thought that the company would disinvest

The plant at Neave township was left vacant when Ford and Amcor joined forces and moved to the Reef in early 1985

In an official statement VW supply director Fritz Frueholz said the company would initially occupy about half of the 66 000m² building and the rest would be sublet

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16/5/85 17/5/85
B/C

Motor-makers see better days

R366,7-million in the previous quarter

The supply of imported components was satisfactory, says Naamsa. Prices in the quarter rose by only 1%

The supply of SA components was also good, but prices rose in line with the production price index and inflation

in the quarter (1972)
In some cases, production capacity was as low as 14%. Overall capacity use in all sectors was also down at 63,3% compared with 70,3% in the quarter to December

The industry's labour force fell by 1 560 to 35 472. Capital expenditure fell to R212,4-million from

7,9% higher at 52 873 compared with 49 003 in the December quarter

However, medium commercial sales are expected to fall by 380 units to 4 500 for the year and heavy commercials by 900 to 6 500. This is reflected in the total capacity use in these sectors which fell to 55% and 47% respectively

By DON ROBERTSON

vehicle sales of 202 500 for the year
At the beginning of the year it expected 200 400 sales
Light commercial sales are expected to be 110 800 compared with the early forecast of 110 000
Car sales in the quarter were

MOTOR manufacturers are taking a brighter view of sales of cars and light commercials this year. But business in used cars and commercials is expected to remain under pressure. The March quarterly report by the National Association of Automobile Manufacturers of SA (Naamsa) forecasts passenger-

Spareco is back on a profitable track

810 am 2315791
TROUBLED motor spares distributor
Spareco is on the road to recovery

Spareco is operating profitably and is expected to make a significant contribution to holding company Vaaltrucar's earnings this year

Vaaltrucar chairman Sarel Germishuizen said spares and services via the Spareco and Eddies subsidiaries were key growth areas for the group and would offset the fall in new car sales

He said Spareco and Eddies were already benefiting from the release of pent-

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MARC HASENFUSS
up demand in vehicle aftermarkets as the average age of SA's vehicles increased

Germishuizen said once Spareco had proved its net worth to shareholders the group would be re-listed through Eddies or incorporated into the Vaalauto listing

In the financial year to February 1991 Vaaltrucar's stake in Spareco and Eddies was not taken into account Vaaltrucar reported a hefty drop in earnings to R1,2m (R2,6m) or 8,6c (15,6c) after finance charges soared to R2,6m (R1,5m)

Toyota SA is No 3

8 Day 23/5/91
MARC HASENFUSS

TOYOTA SA was the third largest producer of Toyota vehicles in the world in 1990 after Japan and the US, statistics released by the Toyota Motor Corporation of Japan show

192
Toyota's manufacturing plant near Durban produced 91 030 units last year (excluding Hino trucks), which constituted 21,3% of the total number of vehicles produced from completely-knocked-down (CKD) kits worldwide.

Toyota SA produced almost 50% more units than its Australian counterparts

Other African production did not compare.

Kenya produced 2 538 vehicles, while Zimbabwe and Zambia managed 280 and 176 units respectively.

MOTOR INDUSTRY WOES

DANGEROUS CURVES AHEAD

WITH PROFITS SQUEEZED, MANY RULES OF THE GAME ARE CHANGING



Like a novice driver trying to negotiate the notorious curves of Chapman's Peak, the SA motor industry doesn't know what's round the next corner. Having survived — even thrived — by learning to live with

difficult conditions, companies must adapt quickly in the next few months to new conditions affecting their most fundamental activities.

There are changes to perks tax on company cars, an amended local content programme, a new labour scenario, and the switch to value-added tax.

Existing challenges will remain. Vehicle and component manufacturers are investing huge sums in new plant and equipment — yet much existing plant is under-utilised and thousands of workers have been laid off as the new vehicle market stubbornly refuses to return to former heights.

Nissan CE John Newbury estimates vehicle manufacturers will spend about R2,5bn in the next two years — much of it in response to the Phase 6 local content programme. Exactly how much isn't certain. Nor are other manufacturing and marketing issues which depend on Phase 6. And for the umpteenth time since the programme was introduced in 1989, changes are in the offing.

Few argue with the main principles behind Phase 6 to reduce the motor industry's forex bill and encourage exports. It's the tampering to repair weaknesses in the programme which unsettles the industry.

Companies are waiting to see what the Board of Trade & Industry (BTI) has in store for them on June 1. The industry expects a significant increase in local content targets on that date, possibly with changes to the process that determines them.

Nico Vermeulen, director of the National Association of Automobile Manufacturers of SA (Naamsa), expects the 65% target to rise to 70%. Others believe it could go even higher. Since retail values also determine local content, a rise to 70% could force companies to increase prices on some models by up to 2,5%.

Companies dislike the self-funding nature of Phase 6. Excluded from government's General Export Incentive Scheme, the industry must live with a central fund whereby duty rebates earned by companies exceeding local content targets are paid for by penalties levied on under-achievers.

The problem all along has been that, because of export successes, few have failed to

meet targets. Owing millions of rands in rebates, but refusing to dip into its own pocket, government is expected to up the ante sharply to force some companies into arrears and make them pay the difference.

In effect, it means that Company A, having met government targets, is forced deliberately into arrears to pay for Company B's export programme. At the end of the day, of course, all Phase 6 bills are passed on to the consumer — excise duty penalties, capital expenditure needs and everything else.

"The self-funding nature of Phase 6 is a major flaw, export incentives are funded by car-buyers," says Vermeulen, who estimates car prices could come down by as much as 5% if the motor industry had the same access to General Export Incentive Scheme incentives as other industries.

The BTI (*Business May 17*) may also amend the formula by which it measures Phase 6 compliance. At present forex earnings in one quarter are compared with retail values in the next. Resulting fluctuations in perceived local content levels — and they have swung between 58% and 76% — make it difficult to measure true performance.

The BTI may agree to compare figures from the same quarter and adjust local content targets every three months. Companies hope these adjustments will avoid the piling up of rebate arrears which occurs at present.

The board also has to pass judgment on a request that exports of catalytic converters should be partially exempted from Phase 6. Some companies without direct links to companies in the major European markets com-

plain they have little or no access to buyers, and could be heavily penalised for a problem they say is not of their own making.

The board must also consider the reported request by French car-maker Citroen for exemption from Phase 6 while it sets up a plant in Namibia. To compete on the SA market it must meet local-content targets. Because of labour availability, and amortisation and other costs, local companies are sceptical about whether the project will happen. If it does, they will argue against exemption.

The BTI believes Citroen should receive no special favours. However, it is possible the Namibian government, anxious for investment, may make a direct plea to the SA government for Citroen's exemption.

Assurances on Phase 6 and other issues are vital to an industry wrestling with a stagnant domestic market. New car sales this year have held up better than some predicted — but can't mask the fact that the local market is in trouble. Employment levels are down and

further lay offs are predicted, plant capacity is seriously under-utilised (see graph).

Profitability is also under pressure. Though most companies are in profit, several aren't getting the returns they need to finance spending programmes. Some admit they may have trouble financing capex needs internally. Without significant profit improvements, they will have to ask shareholders, or financial institutions, for help.

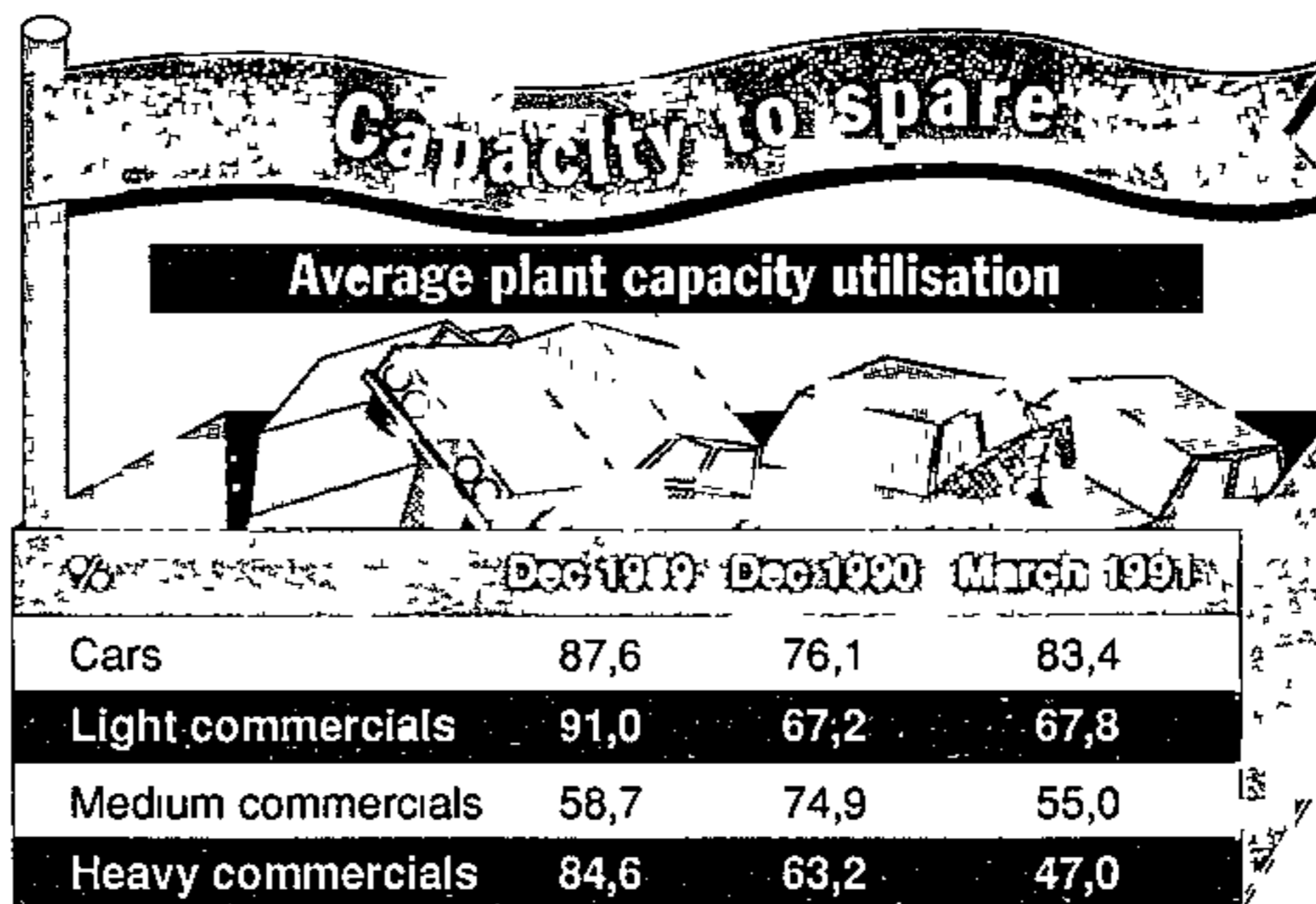
Those improvements won't come from SA sales. From 300 000 in 1981, car sales this year will be around 200 000. Thereafter, growth is expected to be slow. The same is true for light commercial vehicles.

The truck and bus sector is critical. Sales in 1991 are down by more than 25%. Deterred by high prices and interest rates, limited new fixed investment and economic and business uncertainty, transport operators are shy of new purchases.

The introduction of VAT on September 30 is making the im-



Toyota's Pretorius



THATCHER IN SA Fm 24/5/91

REFLECTIONS IN A COOL EYE

Margaret Thatcher could not have come to this country at a more convenient time. From a detached but not unsympathetic point of view, she has been able to highlight some of the perversities of our Byzantine politics that are hindering a return to peace in the townships and the resumption of the reforms that should lead to justice and prosperity for all South Africans.

She told government very plainly to stop arguing over procedures and simply stop the township violence. And she is quite right. The near hysteria about Zulus carrying sticks and spears is quite beside the point. The forces of law and order — which have been formidable in the past and are firmly in the control of government — must do immediately what is necessary to keep the peace. No one can do their job for them.

Until that happens, the feeling among blacks that whites do not care about the sanctity of black lives will not only persist but will gain credibility. And that in turn will add fuel to the fire.

But Thatcher also became a target of the ANC's wrath over the sanctions battle, which it is rapidly losing. Despite her having brought peace and independence to Rhodesia, helped Namibia along the same route — and done more than any other Western leader to facilitate the unbanning of the ANC, and bring about peaceful reform here without the economic impoverishment that overwhelmed southern Africa — her anti-sanctions stance is being deliberately (and mischievously) interpreted as pro-apartheid.

This fits with the increasing denigration of the business community and what the ANC chooses to call the commercial press (those of us who have to make a profit to survive) as having sustained apartheid by not having done enough to oppose it and by criticising the ANC's dubious attitudes to economics, democracy and freedom. If you are not all for us, you are against us. That is the slogan behind which the ANC finds it convenient to avoid reality.

In the early Sixties the ANC justified resorting to the "armed struggle" — that is, violence — by saying that all other paths of protest and means of mitigating apartheid were closed to it. We have always regarded that as a dubious claim. But assuming it to be correct, why does the ANC believe business could have been any more successful? Is it claiming now that business at that time should have financed or supported insurrection?

The fact is, of course, that business *did* find a way to mitigate apartheid. It did so by concentrating on economic growth, using the free market to chip away at the collective rigidities of

apartheid. The result was a level of prosperity in this country which, while blacks did not fully share in it, certainly gave them a standard of living far better than that available to their comrades anywhere else on the subcontinent.

It avoided the awful social consequences of the economic wasteland that violent revolution would have precipitated.

If blacks had been able to share equitably in that economic growth, and the fruits of enterprise less narrowly spread, we would all (blacks and whites) be substantially better off than we are today.

The ANC claims that it wants a prosperous and free society in which wealth is equitably distributed. Yet almost every one of the policies that it proposes to bring this about would have the opposite effect.

For instance, it wants to raise as much public revenue as possible to finance a sustained programme of redistribution. But it plans to do so by raising taxes, which experience

abroad has shown leads to a shrinking of the tax base as investment is discouraged and real output circumscribed. The Thatcher experience has shown that lower taxes not only stimulate savings, investment and the growth of real output, but, in doing so, also expand tax revenues.

But the perversity of the ANC does not end there. It still advocates a series of collectivist policies, including elements of nationalisation (a mixed economy) and government intervention in the distribution of productive resources, that so undermined the production of the basic requirements of civilised life that a revolution was caused in eastern Europe and dire poverty and suffering in post-colonial Africa.

As Thatcher pointed out on Tuesday, wherever economic freedom was diminished in Africa, political freedom was imperilled.

And she added "Of course, where the new government was Marxist, that was always the intention."

Perhaps the persistence of the ANC with economic policies that have manifestly failed elsewhere indicates that it is masking a hidden agenda which includes a Marxist desire to foster a totalitarian State here.

Maybe, however, this perversity indicates instead a weakness in the ANC leadership that its forthcoming elections might overcome, enabling it to get to grips with its delinquent youth and dogmatic ideologues.

If it doesn't (and the indication will be the continued denigration of the ANC's best friends Thatcher, business and the liberal newspapers) then this subcontinent, with its dependence on SA's economy, is doomed to the fate of Ethiopia.





driver of a R46 000 car will be taxed on R461 a month. At 1,2%, this will rise to R553, and at 1,33% to R661. On a R203 000 executive car, the figures will rise to R2 036 (1%), R2 443 (1,2%) and R2 592 (1,33%).

Manufacturers argue anything above 1% overestimates the car's value to the driver and will encourage more car allowances.

They say the allowance scheme is inefficient because recipients don't always use it for what it's intended. Despite the year-end tax bill, the cash-in-hand nature of allowances is an incentive to buy a cheaper car and use the difference for other needs. It encourages dishonesty.

Don't take the moral argument too seriously. What really irks the industry is that the allowance system leads to fewer car sales. Companies with their own fleets tend to replace vehicles regularly. Individuals don't. They hold on to cars longer.

Toyota Marketing MD Brand Pretorius says "We are concerned there will be a vacuum in the market because vehicles' lives are extended. We may also lose parts and service business. Company cars are well maintained by franchise dealers. The individual may skip services to save money."

The buying-down element is also significant. While the allowance may be designed for, say, a BMW Five Series, the buyer may decide to go for a Three Series and use the difference elsewhere. That means less income for the motor company. Worse still, for those companies which supply only the top end of the market, buyers may move down

into another company's product.

Also causing industry uncertainty is the labour element. There is a gulf in wage negotiations between what the unions demand and what employers offer. Unions have been emboldened in their demands by Delta Motor Corp's recent decision to join the industry's central bargaining body.

Wages are an important component of manufacturers' costs and an excessive pay agreement may jeopardise plans to hold down car price increases to 16% this year. In addition, buoyed by its success in banning overtime and reducing working hours, the union may not take kindly to industry pleas for increased productivity. Without it, warns Nissan's Newbury, the industry can't be internationally competitive.

He says average productivity in the industry has dropped 25% since 1960. "We have to address the issue of productivity more aggressively. Global competitiveness in this industry is at a high level. We can't avoid our responsibilities any longer by using sanctions and trade restraints as excuses and saying we have to service only our own market."

Even if that problem is overcome, will it be enough to give the industry a competitive edge? Not without a cohesive government strategy, say BMW MD Reinhard Kunstler and financial director Peter Barbe. They argue that, given the chance, the motor industry can provide the same driving force for SA industry as it has done in other countries.

"In Japan and Germany, it is the car industry that has given strength to the eco-

nomy. Taiwan and South Korea started to grow when the car industry started to grow," Kunstler says.

In SA, direct and indirect employment in the motor and supply industries runs to hundreds of thousands. At a time when the gold mining industry is laying off huge numbers of people, the need to create new employment is overwhelming.

But while some aspects of government policy seem aimed at just such job-creation, others undermine it. Says Kunstler "Above all else, the SA government sees the motor industry as a source of revenue."

Whether through GST levied on the vehicle both new and resold, GST on services, parts and accessories, excise duties, perks tax, licence fees, fuel taxes, toll charges and a host of other revenue-earning exercises, the Exchequer earns more than its pound of flesh from vehicle owners.

According to Barbe "Government doesn't put enough thought into the supply side. It concentrates on the financial side — on what can be got out, not what can go in."

Kunstler says "In the UK, if the car market collapsed 30%, it would be an industrial and political disaster. Here, there is a disturbing lack of official concern. The attitude is wrong."

This may be so — official views on most issues remain unclear. Although the BTI confirmed receipt on Monday last week of *FM* questions relating to several motor industry issues, no reply had been received at the time of going to press. ■



Assembly line *profits not so easily built*

mediate situation worse From then, commercial vehicles will qualify for capital input credits, enabling buyers to claim back VAT By delaying purchase until then, buyers will save the current 13% GST

Government has softened the blow by allowing companies to write off more of their depreciation costs — an extra 15% on top of the existing 20% — in the interim, but the temptation to defer purchase remains strong

“There may be a miniboom from October,” says Naamsa’s Vermeulen, “but it will be only temporary relief The prognosis of the truck industry is not good”

companies could have an argument for putting certain staff into four-wheel drive vehicles instead of traditional company cars While the cars certainly don’t qualify for input credits, the commercial vehicles might

Like other industries, though, the motor industry will benefit from credits on capital expenditure In 1990, on top of a R680m capex bill, motor companies had to pay R85m in GST While they don’t pretend the saving will be passed on in the form of lower prices, it will restrain price increases

Another issue occupying the motor industry’s mind is perks tax Companies are wor-

The industry is disappointed that cars are disqualified from input credits, arguing that any vehicles used in the production of income — for instance, those of sales reps — should be eligible Minibus taxis also fall outside the category To qualify, buses must be licensed to carry more than 16 passengers

A potentially interesting loophole may exist now According to some accountants,

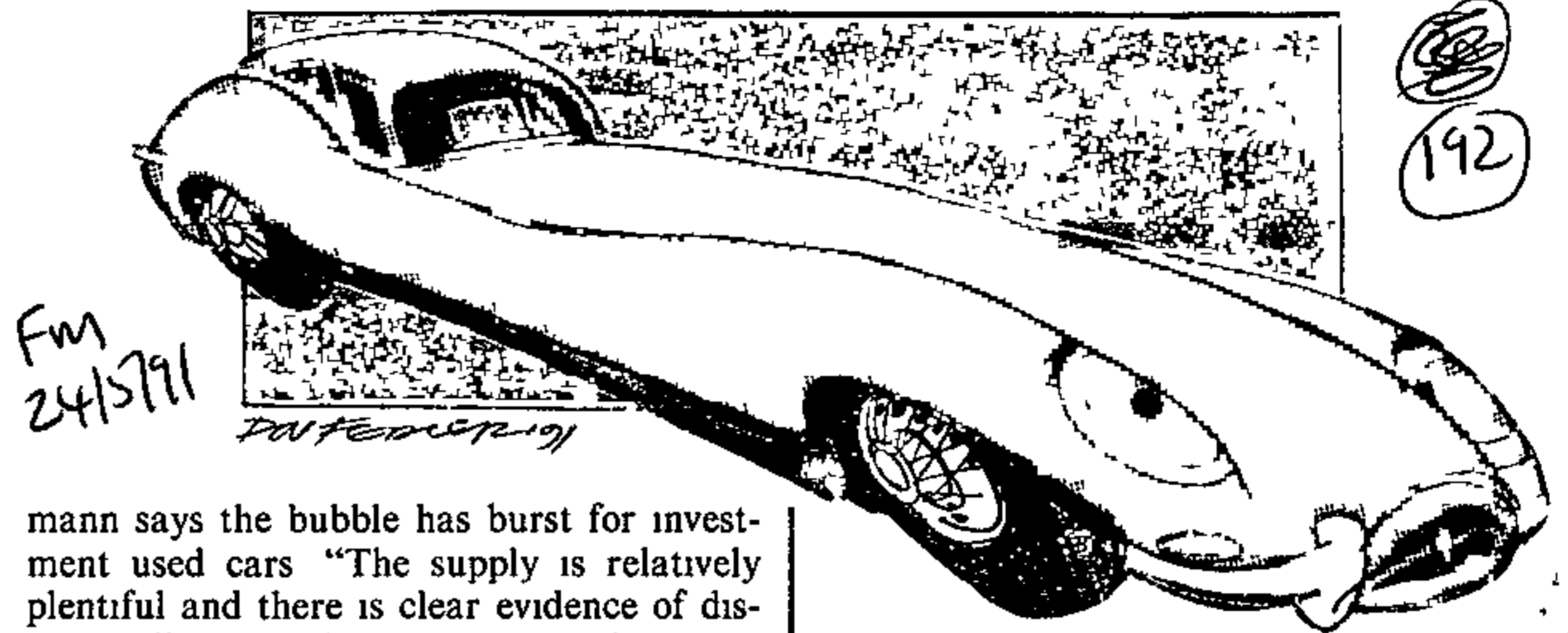


Naamsa’s Vermeulen *worrying slings and arrows*

ried that Department of Finance plans to levy a 1,33% flat rate on company cars will hasten the swing towards car allowances Naamsa is lobbying for a 1% rate, meaning the driver will be taxed monthly on 1% of the car’s retail value Current consensus seems to be that government will compromise, and set the rate at 1,2% or 1,25%

According to industry estimates, at 1% the

Continued →



mann says the bubble has burst for investment used cars "The supply is relatively plentiful and there is clear evidence of distress selling In the past 15 months prices have dropped by 15% to 20% on average But Porsche prices are down by 20%-25% "

wouldn't know where the bonnet catches of their cars are, but drive them because they are a visual symbol of their wealth " ■

Rainer adds that demand for investment new cars, however, is still strong The firm has buyers waiting for the two Aston Martin Virages and two Lamborghini Diablos it was allocated this year The Aston Martins will go for R1,5m each and the Lamborghinis R1,3m

As buyers become extremely selective, dealers are reducing prices drastically One of 40 Ferrari 512 BBIs with right-hand steering, put on the showroom floor recently at Bloomsbury in Cape Town with a price tag of R1m, is now available for R750 000 The seller paid R1m for it.

Last week Johannesburg vehicle auctioneers Burchmore's advertised that it had sold a 1990 Jaguar XJS convertible marked at R295 000 for R250 000. The ad indicated that Burchmore's was prepared to drop the price of a 1969 Ferrari Dino 246 GT from R395 000 to R350 000, a 1976 Rolls-Royce Shadow from R165 000 to R140 000, and a 1989 Porsche 928 S-4 Gemballa by R70 000 to R525 000.

Burchmore's sales director Patrick Newman says: "We're auctioneers The higher price is what we regarded as a reasonable opening bid What we're saying in the advert is, that was our opening price, now we are prepared to accept this We also thought it would ginger up the quiet market and we want to move stock because we're nearing the end of our financial year "

SA Vintage & Veteran Association chairman Brian Lawlor says "What we're seeing is happening worldwide, and it isn't limited to investment cars It's happening with art and veteran aeroplanes as well The big buyers who bought for investment purposes last year aren't there anymore At a recent European auction of vintage aeroplanes only a replica bought by a Belgian museum realised its reserve price "

Though he admits the market is in a trough, he expects it to improve when the economy picks up because many buyers still regard exotic cars as status symbols By way of example, he notes that at a recent auction, a 1937 Derby Bentley went for R62 000 even though its engine and upholstery needed attention A more realistic price would have been R40 000

"The price it went for was what a collector would pay for a fully restored car," says Lawlor "Many Porsche and Ferrari owners

INVESTMENT CARS

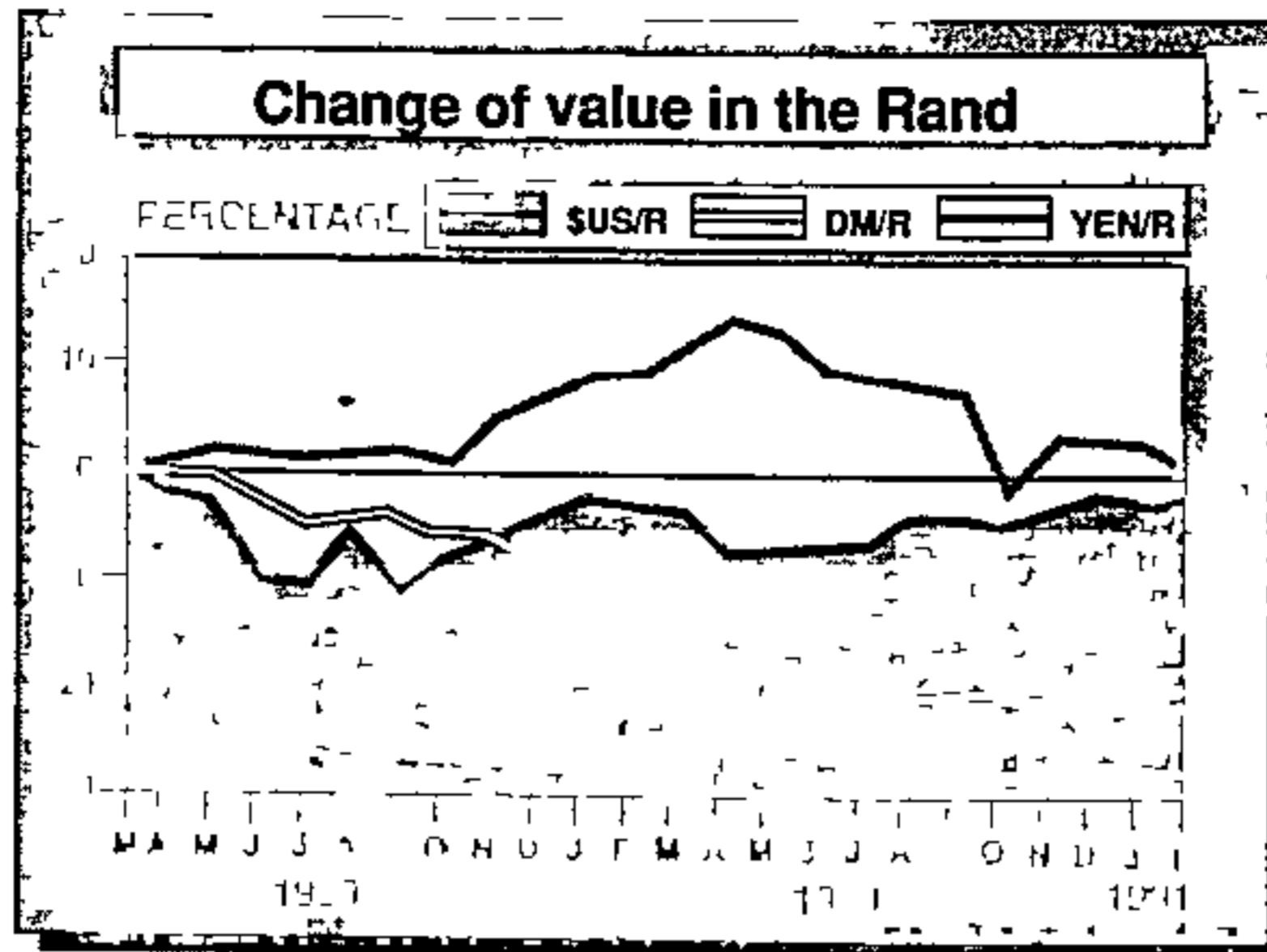
LOSING LUSTRE

~~192~~ (192)
FM 24/5/91

There was a time when it was the in thing for motor buffs to drive an exotic car Not only did they have the pleasure of taking it on Sunday spins, they could always sell it at a profit if they fell on hard times

Not anymore Investment used car prices have dropped 15%-20% in the past 15 months, hurting those who bought them in a seller's market and are now faced with selling them into a buyers' market.

House of Sports Cars GM Rainer Hoff-



Germans hold car-cost edge

Si Times (Buss Times) 26/5/91
CURRENCY fluctuations have turned the tables in favour of South African car makers who buy components from Germany

Those who buy components from Germany now have the edge on the Japanese

Since the beginning of the year, the rand has fallen by 5,7% against the yen, but risen by 3,8% against the mark

This is a reversal of the position at this time last year when the rand gained against the yen, but fell against the mark. Manufacturers of Japanese-sourced vehicles then had a large cost advantage over their German counterparts

Toyota Marketing managing director Brand Pretorius says exchange-rate changes have put pressure on costs. Toyota takes out forward cover, but it is expensive

Forecasts

As a result, Mr Pretorius has had to increase his pricing forecast for the current year to between 15% and 16% compared with an earlier 14,5%, "which will be impossible to meet"

Last year, Japanese-sourced companies had a price advantage of about 3% on their German competitors

Mr Pretorius says "We need high volumes to maintain optimum plant use and so remain competitive. We are aware of the price problem facing motorists."

Volkswagen marketing director Dave Malherbe says that the exchange-rate gap between companies using

192
By DON ROBERTSON

German or Japanese components has been as high as 27% since Phase Six of the local content programme was introduced in March 1989. It is now about 17% (see graph)

Mr Malherbe says "Because of favourable exchange-rate movements last year, Japanese companies enjoyed an immediate gain of between 6% and 8% on their local content without having to do anything"

Because of the reduced cost of components from Japan, the value of the imported content declined, resulting in an equivalent increase in the value of the SA content. This has now turned in favour of German-sourced companies

Mr Malherbe says that in spite of this, it will be difficult to maintain price increases at below the inflation rate

The industry is also fearful that changes to the Phase Six programme, scheduled for June 1, will exacerbate the problems of manufacturers

In terms of the current Phase Six local content programme, manufacturers are required to have at least 65% by value of each vehicle made up of SA components

Mr Pretorius believes that when legislation is reviewed in June, it could be increased to between 67% and 70%, putting further pressure on manufacturers

Mr Malherbe says it could rise to 70%, which would be difficult to maintain

Hammer and sickle lowered

Si Times (Buss Times) 26/5/91
Business Times Reporter

BLACK South Africans are abandoning their support for communist ideology and turning to capitalism or the concept of a "mixed economy", combining elements of socialism and free enterprise

So says a presentation, A Window on our World, compiled by advertising agency Bates Wells Partners from focus group discussions.

Part of a continuing research effort into black and white socio-political opinion, a Window on our World records and analyses attitudes to several issues

Its objective, says Bates Wells group managing director Dave Kelly, is to provide marketers with the latest information for effective marketing in an evolving society

Although research 10 years ago revealed a strongly positive black opinion of communism, says Mr Kelly, that system has now generally fallen from favour

"The sharing concept has given way to the idea that under communism one would be robbed of the fruits of one's labour"

Apartheid

Although respondents believe they do not have free access to information about communism, they are well aware of its failure elsewhere

Capitalism, a decade ago overwhelmingly associated with greed and exploitation, apartheid and oppression, is now much more highly regarded. Many respondents favour the opportunity of business ownership

Many respondents, both black and white, favour a socialist-type system, which is held to be a good compromise between individual initiative and protection from exploitation

Black respondents generally do not favour privatisation and supported nationalisation of certain sectors of the economy

Toyota plans to ¹⁹² make 220 Corollas a day

MOTORING

TOYOTA South Africa

Manufacturing is to invest more than R30 million this year on plant improvement, extensions and automation

The managing director, Mr Ralph Broadley, said the company would also instal robots to help in the increased production of Corolla
Toyota would further introduce new levels of automation to its paint shops, he said

Modernise

Broadley said R7 million was being spent on increasing Corolla volumes from the present 117 a day to 220 a day

In this regard, a further R20 million was earmarked to extend the assembly hall, increase volumes of light commercial vehicles from 170 a day, to modernise the receiving operation for local content components and to create facilities in the body shop for increased storage space for

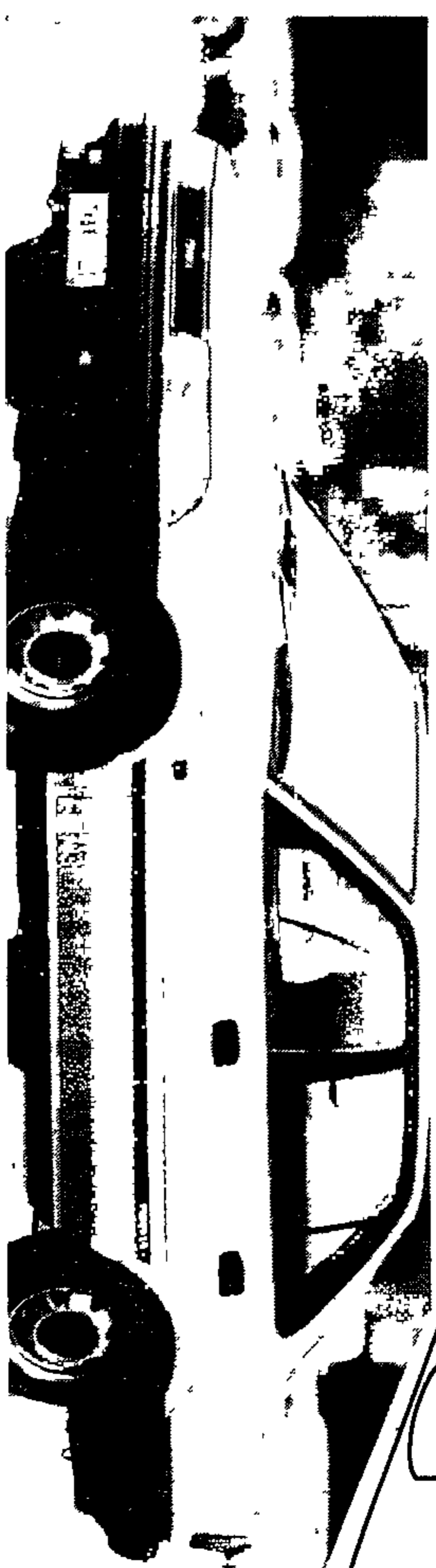
By MOKGADI PELA

Stampings

"A further R3 million to R4 million has been set aside for further automation, primarily in the paint shops.

"No one will lose his job because of higher levels of automation

"People will be relocated in the expansion and growth phase of the company," Broadley said



The Toyota Corolla is one of the most popular cars in the world today.

We're ⁽¹⁹²⁾ among ^{South Africa 27/11/91} top car makers

By MOKGADI PELA

STATISTICS from Toyota Motor Corporation of Japan show that its South African subsidiary produced more vehicles during 1990 than any other similar manufacturing plant in the world, including Japan and America

South Africa produced close to 50 percent more units than its nearest rival - Australia

The total number of Toyota vehicles (excluding Hino trucks) to roll off the production line at Toyota SA Manufacturing near Durban last year was 91 030 - constituting 21,3 percent of the total number of vehicles produced from completely-knocked-down kits worldwide.

Closest

The figure closest to that of South Africa is the US which has two production plants in comparison to Toyota Manufacturing in South Africa

Toyota Motor Manufacturing USA has produced 574 000 units while New United Motor Manufacturing Incorporated (a joint venture with General Motors), has produced 408 000.

Units produced by other African countries during 1990 include 2 538 (Kenya), 280 (Zimbabwe) and 176 (Zambia).

Lead-free fuel:
B/0am 28/5/71
firms will cope

98 MARC HASENFUSS 192

THE local motor industry is able to cope with the expected introduction of lead-free fuel to SA within three to five years, according to motor industry sources

They said no additional tooling up would be required as engines fitted with catalytic converters would come from parent companies abroad

Volkswagen SA chairman Peter Searle said all Volkswagen and Audi vehicles produced in Europe were equipped with catalytic converters

"VWSA will soon be exporting converters to its mother company in Wolfsburg and it is therefore possible for us to equip our Audis and fuel injected Volkswagen cars with the same converters"

However, this would add to the cost of the vehicle, Searle said

Exporter Motoware makes a name

SELLING South African components to the rest of the world has made a leader of Nissan SA's Motoware.

Headed by Charles Wiggill, this innovative concern has established profitable and lasting contacts in foreign markets for several SA motor-related products. It is constantly searching for markets.

Set up before the implementation of Phase VI of the local content programme which highlighted the vital role exports would play in the future of the motor industry, it is regarded as more a separate function than an integrated Nissan export division.

"We decided long ago to distance ourselves from the mainstream Nissan activity to ensure that we operate in the entrepreneurial world of exports. This decision focused Motoware," says Mr Wiggill.

From a financial viewpoint, Motoware acts independently. That allows swift decision making.

The foresight displayed many years ago has paid off. Motoware had its foundation in place before the Phase VI export incentive was announced. It obviously gave exports an extra boost. Simply put, the Phase VI



CHARLES WIGGILL Constant search for markets

Incentive works on the basis of R0,50 rebate being obtained for every rand of local content exported. If you export R100 worth of SA-made components, you get a credit of R50 which may be used to offset certain excise duties payable by motor manufacturers.

Scale

Frequently, however, a part of the rebate is needed to subsidise prices for the exporter to remain competitive in foreign markets. It is of vital assistance in launching SA products abroad. "However," says Mr

for itself

Stines (Bun rias)

192

Wiggill, "in the longer term, SA will need to rely on greater productivity and economies of scale to ensure the continuance of these markets."

Japan and Italy, two countries with which Motoware has close ties, are difficult markets to break into, especially for Nissan SA which is a 100% SA-owned company. Sanctions made it even more difficult.

"Although we succeeded through relationships we had formed along the way, this influence was secondary to more fundamental business practices, such as providing components of equal quality at competitive prices," says Mr Wiggill.

Selling SA was part of the acceptance strategy and to this end, Motoware has hosted many visitors on fact-finding tours.

Not only have guests been shown the Nissan operation, but they have been taken to the various component manufacturers with which Motoware has forged links.

Mr Wiggill says "Such partnerships allow local component suppliers to con-

centrate on manufacturing top-quality products while Motoware heads the export drive. Not only do we have an incentive to offer on a partnership philosophy, but we have an infrastructure locally and in other parts of the world where we have formed companies."

Although many suppliers are excited about the export possibilities offered by Phase VI, they are still not taking part fully.

Potential

"This is because the trust element between suppliers and the motor industry regarding exports still has to grow. In addition, certain suppliers have export restrictions because of licensing agreements with foreign component manufacturers."

Proof of the viability of such relationships lies in the success achieved by Motoware for SA manufacturers of components, such as machined castings and alloy wheels.

For many years Motoware has exported engine blocks to the Far East from Nissan's

manufacturing plant and has been successful with certain after-market components in Europe.

Mr Wiggill says a great opportunity lies in the export of autocatalysts which will provide sister company Steelmobile with additional press part and various other component suppliers with new business.

The potential for exports to Africa also looks good, particularly for complete vehicles.

"We have been negotiating for some years to obtain Nissan's approval to export directly to African territories," says Mr Wiggill.

The infrastructure in the form of Nissan dealers exists

in many African countries so it makes sound sense to bring the source plant closer to the markets.

"We are also negotiating with Fiat on this issue," he says.

New markets as defence orders drop

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Strydom (Barnes Trust)
2/6/91

TRUCKMAKERS was formed in 1978. The vehicles developed by this company — using Magirus-Deutz/Iveco technology — are marketed under the commercial name of Sammag. The special-purpose equivalent is known as Samnil.

Truckmakers managing director Mossie Mostert says "Originally it was only Magirus-Deutz, but we incorporated Iveco technology to give the ideal combination."

The Samnil proved itself an all-purpose military vehicle, acquiring a reputation for being ultra-reliable in the most demanding conditions. More than 50 variants are in use in SA.

Although Truckmakers does the engineering development and manufacture, the Samnil was built to specifications supplied by Armscor.

Truckmakers has over the years become a leader in the design and manufacture of specialist vehicles.

"In the past few years, we have developed more sophisticated vehicles, such as the Mfezi ambulance and the Tapt, which is used for special purposes by the SA Defence Force. It has the same driveline as the Samnil, but can carry sophisticated weaponry," says Mr Mostert.

With the changing political scenario in Southern Africa, it became obvious in the late 1980s that Truckmakers' core business would diminish. But developments in the

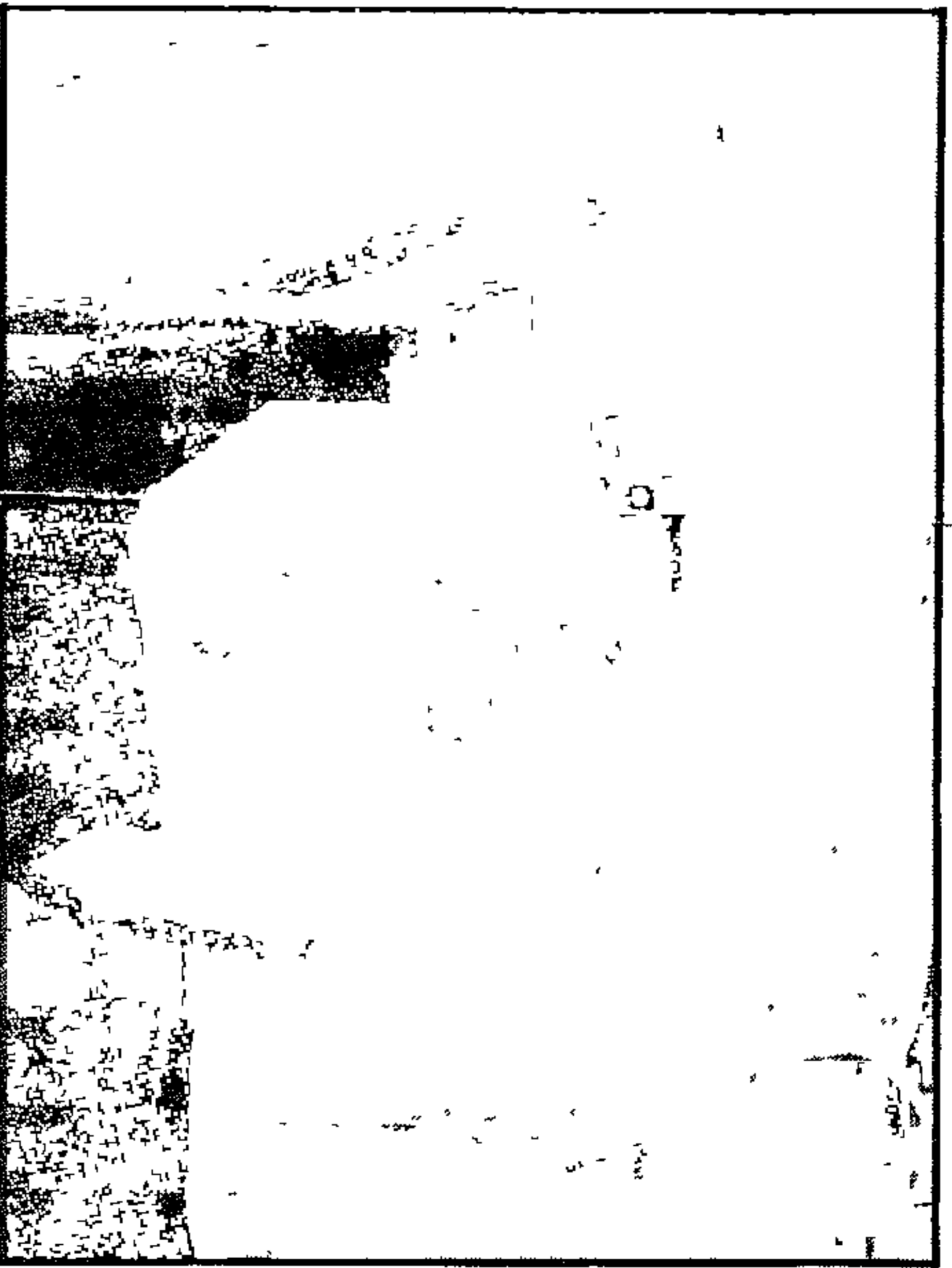
pipeline could be suitable for world markets.

"Iveco wanted to expand its activities in South Africa. We were already in the commercial market with a Sammag off-road tipper based solely on Iveco technology. It sold successfully to the forestry and construction industries."

Links

"Forging closer links with Iveco proved a move of foresight. Truckmakers wanted to further increase its product range in the commercial market without conflicting with Nissan-Diesel's commercial-vehicle products," says Mr Mostert.

Truckmakers launched the Sammag TurboStar at the end of 1989 as a competitor in the on-road, long-distance haul-



MEN AT THE TOP Nels Strydom, director, human resources, Mossie Mostert, managing director of Truckmakers and Gordon Boyd, managing director of Steelmobile

age market. In its first year a satisfactory market share of 5.6% was achieved.

The TurboStar was launched in Europe at the end of 1985 and earned the title of Truck of the Year. More than 40 000 have been sold in Europe since its introduction.

Truckmakers is also involved in vehicle rebuilding. Once again, the technology and skills being applied to the programme will eventually be made available to the commercial sector with capacity for rebuilding up to 20 trucks a month.

Although the impact of reduced defence spending in the past two years resulted in the lowest sales volumes in the company's history, Truckmakers at the same time produced record profits through the full use of its facilities and expansion into related activities.

Truckmakers has understandably kept a low profile in the past. This looks set to change and the market is sure to hear a lot more from this innovative home-grown organisation.

Fresh challenges for motor-makers

S Times 2/6/91 (Sun Times)

192

UNFAVOURABLE exchange rates, a small market with many players, volatile labour and dramatic changes facing management will make the next two years the toughest the motor industry has faced for a long time

So says John Newbury, chief executive officer of Nissan South Africa

Although he admits this picture is not one for the faint hearted, he sees the conditions as challenging and is confident that Nissan will meet them as it did when riding the storms of the 1980s

The issues dealt with then were critical and drastic action was needed to combat a falling market share

It was then that the company installed a hot line direct to the managing director's office in order to put Nissan in touch with the market and so equip itself to better serve customers

JOHN NEWBURY The customers come first



market as a motor manufacturer of repute

The long-term plan was to give the company more focus through reorganisation of the different disciplines into separate accountable units, such as marketing and manufacturing. This was done

Discounts

The short-term goal was to regain market share and to increase it. This meant tackling the fundamental problems like quality and customer care

The hot line to Mr Newbury's desk was the start of the customer care campaign introduced as a new philosophy throughout the organisation. The dealer network was also upgraded, the accent being on service

Other actions included doing away with discounting as a means of capturing sales, repositioning model pricing, focusing the advertising effort on the "We are driver"

theme, and starting a productivity drive

The result of the ground-work was shown in 1987 when Nissan launched its Skyline range which elevated the company's image as a manufacturer of high-quality products

The next year saw the launch of the Sentra and the Nissan one-tonner bakkie, both of which made immediate and favourable impact on the market. Nissan was back in the running in terms of public acceptance, but was not yet out of the woods

Pillar

Mr Newbury says, "In the late 1980s restraints were imposed on us by the Japanese, primarily as a result of American pressure. We had to source products from other parts of the world and look even closer at increased localisation"

In spite of the difficult times, the Japanese connection remained a stabilising

pillar for the SA company

"They supported us and our relationship was never adversely affected. In fact, having lived through hard times, we now have an even better understanding of each other's values and way of working"

Nissan SA spread its contact wings to Italy and sowed the seed for the introduction of the Uno range

The Nissan of today is a far cry from the Nissan of the 1980s. But the road ahead is certainly not a clear one. What does Mr Newbury see as priorities for the next years?

"Productivity will be a major factor. We've been paying high wages in this industry as a result of union pressure, but our product-

ivity figures are far lower than in the Far East," he says

"We also need to hold down car prices, but this can only be done by improving productivity."

Strategy

"We need to expand our sales base because with the Government's determination to bring down inflation, interest rates will remain high. I don't see the market growing, so cost pressures are back with us"

"We will also expand our dealer base to ensure we're well represented throughout the country"

He believes the most important strategy for the 1990s is customer care

Huge strides made in manufacturing

ST Times (Sun Times)

192

2/6/91

SOUTH Africa has the capability to assemble cars to world standards and the motor industry should not accept second-class rating

So says Don Fyfe, managing director of Nissan SA Manufacturing, the company responsible for making all Nissan cars, light commercial vehicles and heavy commercials

It is also responsible for product development and engineering as well as the different supply divisions

"The component industry has made huge strides in the production of high-quality components. I'm amazed at the attention to detail and the skill in component manufacturing compared with 10 years ago"

These strides are in part tribute to Nissan Manufacturing. If a component manufacturer wants his product to be considered, quality is paramount

"We embarked on a programme of quality commitment which instils a sense of pride in workmanship throughout the organisation," says Mr Fyfe

This philosophy is an adoption of what the Japanese re-

fer to as Keizan — literally translated, the process of continuous improvement

Implementing this system has been no easy task because SA is a mixture of First and Third World cultures and Japan is a long way away

"Adaptation is the key," says Mr Fyfe "We blend the Japanese system to our requirements"

Blend

Although responsible for the total inputs and outputs of the manufacturing company, Mr Fyfe and his team keep their fingers on the pulse of customer needs. He sees it as important that the people in manufacturing do not focus only on engineering aspects

"Although marketing and manufacturing are two separate companies in Nissan, a great deal of synergy developed to support the main goals of the company and we subscribe fully to the need to guarantee an outstanding quality product

"We couple our commitment to quality with a high degree of understanding of customer needs and we ac-

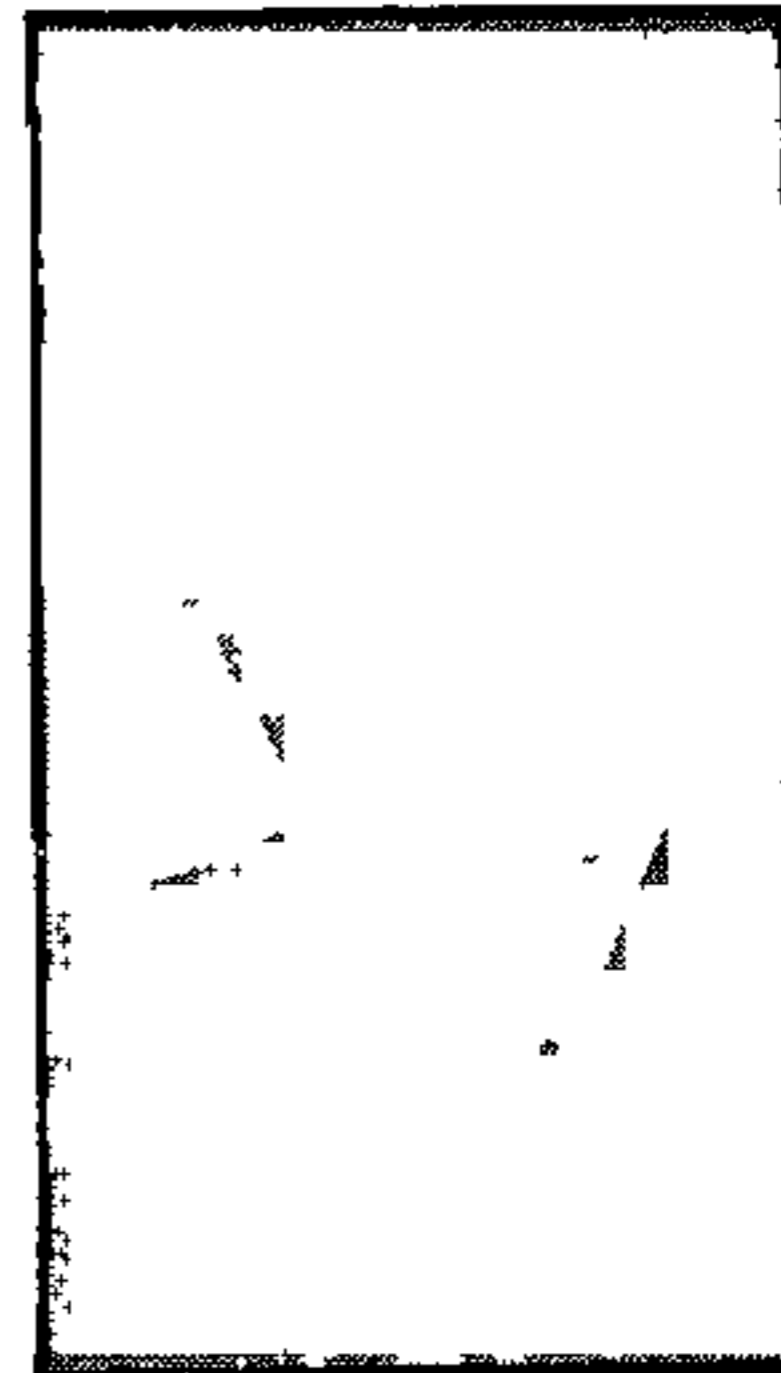
cept as a key focus area of our company that we must be customer driven. Everything we do in manufacturing must be to satisfy the customer

"Quality, customer care and cost are the keys to our success," he says

The Nissan manufacturing plant — including its engine division — is at Rosslyn and can make more than 300 vehicles a day on a single shift. Heavy commercial vehicles are built at a dedicated plant

Mr Fyfe says Nissan's record on labour-related stoppages is impressive compared with industry norms

"If there is a problem, we



DON FYFE There's a way out of every problem

don't allow management to stand back and point to it being a labour problem. We say every condition is a management problem and there is a way out"

Backyard to pound seats

2/6/91
A SUCCESS story that deserves telling is of a former one-man operation which today is wholly housed in the Nissan stable

The company is Sani Industries, manufacturers of GRP station-wagon bodies and specialised leisure vehicles

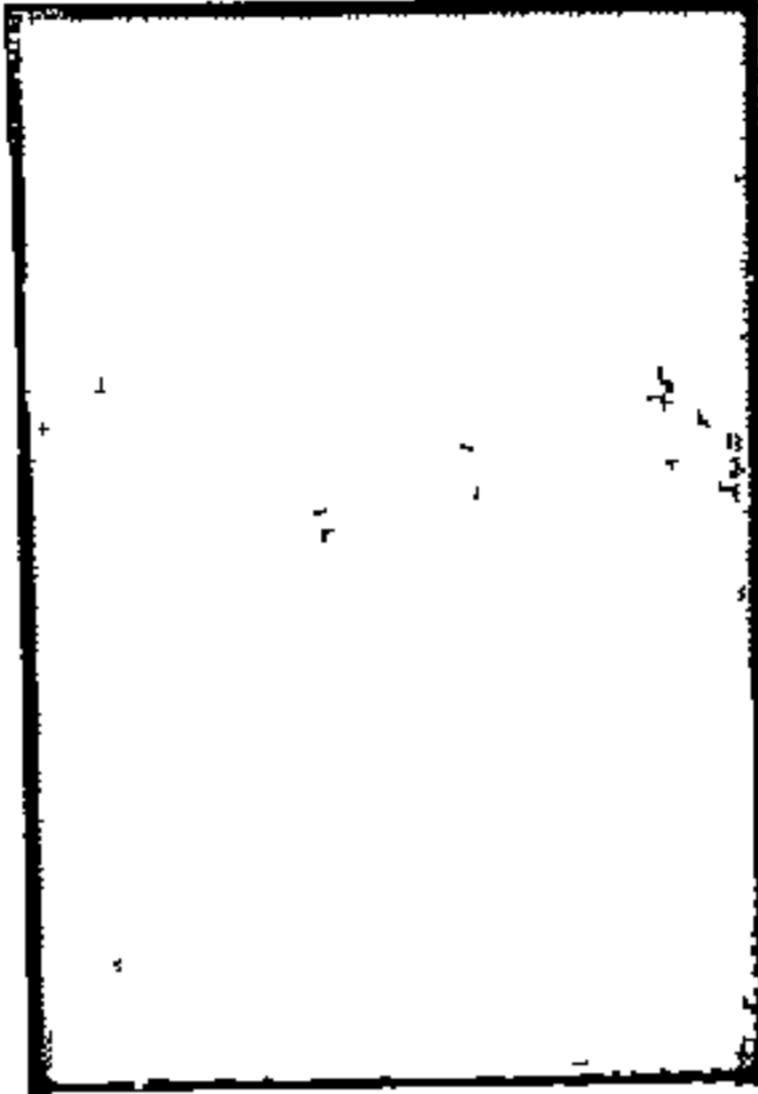
Sani started in 1983 when present managing director Chris Holden bought the rights from America to build a 4x4 utility vehicle in SA

The first vehicle was built in what can be described as a backyard operation. However, the high-quality finish dispelled any implication of backyard workmanship and it attracted the attention of buyers. Production in that year rose to five a month.

Chris Matthews, who was working for Nissan at the time and is now general manager of Sani, later saw the vehicle. Knowing Nissan was looking to introduce a luxury 4x4 model, Mr Matthews approached Mr Holden with the Sani idea.

Nissan gave Mr Holden a 720 4x4 pick-up to which a GRP station-wagon body was fitted to the cab and chassis. The result was a winner.

Realising that the Sani was filling a market niche, Nissan encouraged Mr Holden to expand, which he did by build-



CHRIS HOLDEN A winner

ing a factory in Maritzburg in 1989.

Nissan SA was so impressed with Sani sales and quality that it bought a controlling shareholding in the company in the same year.

The popularity of the Sani was built on the three-door version, of which over 1 300 units have been built. A milestone was reached last November with the launch of the Sani five-door station wagon built on the Nissan one-tonner 4x4 chassis.

Its introduction results from a demand from the A income group which wanted a five-door version.

Nissan SA plans R1bn export deal

S/Times 2/6/91 (S/Times) 192

NISSAN SA hopes to export R1-billion of motor parts to Italy's Fiat Auto in the next three years.

The decision follows a wrangle with the Board of Trade and Industry (BTI) about the local content programme.

Fiat Auto threatened to quit the SA market. It has a sizeable investment in Automakers, holding company of Nissan SA which makes the diminutive Fiat Uno

When the Phase Six programme was introduced it was intended to increase SA content in small steps until 1997 when it would be at a maximum of 75%.

Assured

The programme, aimed at reducing imports, was intended to be self financing, using import duties and surcharges on manufacturers which did not meet the minimum. The money would finance export credits granted to those who increased shipments abroad.

Manufacturers responded well to the export challenge and the pool of funds for credits ran out. As a result, the minimum local content was increased rapidly to 65% and additional surcharges were imposed on imports.

This sparked Fiat's wrangle with the BTI.

Armando Rossi, Fiat Auto's representative for Southern Africa, says he has been assured by the BTI that the latest changes to the local content programme will be an increase to 70% by value from the current 65% and it will be the maximum.

The changes are expected to be gazetted in a few days.

Three months ago, Fiat signed a contract for the export of autocatalysts to Italy

By DON ROBERTSON

Within three years more than 600 000 catalyts will be exported.

Platinum-coated monoliths will be supplied by the new Johnson Matthey plant in Germiston and will be "canned" by Nissan component supplier Steelmobile.

Also on the export list are 2-million wheel rims. They are being tested by the SABS to Fiat standards.

Dr Rossie says "We have a lot of trust in the SABS and are prepared to work more closely with it."

The export of brake pads and discs is also being considered as well as about 20 other items, says Dr Rossi.

Nissan says that in spite of teething problems, the Uno has been a great success.

Nissan Marketing managing director Stephanus Loubser says "We have only about 20 to 25 vehicles in stock at the plant. Dealers have only about 2½ weeks of stock on showroom floors."

"We are negotiating with Fiat Auto to increase the supply of completely knocked down (CKD) kits so as to increase production."

Birthday

Nissan SA managing director John Newbury says "Our agreement with Fiat involves reciprocal trade. I expect it to grow dramatically in the next few years and Fiat to play its role in this trade. We could not have chosen a better partner."

After a year on the market — Uno celebrated its first birthday this week — about 12 000 vehicles have been produced, giving the car a 5% share of the market. It hopes to increase it to 6,5% this year.

● See pages 6 and 7 for Nissan SA feature.

Nissan 'corrects' platinum report

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BIDAM 3/6/91

ANDREW GILL and
MATTHEW CURTIN

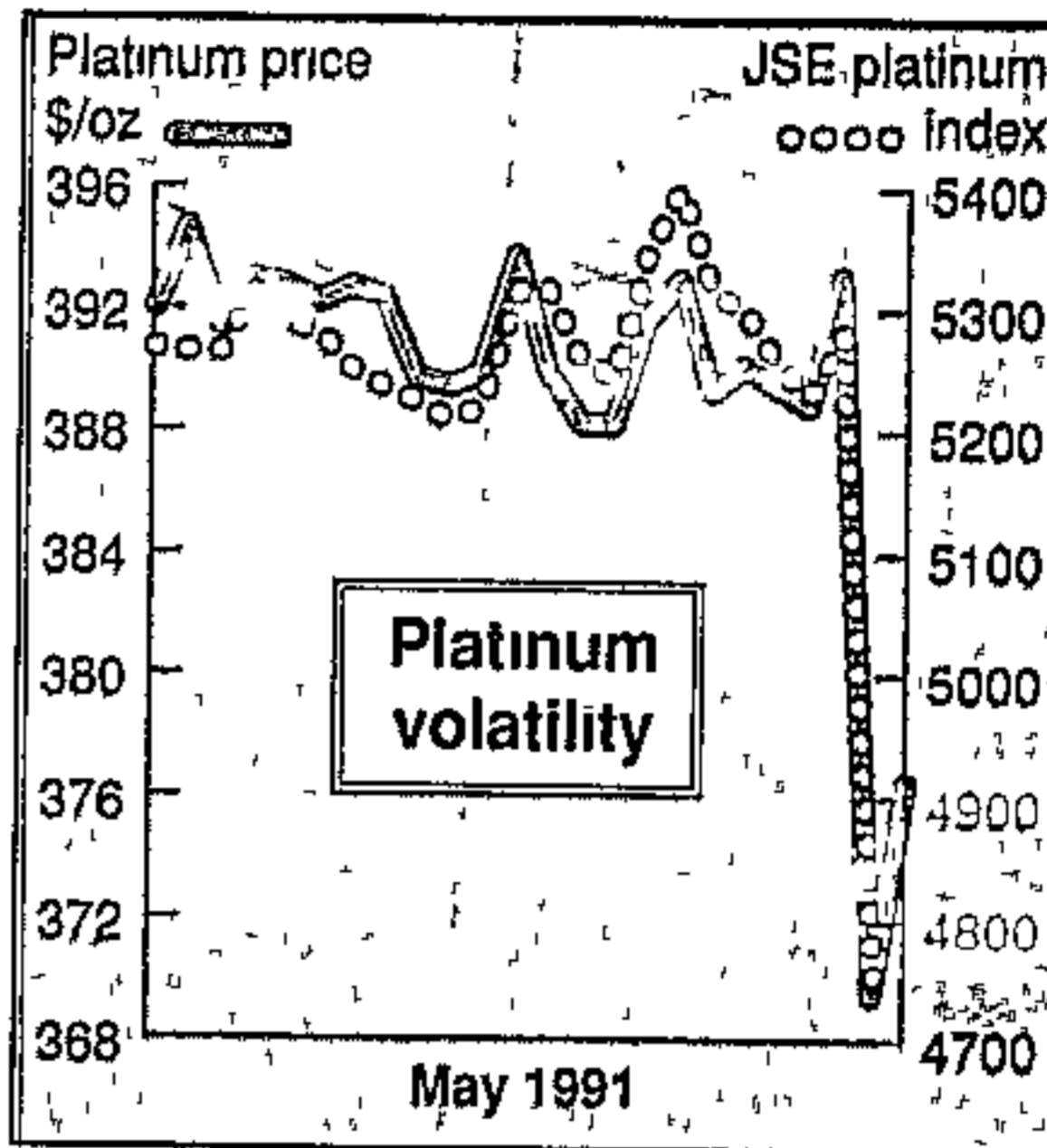
NISSAN's reported development of a platinum-free car exhaust converter was countered over the weekend by an official statement from the car giant that the converter would be used only in the Japanese domestic market, Impala Platinum MD Mike McMahon said yesterday.

Analysts expect platinum and rhodium prices to continue Friday's upward correction after Thursday's dramatic freefall, with platinum-related share prices following suit.

Nissan said the technology had still to be proved and comments attributed to a Nissan spokesman were not sanctioned by the company. It said the impact on platinum and rhodium markets would be minimal.

The convertor apparently relies only on palladium and reports said it would be ready for installation by 1994.

The comments took a heavy toll on the platinum and rhodium markets on Thursday as the platinum price plunged \$33 to \$362,50 an ounce at the London opening, after dropping steeply on the Tokyo futures market,



Graphic: FIONA KRISCH Source: I NET

It closed \$24,50 lower at \$369,50 on Thursday and \$7 higher at \$376,50 on Friday. The JSE's platinum index plummeted 10% or 535 points to close at 4749 points.

McMahon said the converter was not intended for the North American and European markets and was suitable only

□ To Page 2

Platinum

BIDAM 3/6/91

for small engines, probably about 1500cc.

He said on Thursday that the company was concerned that the news, which appeared first in the Japanese Economic Journal, conflicted with its latest confidential information from Nissan.

Nissan was an important customer and Implats had long-term contracts for the supply of platinum, palladium and rhodium, all platinum group metals (PGMs).

PGMs are vital ingredients in the manufacture of car catalysts which reduce noxious emissions from car engines.

Frankel Max Pollak Vinderine analyst Kevin Kartun said Thursday's volatility emphasised the vulnerability of the platinum market.

It also indicated that sooner or later an alternative could be found for platinum

and rhodium in converters and the metals would have to find more uses.

Barry Davison, MD of leading platinum producer Rustenburg Platinum (Rusplats), said the Nissan development was "one of technological evolution rather than revolution, which would not cause a fundamental change in the forecast usage of the three PGMs for car catalyst applications".

Fergusson Brothers analyst Derek Ritchie said the fall in share prices on Thursday was a "knee-jerk reaction".

Leplat shares led the plunge on the JSE with a 14% or 65c fall to close at 400c. Implats stock tumbled 775c to close at R60 a share, closely followed by Rusplats, which lost 725c to finish at R68,50 a share, falls of 11,4% and 9,5% respectively.

● Picture Page 15

192 □ From Page 1

New local content level set for cars

(192)

MARC HASENFUSS

THE Board of Trade and Industry (BTI) has raised local content levels for the motor industry to 70% (previously 65%) despite warnings that the move could lead to higher new car prices.

A BTI statement said the move, from June 1, had been motivated by the better than expected local content levels achieved by the industry.

National Association of Automobile Manufacturers of SA (Naamsa) director Nico Vermeulen warned that the move could increase motor vehicle prices further as manufacturers would incur additional costs to meet the new requirements.

The amendment to Phase VI of the local content programme, announced at the weekend, states that the specific excise duty on imported parts be increased from 32,5% to 35%.

This effectively means a 70% local content level by value must be met by motor manufacturers in order to qualify for a rebate. *B10am 3/6/91*

Manufacturers earn 50% excise rebate on the value of exports of components. The exports have so far exceeded the penalty levied on manufacturers should they produce vehicles below the required local content level.

In addition, the ad valorem excise duty was increased from 9% to 12% on passenger cars and from 0,5% to 2,5% on commercial vehicles and buses.

At the end of last year rebates achieved by carmakers from exports under Phase VI far outstripped the import penalties, and the BTI imposed a temporary 2,5% ad valorem duty on vehicles to compensate for a R64m shortfall in revenue.

To Page 2

Local content

B10am 3/6/91

(192)

From Page 1

The BTI said the increase in excise duties was unavoidable as Phase VI was intended to be self-financing.

Toyota marketing MD Brand Pretorius said the increase had been anticipated by the industry and largely provided for.

However, the ad valorem duty was unexpected and would have a negative effect on

the already depressed commercial market.

"The ad valorem duty will be an additional cost and could increase prices for commercial vehicles," Pretorius said.

Naamsa's Vermeulen said the BTI had not indicated whether the ad valorem duty was only a temporary measure.

Motor industry ^{CT 3/6/91} ⁽¹⁹²⁾ local content levels raised to 70%

Own Correspondent

JOHANNESBURG. — The Board of Trade and Industry (BTI) has raised local content levels for the motor industry to 70% (previously 65%) despite warnings that the move could lead to higher new car prices.

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In anticipation of the structural changes to Phase VI due to be tabled in September, the BTI also replaced the four quarter smoothing mechanism by a system whereby foreign exchange usage is based on the cost of sales of manufacturers.

The previous policy of measuring foreign currency usage in one quarter against vehicles sold in a subsequent quarter was erratic as exchange rate fluctuations, labour unrest and changes in market demand effected the motor industry's performance.

The BTI believes this will bring the foreign currency usage of manufacturers more in line with the number of vehicles sold and result in a smoother payment/receipt situation for the industry and government.

Motor industry

pays most

ARGUS 4/6/91
By SHARON SOROUR
Labour Reporter

CLEANERS in the motor industry are the only workers in the sector to earn a "living wage", according to a Labour Research Service survey

Light cleaners in this industry earned an average wage of R278 a week or R1 200 a month

This was well above the average cleaners' wage of R169 a week

"It is also the only industry that pays more than the Labour Research Service's (LRS) housing-based living wage estimate of R260 a week or R1 140 a month," said LRS spokesman Ms Vivienne Geard

Cleaners in the local authorities and mining sectors were among the lowest paid, earning wages of R120 and R115 a week respectively

"The lowest-paid cleaners are in the building and construction industry where they earn R112 a week, on average," she said

Paper, print and pack industry workers earned the second highest wages at R218 a week followed by those in the iron, steel and engineering industries at R202 a week

The Cleaning Trade Wage Order — which was a wage instrument written by employers but approved and gazetted by Minister of Manpower Mr Eli Louw — covered only workers who were employed by the cleaning companies

Busaf modernises Port Elizabeth plant

DESPITE the current crisis in passenger transport, Dorbyl Transport Product's (DTP) bus-building subsidiary Busaf has undergone a large-scale modernisation programme at its Port Elizabeth plant

DTP MD Rob Duff remains optimistic that the bus industry will recover as rapid urbanisation increases the need for affordable public transport.

Duff said the modernisation programme followed

MARC HASENFUSS

10 years of continuing rationalisation at Busaf, which reduced staff from 1 300 to about 300 today

Bus manufacture had dropped sharply as higher operating costs and cut-backs in government subsidies in recent years prevented bus operators replacing ageing fleets

Busaf's manufacturing reorganisation was initiated to realign the manufac-

turing facilities for buses and coaches with market demands, Duff said

"It is in line with our strategy of offering a reduced range of quality vehicles produced in a rate-based system of manufacture, while retaining a separate facility for producing special vehicles and non-standard coachwork"

Just-In-Time principles were being applied to Busaf's line-based production system, Duff said

Saficon earnings slump by 60%

Blom 5/6/91

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MARC HASENFUSS

SUPPLY shortages continued to frustrate luxury vehicle distributor Saficon, causing a 60% fall in attributable earnings to R15m (R37m) for the year to end March

Chairman Sidney Borsook said the strikes and stoppages at the Mercedes Benz and Volkswagen plants last year significantly reduced the volume of new vehicles available and the loss in turnover had made it impossible for the group to achieve the initial or revised profit forecasts

Turnover for Saficon, the parent company for the Cargo group, Lindsay Saker and LSM Distributors, slipped 5% to R1,46bn (R1,54bn) New vehicle sales for the group were down 17% to 12 417 units from 15 023 units the previous financial period

Interest paid increased to R26m (R20m) and earnings from associate company Boumat crashed to R740 000 from the previous year's R6,7m

A final dividend of 7c a share was declared, slashing the final payout to 14c (43c), covered 3,8 (3,4) times

Earnings a share decreased 64% to 53c (149c) on the back of an increased number of shares issued in the period under review

In November Saficon revised its earnings forecast downwards to 70c a share and its dividend forecast to 20c a share

CE Kurt Hipper said the past year had been an extremely difficult period for the group in that a large portion of the group's costs were fixed and management could do little to reduce them without destroying elements of the infrastructure built up by Saficon over the years

"Direct costs were controlled in line with the lower level of sales and any action to achieve a short-term adjustment in fixed costs was considered inappropriate"

Hipper said Saficon's sustainable growth rate policy, based on retaining 75% of earnings and maintaining gearing at below 75%, enabling Saficon to invest R131,25 for every

R100 earned, had been successful over time and was in the shareholders' long-term interests

"Because lower earnings in the past year have inhibited the achievement of this objective, we have decided to restrict dividends to 25% of earnings until we are comfortable that we have made up this year's shortfall in our planned equity base"

Looking to the future, Saficon directors were confident of obtaining supplies and restoring earnings to an acceptable level for the economic conditions expected in fiscal 1992

For the year to March 1992 Saficon expects earnings and dividends a share of 95c and 24c respectively

The share was untraded on the JSE yesterday at 600c, midway between its 725c high in August last year and a low of 500c in February

Saker's Finance and Investment corporation, which holds as its only investment a 54,5% stake in Saficon, reported an earnings decline of 66% to 84c (248c) and declared a smaller 22c (69c) dividend

Hopes high for a year with the Midas touch

MARC HASENFUSS

192

SOLID earnings growth in the current financial year is expected for automotive component distributor Midas after the restructuring and reorganisation of the group's three main trading divisions

In his annual review, chairman Derek Riley said the move, in the past year, to smaller vehicles which would require more replacement parts was another plus

The restructuring programme saw the group's auto part and accessory outlet at Mid and repositioned from a regional to a national operation, renamed National Parts Distributors *Monday 6/6/91*.

Midas FS was amalgamated with Adco into Parts Inc, Genuine Parts disposed of Motorcycle World and the exhaust, shock absorber and towbar fitment chain Fasfit was sold

Executive director Sarel de Vos said Midas's export division traded with many African countries in the past year and increased turnover 35%

In the year to end-February the group, which is 31,6% held by McCarthy, posted a 44% drop in attributable earnings to R4,6m (R8,3m) on the back of a 10% rise in turnover to R242m (R221m)

Interest-bearing debt was reduced to R24,4m (R30,6m) and gearing dropped to 39% from 48% in 1990. The current ratio remained at 1,6

The share fell from a 510c high in July to 245c in January, but traded at 310c on the JSE yesterday

Motor group forecasts R133m rise in turnover

Business Day Reporter

192

COMBINED Motor Holdings chairman Maldwyn Zimmerman predicts in his annual review that the group's turnover will reach R500m this year from R367m in the previous year despite adverse conditions in the motor car industry

Recent acquisitions and the expected commissioning of a truck outlet in Pinetown will contribute to this increase. *Monday 6/6/91*

On the higher turnover, earnings are expected to be in line with those achieved during 1989 and 1990. The group reported a decline of 20% in earnings in the year to February, to 22,3c a share

The group is one of the country's largest dealers in Ford and Nissan products and has significant other interests in the retail motor industry, including franchises in Mercedes and Toyota

Zimmerman says passenger car sales are expected to drop marginally to about 250 000 units this year but that most manufacturers will be able to show a modest return on investment.

"Better cost and asset management techniques have enabled manufacturers to reduce their break-even sales level and the prospect of a growing export market will help spread overheads."

He says the local content programme does little to restrain local vehicle price increases if "local components are inefficiently produced"

SAFICON Fw 7/6/91

SUPPLY SHORTAGE ¹⁹²

Motor vehicle distributor Saficon fell well short of its original EPS forecast of 149c for the 1991 year, and was even short of its revised forecast of 70c made at the interim stage. Moreover, dividend payments may be skimpy for the next few years — dividend cover will be maintained at four times.

EPS fell by 65% in the first half and by 63% in the second half, to total a massive 64%. The interest bill increased through the year, though in the second half it rose by 24% after rising by 48% in the first half. Gearing at year-end remained roughly static at 0,50.

The main operating companies, Mercedes-Benz dealer Cargo Group and Volkswagen dealer Lindsay Saker, were affected by strikes at both those manufacturers. Turnover fell by 5%, unit sales of passenger cars fell by 17,4% and commercial vehicle sales by 18,1%, compared with national declines of 5,2% and 7,1% respectively. This was a recovery from the first half, during which supplies were completely cut off in late August and September, and turnover fell by 16%.

Chairman Sidney Borsook, however, says gross margins have been improved, as vehicle shortages reduced previous over-supplies in the market in which Saficon operates. The relative contribution of parts and services, which enjoy a higher margin than new vehicles, increased. But CE Kurt Hipper says little could be done about Saficon's high fixed costs in salaries and rentals, which would have meant disposing of part of the infrastructure of dealerships.

The contribution from 37%-owned Boumat was a mere R633 000, less than a tenth of 1990's contributions (R6,6m). Saficon's operating profit fell by 32%, though attributable earnings fell by 60% — thanks to the Boumat collapse, a 33% increase in interest paid and a rise in the tax rate from 50,8% to 51,7%.

On historical earnings, Saficon's share, at R6, trades on a demanding price of 11,3. However, Hipper predicts EPS of 95c in 1992, just 3c ahead of 1988 earnings. If there is no repetition of last year's strikes, that figure looks attainable, though it is hardly exciting.

Stephen Cranston

Vektra cuts back operations

Blom 7/6/91
VEKTRA Corporation, FSI group's vehicle parts distributor, has trimmed its operations drastically after a disastrous year

Chairman Alan Schlesinger says in his annual review that action has been taken to reduce inventories and discontinue or dispose of non-performing or non-strategic activities

However, market conditions which affected Vektra's 1990 results have continued into this year and are not expected to improve materially in the short term, says Schlesinger

192
LIZ ROUSE

In order to maintain turnover (1990 R475m 1989 R467m), Vektra business reduced margins and aggressively defended market share against strong competition

This led to a reduction in operating margins from 7,3% in 1989 to 5,9% in 1990. Operating profit fell by 18% to R28,1m (R34,2m), finance charges climbed by 70% to R19m (11,2m) and earnings fell by 57% to 46,3c a share from 108,5c in 1989. Total payout was reduced to 16c (35c)

New deal possible on local content

6/10 am 7/6/91 (192)
THE production and export of catalytic converters could be partially excluded from Phase VI of the motor industry's local content programme, Trade, Industry and Tourism Minister Org Marais said yesterday

Speaking last night at the retirement of Mercedes Benz SA management board member Hein te Poel, Marais said that a separate package of incentives could be developed, possibly incorporating aspects of the General Export Incentive Scheme

Under Phase VI, motor manufacturers are offered an export rebate which is offset against duty on imported components

He said the production of catalytic converters was considered an important area of industrial development and the investi-

MARC HASENFUSS

gation should not be perceived as an effort to limit the growth of converter exports

Referring to the expected structural changes to Phase VI, Marais said experience gained over the past two years by government and the motor industry should prevent further adjustments to the programme after September this year

Marais said all issues raised by the motor industry had to be finalised for implementation in September

Marais said some manufacturers felt there should be a limit placed on exports qualifying for rebate and a minimum requirement on actual local content

A fixed target for Phase VI was also propagated, he said

More carmakers look at palladium converter

Finance Staff

192 star 6/16/91

Other major car manufacturers are developing platinum-free catalytic converters, it has emerged since Nissan's announcement last week that it is working on a palladium-based converter

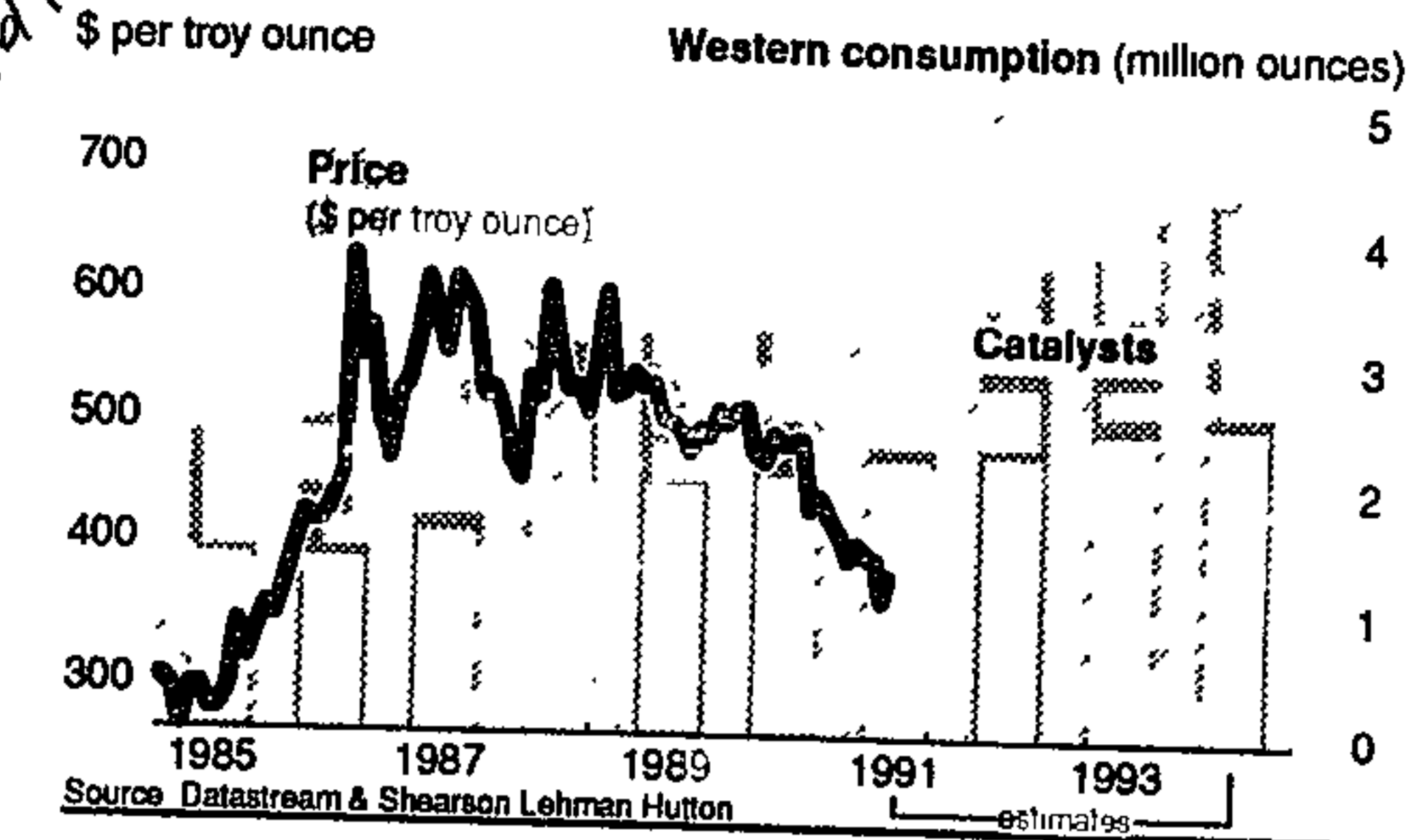
However, the new developments are not likely to have a major impact on the platinum price, which has already recovered from its \$30 plunge immediately after the Nissan statement

Response

The Financial Times in London says that in response to the Nissan announcement it has become clear that other carmakers, such as Toyota, are developing platinum-free converters, while Ford, which first announced such a move in late 1988, is pressing ahead with an expansion of its use of this technology

Ford's plans were revealed this week and show that the US group owns two patents and is expected to receive two more for palladium-only catalyst technology in cars and light trucks

While Ford's chief use of palladium catalysts has been on 600 000 of its light trucks, it has installed combined palladi-



um/rhodium catalysts on 40 000 1989 model year cars sold in California

The Financial Times says the use of these catalysts continued on some 1990 and 1991 model cars sold in California

Since then, however, Ford has expanded use of the platinum-free catalysts to several model lines on sale throughout the US. Despite the new developments, platinum prices are expected to recover further, as no carmakers have plans for introducing only palladium-based technologies in the near future.

This was confirmed by a Nissan statement in response to platinum's \$30 plunge

It said "The market went way ahead of us as there are several questions about the fea-

sability of the new converters, which have not yet been answered

"The breakthrough was that we found a way to make palladium just as effective in removing toxic nitrous oxide from emissions as rhodium is"

Nissan admitted, however, that the durability of palladium "is one of the major focal points of further testing"

Neil Behrmann reports from London that the development of platinum-free converters "will have a detrimental impact on investor demand for platinum," in the eyes of Jeffrey Nichols of American Precious Metals Advisers

He recalls the impact of a similar announcement by Ford in December 1988

The Ford announcement, cou-

pled with poor performing precious metals prices, led to a fall in investment demand to 200 000 ounces in 1991 from 660 000 ounces in 1988, according to Johnson Matthey

However, investor demand now accounts for only five percent of total consumption, so platinum's fortunes are mainly dependent on industrial and jewellery purchases

Autocatalysts accounted for around 45 percent of Western demand for platinum last year

Severe

As a result, both Alan Austin, general manager in charge of precious metals marketing at Johnson Matthey, and Brian Nathan, managing director of Ayrton Metals, believe the market reaction last week was far too severe and are not surprised by the rebound

Mr Nathan says the catalyst is untried in commercial quantities, so initial market reaction was ridiculous, considering that the development would only be proven in 1994

The sudden slump in prices last week, however, illustrates that substitution is a continuing threat, particularly if prices rise too high

Platinum was virtually unchanged yesterday at \$378.25, from Tuesday's \$378.50 close. After the Nissan announcement the price fell to \$362.50

FM 7/6/91

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Though the effect will not be evident immediately, it is likely to be built into companies' standard quarterly price rises

The board also has accepted the industry's request for a cost-of-sales approach to measuring foreign currency usage, and ultimately, local content levels. By comparing import and export values in the same quarter, it should smooth out fluctuations in assessed content levels.

It also should ease companies' cash-flow problems. According to the board report detailing the changes, it "should result in a smoother payment-receipt situation for both the motor vehicle manufacturing industry and government."

The board expects further amendments to the programme from September 1. The industry has asked for time to consider plans to couple a fixed 50% excise duty with a 50% primary rebate on achieved local content, plus another rebate for each car produced and an additional rebate. The industry also has asked for a mechanism limiting rebates on what it describes as one-off, "windfall" exports.

Because the local content programme is self-funding, rebates earned by companies exceeding target levels are paid for by those falling short. Companies argue that inclusion of "windfall" exports would upset calculations and expose the system to unpredictable short-term fluctuations. ■

MOTOR INDUSTRY ^{FM} 7/6/91
PUSHING PRICES UP 192

The latest increase in vehicle local content targets, though coming as no surprise to the motor industry, is still expected to push up car prices.

As predicted by the *FM* (*Business* May 17, *Leaders* May 24), the Board of Trade & Industry has raised companies' local content breakeven level from 65% to 70%, and amended the formula by which that local content is measured.

Manufacturers expect the new target to lift prices by up to 2.5% on some models.

Mercedes Benz launches R25m plant in EL

192
CT 8/6/91

From AUDREY D'ANGELO
Business Editor

EAST LONDON — Mercedes Benz (SA) will have to compete with its parent company in Germany and the operation in Brazil for markets in other African countries, CE Christoph Köpke said yesterday

The latest increase in local content requirement, from 65% to 70% is making the SA company less competitive in export markets

Köpke and a member of the management board of Mercedes Benz (Germany) commercial vehicle division, Rolf Scharwächter, explained that export markets in Africa would be supplied by the company in the group which could do so most cost effectively

Local content

Köpke said that shifting the goal posts for local content made it difficult to plan ahead. It was also reaching the "pain threshold", returning SA to the days when production in this country was uneconomic

Köpke and Scharwächter were speaking at a media conference following the opening of Mercedes Benz new R16m commercial vehicle manufacturing plant at East London. This is the first phase of a R25m expansion and modernisation scheme

It can produce 26 vehicles a day. But the pilot project which began at the end of January is currently producing only 12 vehicles a day

Köpke said, in answer to questions, that introducing a four-day week was among measures now under consideration

At the opening ceremony he said there was some justification for asking whether this was the right time to make an investment of this magnitude

Low points

The heavy commercial vehicles market was experiencing "one of its worse low points in many years and with very few signs of an early recovery"

The development was an act of faith in the medium to long term

Mercedes Benz SA had "a good measure of confidence and optimism in the new SA, being fully aware, of course, that quite a number of obstacles, uncertainties and problems, notably the unrest situation, have to be overcome in the intermediate phase

"Looking at the future in a Southern African context we are in the happy position that, based on tangible developments, we can already start looking beyond the borders of this country"

Köpke said he was confident that "all the major players in SA at this time are fully aware of the vital significance of this period and that the present uncertainties, fears, emotions and prejudices will be reduced to the level at which meaningful progress towards a new dispensation can be achieved"

5/20/91
10/6/91

R25m spent on Mercedes plant

MARC HASENFUSS

MERCEDES-Benz SA (MBSA) has invested R25m in upgrading facilities at its East London commercial vehicle manufacturing plant (192)

Opening the plant at the weekend, MBSA CE Christoph Köpke said the investment should dispel rumours that the group was considering withdrawing from SA or moving its facilities from East London

The modernisation programme would consolidate MBSA's position as market leader in the over-7,5-ton commercial vehicle market, and the increased plant capacity would facilitate entry into export markets

The improvements would boost production capacity at the plant — currently 12 units a day — to 26 units a day or 6 000 units a year

Vehicle sales still hit by recession

bloem 11/6/91.

192

MARC HASENFUSS

RECESSIONARY conditions continued to knock the motor industry with May's sales of new vehicles showing marked year-on-year declines in all categories.

Combined vehicle sales in May fell 9% to 26 305 units compared with 28 868 in the corresponding month last year, according to National Association of Automobile Manufacturers of SA (Naamsa) figures released yesterday.

Naamsa warned that tough trading conditions in all four sectors of the industry were expected to continue for the rest of the year.

Volkswagen SA spokesman Ronnie Kruger said, with year-to-date sales ahead of expectations, indications were that new vehicle sales had bottomed out and that the market had started to recover.

Econometrix's Tony Twine agreed that the market had bottomed, but said an upward trend in sales would be evident only in the new year.

Kruger stressed the extent of the growth phase hinged on motor manufacturers' ability to stem further price increases.

New passenger car sales in May declined 9% or 1 705 units to 17 010 (18 715) units, but showed a slender 2% improvement over April's 16 713 units sold.

January-to-May passenger sales at 86 596 units were running 2% above the 85 242 units sold in the same period last year.

Sales for light commercial vehicles (LCV), including minibuses, dropped 8% to 8 440 units against 9 138 units during the same period last year, and also declined marginally against the 8 582 units sold in April.

Sales of medium commercial (MCV) and heavy commercial (HCV) vehicles remained in the doldrums and year-on-year comparisons show a 17% decrease to 335 (406) units and 15% decrease to 520 (609) units respectively.

However, both sectors showed a slight improvement in sales in comparison with

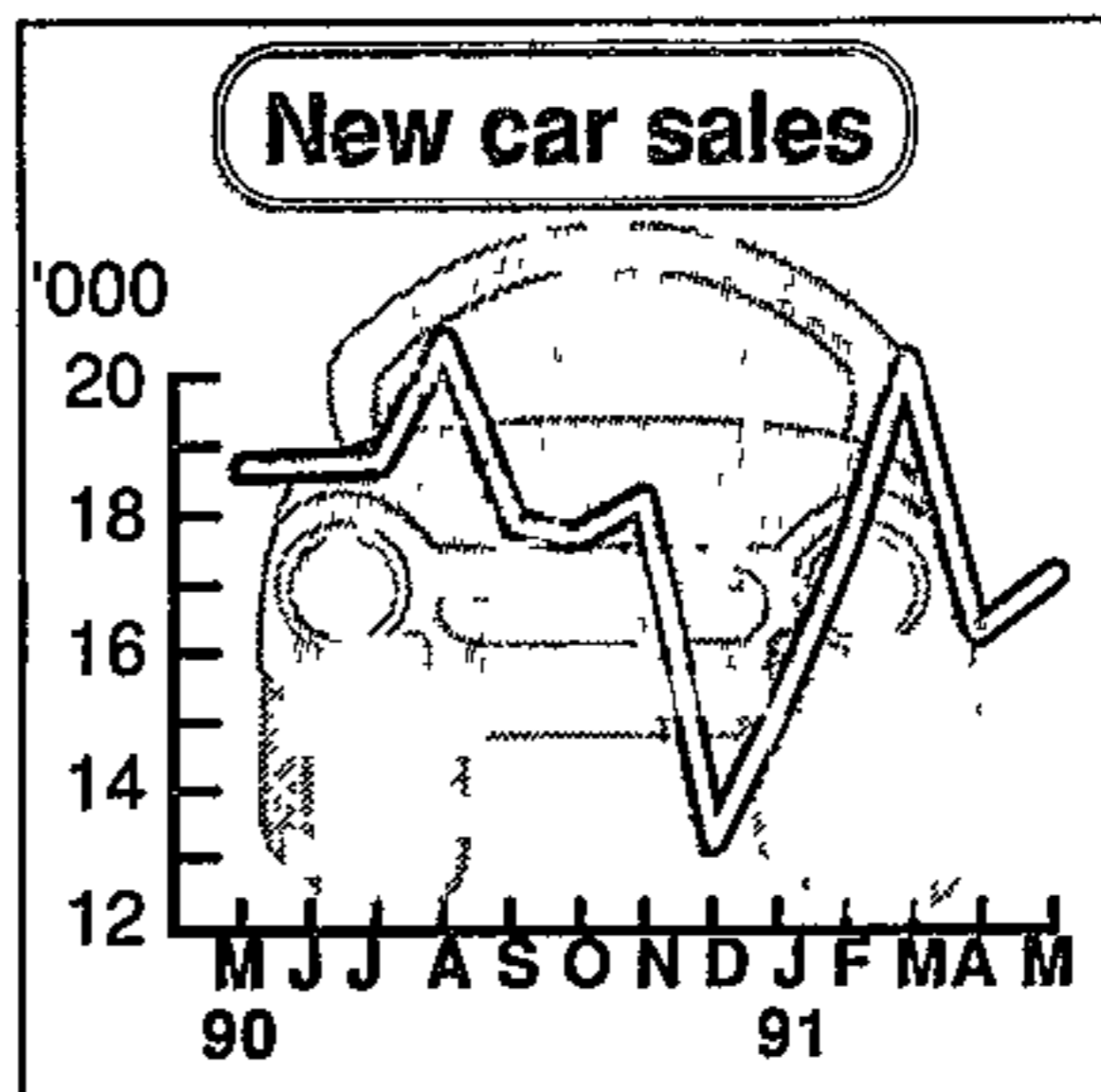
recent months

Naamsa director Nico Vermeulen said net present value considerations coupled with the accelerated depreciation allowance applicable to capital assets appeared to have contributed to a rethink on the part of operators about delaying commercial vehicle purchases until after the introduction of VAT.

McCarthy joint MD Theo Swart said the used car market had tightened further during the first five months of the year as strict monetary control kept buyers at bay. Although no official figures were available for this sector, motor dealers estimated a 20% decline in used vehicle sales last year.

SEAN VAN ZYL reports that motor industry sources said the widely expected price hike in new passenger vehicle prices for the June quarter was likely to be in the order of 3,5% to 4,5%.

While Naamsa expected an overall 16% climb in prices this year — phased in at 4% a quarter — these calculations had not taken into account the impact of the additional cost of Phase VI of the local content programme, which was boosted recently from 65% to a 70% target.



Graphic: LEE EMERON Source: NAAMSA

SPL bucks retrenchment trend as workforce grows

ROBERT LAING

COMPUTER software developer SPL is bucking the trend in software development by continuing to expand its graduate workforce while competitors are retrenching programmers.

In its latest annual report, SPL says qualified people were its major expense last year, with 75% of the group's revenue going to staff.

It notes it continued to ex-

are being attracted to the company, complementing the strong base of science graduates."

Software developers often claim they sell total solutions to business problems.

He said, however, accurately forecasting and maintaining its own profit margin was a problem the industry had yet to solve.

Widening the profit margin,

which sank to 2% at the interim stage last year compared with 1989's 11%, remained a priority, he said.

Contracts to develop and support sophisticated software packages are invariably long-term and estimating how many manhours will be needed to complete a task is a tricky business.

The group spent R7.7m on research and development

and its exports generated R6.5m.

Israelstam noted that SPL had been rated highest among SA software companies in an independent market research company.

SPL's share price has risen to 130c from its '98c low in February, but it is still far from the 300c it reached in 1989 when ISM was considering an acquisition.

Probe into price fixing of new cars

PRICE fixing in the new car market could shortly become a thing of the past after investigations by the Competition Board

If the board decides that "recommended pricing" is a restrictive practice leading to collusion, it will act, says board chairman Pierre Brooks

Interviewed last week, Brooks said while recommended pricing had not been outlawed, it was under review

"Hopefully something will be done about it this year," he said

The pricing mechanism — which is set by manufacturers and determines the retailer's margin — in most cases becomes the actual price at which vehicles are sold

Econometrica analyst Tony Twine said the practice had long been outlawed in the US through anti-trust legislation

Some countries such as Australia required that motor manufacturers published any deal-

SEAN VAN ZYL

er discounts or "incentives" to prevent strong-arm tactics being used to set prices

A number of dealers, who did not wish to be named, said motor manufacturers also stipulated "recommended" discount structures which essentially restricted dealers from reducing prices below these levels

"If the sale reflects a larger discount than that laid out in the recommended discounts, the manufacturer can penalise the dealer on future purchases," one dealer said

Another dealer said "In an open market system, the dealer should be allowed to make the best deal he can afford, rather than at a set level determined by the manufacturer and applied throughout the dealer network"

To circumvent the recommended discount rates, some dealers now boost the trade-in values of used cars and also sell new vehicles

192 B1024 13/6/91

as second-hand demo models at reduced prices

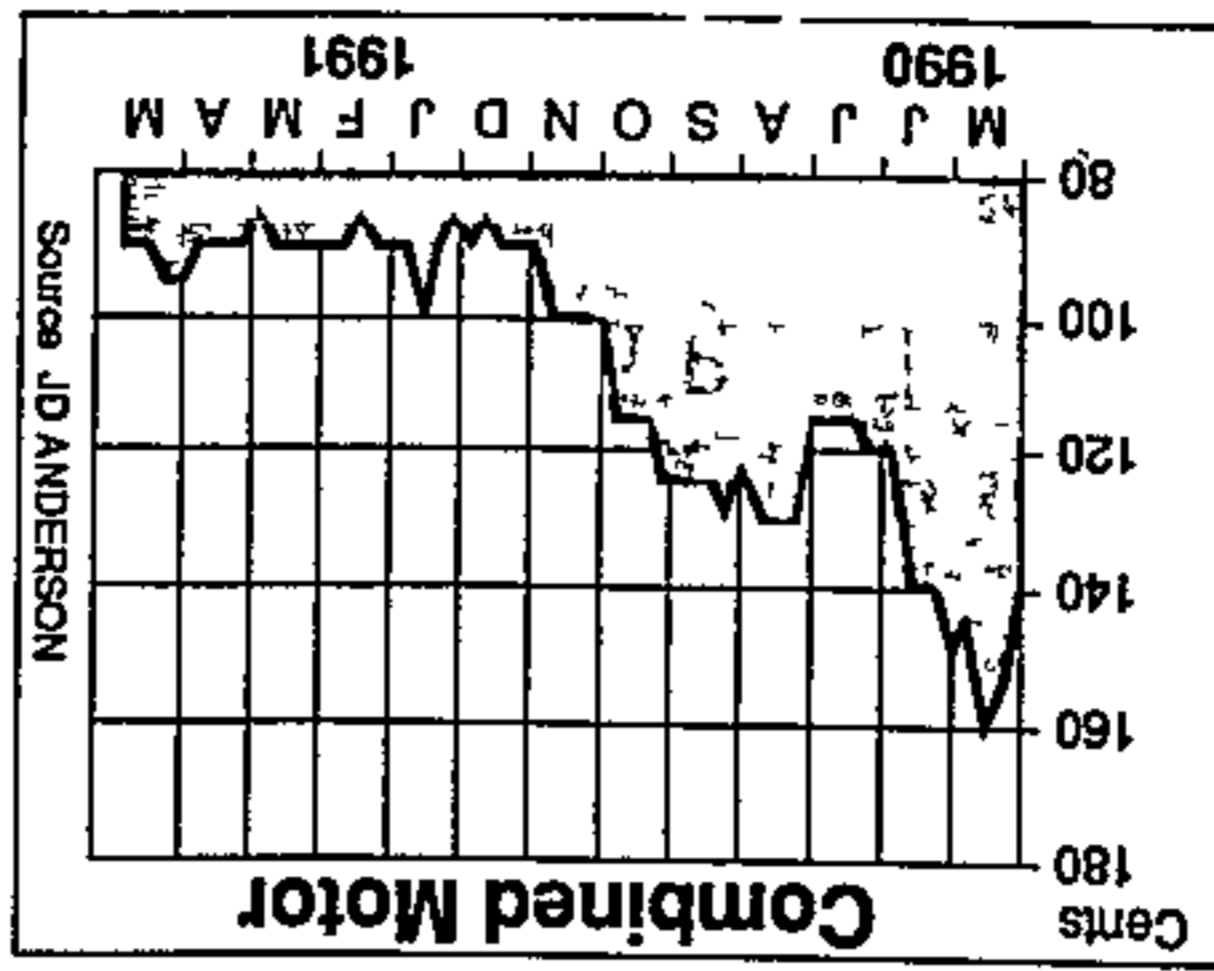
The National Automobile Dealers' Association (Nada) is said to be negotiating dealer retail margins, discounts and recommended pricing with the National Association of Automobile Manufacturers of SA (Naamsa) A Nada spokesman confirmed a meeting had been set up, but added the matter was "far too sensitive" to comment on at this stage

Spokesmen for the motor industry claimed that suggested retailing pricing was to the benefit of the buyer

Toyota SA's marketing director Brand Pretorius said recommended pricing prevented the motor dealer from taking advantage of the consumer

"If a dealer is caught selling above the recommended retail price, he stands to lose his dealership rights"

Volkswagen SA spokesman Ronnie Kruger said VW did not discuss its retail price and discount structures in the media



Earnings halved at the interim stage, so the decline of 20% posted by Combined Motor Holdings (CMH) for the full year to February indicates some recovery in the group. Management of working capital was tightened up with considerable success, net interest paid fell by 26%, and interest-bearing debt by 71%, even though the group acquired a further four dealerships.

Chairman Maldwyn Zimmerman says the group was caught by over-ordering Vehicles are ordered three months in advance and the group overestimated the demand for cars in the 1990 spring quarter, which is traditionally the highest demand period of the year. In the second half, stock control was tightened up and inventories were reduced by 8% by the end of February.

The group has broadened its franchise base by buying dealerships in Mercedes-Benz/Honda and Toyota, and by acquiring a second Delta outlet. In the full year the new dealerships will contribute 20% of turnover, says Zimmerman. The parts division suf-

Net worth (c)	108	131	136
Dividends (c)	7.8	10.7	10.7
Earnings (c)	23.6	33.2	28.0
Pre-int margin (%)	4.2	4.2	3.8
Pre-int profit (Rm)	9.2	13.1	14.0
Turnover (Rm)	222	315	370
Return on cap (%)	19.4	20.5	21.1
Int & leasing cover	11.5	13.8	4.1
Shareholders' interest	0.42	0.39	0.40
Debt equity ratio	0.14	0.33	n/a
LT debt (Rm)	0.2	0.01	—
ST debt (Rm)	1.6	7.2	8.0
Year to Feb	'88	'89	'90

Trading volume last quarter, 214 000 shares
 cover, 2.1 12-month high, 160c, low, 85c
 dividend, 24.8% on earnings, p e ratio, 4.0,
Share market: Price 90c Yields 11.9% on
 tion R17m
Capital structure: 19m ords Market capitalisa-
Chairman and MD: M Zimmerman
Control: Directors 68%
 for Ford, Nissan and other marks
Activities: Owns motor dealership franchises

TIGHTENING UP
 CMH FM 14/6/91
 192

ferred from the reorganisation of the Nissan/Uno parts division, which disrupted supplies for most of the year. Zimmerman estimates the resultant loss of sales reduced the bottom line by more than R1m.

He expects earnings to recover to 1989 and 1990 levels this year, so the dividend has been maintained at 10.7c. In early 1992, a new truck outlet is due to be commissioned in Westmead, Pinesown, and CMH is looking for further acquisitions. Certain tax losses have been acquired, which should also help to improve earnings.

The share is trading on a p e of 4, below the motor sector average of 6.3 and well below comparable companies such as McCarthy (7.7) and Vaaluto (13.2). It yields 11.9% on dividend, though the cover is likely to be lifted if earnings increase. CMH has good recovery possibilities, and it has shown that it is capable of reducing debt. However, the weak record of the past two years and the uncertain future of the new car business must count against an investment in the stock at this stage.

Stephen Cranston

FM 14/6/91
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The automotive sector has had a tough year, as indicated in the drop in demand for new vehicles. The group is confident that demand for replacement parts, the dominant sector of the business, will increase as the car fleet ages. Reduction of overstocking in the industry has enabled a firming of margins. A tightening-up of inventory contributed to an encouraging R6m reduction in Midas's interest-bearing debt, and gearing (after deduction of R8.2m goodwill) was reduced from 0.59 to 0.45. Stocks were almost unchanged at about R58m. On a strictly comparable basis, however, stocks have shrunk, R3m of stock was brought on to the balance sheet by the first-time consolidation of Silvers motor spares.

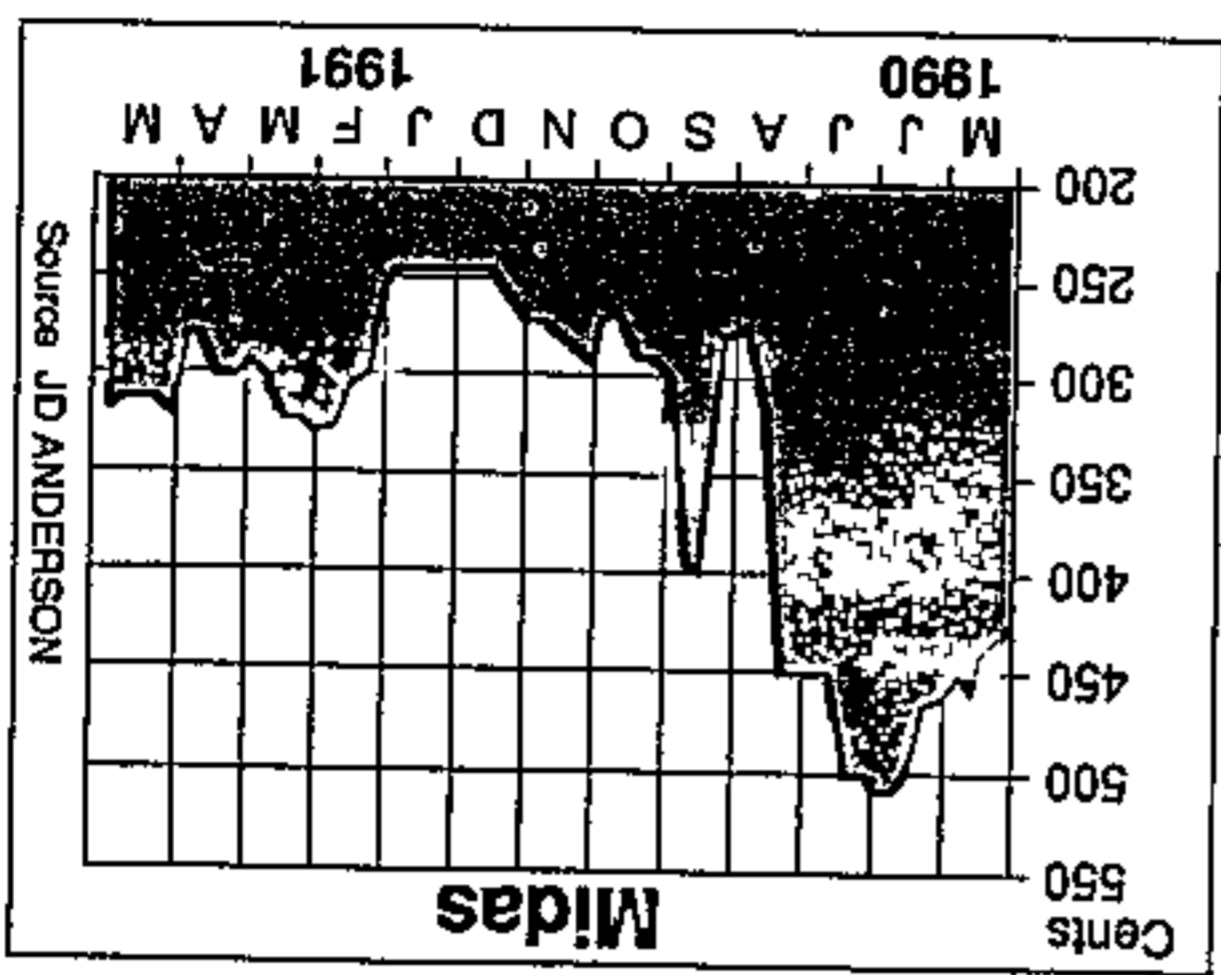
Turnover rose by 9.5% but creditors increased by 41% with debtors up by less than a quarter. Midas was restructured over the year. The Fastfit exhaust and shock absorber centres and Motorcycle World outlets were sold, and the number of employees was reduced by 12% as a result. Key personnel, treasury, personnel and information systems support functions were centralised at head office. New franchises were started for car air-conditioning, radio and security fitment centres (Autolux), and diesel and turbo engine workshops (Adco).

The debt reduction and operational restructuring indicate management is coming to grips with some of the problems. However, the group has a low interest and leasing cover of 1.6 and operates in a sector that is not expected to show much growth this year. Rich says Midas is trading ahead of budget in the first quarter of the year. There are reasonable prospects of earnings growth this year, but this will be off a low base.

The share is trading at a dividend yield of 2.7%, and on a P/E of about 10. It is listed in the retail sector, but there are no directly comparable quoted companies. At 315c, the price is some 14% below net worth. Just two

years ago, Midas reached a high of 1 425c in view of the recent earnings slide and the problems facing the automotive industry, the share looks expensive — even allowing for a potential earnings recovery.

Stephen Cranston



dividend of 5.5c was maintained. MD John Rich, however, says Midas has moved from a loss in the quarter ended February 1990 and broke even in the following quarter, to a profit position.

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Stephen Cranston

For the second consecutive year, Midas's earnings have almost halved, and last year the dividend was more than halved. This comes after chairman Derek Riley wrote in his 1990 annual report that "the budget reflects management's determination to achieve real growth in earnings per share."

Net worth (c)	273	271	354
Dividends (c)	20	35	20
Earnings (c)	61.2	118.8	60.3
Pre-nt margin (%)	10.2	11.9	7.5
Pre-nt profit (Rm)	9.8	20.9	16.5
Turnover (Rm)	95	176	221
Return on cap (%)	17.9	32.8	20.4
Int & leasing cover	8.6	6.4	1.9
Shareholders interest	0.61	0.56	0.64
Debt equity ratio	0.55	0.59	0.45
LT debt (Rm)	—	—	—
ST debt (Rm)	4.1	19.6	30.6
Year to Feb	'88	'89	'90
Trading volume last quarter, 112 000 shares			
cover, 3.8 12-month high, 510c, low, 245c			
dividend, 10.2% on earnings, P/E ratio, 9.8,			
Share market: Price 315c Yields 2.7% on			
isaton R46m			
Capital structure: 14.8m ord's Market capital-			
Chairman: D B Riley, MD J A Rich			
Control: McCarthy 32%, Fedvolks 12%			
Activities: Markets automotive parts and ac-			

The only good news was that the final

MIDAS Fm 14/6/91 IN LOW GEAR (192)

Fm 14/6/91 (192)

Car manufacturers gearing up for major export drive (192)

Derek Tomney

SAW 27/6/91

South African motor industry is poised for a major export drive once economic sanctions are lifted. Motor industry officials refer to talk about their plans for rousing the anti-South African factions overseas and using trouble for potential corners. But the industry, which is already exporting about

R1 billion a year worth of motor vehicles and components is confident of doubling this figure within a short time.

As one industry executive summed up the situation "We have seven assemblers in this country capable of producing between 350 000 and 400 000 cars a year. With the market stuck at 200 000 cars a year, these assemblers are not going to survive unless they start selling overseas."

The new local content programme has also proved to be a major incentive. Assemblers are given local content credits according to the amount of components they export. This has enabled them to hold down car prices and survive in today's difficult climate.

Sometime South Africans get a glimpse of the offshore activities of their motor industry. A British company, the MCL

group, has announced that it is to start selling South African made Mazda 323's from Saturday.

MCL has been talking to Samcor, the South African assembler of these cars, for years about importing them. However, a decision was delayed until South Africa's political climate was considered to have improved sufficiently for the vehicles to stand a chance of market acceptability.

MCL is still being cautious. It has imported 500 of the vehicles. "We will wait and see what the take-up is like and then make further judgments about how to proceed," a company spokesman said.

About 73 dealers will initially sell the South African car which is to be known as the Sao Penza, but the number of dealers is expected to increase to around 160 by the middle of next year.

The cars will sell for just over £7 500 (R35 250) which makes it price competitive against similar imports.

Samcor is not a company that should be a target of foreign sanctions. Formed in 1985 from the merger of Ford and Chrysler's operations in South Africa, its 5 000 strong workforce own 24 percent of its shares. The balance is held by the Anglo American Corporation.

SA-built cars set to sell overseas

192

ALG-w
27/6/91

From DEREK TOMMEY

The South African motor industry is poised for a major export drive once economic sanctions go

Motor industry officials refuse to talk about their plans for fear of arousing the anti-South African factions overseas and causing trouble for potential customers

But the industry, which is already exporting about R1 billion worth a year of motor vehicles and components, is confident of doubling this figure within a short time

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Toyota tops, but VW and Nissan gain market share

By 27/6/91

MARC HASENFUSS

VOLKSWAGEN and Nissan gained new-car market share in the first two months of 1991, Central Statistical Service figures show

Toyota SA, which continued to outsell other vehicle manufacturers, and Samcor both lost ground, although Toyota's loss was marginal

During January and February 1991, Toyota's market share declined to 24,1% from 25% in the corresponding period last year

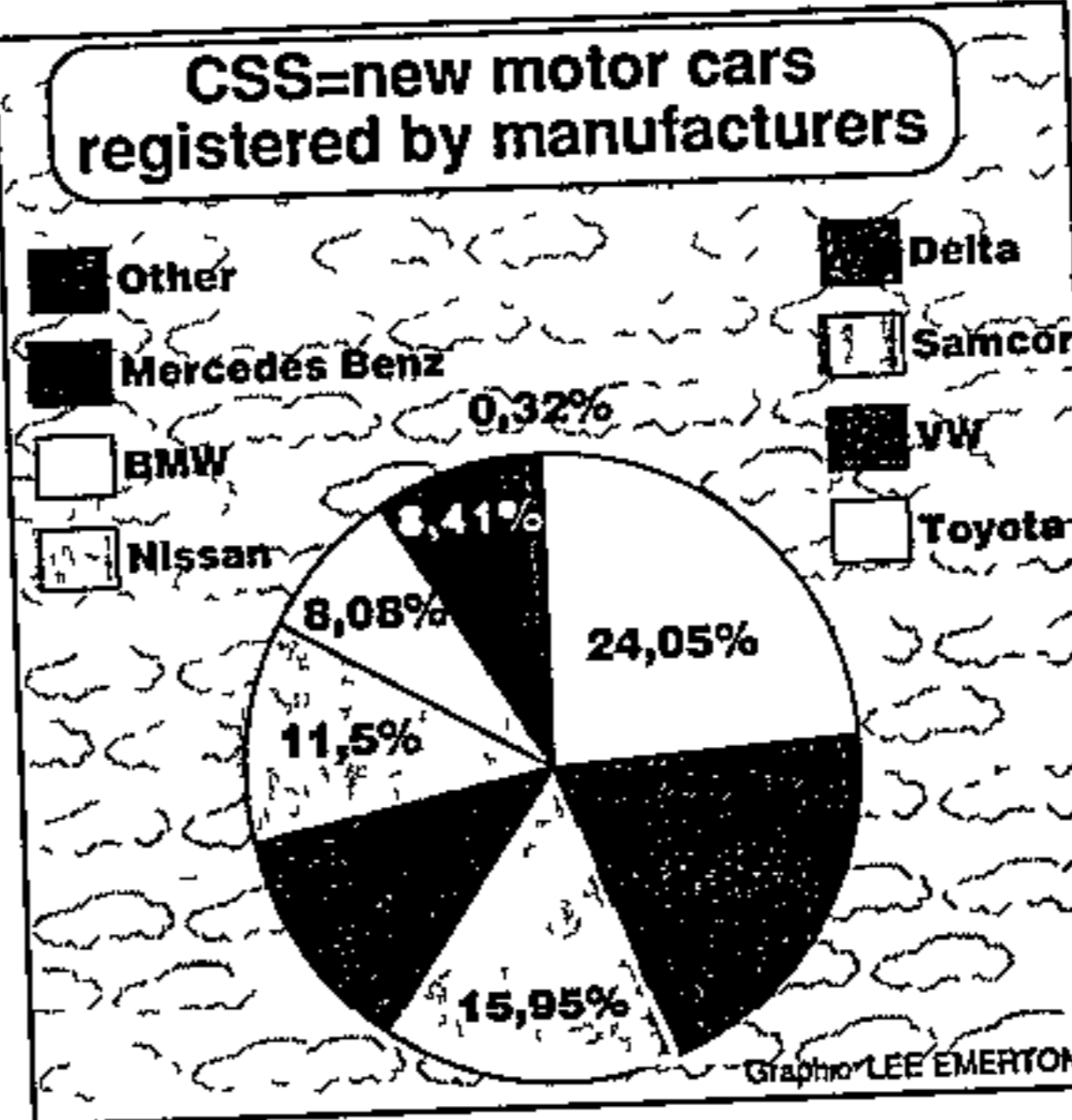
The CSS figures, based on the number of new cars registered in SA, are the only gauge of sales performance by SA's vehicle manufacturers National Association of Automobile Manufacturers (Naamsa) stopped publication of individual manufacturers' unit sales figures in May 1988 for strategic reasons, after economic sanctions intensified

Second biggest seller was Volkswagen SA, which recorded a marked increase in market share from 16,9% to 19,9% in the two months.

VW spokesman Ronnie Kruger attributed the increase to a better supply position this year He said the late factory start-up in 1990 because of the commissioning of a new paint shop caused a supply shortage

Samcor held onto third place with 15,9% (18,3%), despite the most noticeable decline in market share, while Delta improved its market share to 11,8% from 10,7% in the period under review

Nissan, which had a market share of 9,8% in January-February last year, climbed to 11,5% after the successful introduction of the Fiat Uno in May 1990 Estimates show that Uno sales constituted ap-



proximately 35% of Nissan's sales during this period

The two luxury car makers, BMW and Mercedes-Benz, took the brunt of the dramatic cutback in capital goods spending

BMW lost most ground, showing a fall in market share from 9,6% to 8% Mercedes, on the back of improved Honda sales, showed a slender gain to 8,45% from 8%

Although industry sources confirmed the sales trend contained in the CSS figures, Tony Twine said the figures showed some discrepancies

Twine said vehicles recorded in Naamsa sales figures were often only registered the following month In addition the figures did not include vehicles excluded from registration (ie government vehicles).

Naamsa director Nico Vermuelen said last night full disclosure of sales data by individual manufacturers was unlikely in the short term

However, more comprehensive sales data could be available by year-end

Fm 14/6/91 (192)

MAY VEHICLE SALES

	1991	1990	% change
Cars			
May	17 010	18 715	-9.1
January-May	86 596	85 242	+1.6
Apr (16 713)-May			+1.8
Light commercials			
May	8 440	9 138	-7.6
January-May	43 540	46 449	-6.3
Apr (8 582)-May			-1.7
Medium commercials			
May	335	406	-17.5
January-May	1 695	2 062	-17.8
Apr (300)-May			+11.7
Heavy commercials			
May	520	609	-14.6
January-May	2 386	3 082	-22.6
Apr (440)-May			+18.2
Total sales			
May	26 305	28 868	-8.9
January-May	134 217	136 835	-1.9
Apr (26 035)-May			+1.0

Source Naamsa

MOTOR INDUSTRY Fm 14/6/91
LAST TIME TO TINKER

Tampering with the motor industry's Phase Six local content programme should soon be a thing of the past, says Trade & Industry Minister Org Marais (192)

That will be good news to vehicle manufacturers, who have become increasingly disenchanted with a stream of changes — government calls them "adjustments" — since the programme was introduced two years ago

Now Marais says enough is enough. He has instructed the Board of Trade & Industry, which controls Phase Six, to come up with a final package in three months.

"I have given instruction that all the issues raised by the industry must be finalised in the next few months for implementation on September 1," he says. "The experience gained over the past two years by government employees and the industry should now be put to good use to the extent that after September 1, it should no longer be necessary to make any further adjustments to the scheme."

Among the issues to be decided is that of catalytic converters. Marais has asked the board to investigate whether exports of the converters should be partially excluded from Phase Six and qualify for separate export incentives, possibly under the General Export Incentive Scheme.

The motor industry has long argued that its exports should fall under the scheme. As things stand, Phase Six export incentives are paid for by the SA motorist.

One of the reasons manufacturers have asked for converter exports to be partially excluded is that they threaten to distort the local content programme. The self-funding nature of Phase Six means that duty rebates earned by companies exceeding local content targets must be paid from duties levied on those that fall short.

The huge projected value of converter exports — which was not anticipated when Phase Six was devised — will put companies without ready overseas customers for converters at a huge disadvantage. In addition, the formula by which export values count

towards local content will drag local content targets even higher. The targets recently were raised from 65% to 70% (*Business & Technology* June 7).

There was further good news on sales for the industry this week, with May's figures suggesting that transport operators have reconsidered delaying commercial vehicle purchases until after VAT's introduction on September 30. While sales of medium and heavy trucks remain depressed, both sectors fared better than in April.

Car sales, though down on May 1990, were up marginally on April, and total car sales for the first five months of the year were slightly up on last year. The National Association of Automobile Manufacturers of SA, which compiles the figures, predicts difficult trading conditions for the rest of the year.

Volkswagen, however, thinks the worst is over, it suggests the market has bottomed out. Says spokesman Ronnie Kruger: "It appears an upward trend in sales has commenced."

VALARD Fm 14/6/91

SLASHING DEBT

(192)

Activities: Manufacture and sale of industrial and automotive products

Control: Valhold has 80,4%, directors have ultimate control

Chairman: DR Makins, MD SJ Connelly

Capital structure: 60,4m ords, 190 000 variable conv red prefs Market capitalisation R51m

Share market: Price 85c Yields 6,9% on dividend, 11,5% on earnings, p e ratio, 8,7, cover, 2,5 12-month high, 115c, low, 85c Trading volume last quarter, 16 000 shares

Year to Mar	'89	'91*
ST debt (Rm)	28,4	11,6
LT debt (Rm)	2,8	5,8
Debt equity ratio	1,19	0,32
Shareholders interest	0,36	0,55
Int & leasing cover	n/a	1,76
Return on capital (%)	7,3	12,1†
Turnover (Rm)	118	201
Pre-int profit (Rm)	5,3	14,9
Pre-int margin (%)	4,5	7,4
Earnings (c)	2,9	9,8†
Dividends (c)	—	5,9†
Net worth (c)	141	69

* 15 month trading period † Annualised

The directors of the old Valard group had a reputation for turning ailing companies around, but they faced a stiff test when they decided to take on Landlock, which Valard acquired during last year

During the restructuring that followed, Landlock acquired the old Valard companies, and changed its name to Valard. The former Valard, now known as Valhold, has become a pyramid, holding 80,4% of the new Valard

Results so far have exceeded earlier expectations, despite the downturn in the economy and, in particular, in the gold mining

industry. EPS for the period from January 1990 to March 1991 were 12,3c compared with the 9,2c forecast at the time of the Landlock transaction. For the period from June 1990 to March 1991, EPS were 18,8c compared with the forecast 17c

The group now has four operating divisions: automotive, with turnover (in the 10 months to March) of R34m and operating profit of R4,3m; engineering, with turnover of R56,3m and operating profit of R6,6m; pumps, with turnover of R11,5m and operating profit of R2,4m; and trading, with turnover of R53,8m and operating profit of R4,2m

Chairman David Makins says the recession affected all areas in which the group operates, but profits were increased through a combination of "increased endeavour, greater market penetration, strict expense control and ultra-tight balance sheet management"

The former Valard businesses were doing well enough before the restructuring. A more important consideration now is the ability of the new management to improve the trading position of the Landlock operations. Makins says the major problem here was Mintex Don, which was losing R1m a month at the time of the transaction. He says Mintex Don is now trading profitably, and has done so for the past seven months. Tilghman Lasch, the only business to make a loss, had an "unsatisfactory" first three quarters, but returned to profitability in the last quarter.

Gearing reduced

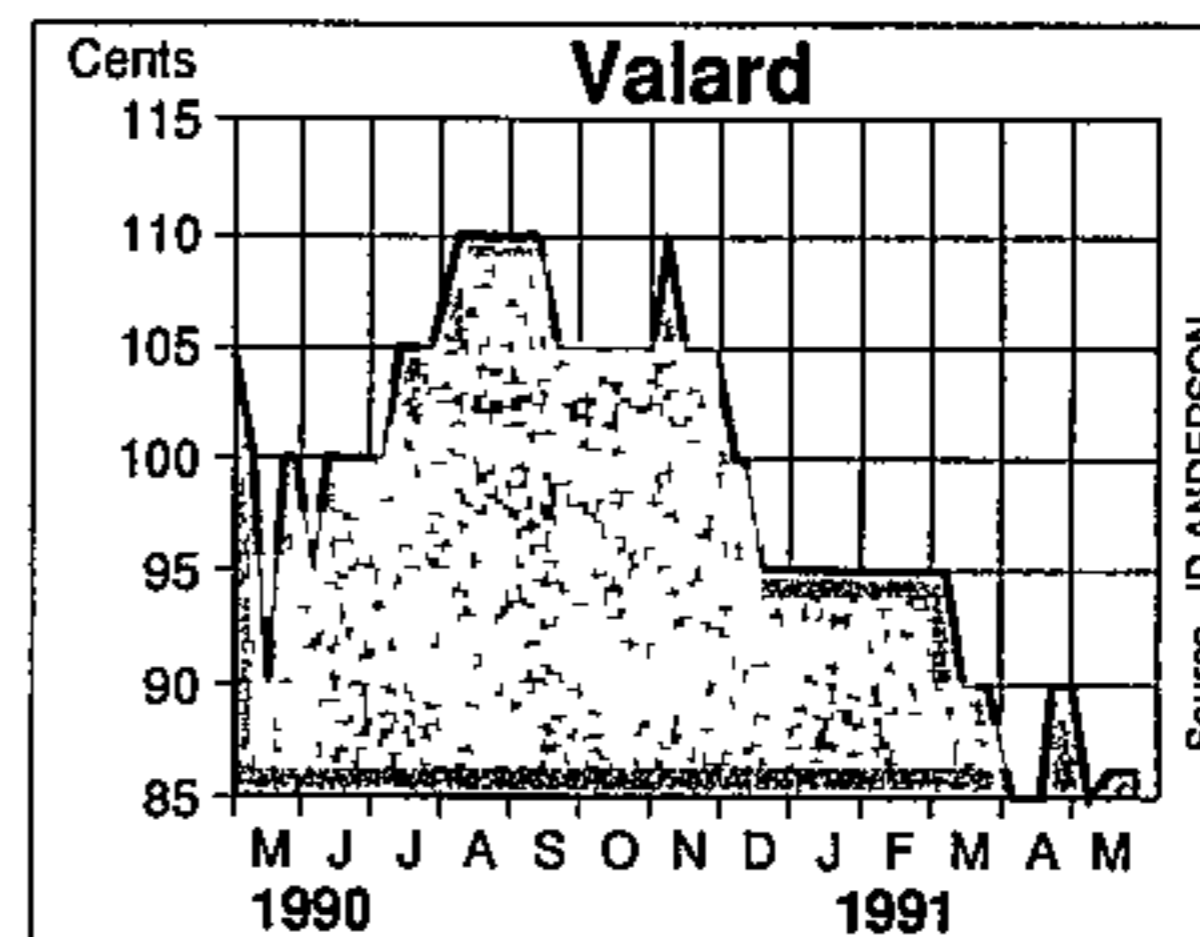
(192)

A critical problem for Landlock was its heavy debt burden. After a restructuring of the share capital, including the issue of prefs in a subsidiary company to Nedbank for R10m last November, gearing has been brought down to conservative levels

Makins is not holding out any hopes for an improvement in market conditions. He says growth will have to come from improved efficiencies, market penetration and acquisitions — and adds that the group is confident of obtaining growth in the coming year

In view of management's historical performance, and the progress achieved since the Landlock deal, an investment in the share at these levels may well pay off. However, engineering shares are still out of favour. Purchases should only be made on a long-term view

Andrew McNulty



Phase VI 'to hit local components sector'

ALMOST 60% of the local automotive components industry, worth more than R7bn a year at retail level, will "suffer heavily" in the long term as a result of government's Phase VI local content programme. *BT am 14/6/91.*

Automotive industry consultant Malcolm Perrie said the programme would create a shift to an export-driven market that would demand radical changes from more than half of SA's current component manufacturers

Speaking at a Fedgas seminar on the role of technology in the automotive industry recently, Perrie said the crunch effects of the Phase VI programme would take hold in 1992.

"In value terms there would be a demand shift requiring a 15% increase in exports with a corresponding reduction in demand from the original equip-

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MARC HASENFUSS

ment (OE) vehicle manufacturers"

The National Association of Automotive Component and Allied Manufacturers (Naacam) has petitioned the Board of Trade and Industry (BTI) to amend Phase VI to protect component manufacturers by ensuring that at least 30% of total material used in vehicles is produced locally.

Structural changes to Phase VI are expected to be announced by the BTI in September this year.

Perrie said because Phase VI promoted a change to a free market it made economic sense and would provide benefits over the longer term.

He said unviable operations would be eliminated.

Numsa declares dispute in motor industry talks

CAPE TOWN — Motor industry pay talks deadlocked yesterday, with the National Union of Metalworkers of SA declaring a dispute on behalf of its 100 000 members in the sector

Numsa negotiator Les Kettledas said employers indicated they were prepared to discuss minimum prescribed wages without tabling any adjustments

"This means nothing. Their proposal amounts to a wage freeze. All three unions in the negotiations are unanimous in rejecting the employers' position."

SA Motor Industry Employers' Association chief secretary Vic Fourie said employers were disheartened at Numsa's disclosure that it had entered talks with a mandate for a

dispute.

The union had refused to accept their suggestion that wage talks be deferred until September, when conditions in the financially embattled industry might have improved, he added

New wage rates varying between 30 and 40% on the lowest grades had been set for December 1 last year. While these were not yet gazetted, the employers' association had done everything in its power to persuade its members to introduce the new rates, he said.

Explaining Numsa's stance, Kettledas said "Wages are still very low, despite the December 1 increases. Workers still do not earn a living wage."

The basic weekly rate for a petrol pump attendant

was currently R112,50, despite a 25% increase last year, he said.

Numsa demanded a R2 across-the-board increase on the hourly rate, or 25%, whichever was the higher

Numsa argued that its members needed at least a 20% increase to keep up with cost-of-living increases, plus 5% to accommodate VAT once it was introduced in September, Kettledas said

Employers, he claimed, had refused to consider union proposals that survival strategies be discussed for the future of the motor industry

The union had also tabled other non-wage demands

An industrial council dispute meeting would be held in Port Elizabeth on July 18 and 19 — Sapa

Spares cheaper as Japan eases curbs

Business Times Reporter

DRASTIC reductions in the price of Toyota spare parts — between 11% and 80% on some — announced this week were possible partly because Japan has eased restrictions on trade with South Africa.

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Toyota Marketing managing director Brand Pretorius says their removal has lifted the lid on the number of vehicles the company can sell and thereby reduced pressure to boost business by other means

Toyota also needs to increase parts sales volumes to justify the R1-billion investment it has had to make to comply with the local content programme

Mr Pretorius says the reductions were made to reduce the cost of operating a vehicle over its entire life, a factor of major importance to corporate buyers who now have ready access to such information.

About 65% of Toyota's sales are to corporate buyers

S/Times 16/6/91

Margins

"We established a unit to investigate our servicing costs and parts prices," says Mr Pretorius

"Where a price was found to be uncompetitive we negotiated a reduction from the supplier or switched to one who could supply the part at a better price. In cases where this was not possible we reduced our own margins."

The suppliers involved include SA component manufacturers, Toyota in Japan and Toyota's Prospecton plant

Mr Pretorius admits that motor manufacturers' margins on parts are usually much higher than those on the vehicles they sell. But this is partly because of the high cost of holding stocks, some of which moves slowly

Toyota holds 75 000 different spare parts valued at R150-million in a storage and distribution facility that was recently completed at a cost of R15-million

New tax blows for luxury cars

S/Times 16/6/91

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(Bus Times)

By CURT VON KEYSERLINGK

LUXURY car sales are expected to fall as a result of the new fringe benefits tax and other Government decisions.

"We forecast lower demand for our products and may have to cut production," says Mercedes-Benz management board member for cars Peter Cleary

Toyota Marketing managing director Brand Pretorius says "Toyota is in the volume market and the new fringe benefit tax will accelerate the trend to buy less expensive vehicles"

Excise

Under the new regulations the tax liability of employees who have certain less expensive models will actually be reduced. The tax liability for an employee with a 2-litre Cressida GS company car will be R39 a month less and R75 less for one with a 2,4l Cressida GL.

By contrast the tax liability of an employee with a 7-Series BMW company car will increase by more than R500 a month.

Mr Cleary says the tax liability of an employee owning a Honda Ballade 150 will increase by R35 a month to R452, one with a Mercedes 200 E by R257 to R1 289, and one with a Mercedes 300 SE by R550 to R2 200.

Not only the fringe benefits tax is worrying manufacturers of luxury cars. Earlier this month the Government raised excise duties on cars

from 9,5% to 12% of the wholesale price.

But because excise duty is payable only on cars with a retail price of about R38 000 and more, this widens the price gap between luxury models and less expensive vehicles.

"These measures discriminate against expensive cars," says Mr Cleary. "The Government uses excise revenue from motor vehicles to reward motor companies that exceed the local content targets. It is therefore financing these incentives for our competitors at our expense."

Another blow to luxury car manufacturers is that the new regulations eliminate the provisions shielding those with very expensive company cars from the full impact of fringe benefits tax.

Originally, a ceiling on the tax liability for company cars was set at the equivalent of a vehicle priced at R100 000. This meant that cars costing several times that amount did not attract bigger tax.

The benefit was somewhat reduced about the same time that cheaper cars were exempted from excise duty.

BMW public affairs manager Chris Moerdyk says his company has not lost market share since then, but it might have had it not introduced imaginative financing schemes with interest rates as low as 15%.

Mr Cleary says Mercedes is unable to judge accurately

the effect of the measures on its market share because it has been short of stock after strikes at the plant.

A cost factor affecting all motor manufacturers is the increase in the minimum local content requirement from 65% to 70% announced by the Government this month.

Two motor companies approached by Business Times say that this and the increased excise duties will increase their costs by more than R30-million this year.

It is predicted that these two factors will force a general increase in vehicle prices of between 4% and 5% in the next few weeks.

Collusion

The Competition Board has warned that such an increase may cause it to investigate allegations of collusion in the industry. But motor men argue that such a price increase is unavoidable.

"The industry has had three blows in one month," says Mr Moerdyk.

"The vehicle market is depressed, but the Government still treats us as a convenient source of revenue. We have reached the point where we cannot give any more."

Mr Moerdyk and Mr Pretorius say it is unlikely that any motor company will be able to keep price rises below the inflation rate this year.

C

Exports of vehicle parts head for R1bn

GERALD REILLY

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PRETORIA — SA was likely to export more than R1bn in vehicle parts this year, National Association of Automotive Component Manufacturers executive director Denzyl Vermooten said yesterday.

Sales were likely to get a major boost from the current visit of a partially government-funded international mission of leading executives of automotive manufacturing and sales organisations *BlD ay 19/6/91.*

Four are from the US, two from the UK and one each from Pakistan, Australia, Israel and Zimbabwe.

Vermooten said the mission had been impressed with the quality of SA manufacturers and prices, taking into account the exchange value of the rand

SA already had a foot in the door in most European countries as well as in the US and Far East

"We launched an export drive back in '86 and this is now being intensified with the expansion possibilities presented by united Europe in 1992"

Some SA manufacturers had already set up offices in Europe

Bloway 20/6/91

Exotic car prices drop

MARC HASENFUSS

DEALERS have slashed the prices of exotic cars by between 15% and 25%, renewing investor interest in the sector.

Executive Cars director Dennis van der Linde said excessively high exotic car prices had kept buyers at bay in the past. Price reductions had definitely boosted sales. (192)

Recently a 1989 Lotus Esprit Turbo valued at R375 000 was offered at R295 000 and a 1990 Jaguar XJS Convertible valued at R295 000 sold for R250 000.

One dealer said economic conditions were forcing owners to sell vehicles significantly below original purchase prices. About two years ago exotic car prices surged when demand outstripped supply. The recession had helped bolster the supply.

House of Sports Cars CE Klaus Grogor said the fall in prices did not detract from the investment value of exotic vehicles, which would still yield an excellent return in the long term.

Samcor to export Mazdas to England

JOHN CAVILL and JONATHON REES

LONDON — SA Motor Corporation (Samcor) cars are to go on sale through 85 distributors in England at the end of July

This year Kent-based MCL Group is importing 750 SA-built Mazda 323s with a total UK price tag of nearly £6m (R26,6m)

Jeff Davies, MD of MCL, the main British importer of Mazda cars from Japan, said "We will not be selling them as Mazdas. They will be rebadged as the Sao Penza. We have authorised 85 dealers for the launch of the range on July 29 and will be selling through 120 (dealers) by the year-end" *Blown 21/6/91*

Samcor spokesman Dirk de Vos said last night the company had already shipped 500 locally made Mazda 323s to the UK. He described the deal as a breakthrough for the company.

The 1,300cc cars were exported with minor technical alterations to comply with UK vehicle regulations, he said.

MCL (60% owned by C Itoh, the Japanese trading house, and 40% by a New Zealand group) first started to think about importing from SA nearly two years ago. "Because of the Mazda link we've had a long relationship with Samcor," said Davies. "But with the SA situation as it was we could not go ahead. Now we feel that with all the changes there everything is getting much better."

The Sao Penza will have an ex-works price of £7,549 (R35,180) for the five-door hatchback and £7,659 (R35,690) for the four-door saloon.

"They are extremely price competitive with other similar cars — such as the Malaysian Proton and some of the Citroens — and the quality is excellent. It's Japanese-style quality," he said.

De Vos said Samcor was confident it was the start of great things for Samcor, adding that future exports would depend on the success of the initial shipment.

He said Sao Penza was a name chosen by MCL to suit its markets.

Samcor was formed in 1985 from Ford SA and Sigma Motor Corporation.

Senior company executives said last night Samcor and its competitors had been studying the export market in great detail to find export opportunities.

MOTOR PARTS INDUSTRY Fm 21/6/91 (192)

FIGHTING OFF GOLIATH

Deregulation creates jobs and the Copyright Act amendment four years ago certainly did that. In a move to avoid sanctions, the amendment opened up the spare parts industry to independent manufacturers. Motor vehicle component manufacturing, in particular, boomed as firms easily outsold the overpriced parts of the major motor companies and other original manufacturers. The independents say they've hired 70 000 new workers.

As would be expected, the car manufacturers, particularly the luxury lines, are not happy with all this deregulation. They are pressing government for legislation to control the aftermarket. If passed, the Designs Bill will quickly stifle the spare parts industry and put many small, independent manufacturers out of business.

This week an advisory committee appointed by the Minister of Trade & Industry debated the Bill in an all-day session, but did not reach agreement on a final draft. The committee itself has come under criticism. Headed by Judge Louis Harms, the committee is made up of patent attorneys and academics, but includes no representatives from the spare parts industry. At least two attorneys on the committee represent BMW and Toyota, the Bill's biggest proponents.

Toyota, perhaps flexing its muscles in anticipation of the Bill's passage, sent letters last month to Midas and several other spare-parts dealers alleging infringements of the Trade Marks Act, the Copyright Act and common law. The letters were short on specifics, but members of the industry fear that this could be the beginning of an effort by car manufacturers to knock them out of the market permanently.

The Bill would protect the "functional design" of any part that has a new shape and is intended to be manufactured in quantity. Clearly the Bill's scope is wide and could embrace every sector using replacement parts, notably the mining industry. "Every mechanical device, no matter how small or simple, could qualify for registration provided its shape can be said to be new," says John Fourie, a partner at Allmakes, importers and distributors of spare parts.

Despite the powerful special interests lined up in support, the Bill has had a difficult passage. Published in August, the Bill has met with fierce opposition from suppliers and manufacturers of motor vehicle replacement parts (FM April 5). As a result, substantial amendments have been made. One

change grants the Minister of Trade & Industry the discretionary power to exempt certain products by decree. Other amendments under discussion have not been disclosed. Because of the delays, the Bill won't

have a choice of purchasing branded parts or cheaper parts from Samcor spares dealers. "This is surely a condoning of the quality."

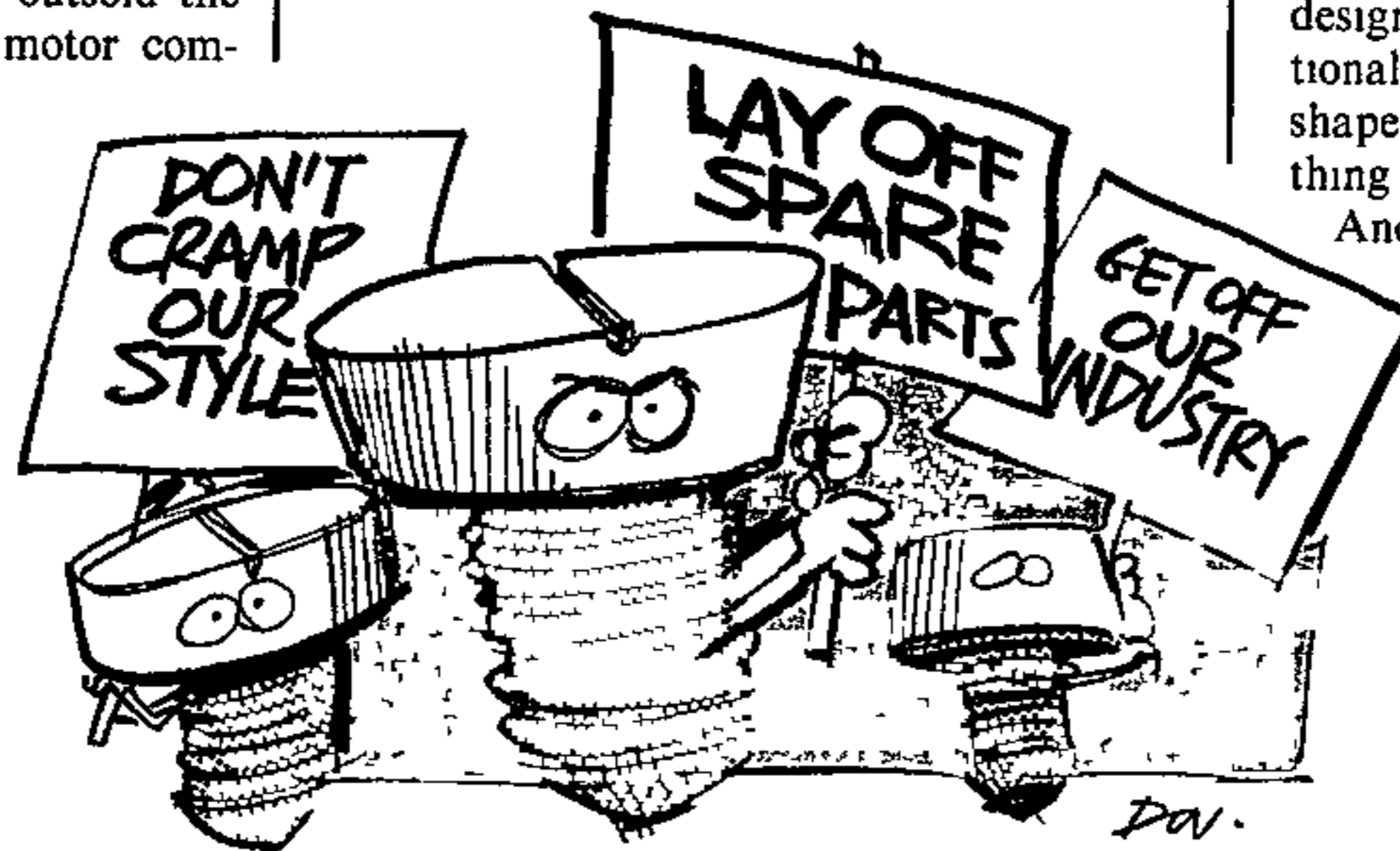
Patent attorney Tim Burrell says protection is required for designs but argues that the Bill is a regression. "The term functional design is a contradiction because to be functional a device often cannot be any other shape. A design, on the other hand, is something aesthetic."

Another bone of contention is that the protection envisaged is not available elsewhere in the world, the protection was removed from English law — the foundation of much of SA's commercial law — two years ago.

"Why should a German vehicle manufacturer be able to obtain the protection of a functional design in SA for a vehicle replacement part that it cannot obtain in its own country," Fourie says. "To put it another way, the

German manufacturer is obliged to compete with unauthorised producers and suppliers of replacement parts in Germany, but will be able to establish monopolistic conditions for the same parts SA."

Mirrena Deeb



reach parliament until next year.

But the spare parts industry doesn't want reregulation in any form. It fears that once in place, the Bill will create manufacturing cartels that will set prices after they register the functional designs of their components. And, it claims, higher component prices would drive up insurance premiums. Says Marius Le Roux, a patent attorney supporting the spare parts industry: "Once the Bill is in place, even in a watered-down form, far-reaching amendments can take place. And one usually only hears of amendments once they have been made."

BMW marketing director John Jessup, however, denies that manufacturers would establish a monopoly. "We have more than 100 authorised dealers, therefore we can't be described as monopolistic. Our prices have to be in line with other manufacturers."

Nico Vermeulen, CE of the National Association of Automobile Manufacturers of SA, argues that legislation would restore what he terms the much-needed protection against unauthorised copying of functional designs that was withdrawn in 1987. "Vehicle manufacturers incur huge costs in bringing products to the marketplace. It's patently unfair to reap the rewards without incurring any investment costs." He claims that most of these "pirate" parts are inferior in quality and often sold to unsuspecting consumers as authentic parts at a high price.

Fourie, however, believes that this is the exception rather than the rule. He argues that most customers know what they're buying and should have the option to buy a cheaper part. He points out that customers buying spare parts from Mazda and Ford

MANUFACTURING — MOTOR ~~INDUSTRY~~ INDUSTRY

1991

JULY — SEPT.

COMPANIES

Saficon counts on recovering lost ground

MOTOR group Saficon Investments' earnings should recover to 95c a share and the dividend rise to 24c from the past year's 53c a share and 14c respectively, chairman Sydney Borsook and CE Kurt Hipper forecast in the annual review

Inadequate supplies of Mercedes-Benz and Honda, the group's flagship vehicles, knocked Saficon's performance in the past financial year

To arrive at the forecast recovery in earnings, Saficon's board — one of the few to make precise forecasts — has assumed adequate supplies of new vehicles and that it will regain

LIZ ROUSE

some of the market share lost during the past financial year

It is also counting on little competition from the used car market and continued growth in its service and parts business

Borsook and Hipper's forecast of 1992 earnings puts the group back to the 1988 earnings and dividend level. In that financial year earnings were 92c a share and the dividend amounted to 27c

Saficon hit peaks in 1989 and 1990 when earnings a share were 147c and 149c a share respectively and divi-

dends were 42c and 43c

The group expects a R318m increase in turnover to R1,78bn in the year to March 1992, that new vehicle prices will increase 14% and that gross margins will be 0,5 percentage points lower than last year. Operating costs are expected to rise by 11%, the corporate tax rate to remain unchanged at 48%, net trading assets to increase by R38m and Boumat to achieve its forecast earnings

In the year to March 1991, the group's turnover declined slightly to R1,46bn but operating profit fell 31,9% to R57,3m

Govt and car industry closer on ⁽¹⁹²⁾ phase six

Finance Staff

skw 1/7/91

Government and the motor industry are moving closer in terms of their thinking on phase six of the local content programme, says Bert Wessels, chief executive of Toyota SA

"Recently the Department of Trade and Industry has taken a lot more notice of the problems we face as an industry and appears to be addressing them. There appears to be an increasing understanding of our problems," he says

However, the success of the industry in meeting local content requirements had created some problems. Government now finds itself unable to balance its excise account with the motor industry. Phase six had not been self-funding in the manner government had envisaged

"The timing of the additional ad valorem duty is rather unfortunate as it comes when the motor industry is under the influence of a number of adverse conditions

"The two percent duty will compound these and cause additional cost pressures which will find their way directly to the marketplace very quickly"

It now appears the industry will not be able to keep price increases this year below the level of inflation. He hopes the two percent additional duty will be removed once the books are back in balance

Referring to over-achievement of local content targets, he says Toyota believes these should be rewarded by a buildup of credits to be absorbed at a later date. This would assist manufacturers in phasing in new models and provide a safety valve to offset problems that might occur.

Toyota in warning on local content

TOYOTA CE Bert Wessels has warned that an increase above the 70% local content requirement for motor manufacturers will create problems and could lead to more price increases for cars

Consumers would absorb the additional cost pressures placed on the motor industry if local content levels exceeded 70%, he said in a weekend statement

Wessels welcomed Trade and Industry Minister Org Marais's recent statement that Phase VI would be finalised in September. Constant adjusting of local content targets by the Board of Trade and Industry (BTI) had up to now prevented manufacturers from formulating a long-term strategy under Phase VI

Wessels said manufacturers who beat the targets should be rewarded by a build-up of credits, to be absorbed later

8/24/91
MARC HASENFUSS

He said the success of manufacturers under Phase VI had left government unable to balance its excise account with the motor industry. "Phase VI has certainly not been self-funding in the manner that government envisaged it would be"

Last year the BTI imposed a temporary 2,5% ad valorem duty on vehicles to compensate for a R64m shortfall in government revenue in the fiscal year to March, after export rebates due to manufacturers outstripped import penalties, Wessels said

The additional 2% ad valorem duty announced in June would compound the problems faced by the motor industry, causing additional cost pressures and making it difficult for car-makers to keep price increases for the year to below inflation

Toyota urges disclosure of vehicle sales figures

SA's largest vehicle manufacturer Toyota has urged the National Association of Automobile Manufacturers (Naamsa) to disclose individual car makers' unit sales figures.

Toyota marketing MD Brand Pretorius said in a statement yesterday that although it had been in the best interest of the motor industry to remain silent on sales for a period, the need for that had now passed.

"Toyota has given its full support to a full disclosure of sales figures by Naamsa on a monthly basis, but there is still resistance to this."

Publication of individual manufacturers' unit sales figures was stopped by Naamsa in May 1988 for strategic reasons, after economic sanctions intensified.

Yesterday Volkswagen SA, Mercedes-Benz and Samcor also expressed their support for a full disclosure of unit sales figures. BMW remained neutral and said it would accept whatever decision was taken by Naamsa.

However a Delta spokesman said the group would not be releasing sales figures.

Nissan's Stephanus Loubser said the group was not opposed to full disclosure of

MARC HASENFUSS

sales data but would only consider releasing figures once Japanese sanctions were lifted officially.

Pretorius believed the way in which consolidated vehicle sales reached the media was open to distortion. "If Naamsa starts reporting once again, a much clearer picture will emerge."

It was a pity, he said, that the media had to rely on less than current information to make objective comment on one of the most important contributors to the economy.

Last week Business Day used the latest available Central Statistical Service figures showing the number of vehicles registered for January and February in an attempt to illustrate the respective market share of SA's seven car-makers. Pretorius said the CSS figures did not take into account normal leads and lags between wholesale and retail sales reporting. The figures also excluded vehicle sales in the TBVC areas and in adjoining territories. Naamsa has hinted that more comprehensive sales data could be available by year-end.

Tokyo's rate cut sparks chain reaction

AN UNEXPECTED Japanese rate cut of 0,5% to 5,5% set the Nikkei index surging 3,1% and helped galvanise London and Wall Street to higher ground yesterday. But JSE industrials continued to consolidate after the recent sharp run-up.

Analysts said Japan's interest rate cut might provide some psychological support for precious metals as it made cheaper money available. Overall, though, the cut did not have much impact.

Gold ran up to a high of \$370,20 in early New York dealing in some follow-through buying after Friday's firmer trend on the back of the Yugoslav situation and alleged Iraqi breaches of the Gulf War ceasefire.

The metal faltered and gold ended 50c down on the day in London at \$368,75. But the rally encouraged demand for quality gold shares and the JSE all gold index rose

Bloom 21/91
MERVYN HARRIS

26 points to 1 400

On the JSE, a burst of activity on the gold board towards close of trading enlivened an otherwise quiet start to the new month on the market.

Firmness in some other mining leaders enabled the overall index to offset the decline in industrials and close with a gain of six points to 3 312.

The Wall Street rally was also fuelled by a report that the National Association of Purchasing Managers' June index indicated that an economic recovery was under way.

"It was high time for the bank to act in lowering its key lending rate," said Hirokazu Kawai, a senior economist at Nikko Research Centre.

● See Page 6

'Buy down' trend worries car industry

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AGG 3/7/91

Motoring Reporter

THE swing to car allowance schemes in place of company cars is likely to have serious consequences for motor manufacturers, with an increasing "buy down" trend, says a top industry executive.

"There is a strong trend among larger companies to move their passenger vehicle financing arrangements off balance sheet," said Mr Brand Pretorius, Managing Director of Toyota SA Marketing.

"The most recent and perhaps most significant example was Anglo-American. They switched to a vehicle allowance scheme during the first quarter and the ripples were felt throughout the industry and we are aware that several other large business operations will follow during the course of this year."

In the short term the immediate aim of shifting large amounts off balance sheet would be achieved. Individual vehicle operators would also derive benefit from switching to vehicle allowance schemes.

"The process will have an impact on the motor industry and its ability to supply the ideal product mix as we expect things to be in flux for a while. In the long term, though, we are not convinced that the al-

lowance scheme offers the best solution to corporate fleet needs," Mr Pretorius said.

After a change to an allowance scheme employees tended to exercise an option to buy their vehicle at its depreciated value. This allowed them to run the vehicle comfortably within their allowance — possibly even "scoring" a bit.

"There is nothing wrong with this, it really makes sound business sense providing that the full picture, including the cost of vehicle replacement and maintenance, is borne in mind before any leftover cash from the allowance is used for alternative purchases," Mr Pretorius said.

It's bad news for the industry, though. Many vehicles that would normally have been replaced in fleets are only being replaced after two or three years.

"Even then, with the constraints of corporate buying policies relaxed, we may find that these vehicles are not replaced with new units but rather with good second-hand units."

An accelerated buy-down trend was also expected. "When the employee's choice was governed by corporate policy he tended to go for the best vehicle possible. Now that he has to optimise an allowance, we expect that there will be a signif-

icant shift down a notch or two."

He warned fleet operators to carefully consider the long-term effects of changing to an allowance scheme. "Vehicle life will be extended under allowance schemes and individual operators will become a lot more mileage and cost conscious."

This could lead to a breakdown in operating efficiencies and overall corporate fleet image.

"We recommend that Full Service Leasing schemes be investigated to overcome this problem. Under these schemes the individual employee still has the opportunity to optimise his allowance — you can't blame him for wanting to do this in the current economic climate — and at the same time the integrity of the vehicle is safeguarded."

On the negative side for the employee operating under an allowance scheme is the fact that if car prices should once again exceed the annual rate of inflation then he will be prejudiced. "It is unlikely that businesses will increase the allowances paid in sympathy with this," he said.

"If this scenario becomes a reality then the companies will benefit while the employee will have little option but to buy down to come out on his allow-

ance. This is a possible longer-term negative aspect of allowance schemes."

The motor industry had already undergone a substantial re-alignment in terms of model mix, he said. "Looking ahead we see that it could move further down scale. This has a significant negative impact on the contribution by the motor industry to the economy. In monetary terms, inflation excluded, the motor industry has shrunk and will continue to shrink as people buy down to cheaper models."

In the light of this, the plea by the National Dealers' Association and the National Association of Automobile Manufacturers of South Africa for a change in the fringe benefit taxation on motor vehicles to a blanket 1 percent of value (as in Germany) had its merits.

● Budget Autolease anticipated further rapid growth of the FML industry during 1991.

MD Sarel Rudd said this was a direct reflection of the economic slump in that it made sense to unlock capital tied up in assets such as vehicle fleets.

"The trend towards converting from traditional vehicle ownership to usage only based Full Maintenance Leasing is therefore one of the few growth industries of the 90s," he said.

Midas loses touch

Automotive product distributor Midas had the wind taken out of its sails by increasing unrest and deteriorating trading conditions

Earnings per share withered to 31,5c, which is less than that achieved in financial 1987

In the latest annual report, chairman DB Riley explains that the group got off to a bad start and that virtually all of financial 1991's earnings were achieved in the last three quarters of the year

Changes during the year include reconstruction, consolidation and the sharpening of the focus of the company

Acquisitions, a widening of the product range and the commitment to expand franchise operations are also features

As a result, Mr Riley is more positive about prospects for the current year

Subject to unrest not escalating and the recession not becoming more severe, he forecasts solid growth in earnings per share

In the year to February, group turnover grew 10 percent from R220,8 million to R241,8 million, while operating profit fell 36 percent from R16,5 million to R10,6 million

After a nine percent decline in interest paid from R6,4 million to R5,8 million, pre-tax profit tumbled 53 percent from R10,2 million to R4,8 million

A reduction in the effective tax rate from 15,6 percent to 6,3 percent reduced the decrease in taxed profit to 47 percent from R8,6 million to R4,5 million

After accounting for associate companies' share of loss and the loss attributable to outside

Diagonal Street
Star
8/7/91 LYNNE PEACH 192

shareholders, attributable income fell 44 percent from R8,3 million to R4,6 million

There was a net loss after an extraordinary write-off of R5 million due to the amortisation of goodwill and extraordinary computer costs.

Based on a higher number of shares in issue, earnings per share dropped 48 percent from 60,3c to 31,5c

The dividend for the year amounted to 8,5c a share, less than half of the previous year's payout of 20c

The balance sheet disclosed a 20 percent decrease in interest-bearing debt from R30,6 million to R24,4 million

This resulted in an improvement in gearing from 48 percent to 38,8 percent

Net asset value depreciated a marginal three percent over the year from 433c a share to 422c

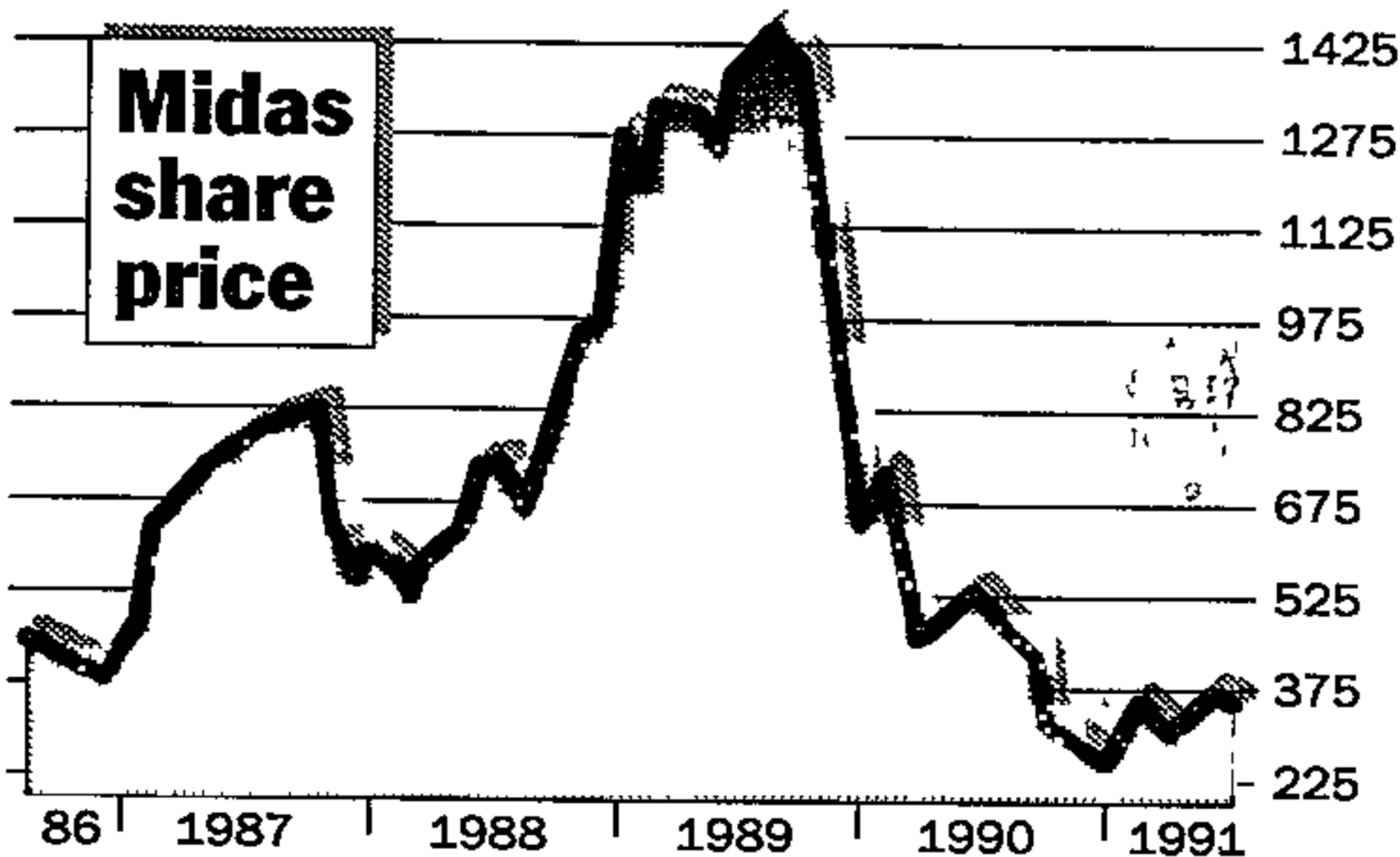
Midas, priced at 340c, is trading on a P/E ratio of 10,8 and provides a dividend yield of 2,5 percent

If the share has in fact entered a recovery path, shareholders stand to be well-rewarded.

COMMENT The share price tumbled from its peak of R14,25 in the second half of 1989 to 250c at the start of this year

It has since recovered to 340c and the trend has turned favourable

The positive outlook will only be threatened if the price starts falling below 315c.



New vehicle sales for June off 7,5%

MARC HASENFUSS

NEW vehicle sales for June were down 7,5% from the comparable period last year, National Association of Automobile Manufacturers of SA (Naamsa) figures showed yesterday.

Figures for June showed a 7,5% drop in combined new vehicle sales to 27 629 units compared with 29 861 in the same month last year

For the six months to June, combined vehicle sales were 161 848 units, down almost 7,5% to 166 696 from the comparable period last year.

A Naamsa spokesman blamed the fall on the recession

However, the spokesman pointed out some improvements were experienced in sales of cars, light and medium commercial vehicles when measured against the sales performance of these sectors in May

May's passenger car sales hinted that the market had bottomed out, but June figures showed a 3,5% year-on-year decline to 18 016 (18 664) units

Volkswagen SA spokesman Ronne Kruger said the "psychological effect" of changes to fringe tax benefits and the additional 2,5% ad valorem duty on vehicles had increased resistance to buying

This would stretch the recessionary period for the motor industry, he said

Kruger said passenger car sales showed small vehicles were holding up well, with noticeable declines in the medium and large car markets

Sales of new cars for the first half of the year at 104 614 units were running slightly above the 103 906 units sold in the same period last year, he

said

Econometrix's Tony Twine estimated the sales trend to be just below 17 500 units a month, which would annualise out at 208 000 for the year.

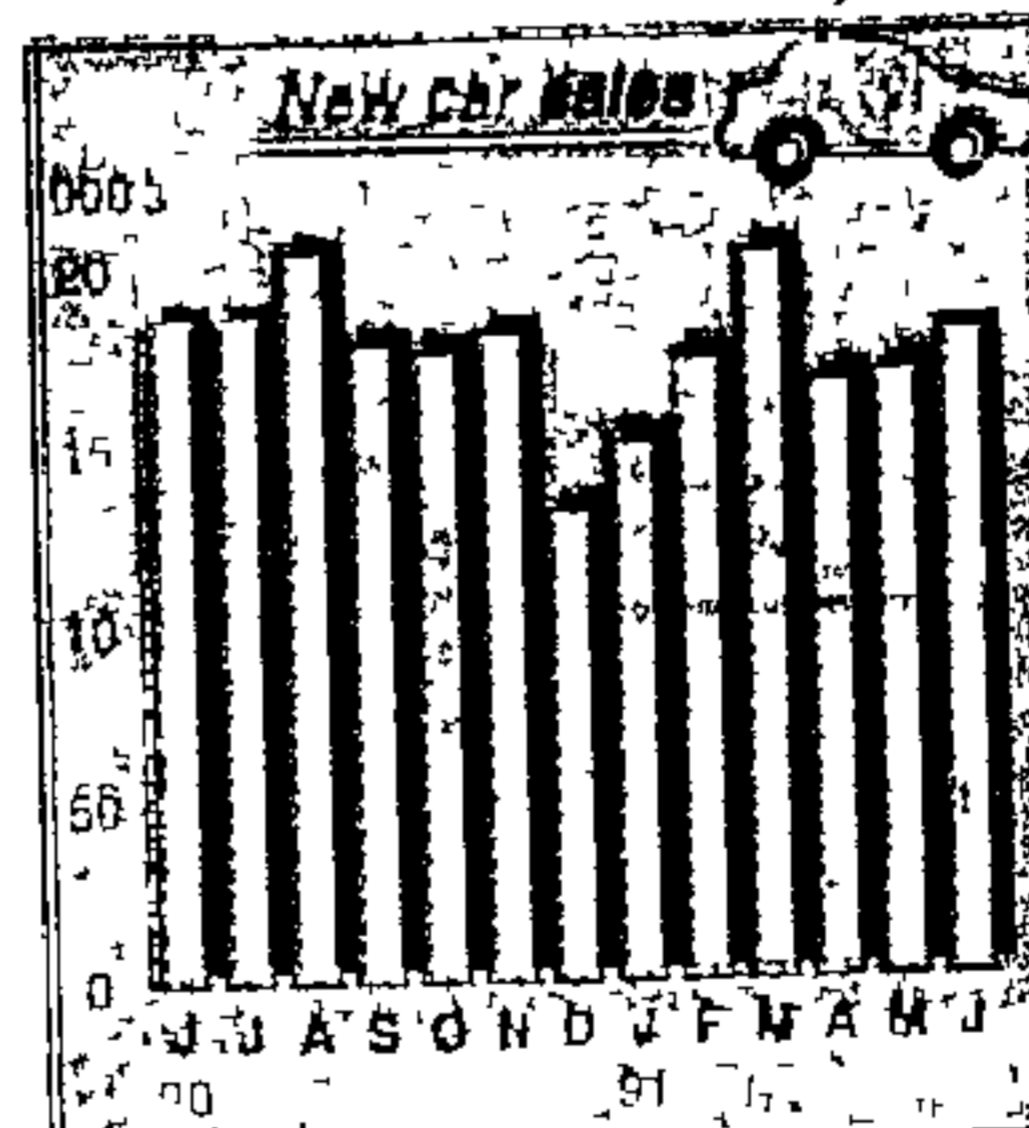
Manufacturers' initial forecasts ranged between 200 000 and 205 000 for 1991

Worst hit during June were heavy commercial vehicles (HCV), which declined 33,5% to 474 (713) units The sales figure was also well below May's 521 units

Although Naamsa does not expect to release manufacturers' individual sales data this year, Toyota yesterday disclosed full details of its market share

Toyota's market share for the first six months of 1991 was 29,1% of the total new car market.


Toyota accounted for 28,2% of passenger sales, 37,5% of LCV sales, 45,7% of MCV sales and 25% of the HCV market for the first six months



Graphic: FIONA KRISCH Source: NAAMSA

Half-year car sales show slight upward trend

By Sven Lunsche

192 
New car sales for the first six months of the year were slightly ahead of comparative sales in 1990

The National Association of Automobile Manufacturers (Naamsa) said yesterday that in the first half of the year 104 614 new cars were sold, compared with 103 906 last year, representing an increase of 0,7 percent

In June, car manufacturers sold 18 016 units, 3,5 percent less than in the corresponding month

Star 10/7/91
last year, but just over 1 000 units more than in May 1990

However, total vehicle sales in the first half of the year at 161 848 units were over 5 000 units down on 1990 first half sales of 166 696 units

Naamsa said difficult trading conditions for the motor industry were expected to continue for the remainder of the year

The fact that new vehicle sales in all four sectors recorded declines for the second successive quarter was indicative of the con-

tinued recession facing the industry, Naamsa said

Some improvements had, however, been experienced in the sale of cars, light and medium commercial vehicles when measured against sales performance the previous month

Sales of new light commercial vehicles, bakkies and minibuses in June amounted to 8705 units, a decline of 13,9 percent, compared with the corresponding month of 1990

Compared with the previous month's sales, however, new light

commercial vehicle sales showed a decrease of 266 units, or 3,2 percent

Although sales in the medium commercial vehicle sector recorded a welcome improvement, compared with sales in June 1990 and May 1991, heavy commercial vehicle remained depressed

Heavy commercial vehicle sales fell by a year-on-year rate of 33,5 percent in June, and for the first six months of the year by 24,6 percent, compared with the first half of 1990

Mercedes now 'remanufacturing'

Biden

12-7-71
MARC HASENFUSS

(192)

MERCEDES-BENZ SA (MBSA) has a new division — Mercedes-Benz Exchange Unit Manufacturing Division (MBEU) — to "remanufacture" commercial vehicle components to sell at about 45% of the price of new units

The M-Unit range includes all MBSA commercial vehicle diesel engines, gearboxes, axles, steering boxes, and power steering pumps

An MBSA spokesman said the new division was the only Mercedes-Benz remanufacturing facility outside Germany. It had full ADE and Astas approval.

Nine strategically situated dealers have been appointed as M-Unit stockists. They will supply the more than 100 commercial vehicle dealers.

CAUGHT OFFSIDES (192)

June car sales were down 3,5% on June 1990. No mystery there, the recession is the obvious culprit. But no one in the industry claims to know why June sales showed a 6% increase — 1 004 cars — on May's figures.

Spencer Sterling, chairman of the National Association of Automobile Manu-

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BUSINESS & TECHNOLOGY

FM 12/7/91

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facturers of SA, can't explain it. "There is no reason for this. No one in the industry predicted it." He speculates that it could be early buying by fleet owners in anticipation of price rises.

The opposite is happening in the heavy commercial vehicle market, where buyers have been holding back since the announcement that VAT will be rebated on commercial vehicles. "But they're kidding themselves," says Naas van der Walt, heavy truck manufacturer MAN SA's strategic planning manager.

"They believe they will save 13% on the cost of a new vehicle after September 30 when GST is scrapped. They forget about the extra 2% ad valorem tax and the extra 2,5% excise duty imposed on locally made trucks on June 1, and that they're in a buyer's market now. They will pay more after VAT than they would if they bought now. And they won't get the 15% initial depreciation allowance they get now."

He says the industry is prepared to do deals to get rid of trucks. It is sitting with more stock than it needs because it again overestimated demand, but he does not see this lasting long. "A few may be lucky and buy old stock after VAT is introduced, but a shortage will develop soon after that. The demand will be there because so many have delayed buying trucks until GST is done away with. But there will be a supply shortage and it will be a seller's market. This means prices will rise within a year by 31% on their present levels before GST."

He foresees a 40% shortfall in supply because manufacturers will be loath to increase production "until firm orders from their dealers convince them that there is a genuine revival of demand out there, they don't want to be caught with stocks again."

Des Gush, director of the truck division at Toyota, which has the lion's share of the medium commercial vehicle market, says the

wait for VAT has knocked 20%-30% off the market. He ascribes the sector's June increase to "a competitor nearly trebling sales by mounting a very strong incentive programme."

Adolf Moosbauer, in charge of commercial vehicle marketing for Mercedes-Benz, is not fazed by the drop in sales of heavy commercial vehicles. He predicts "It's going to be worse in August and September. October will be a one-off, extreme month. Lots of people will buy but not all who decided to delay their purchases until after VAT will buy then. Some may buy only next year." ■

JUNE VEHICLE SALES

	1991	1990	% change
Cars			
June	18 016	18 664	-3,5
January-June	104 614	103 906	+0,7
May (17 012)-June			+6
Light commercials			
June	8 705	10 111	-14
January-June	52 244	56 560	-7,6
May (8 439)-June			+3,1
Medium commercials			

SA motorists soaked to subsidise exports

S/Times 14/7/91

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(Bus Times)



LAWRENCE McCRYSTAL Export incentive? What export incentive?

By CURT VON KEYSERLINGK

SOUTH Africans are paying high prices for cars to subsidise cheap exports by motor manufacturers.

This is the view of several motor men who are talking to the Board of Trade and Industry (BTI) about how to bring sanity to the Government's crazy local content programme

It rules that manufacturers pay 50% duty on all parts they import while granting them what is in effect a 50% subsidy on the value of all their exports

The BTI initially hoped it could fund the export subsidy from certain excise duties levied on new cars. But the industry is so taken with the generous incentive that its exports will rocket to an expected R900-million this year.

The excise duties are insufficient to pay the export incentives.

The Government dealt with the problem by raising the excise duties on new cars from 9.5% to 12% last month

and by increasing the minimum local content from 65% to 70%.

A motor manufacturing executive says "To raise the local content of our vehicles from 65% to 70% we would have to buy more parts locally at far higher prices than those at which we import them."

"This would result in huge increases in our selling prices. So we have chosen the less costly route, paying the penalty for missing the new local content target."

But these measures are not a long-term solution because the export subsidies make it extremely attractive for motor companies to export. Exports are likely to continue rising.

Aware

"The more our industry exports, the more the motoring public will have to pay," says another executive.

"What is particularly odd is that for the first time some of our platinum exports are to be subsidised by motorists. Platinum is a large cost component of the catalytic converters the industry is exporting and they also qualify for the 50% incentive."

A third executive says "The whole local content programme may have to be changed because the subsidy may enable the industry to export on a large scale. Where will the money come from to pay the subsidy?"

The BTI is aware of problems caused by exports, but chairman Lawrence McCrystal does not wish to impair the industry's efforts. He admits that the BTI has not formed a view on how to deal with the matter.

Surprisingly, he refuses to acknowledge that there is an export incentive. In a written reply to questions from Business Times he states "There is no 50% subsidy on exports as such."

Nonetheless, it is believed that he will ultimately impose a ceiling on export incentives and may exclude catalytic converters. This will anger some manufacturers who have, in good faith, invested in export projects to take maximum advantage of the scheme.

Mazda Japan in Samcor stake bid

STimes 14/7/91 (Business Times) (192) ~~192~~

By CURT VON KEYSERLINGK



SPENCER STERLING Cautious and prudent Japanese want assurances of stability in South Africa

MAZDA of Japan is poised to start negotiations on the purchase of shares in Samcor, which makes Ford, Mazda and Mitsubishi vehicles. Anglo American owns 76% of Samcor and the rest is held by an employee trust.

Samcor managing director Spencer Sterling says the ban on Japanese investment in SA is expected to be lifted shortly. Mazda will then start talking to the employee trust about buying its entire 24% holding. Mazda would probably want a 10% or 12% stake initially with an option to buy the balance. But Mr Sterling says the deal will not go through unless Mazda is confident about South Africa's future political and economic stability.

"The Japanese are cautious and prudent. They will carefully watch developments before committing themselves. Investing in the SA operation would fit in with Mazda's policy. It has minority stakes in its worldwide operations. There is no thought of wanting a controlling share in Samcor. But there is no doubt that it would like to increase its involvement."

A rival manufacturer's spokesman confirms this and says one reason for Mazda's interest is its concern that Samcor is controlled by a group that does not have the motor industry as its core business.

Mr Sterling says "A major reason for Mazda's interest is SA's potential as a base for business in the rest of Africa. All Japanese companies believe this with correct economic policies. SA could serve as a catalyst for economic growth for Southern Africa."

From Page 1
 (192) Mazda
 (Business Times)

"We have a good relationship with it and are looking at possibilities of producing certain models for the African market with Toyota Japan's approval 14/7/91. Executives of other motor companies that make Japanese cars decline to comment on the possibility of equity participation by their source firms. You can never say never when it comes to questions like this, but at this stage we have no reason to sell."

The Samcor Employees Trust was set up by Ford when it disinvested in 1988. Ford sold part of its holding to Anglo and gave 24% to the trust. Since then each Samcor employee has received three annual dividend payments of about R1 000.

The trust is governed by Ford appointees from outside the company's ranks after trade unions declined the offer to become trustees. Ford has a 25% stake in Mazda Japan.

"I would be delighted if Mazda came in," says Mr Sterling. "We get on well with it, we would like it to become more involved and we want the bigger market that its participation could bring."

Another possible motor industry investment for the Japanese is Toyota SA, of which the Wessels family holds more than 50%. The Japanese parent has been buying shares in Toyota operations worldwide. It has

Toyota

Mazda ready to buy slice of Samcor

^{B/B ad}
^{15/7/91}
JAPANESE motor group Mazda is set to make a significant investment in Anglo American subsidiary Samcor, local manufacturer of Mazda, Mitsubishi and Ford cars, weekend reports said

The multimillion-rand deal, involving the acquisition of up to 24% of Samcor, could be signed by the end of the year

Samcor MD Spencer Sterling was reported as saying that Mazda would buy its stake from Samcor's employees' trust, which was set up by Ford when it withdrew from SA in 1988. The employees' trust has 24% of the company, while Anglo Ameri-

MARCIA KLEIN

can holds 76%

(192) ~~192~~
Sterling said in reports that one of the major reasons for Mazda's interest was "SA's potential as a base for business in the rest of Africa"

The reports said that Mazda would begin with a 10% to 12% holding, with an option to build this up over time to 24%. Sterling said Mazda's policy was to have minority stakes in its worldwide operations, and it did not intend buying Anglo's share of the company

VW swops to 4-day week

PORT ELIZABETH — The bodywork section of automative giant Volkswagen SA is to go on to a four-day week due to the poor economic climate and industrial action, the company annopounced on Thursday **CT 15/7/91 (192)**

From next week, body-shop production lines at the Uitenhage-based motor giant would be on stream only from Tuesdays to Fridays "until further notice", said VWSA human resources director Matt Gennrich. The ruling applies to the Audi, Golf and Jetta bodywork lines.

Mr Gennrich explained "There is a reducing market as a result of the recession and production has also been disrupted by unprocedural action, so we have been forced to start a four-day week" — Sapa

Japan seen as target for new export opportunities

Steur 16/7/91 (192)

The removal of sanctions could provide a valuable opportunity for South African manufacturers to supply Japan with components or even finished products, says Toyota chief executive Bert Wessels

He says the lifting of sanctions by Japan will come at a time when there is an acute shortage of manpower in Japan, which will provide valuable opportunities for the South African manufacturing industry

SA manufacturers may even take care of the minor markets for Japan

"This scenario would tie into the current trend

towards globalisation of component sourcing"

He expects Japanese manufacturers and trading houses to be keen to invest in this country as soon as possible. However, direct capital investment would not necessarily be more advantageous than support for local enterprises in the expansion of international trading opportunities

"Capital investment on its own will not solve our problems. Export opportunities for our manufactured goods have to be found and we have to ensure that we are competitive in these markets"

He discounts export

opportunities to the rest of Africa.

"In some instances South Africa already accounts for as much as 80 percent or more of sales of manufactured goods in Africa so the export potential is not that good.

"The real opportunity for expansion lies in becoming an active member of the global manufacturing community."

Japanese investment in SA could be cautious but at the same time opportunistic

"I believe that if any strategic advantage is perceived they will move very quickly." — Sapa.

Top cars' waiting lists shrink

WAITING lists for popular Mercedes-Benz and BMW models have shrunk dramatically over the past year, after many dealers were left overstocked by waning luxury car sales. *slowly 16/7/91*

Dealers said popular Mercedes-Benz and BMW models could be delivered to customers almost immediately, or within one month of ordering.

However, dealers said buyers of top-of-the-range models would still be subject to long waiting lists.

Previously buyers could expect to wait between six months and a year for delivery of certain Mercedes or BMWs. In some instances, waiting lists were so long that luxury car makers discovered that desperate buyers were buying and selling "options" on waiting lists.

As the recession intensified an increas-

MARC HASENFUSS

ing number of orders for vehicles were cancelled or postponed, dealers said

McCarthy Group joint MD Theo Swart said the increased availability of luxury cars was a natural trend in the market and stressed that this development would not adversely affect dealers

Although dealers carried more stock, they were now able to satisfy customer needs almost immediately, which was preferable to placing customers on over-long waiting lists

Swart stressed that the current situation would not reduce the market share of Mercedes or BMW

Econometrix's Tony Twine saw no advantage in dealers carrying excessive

To Page 2

Top cars *slowly 16/7/91*

stock which had to be financed at a time when interest rates were still relatively high.

Motor industry analysts linked the "vaporisation" of waiting lists to customers placing an order for a vehicle with three or four dealers. Although several orders were placed, only one vehicle was sold — by the

(192) From Page 1

dealer which completed the order first.

Dealers said any improvement in economic conditions could release the pent-up demand and create a mini sales boom

Some dealers believe sales could receive a boost after September, when the real effects of VAT have been gauged.

UK order not subsidised ⁽¹⁷⁴⁾ Samcor

SAMCOR MD Spencer Sterling has denied charges that his company's exports of Mazda cars to Britain violated the General Agreement on Tariffs and Trade (GATT)

Sterling was responding to statements made by local industrial consultants that a recent deal involving the export of Samcor-assembled Mazdas to Britain violated GATT restrictions by taking advantage of an export subsidy programme

Sterling said the cost of the vehicles sold by Samcor to MCL (Group Ltd) was not subsidised because government raised the extra money by levying additional tax duties on the entire industry

^{Monday 17/7/91}
Al Foster, customs consultant for the National Association of Automobile Manufacturers of SA (Naamsa), said GATT prohibited any incentive-promoting exports, whether directly government-funded or merely government-established

Sterling also disputed claims that Samcor was helping Mazda circumvent British import quotas with the Sao Penza cars, which are similar to the Mazda 323

He said the vehicle being exported to Britain contained more than 65% SA content "and consequently qualifies for importation outside the quota for Japanese manufactured vehicles" — AP-DJ

Tax changes a boon to car industry

THE expected move back to company cars from car allowance schemes, in the light of recent changes to fringe benefit tax, is essential in maintaining stability in SA's motor industry, say sources.

Fleetlease Contracts sales and marketing director Arthur Mutlow said car allowances had caused major problems in planning within the motor industry.

He said company vehicles were replaced and maintained regularly while car allowance vehicles were not.

"The recipient of an allowance often buys down to increase his disposable income which is used to satisfy a variety of needs and not that of vehicle provision and maintenance."

As disposable income contracted in SA, increasing numbers of employees on an

allowance were unable to replace their old models, which depressed new vehicle sales, he said.

Mutlow said this feast or famine syndrome forced dealers and manufacturers into offering higher than normal discounts or selling zero mileage demonstration vehicles as used cars.

In some instances heavily subsidised interest rates had been provided.

McCarthy Leasing MD Royston Knowles confirmed the return to company cars and full maintenance leasing from personal car allowance schemes.

"Business has been steady and we have signed a number of major contracts with large corporations," he said.

Blouay 17/7/91
MARC HASENFUSS

192

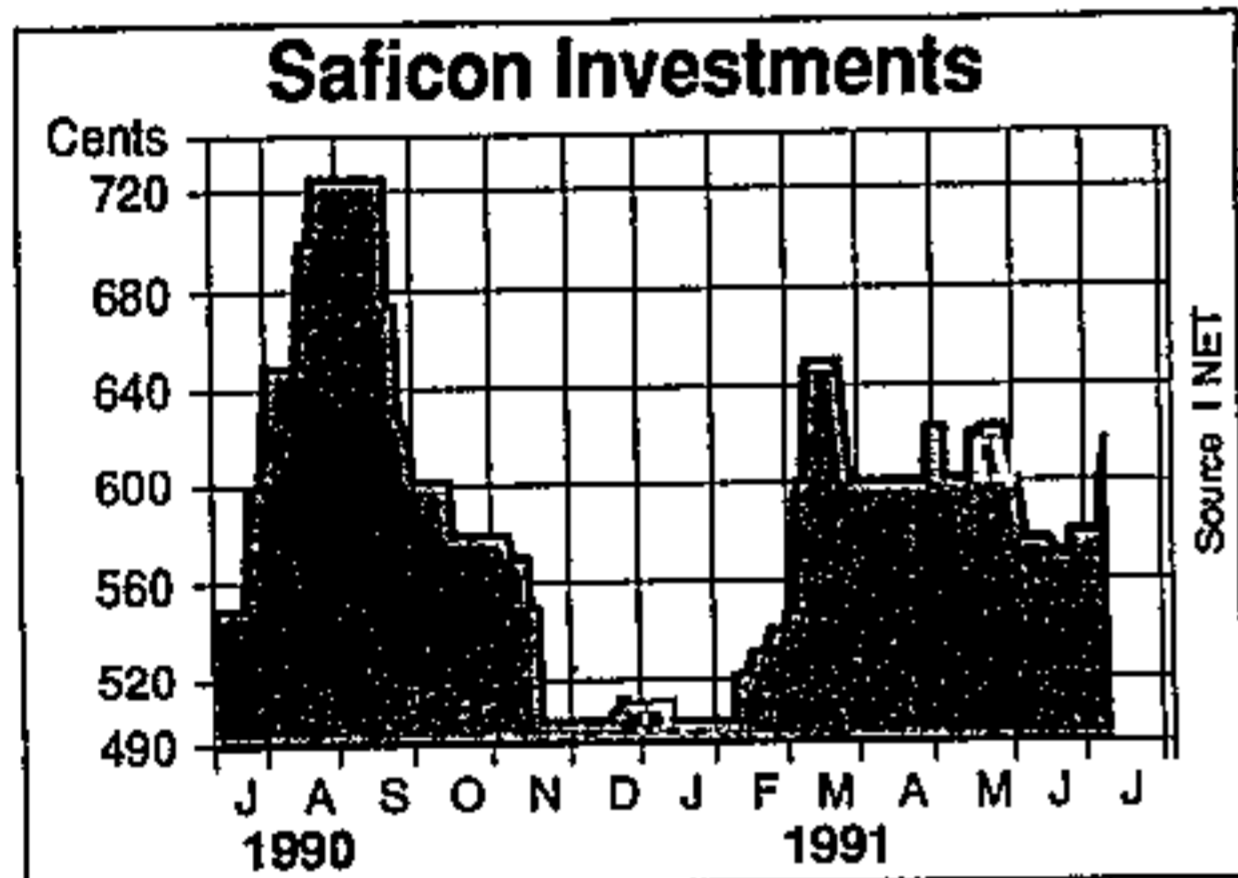
SUPPLY SHORTAGES

Saficon came well short of its detailed forecasts for 1991. It had projected EPS of 108c, on an 18% advance in sales. Instead, EPS were less than half that at 53c and turnover fell by 5%.

Operating profit was down by a third and nearly half this income was absorbed by an interest bill which was also up by a third. A fall of almost nine-tenths in the contribution from associated companies — principally Boumat — led to a 60% slide in attributable earnings, to R15m.

The main problem with Saficon's own operations has been a lack of supply of vehicles from both Mercedes-Benz and Volkswagen. Cargo Group was supplied with 1 000 fewer vehicles than in fiscal 1990 and Lindsay Saker with 2 000 fewer Volkswagens. There were firm orders for all these vehicles.

Divisional profit breakdowns are not provided, but the sales figures are instructive. Sales from the Cargo Group fell by R60m, or 9%, and Lindsay Saker sales increased by about 1%. Chairman Sidney Borsook says



continue

Activities: Motor vehicle trader and manufacturer of motor vehicle components

Control: Sakers holds 51.4%

Chairman: S Borsook, MD K J Hipper

Capital structure: 31.1m ords Market capitalisation R195m

Share market: Price 625c Yields 2.3% on dividend, 8.5% on earnings, p/e ratio, 11.8, cover, 3.8 12-month high, 725c, low, 500c Trading volume last quarter, 177 000 shares

Year to Mar	'88	'89	'90*	'91*
ST debt (Rm)	8.6	12.8	57.8*	66.8*
LT debt (Rm)	17.8	16.1	22.1	17.0
Debt equity ratio	0.20	0.07	0.49	0.48
Shareholders interest	0.45	0.44	0.41	0.41
Int & leasing cover	6.7	10.6	4.3	2.2
Return on cap (%)	17.9	21.6	21.5	13.9
Turnover (Rbn)	0.88	1.30	1.46	1.78
Pre-int profit (Rm)	41.9	66.0	84.2	57.3
Pre-int margin (%)	4.8	5.1	5.8	3.2
Earnings (c)	138.5	220	149	53
Dividends (c)	40	63	43	14
Net worth (c)	511	680	550	546

* From 1990 includes capitalised finance leases

Holding company Sakers is relatively underpriced. At 825c, it trades on a historical p/e of 9.8

Stephen Cranston

there appears to be a peculiar lack of discipline on the part of some workers who often use impulsive industrial action in an attempt to realise ill-defined political goals.

Not all divisions can blame strikes. LSM Distributors, which imports Porsches and Jaguars had no supply problems, but many orders for new cars were switched to the second-hand market. Sales fell by 27%. Saficon Industrial Equipment and Lectrolite, a parts distributor, improved on their 1990 performances.

Saficon is now forecasting EPS of 95c for fiscal 1992. On July 1, the last 1.1m of the 11.5% automatically convertible debentures were converted, resulting in a 5.8% increase in the number of issued shares. On a fully diluted basis, EPS would have been 50c. The share trades on a p/e of 11.8 on historical earnings and 6.6 on forward earnings. This time Saficon will have to produce results more in line with its forecasts if it is to retain investor interest.



Saficon's Borsook impulsive industrial action

gates from the mining industry. It would be followed by a tour of USSR mines by SA mining personnel — possibly next year.

Eyes on the road HUDS

By DON ROBERSTON

SOUTH AFRICA's return to favour with multinational companies has made possible the import of the first consignment of automobile head-up displays (HUDs).

Merbar, supplier of electronic alarm equipment, has signed an agreement with GEC Avionics of Atlanta, Georgia, for the sole distributorship of HUDs in the Southern African market.

HUDs provide viewing of information from the instrument panel through the windscreen, allowing the driver to keep his eyes on the road. The system enhances driver safety in cars and trucks.

HUD systems, developed by GEC, are used in fighter aircraft, helicopters and in some Boeing 747s.

Merbar director Allen Roberts, who signed the deal, says the drivers do not need to take their eyes off the road to check speed and petrol consumption.

The buy by a sto

Following on became effect of the provis these provis which must l provisions sho

1. Purchases of sec (Section 22(2))

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Japanese interest fuels Toyota SA

MARC HASENFUSS

192
DESPITE statements to the contrary, market expectations of Toyota Motor Corporation (TMC) getting a foot in Toyota SA's door are rapidly driving the motor manufacturer's share up ~~to R34~~ ~~24711~~

The rise to R34 last week has swept Toyota's share up 240% over the past year, taking it to second spot on the list of largest price gains on the JSE.

Toyota marketing MD Brand Pretorius said the market had assumed that an attractive offer was forthcoming from TMC, but stressed that there "was definitely nothing concrete at the moment"

CE Albert Wessels said on Friday that

Toyota's interest in the lifting of Japanese sanctions was primarily focused on the development of a free and flexible trading relationship, rather than actively seeking a capital injection from TMC

This did not mean that Toyota SA would not encourage investment by TMC, but he added "We have managed to build up sufficient reserves to fund all of our own growth and also to follow an aggressive policy of component localisation in line with the requirements of Phase VI of the local content programme."

Car industry in line for tax bonus

By Paula Fray
Consumer Reporter

The issue on how VAT will affect the car industry has come under the spotlight after news that Vat-watch had stopped an advertisement implying that the new tax system would push up vehicle prices

In fact, second-hand cars should cost less under VAT than under the present GST system, according to examples given by the Department of Finance

A spokesman said VAT would not be payable when a private person sold a second-hand vehicle to another

"On the other hand, where a motor dealer — a registered vendor — buys a second-hand vehicle, he is allowed a credit for input tax equal to the fraction of the purchase price, and charges VAT on the full selling price"

If a dealer sold a car without making a profit, no additional tax would be payable. However, if a dealer bought a car for R11 200 and wished to make a 20 percent profit on the sale, it was only the value added or profit which would bear VAT

If the purchase price was R11 200, the actual cost minus VAT would be R10 000. The mark-up was R2 000 and the VAT on the R12 000 was R1 440. The selling price would be R13 440.

As the dealer's output VAT was R1 440 and his notional input VAT was R1 200, the remaining R240 was payable to the Receiver of Revenue

"This route of allowing a notional input credit and then charging VAT on the selling price has to be followed, otherwise the buyer would be able to calculate the dealer's mark-up," the spokesman said

"Under the GST system, the dealer would have charged R13 200 (that is, R11 200 cost and R2 000 profit) for the car and that amount would have borne 13 percent sales tax, which amounts to R1 716 — a total cost

192
Star 22/7/91

THE STAR
VAT
WATCH



to the consumer of R14 976

"Even the private sale at R11 200 would have carried R1 456 sales tax"

At the launch of Vat-watch last week, chairman Professor Louise Tager said a spokesman for the National Automobile Manufacturers Association had been quoted as saying the motor industry would probably save about R80 million a year because of VAT.

Enticement

"This is entirely possible, because the motor industry spends large amounts on capital, equipment and advertising," she said

"And if it does its sums carefully, it is ideally placed eventually to pass meaningful savings on to motorists"

On the other hand, she was deeply concerned that consumers might be unfairly enticed into buying goods in anticipation of the change to VAT, in the belief that the new system would increase prices

"The public has to be cautioned against panic buying of goods before the introduction of VAT"

"I have already come across a distressing example. A car dealer was exhorting customers in a radio advertisement to buy before VAT. The obvious implication is that VAT will raise car prices, which is untrue and misleading. This advert was stopped at the request of Vatwatch, but this is the kind of devious practice which Vatwatch would expose"

"The public has to be cautioned against panic buying before VAT," Professor Tager said

Record rise in exports of vehicle parts

PRETORIA — SA's motor vehicle components manufacturers exported a record R483m worth of parts mostly to Europe and the US in the first five months of the year. *6/Decy 23/7/91*

National Association of Automotive Component Manufacturers executive director Denzyl Vermooten said this was a 32% increase over January-May last year.

It also indicated that exports for the whole of this year were likely to exceed R1bn for the first time.

Vermooten also disclosed that components had

GERALD REILLY

been exported to China for the first time *(192)*

"Our plans now are beamed at breaking into the potentially large Far East market, including Taiwan," he said.

Exports included wheels, body panels, batteries and radiators *(19)*

Vermooten said the industry had identified and penetrated niche markets where limited demand was ignored by big international manufacturers

However, he stressed local production costs infla-

ted by high interest rates, inflation, a weak rand and escalating labour costs weakened SA's competitive base and inhibited export growth. With the 1992 European unification, greater emphasis was being placed on high standard products in preparation for what was likely to be a more discriminating market.

Meanwhile, Central Statistical Service figures show trading revenue in vehicles and accessories for the first six months of the year increased by 6,1% compared with the last six months of last year after seasonal adjustment.

Wednesday, July 24 1991

(192) ET 24/7/91

Workers on strike warned by bosses

Own Correspondents

JOHANNESBURG — Vehicle assembly employers have warned that the strike by 21 000 members of the National Union of Metalworkers (Numsa), which entered its second day yesterday, has put thousands of jobs at risk

Employers labelled the nationwide strike "unprocedural and irresponsible"

Numsa national negotiator Mr Les Kettleas confirmed that strike action had spread to most major vehicle assembly plants in Pretoria, Port Elizabeth, Durban and East London

National Association of Automobile Manufacturers of SA (Naamsa) president Mr Spencer Sterling said industrial action at vehicle assembly plants could jeopardise thousands of jobs in

the industry

He urged Numsa to review its position as "the time had arrived for economic industry realities and employee expectations to come to terms with each other"

The strike could result in employers withdrawing an offer concerning a moratorium on retrenchments, and might prompt employers to reconsider participation in the National Bargaining Forum

Denied

Mr Kettleas denied accusations that the strike was unprocedural, saying the parties had held a number of dispute meetings. Numsa had declared a dispute on June 7 and gained more than 50% support for industrial action through a ballot

Mr Sterling said that against the background of the downturn in the vehicle market, employers

and employees would pay dearly for industrial action

Numsa is demanding a R1,50-an-hour across-the-board increase. Mr Kettleas said employers' offers ranged between 12,5% for top grades and 13% at the bottom

Numsa this week warned of serious conflict in the motor industry if employers continued to insist on freezing wages till August 1992. Although a second dispute meeting was scheduled for August 9, employers showed "little willingness to look for any settlement", the union said

Motor manufacturers affected by strike action included the Port Elizabeth and Pretoria branches of Nissan and Samcor, Toyota assembly plants countrywide, MAN truck plants in Pinetown, Delta Motors in Port Elizabeth, the Pinetown branch of Mercedes Benz and the BMW plant in Rosslyn, near Pretoria

ENTREPRENEUR extraordinary Albert Wessels, chairman of Toyota SA, who died in Johannesburg on Monday night aged 82, transformed a small trading company into a R3bn manufacturing and distributing enterprise

Over three decades his company — starting out with a paid up capital of R20 000, and pre-tax earnings of R2 526 from importing 344 Japanese-built bakkies — came to employ 7 148 people, selling 96 629 vehicles last year (28,9% of the market) and earning a pre-tax profit of R252m

By any yardstick the Toyota success story is remarkable a man with no experience in the motor vehicle business, tackling head-on the international giants in the industry and bettering them But what is even more remarkable is that that man was in his mid-fifties and involved in a very successful clothing group when he founded Toyota

Wessels was driven by a deep-rooted ambition, not just to make money — although that thought is ever-present in every entrepreneur From his early years, Wessels burned to prove that the Afrikaner was at least the equal of the British conquerors of his folk

Deep-feeling Afrikaner that he was, Wessels was never a chauvinist, never a racist He was not a Broederbonder Both at Grey University, and for some years later he was involved in Nationalist politics, but from his mother he developed his personal philosophy of equality, not superiority, in his relations with people of other races and cultures

His mother's influence also prevailed when he wanted to abandon his university career She impressed on him that dropping out would only create another "half-educated Afrikaner who will never be able to find a proper career" (The quote is from Wessels's autobiography)

With family income ravaged by the depression and a blistering drought, Albert had to go to work after graduating with a BA He was accepted as a clerk in a Bloemfontein bank, later to become Sasbank, knowing not the difference between a debit and a credit But he soon learned, reinforced by part-time study for his BComm

The free-flying farm boy who built an empire from scratch

B/day 24/7/91

HAROLD FRIDJHON

(192)

In 1936 he left Bloemfontein for Johannesburg where his latent entrepreneurial flair surfaced when he started a correspondence college with colleagues from Grey But he hankered after a job in industry This came sooner than he expected

In 1940, the Johannesburg clothing company Veka owed Sasbank a considerable amount of money Management was inept and the bank's board was concerned Wessels was invited by Sasbank to turn Veka around, unaware at the time that all the bank wanted was to work off the debt and then wash its hands of the company

But Wessels had other ideas Veka was his apprenticeship in industry, learning on the job how to estimate costs and measure production, how to ensure raw materials were at hand when they were required, how to plan efficient workflow layouts and how to sell and merchandise

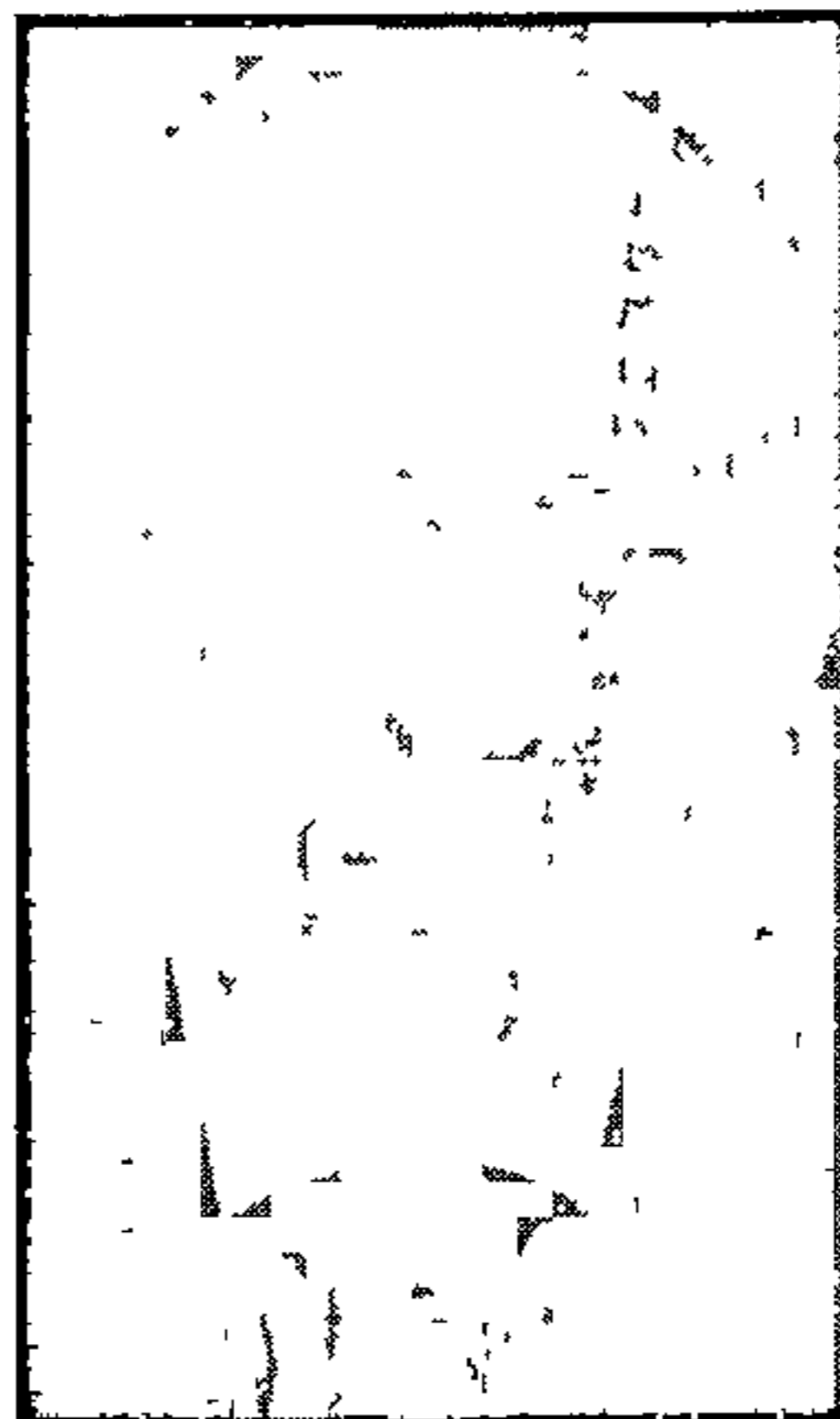
He established in-house training centres, particularly after Veka had decentralised, using skilled blacks to teach the unskilled local labour

In the Fifties, a National Development and Management Foundation seminar was shocked when Wessels, the Nationalist, advocated that first and second line management in factories should be manned by trained blacks rather than semi-educated whites because they communicated better with the workers

He built the once-ailing Veka into the third biggest manufacturer of men's clothing in the country, ac-

quiring on the way a large stake in the company But he was becoming bored, he wanted new challenges

This boredom was partially relieved only by his links with Sasbank, of which he became chairman, and his investment in a small import financing business, Sasficor, started in partnership with Jan de Necker These activities kept him in touch with banking and finance, and the Sasficor link brought him into con-



□ WESSELS

tact with the motor industry The Becker/Ackerman partnership which dealt in Datsun vehicles was a fast-growing Sasficor client

De Necker believed in the future of the motor vehicle market, and when Wessels was due to go to Japan as the guest of a major textile trading house, De Necker urged him to get a motor vehicle agency, singling out Toyota as a possibility Wessels did just that, he went to the Toyota head office and with little ado said he wanted their agency

It did not come as easily as that, but it came The first Toyota Stout arrived Distribution and agencies were arranged The Stout was followed by the Tiara bakkie Sales increased nearly sevenfold in the second year, doubling to 4 507 units in the third The vehicles were assembled at McCarthy Rodway's plant, Motor Assemblies, but as volume grew Wessels wanted his own facility His offer for the plant was accepted by McCarthy

Toyota SA was now a fully fledged manufacturer, but it was rapidly outgrowing its financial resources Standard Bank had given a R1m facility with the assurance of more if required, but the need was for more fixed capital without the Wessels family losing control A JSE-listed cash shell, Alpha Industrial, was acquired, assets were transferred, shares were sold but that was insufficient to meet the demands of a capital-hungry business

In his autobiography, Wessels says two Afrikaans investment companies were not interested in providing capital Talk was that the Sanlam group was piqued because it felt it should have participated in the original Toyota project and that it demanded a larger share in the company than Wessels was willing to give Further, he had experienced at Veka providers of institutional capital breathing down his neck

With the help of stockbroker Max Borkum, JCI took a R750 000 share in a further restructuring which left the Wessels family 62%, JCI 18% and the public 20% in the company Future financing came from large annual profit retentions, but investors were not neglected Dividends were raised annually to exceed the inflation rate

Wessels' strength as an entrepreneur was his flair for taking the measured risk and planning 10 years ahead He had his minor failures and knew when to cut his losses But his successes were spectacular because as an industrialist his management techniques were innovative and thorough

Good training and clear communication, from the factory floor to top management and then down again was an obsession And so was the devolution of responsibility Managers at all levels were expected to manage and not to be conduits from the board room He had much empathy with Japanese management styles and quality controls which he often found mirroring his own thoughts, particularly in regard to worker participation

He was completely "aracial" in his thinking, often feeling isolated and detached from the Afrikaner establishment but not from the people He always regarded himself as a farm boy rooted in the Free State soil but his free-flying mind encompassed many esoteric interests: philosophy, history, archaeology, the earth He was a rounded Renaissance man

His talents and achievements were widely recognised In addition to other honours he was awarded the Order for Meritorious Service, as well as honorary degrees from the University of the Orange Free State and the Rand Afrikaans University

He leaves his wife, three daughters and a son

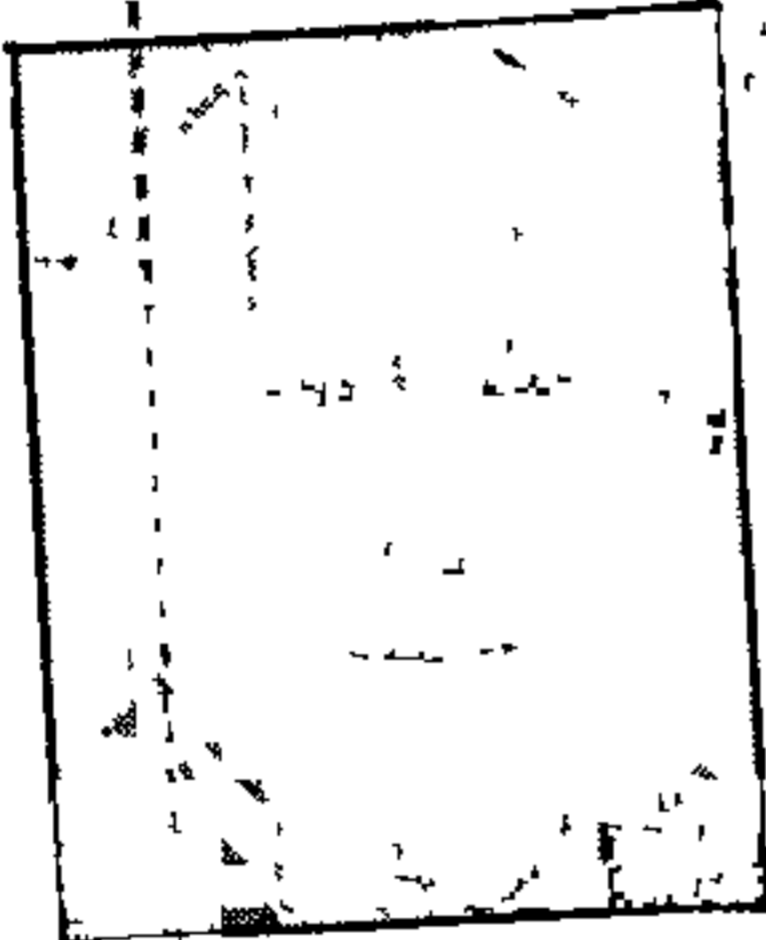
LETTERS

Founder of Toyota SA dies at 82

Staff Reporter

Prominent Afrikaans industrialist and founder of Toyota South Africa, Dr Albert Wessels (82), died of leukaemia at his home in Houghton on Monday.

Dr Wessels, who was also chairman and founder of Wesco Investments and a financier of high repute, had personally built a business empire that is believed to be the largest family-owned Afrikaans con-



Dr Albert Wessels received many awards.

cern in the country, a spokesman for Toyota SA said

To mark his contribution to economic development, Dr Wessels received several awards, including the Order for Meritorius Service — Gold Class, from former President P W Botha in 1987 and an award from the French government in 1980 for his contribution to the French economy.

Family man

In 1968 he was given an honorary doctorate from the University of the Orange Free State, where he had completed his BA and B Com.

He was also awarded an honorary doctorate from Rand Afrikaans University.

Dr Wessels was born on a farm in the Free State in 1908 and attended schools in Dealesville and Boschoff.

He was very much a family man, and in spite of work, did not neglect his family.

Up to two months ago, before he became ill, he was working about nine hours a day.

"He will be sadly missed not only by his family, friends and colleagues but in the business community as a whole," the former colleague said.

Dr Wessels is survived by his wife Susann, four children and 10 grandchildren.

Strike (192)

Star 25/7/91

costing

R60-m (192)

a day

The countrywide strike in the motor industry, which entered its third day yesterday, was costing the industry about R60 million a day, National Association of Automobile Manufacturers president Spencer Sterling said yesterday.

The situation in the motor industry "is very severe and the South African economy is in a bad shape", he said.

He predicted there could be "a reduction in the level of employment" if the strike by about 12 000 workers continued indefinitely.

"We are waiting for a response from the National Union of Metalworkers of South Africa which we will evaluate," Mr Sterling said.

Numsa national negotiator Les Kettle said the union was currently "busy with discussions on the matter".

Companies affected by the strike are Man Truck and Mercedes-Benz in Pinetown, BMW in Pretoria and Midrand, Delta Motors, Nissan and Samcor in Port Elizabeth and Pretoria, and all Toyota plants.

The union has demanded a R1,50 an hour across-the-board increase. — Staff Reporter

COMPANIES

MARC HASENFUSS

SELECTED motor shares have been enjoying renewed investor interest despite declining new and used vehicle sales, below-par results posted by most motor groups and a strike that crippled the industry this week

Analysts and industry sources said pent-up fleet buying and rising black affluence could be fuelling the recovery in share prices for blue chips McCarthy and Saficon and the strong recoveries by second liners Combined Motor Holdings (CMH) and Market Motor Group (MMG)

Analysts suggested investors were taking a two-year view, and buying motor shares at relatively low prices, hoping to sell them at a good profit next year when vehicle sales could pick up

McCarthy was diversified enough to overcome any unforeseen disasters in the industry, analysts said. Apart from a dealership franchise that

Renewed interest in select motor shares

(192)

B 1000

26/7/91

spans almost all vehicle makes, McCarthy holds 31,6% of spares group Midas and has recently established McCarthy Leasing

McCarthy shares have climbed to just under R5 in consistent low volume trading from a January low of R2,68

Saker's, holding company for Saficon, rose 225c to a new R10,50 high this week, while Saficon, currently at R7 has made a steady recovery since languishing at R5 at the beginning of the year. The share peaked at R7,25 a year ago

Saker's ironically rose on the news that strike action had crippled most of the industry this week. Saker's and

Saficon's results were knocked when industrial action at Mercedes Benz and Volkswagen last year caused a serious supply shortage

CMH shares, currently at 125c, have recovered from 85c in March. The share peaked at 135c in August last year. MMG shares rose to a 12-month high of 145c this week after bottoming at 95c in January.

The motor sector's index has more than doubled from 2 353 last year to 5 145 points last week. Analysts said the rise could be partly attributed to the strong gains made by Gentyre and Toyota shares after market speculation of German and Japanese investment in the respective groups

Revised Phase VI offers rewards — and pitfalls ¹⁹²

MARC HASENFUSS

VEHICLE manufacturers should in theory set their local content levels above the motor industry's average to obtain a higher secondary rebate under Phase VI, says motor industry consultant Malcolm Perrie

He said the streamlining of Phase VI offered the motor industry greater rewards for reducing net foreign exchange expenditure by increasing the value of local content

Perrie said that if the theory worked, Phase VI would be self regulating, and local content levels would be stipulated by economics rather than government intervention

Resources would be realigned towards products viable in world markets, while production levels would rise to meet export opportunities

Perrie admitted that the formation of a cartel could not be ruled out under the new legislation

The motor industry would be able to manipulate Phase VI to suit its import/export needs

Employment levels were likely to decrease as technology levels increased ^{8/26/79}

Many component manufacturers would fail to meet the challenge

Perrie said component manufacturers would have to look to longer production runs. The SA vehicle industry could not support such high production levels, so export was necessary for survival.

Perrie predicted that the number of major component manufacturers would drop to 40 or 50 key players

Aug 27/7/91
Numsa to return

DURBAN. — The vehicle manufacturing industry hopes normal production will resume on Monday following a proposal by the National Union of Metalworkers of SA (Numsa) for parties to meet again next week.

More than 33,000 workers stopped work after Numsa had voted by 56 percent in favour of industrial action after a breakdown in wage negotiations last week. Weekend Argus Correspondent

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Toyota control still in family's hands



ALBERT WESSELS Blood lines

ALBERT WESSELS has left his family in control of Toyota South Africa, the R3-billion company he founded.

As long ago as 1972, Dr Wessels established a series of trusts to ensure that control of Toyota and allied interests, such as Wesco and Metair, would remain with his children.

Under the trusts, his daughter Elisabeth Bradley will now become chairman of Wesco and his son Bert will chair Toyota.

In his autobiography, *Albert Wessels, Farmboy to Industrialist*, published in 1987, Dr Wessels shaped the path his children should take and set out how they should carry out his wishes.

Dr Wessels wrote: "My business has always been a family enterprise. This means that my children have jointly had a 50% interest in it through trusts especially created for the purpose ever since the founding of our first company."

Offices

In 1972, all that belonged to Dr Wessels, apart from his Lowveld farm, was transferred to a series of trust funds.

In terms of the transfer, the Albert Wessels Trust ended with 40%, his two daughters living in the Netherlands, Marita Jurriens and Jeanne Jansen received 20% and his two children in SA, Elisabeth and Bert 40%.

"They will hold these offices because they have financial control, but particularly so because they want to share in the companies' management. If I had any doubts, I would have made other arrangements."

"Control of the main company in our group (Wesco) will therefore always be in the hands of my children and their descendants."

Wesco Investments holds 50% and JCI 26,4% of Toyota. The Wessels family has a 59,3% stake in Wesco through the trusts.

Goals

Born in 1908, Dr Wessels relied on hard work and his marketing expertise to establish clothing group Veka, which became the third largest of its type in SA, Wesco, and Metair, with interests in the motor industry and his greatest success, Toyota, which for 10 years has topped the best-selling list.

von Oertzen, 97. In 1951, Baron Von Oertzen brought the first Volkswagen Beetle to SA. He also helped to introduce Volkswagen in Australia and New Zealand.

Like Dr Wessels and Toyota, Baron von Oertzen had to apply for a permit to introduce the Beetle to SA. The permit for 60 vehicles was eventually granted by Minister of Economic Affairs Eric Louw.

Volkswagen is now the second largest seller of passenger vehicles in SA.

Baron von Oertzen was born in Poland, but became a South African citizen in 1950. He divided his time between Johannesburg and Switzerland.

In 1956, he was made chairman of SA Motor Assemblies, which later became Volkswagen SA — DON ROBERTSON

In establishing the trusts, Dr Wessels strove to achieve two goals — make funds available for education and allow his children to build up their own capital and not rely on inheritance alone.

Although none of his children may receive any income from the trusts, voting control lies with them.

No cash was donated to the Albert Wessels Trust, but it will earn income from its shareholding in top company Wesco. Part of the income from the trust will be made available to all employees equally. The balance will be given to educational institutions.

Beetle

Dr Wessels wrote in his autobiography that the then Government was striving for far-reaching social and political changes aimed at giving true power sharing to all.

Dr Wessels traced the long struggle of the Afrikaners to gain equality with their English-speaking countrymen.

"The Afrikaner's road to equality wended its way through primary and high school, through colleges and universities. And hard work. For my black fellow citizens, there is also no other way."

Dr Wessels is also survived by his wife Susann.

● South Africa's motor industry lost another founding father this week, with the death in Switzerland of Klaus

Hope for accord in car industry dispute

Bibury
29/7/91
VERA VON LIEREST
and MARC HASENFUSS
192

INDUSTRY sources were yesterday hopeful that talks due tomorrow between employers and the National Union of Metalworkers (Numsa) could settle the costly dispute in the vehicle assembly industry

About 24 000 union members who had joined the strike by late last week are due to suspend their action tomorrow as the meeting gets under way

An industry spokesman said the parties had moved closer in their latest positions and a proposed employer moratorium on retrenchments represented "a significant concession" in a bid to reach a settlement

Numsa, which represents 25 000 workers in the vehicle assembly sector, has dropped its hourly across-the-board wage demand from R1,50 to R1,20

A union spokesman said at the weekend that Naamsa (the National Association of Automobile Manufacturers of SA) had agreed to a union proposal to hold a meeting. The union had proposed a meeting and suspension of the strike today, but this had been postponed at employers' request

Main centres hit by the strike include Port Elizabeth, East London, Durban, Maritzburg and Rosslyn

In the tyre sector, more than 3 000 workers downed tools at Gentyre and Firestone plants in Port Elizabeth last week.

A Numsa spokesman said at the weekend talks between the parties had not been

□ To Page 2

Dispute

Bibury
29/7/91.
set up yet and the strike was continuing. The strike has been described as the longest and most damaging in SA's history and employers are estimated to have lost up to R300m in turnover

Analysts have warned that further industrial action could irreparably damage the industry, causing serious supply shortages

With the motor industry labouring under the increased requirements of Phase VI of the local content programme and an extremely depressed market for new vehicles, further industrial unrest is of

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grave concern. Analysts said a stable workforce was necessary to warrant the costs of tooling up for increased exports under Phase VI

The three German manufacturers have recently made considerable investments in new or upgraded plants and analysts fear prolonged strikes could force the parent companies to freeze further spending

Further industrial unrest could delay Japanese investment. Industry sources said Japan would only invest once the socio-economic situation had stabilised

● Comment: Page 8

Samcor's car exports to UK to be increased

By Derek Tommey

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The venture by motor manufacturer Samcor into the UK market is proving highly successful, despite a slump in British new car sales

MCL, a UK company, said four weeks ago it was planning the trial import of 500 SA-made Mazda 323s, which it would sell under the Sao Penza brand-name for £7 500 (about R35 000)

But the car has been so well received that the initial order has been lifted to 1 200, of which 700 have already been delivered

There now seems a good chance MCL will take delivery of another 2 400 to 3 000 next year when it has expanded its dealerships

About 73 dealers are now selling the car. But MCL is planning to increase the number to 120 by the middle of next year

Samcor must be dreaming about what will happen to its turnover and profits if each of these 120 dealers is able to sell 10 Sao Penzas a month

Star 30/7/91
Samcor spokesman Dirk de Vos said yesterday the car had been well received in Britain

It was roomier than other cars in the same price bracket and everyone there was happy with the quality of the vehicle, which was seen as good value for money

Samcor's apparent success is the sort of development that could whet the appetite of Mazda of Japan for a stake in the company

Mazda interest

Mazda Japan had no financial stake in the company, but had shown an interest in acquiring one, said Mr de Vos

The attraction of Samcor, and in fact all SA motor assemblers to foreign manufacturers, is that South Africa is seen as a launching pad from which to penetrate the whole African market south of the Sahara

South Africa is much closer to sub-Saharan countries than are Europe and Japan and has good communications with most of them

One major South African manufacturer is believed to

have already set up a distribution network throughout the sub-continent and is waiting for an improvement in the political climate before making it public

Any investment by Mazda in Samcor could provide huge financial rewards for Samcor's workforce

The 5 400 people working at the plant all participate in the Samcor Employees Trust, which owns 24 percent of Samcor shares

These were given to the trust by Ford when it pulled out of South Africa in 1988 after selling the balance to Anglo American

In the past three years the trust has paid out R500 to R1 000 a year to current and past employees

It has been suggested that if Mazda decides to obtain a stake in Samcor, it might make an offer for the trust's shareholdings

What it would pay for them makes for intriguing speculation

If Mazda were to value the trust's shares on, say, the frequently used five percent divi-

dend yield, the R1 000 dividend payment would translate into a capital payment of R20 000 for each employee

The motor industry has been going through a lean time of late, so one imagines the trust could pay each worker much more than R1 000 in dividends when times improve

Trust's stake

It appears that Samcor has considerable equipment, some of it irreplaceable, which should also be taken into account when valuing the worth of the trust's stake in the company

All this suggests a payout of R20 000 might be a highly conservative estimate

With the prospect of a significant payout coming their way, Samcor employees are unlikely to throw up their jobs.

Rather, it could provide the impetus to improve labour relations at the plant and increase productivity, leading to improved company profits and bigger windfall for all the employees

Bid to end motor industry strike resumes

192
ARL 30/7/91

SHARON SOROUR
Labour Reporter

NEGOTIATIONS to resolve the wage strike by about 30 000 motor and tyre industry workers, which is costing R60-million a day in lost revenue and millions more in lost wages, resume today.

Employers, represented by the National Association of Automobile Manufacturers of S A (Naamsa), are set to meet officials from the National Union of Metalworkers of S A (Numsa) in a bid to end the eight-day industrial action.

According to association chairman Mr Nic Vermeulen 33 000 workers out of a workforce in the industry of 38 000 have downed tools

Workers were demanding a cost of living increase which catered for inflation and VAT, while employers were offering less than inflation, chief union negotiator Mr Les Kettleidas said

They had dropped their wage demands from a R1,50 hourly increase to R1,20, he said

Employers were offering a R1 across-the-board hourly increase which was a 15,2 percent rise on the minimum rates and 12,4 percent up on industry averages, said association president Mr Spencer Stirling

Union officials said the talks today would centre on the future of the industry, measures to improve productivity and job security and ways to make cars more affordable

Mr Kettleidas said the object of the meeting was to resolve the dispute. Workers would return to work today as part of a compromise reached with employers.

Mr Kettleidas said "We see the discussions in a serious light and the issue must be resolved. If not, the strike will continue, but we certainly don't want it to go on indefinitely"

Plants affected by the strike included Delta, Samcor, Firestone and Gentyre in Port Elizabeth, Volkswagen in Uitenhage, BMW and Nissan in Rosslyn, Pretoria, Toyota at Prospecton and Jacobs in Durban — the country's biggest car seller — and Mercedes in Pinetown

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Critical talks today on huge SA strike

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CT 30/7/91

PORT ELIZABETH — The country's biggest trade union goes into critical negotiations with employers today in a last-ditch attempt to resolve the longest and most costly car-and-tyre-industry strike in South Africa

The future of the industry, measures to improve productivity and job security and steps to make cars more affordable for South Africans will be under the spotlight, the National Union of Metalworkers (Numsa) said

Numsa national negotiator Mr Les Kettleidas said as part of a compromise the 28 000 striking workers would return to work today and normal production was expected to resume for the first time since the industrial action began last Monday on the strength of a 56% strike ballot — Sapa

7



Visiting consultant brings to SA new ways of managing

6/10 ay
20/7/91 LINDA ENSOR (192)

CAPE TOWN — Renowned consultant and organisational therapist Ichak Adizes has brought to SA the expertise which he has used to assist companies, governments and individuals all over the world to manage change and promote growth

Adizes, an adjunct associate professor at the John Anderson graduate school of management at the University of California, arrived in SA on Sunday to give a series of lectures on his methodology

His book, *Corporate Lifecycles How And Why Corporations Grow And Die And What To Do About It*, is an international bestseller.

Two companies advised by Adizes increased sales in one instance from \$150m to \$3bn in 10 years and in another from \$12m to \$700m in 10 years with no external equity being brought in

His seminars will deal with subjects such as the life cycle of an organisation, different types of management and management styles, the evaluation of decisions and their implementation and the importance of mutual respect and trust within organisations

Adize came to SA from Serbia where the government consulted him on how to manage the conflict tearing the country apart His eight-day visit led to a reshuffling of the Serbian cabinet, due to be announced this week

Before going to Serbia, Adizes advised the Icelandic government and was due to visit Israel to advise the government there after his SA trip

Inhibiting growth

In an interview Adizes said his approach — drawn from a vast array of disciplines and past experience — was highly practical

He diagnoses pathological problems inhibiting the growth of an organisation and works out a programme to solve them

The initial stage in the therapeutic process, which can take a year or more to complete, is a comprehensive analysis of an organisation's problems by working with the firm's top managers over a three- to four-day period. A detailed plan of action is worked out to deal with priority problems identified by the participants

"What breaks up a relationship, whether it be a marriage, a partnership, a business or a country are the issues which are not spoken about And we usually don't talk about something because we are afraid it is going to break our relationship.

"I make the people in the organisation look reality straight in the eye and deal with it"

The philosophical underpinning of his methodology is that it is possible to predict the success of an organisation by examining the ratio of time spent on external marketing (for example product differentiation, pricing, delivery) and on internal marketing which deals with trust and respect within an organisation

He said companies invariably collapsed if too much energy was given to external marketing at the expense of internal marketing

Adizes identified three factors within an organisation which created or destroyed mutual trust and respect — the structure of the organisation and how responsibility, authority and reward were divided, the process of decision-making, and the kind of people employed

Fundamental to Adizes' philosophical approach is the need to accept change and the problems it generates as ongoing and essential parts of life Once this has been accepted, the ways of managing change can be addressed

Motor strike resolution under threat

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CT31/7/91

Own Correspondent

JOHANNESBURG — Thousands of National Union of Metalworkers (Numsa) members reported for work yesterday, but the week-long motor strike dragged on at a number of companies

Fears were expressed yesterday that the failure by thousands of strikers to return to work could scuttle attempts to resolve the dispute

The National Association of Automobile Manufacturers of SA (Naamsa) said this week that resolving the strike was subject to normal production being resumed at all assembly plants by yesterday

Naamsa and Numsa representatives were meeting yesterday in the latest effort to resolve the dispute

Production was resumed at the Nissan and BMW plants in Rosslyn and Mercedes-Benz's Pinetown parts division yesterday. Volkswagen's 6 000-strong workforce and 70% of Samcor's employees reported for work, but production was not resumed

Toyota industrial relations director Mr Theo van den Bergh warned that wage negotiations at national level could resume only when all vehicle manufacturers were back in production

He said a number of employees reported for work yesterday at the Prospec plant near Durban, but no

employees reported at the group's stamping division at Mobeni

He said Toyota could not resume production unless all company divisions were fully manned and operational

"Numsa gave a written undertaking that its members would return to work on the first shift on Monday July 29. This did not happen and Numsa gave a further undertaking that employees would return to work this morning (Tuesday)"

Delta's main plant in Port Elizabeth remained shut, and no production has been scheduled until Numsa provides an assurance that the strike has ended

Delta public affairs director Mr George Stegmann said Delta could not schedule its operations on a start-stop basis, and therefore could not accept Numsa's ambiguous stand on suspending strike action and reserving an intention to resume strike action if the wage dispute was not resolved

"If Numsa and its members are offering to merely suspend their strike action, then it is unacceptable to the company"

Numsa last week agreed to suspend the strike, pending the outcome of yesterday's meeting

Union spokesman Mr Les Kettleas said earlier in the week that agreement still had to be reached over wages and a moratorium on retrenchments

Car industry quiet as many stay away

192
blow 31/7/91
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MARC HASENFUSS and
VERA VON LIERES

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Agreement

Numsa last week agreed to suspend the strike, which entered its second week on Monday, pending the outcome of today's meeting

Union spokesman Les Kettle said earlier this week agreement still had to be reached on wages and an unconditional moratorium on retrenchments

Numsa dropped its wage demand from an hourly across-board R1,50 to R1,20 last week. According to the union, management's offer of R1,00 across-the-board amounted to a cut in wages and failed to take into account inflation and the introduction of VAT

Naamsa president Spencer Sterling stressed this week that by agreeing to meet Numsa, the employers did not want to create the expectation that any further concessions would be granted beyond the employers' previous final offer

Car makers get tough as strike drags on

Star 1/8/91

(192)

Major car manufacturers are closing their plants and pulling out of negotiations pending guarantees that strikers will go back to work

The closing of plants comes amid accusations that thousands of workers broke their commitment to end an eight-day strike yesterday

The National Union of Metalworkers of SA (Numsa) to take urgent steps to ensure the early resumption of full production in the industry, which had suffered daily losses of up to R60 million

Only three of the country's seven main vehicle manufacturers managed to sustain full production yesterday, according to sources

Numsa was due to meet in Johannesburg later today to chart a course of action in a dispute which has virtually paralysed the industry since last Monday

About 25 000 Numsa members downed tools in support of wage demands and calls for a blanket moratorium on retrenchments

Numsa also represents about 3 000 tyre industry workers in the eastern Cape who have also been on strike since last Monday

Mr Sterling said Naamsa had suspended talks because of the union's inability to adhere to its assurance that normal production would resume yesterday

Numsa negotiator Les Kettleas said many workers could not go back to work because of interference by employers

Mr Kettleas said Toyota SA had closed its Prospecton plant to returning strikers in Durban for a second day yesterday because workers at the Moberi stamping division had refused to work

The company had not attended yesterday's talks, making it impossible for the union to negotiate, he said

Theo van den Bergh, Toyota SA group director for personnel and industrial relations, said illegal strike action at Moberi had continued despite assurances from Numsa that production would have resumed from Monday, July 29

Mr Kettleas said Volkswagen management in Uitenhage had told workers it would not be paying more than the R1 hourly increase offered by the National Bargaining Forum (NBF), and had claimed that talks between Numsa and Naamsa had been cancelled

In Pretoria, Samcor has followed the lead of other major motor manufacturers by closing its plants and pulling out of negotiations with Numsa

This follows similar action by the Delta Motor Corporation on Monday

Both manufacturers have pulled out of the NBF's negotiations with Numsa, as has Toyota SA, thus raising the spectre of a prolonged strike by motor industry workers

Numsa provisionally suspended the industrywide strike on Monday in an effort to resolve the deadlock in negotiations about pay demands

However, workers at Toyota, Delta, Volkswagen and Samcor plants failed to return to work

Staff Reporter, Own Correspondent, Sapa

but Mr Kenine Qashasa struggled to keep

SA motor industry dispute: Talks stall

R ATTEMPTS to resolve the eight-day dispute in the motor industry stalled yesterday when employers withdrew from talks with the National Union of Metal Workers of SA

A spokesman for the employers said Numsa's failure to keep its assurance that normal production would be resumed was the main reason for the breakdown

● Full report — Page 2

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BMW to assemble engines in SA

LUXURY car manufacturer BMW will soon assemble the engines of its cars in SA, and production is expected to start in August 1992 *BIPWJ 2/8/91*

The company recently acquired the 7,8ha Continental China premises across the road from its manufacturing plant in Rosslyn, outside Pretoria, at a cost of R9,5m

The facility, with factory space totalling 16 000m², is being upgraded to accommodate the engine assembly lines

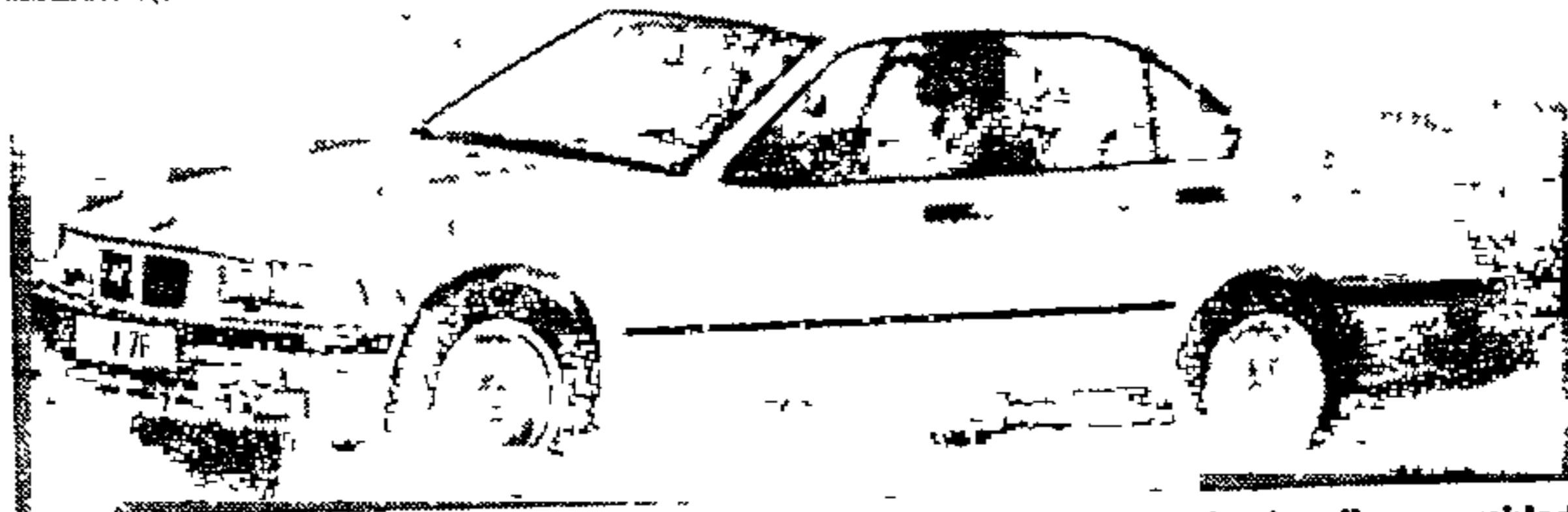
The company says the provisions of Phase 6 of the local content programme

make the local assembly of engines financially viable

"Unlike the mass-based Phase 5 of the local content programme, Phase 6 places the emphasis on value," said Ernst Baumann, BMW SA's technical and logistics director

"Currently all the engines used in BMW's local models are fully imported from Germany

"Although the locally assembled engines will be identical to the imported units in all respects, local assembly will allow us to source certain components in SA, to increase local content," Baumann said



The BMW 325i due to be launched in SA next year could be fitted with a locally assembled multi-valve engine

Prices 'will double in five years'

VEHICLE prices were likely to almost double within the next five years, with an expected 15% increase per annum, Toyota SA's director of vehicle sales and field operations Henk Maree has said.

He told delegates at a Johannesburg conference for Toyota dealers operating Automark used car franchises that the price increases would result in the average age of motor vehicles on SA roads rising to more than 12 years by the end of the decade. *8/0ay 2/8/91*

The used car market should also show considerable growth

Maree said the number of blacks owning a vehicle was expected to almost

double from the current 714 000 to 1,4-million by the end of the decade

"And 70% of these potential owners will enter the market through the used car medium," he said *(192)*

Independent research had shown that Automark had by far the strongest image in the used car market

Toyota also announced that the company had reached another milestone with the 400 000th Corolla coming off the assembly line at Prospecton, near Durban

Three years ago the Corolla eclipsed the Volkswagen Beetle as the most popular car built in this country.

Motor strike talks to resume today

192

AGG 2/8/91

SHARON SOROUR
Labour Reporter and Sapa

NEGOTIATIONS to end a crippling 10-day nationwide strike in the vehicle assembly industry, costing the sector hundreds of millions of rands in lost turnover and wages, are set to resume today

The talks in Port Elizabeth between the National Union of Metalworkers (Numsa) and seven employers affiliated to the National Association of Automobile Manufacturers of SA (Naamsa) were suspended yesterday when employers pulled out pending a guarantee from the union that strikers would go back to work

More than 30 000 workers downed tools on July 22 over a deadlock in National Bargaining Forum (NBF) negotiations

on wages and job security.

According to union spokesman Mr Les Kettleidas the talks would resume today

In a statement association president Mr Spencer Sterling said employers suspended negotiations with the union because "illegal industrial action" was continuing at assembly plants

"The inability of Numsa to adhere to its assurances that normal production would be resumed at all assembly plants was the prime reason for the breakdown in the deliberations of the NBF," Mr Sterling said.

Chief executives of motor vehicle assembly plants met in Johannesburg yesterday to "determine an appropriate course of action to be followed by employers with the objective of resolving the current dispute in the industry"

Mr Sterling called on the union to "take urgent steps to ensure the early resumption of full normal production in the industry" to avoid an escalation of the dispute

Mr Kettleidas said Numsa had notice of today's meeting and would attend with the aim of "exploring all possibilities to end the stand-off over wages and job security"

"As far as we are concerned, the meeting is on. We will approach it with the objective of dealing with the issues central to the dispute, which were demands for a R1,20 an hour across-the-board increase and a moratorium on retrenchments," Mr Kettleidas said

Employers were offering a R1 an hour increase

Mr Sterling said of the seven main auto assemblers only Mercedes-Benz had escaped a shutdown yesterday

Renewed bid to end auto pay deadlock

192 2/28/91

TALKS to end a nine-day strike which has cost the auto assembly industry well over R300 million in lost turnover and wages are to resume in Port Elizabeth today, a senior union spokesman said

Mr Les Kettleidas, the National Union of Metalworkers of South Africa's national secretary for organising, said a meeting between the union and auto manufacturers had been arranged for 9 30am

The president of the National Association of Automobile Manufacturers of SA, Mr Spencer Sterling, said that of the seven main auto assemblers only Mercedes-Benz had escaped a shutdown yesterday as industrial action tied down an estimated 25 000 workers at six other companies

Workers at Nissan's Rosslyn plant met on the company premises yesterday, but had not resumed their duties by midday, sources confirmed

Toyota, Delta and Volkswagen have been affected by industrial action or suspended production since Monday

The SA Motor Corporation (Samcor) closed its plants at Silverton, Pretoria, and Port Elizabeth on Wednesday when workers failed to resume work.

A strike at Nissan and BMW plants was suspended on Tuesday.

Naamsa suspended discussions with the union on Wednesday, saying it would reopen talks only if workers resumed their duties.

Meanwhile, the managing directors of the seven companies party to the auto industry's National Bargaining Forum met in Johannesburg yesterday to formulate strategies to end the dispute

Mr Kettleidas, however, said Numsa had received notice of today's meeting and would attend it with the aim of exploring all possibilities to end the stand-off over wages and job security.

"As far as we are concerned, the meeting is on tomorrow," he said

He had received reports that workers at BMW and Nissan were prepared to return to work today — Sapa

15% BMW deal on used cars

MARC HASENFUSS 192

THE success of BMW's 15% interest rate finance plan on new cars has prompted the group to extend the plan to include used BMW cars from the 325i model upwards.

BMW marketing director John Jessup said the new finance plan meant customers would not have to wait until the introduction of VAT on September 30 to find used car bargains.

Uncertainties and misperceptions regarding the effect of VAT on vehicles had further retarded the low volume in new and used car sales this year.

Jessup said there was a perception in the market that with GST falling away at the end of September, used cars would be 13% cheaper. *blom 2/8/91*

BMW's 15% interest rate would have the effect of making approved used BMWs more affordable now compared with a similar purchase in October, despite the fact that GST would have to be paid before then, Jessup said.

He said the monthly repayment on a R100 000 used car at 15% over four years with a 40% residual value would be R2 424, including GST.

"At today's average interest rate of 23% and excluding GST the monthly repayment would be R2 640.

"Buying now at 15% would, therefore, save the customer R10 000 over 48 months."

Vaaltrucar and its recently listed operating arm, Vaalauto, did little in financial 1991 to bolster investor confidence. Profitability remained weak and, bearing in mind there is the additional burden of turning around problem child Spareco, caution is still advised.

A restructuring during the year saw Vaaltrucar converted into a holding company with Vaalauto its only subsidiary. Vaaltrucar shareholders received — in addition to their existing holding — 25 shares in the operating company for every 100 Vaaltrucar shares held. However, net income before extraordinary items declined by 53,6% in Vaaltrucar.

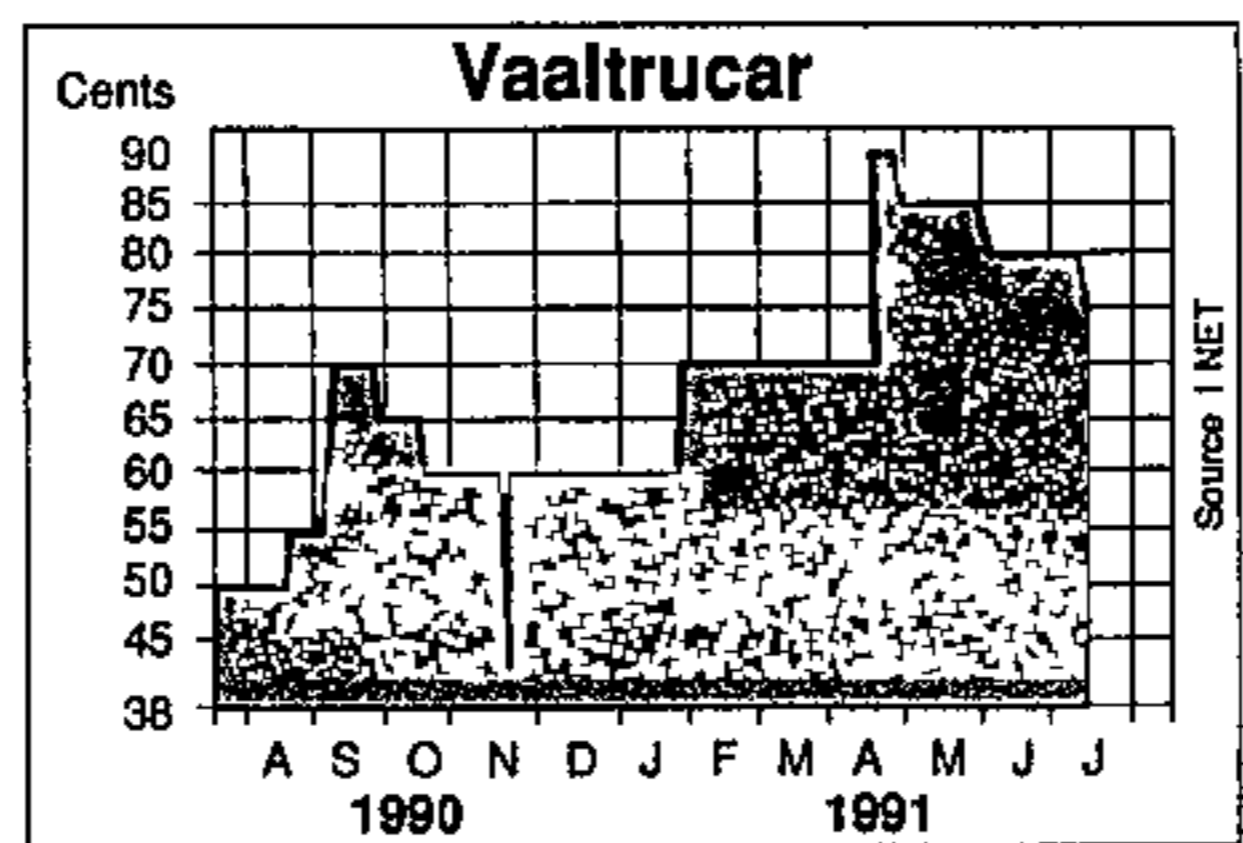
Despite the acquisition of a 49,9% interest in autoparts retailer Spareco, and a 35% share in listed Eddies, effective November 1990, chairman Sarel Germishuizen reports that "results of these operating companies have not been included in the 1991 financial statements". The balance sheet does reflect this R2m investment (at cost), alongside the

Continued

Activities: Retailers new and used motor vehicles and spares
Control: Directors 51,7%
Chairman: S F Germishuizen, MD G Germishuizen
Capital structure: 16,5m ords Market capitalisation R13,2m
Share market: Price 80c Yields 4,0% on dividend, 7,0% on earnings, p e ratio, 14,3, cover, 1,8 12-month high, 90c, low, 40c
 Trading volume last quarter, 17 800 shares
Year to Feb 28

	'88	'89	'90	'91
ST debt (Rm)	0,09	0,65	1,49	3 18
LT debt (Rm)	0,13	0,12	1,04	0,9
Debt equity ratio	n/a	0,07	0,19	0,28
Shareholders interest	0,45	0,42	0,44	0,36
Int & leasing cover	2,73	5,53	2,85	1 59
Return on cap (%)	16 9	22,2	16,7	12 2
Turnover (Rm)	54,1	91,3	102 1	138 3
Pre-int profit (Rm)	2,3	4,6	4 3	4,2
Pre-int margin (%)	4,3	5,0	4,2	3,0
Earnings (c)	12	14,1	15,7	5,7
Dividends (c)	3,8	4,5	5,0	3,2
Net worth (c)	37,4	52,8	67 8	59 6

investment in two timber plantations
 New and used vehicle sales last year provided 71% of turnover, while parts contributed 15%. Germishuizen says the new vehicle market declined by 5,1% and the used vehicle market was also depressed. He ascribes the group's 35,4% turnover rise largely to organic growth — three new Ford dealerships were acquired. But a further decline in the operating margin, a steep rise in the interest bill and a higher effective tax



rate cut taxed profit in half
 Market signals were misread and as stock levels rose so the interest bill climbed from R1,5m in financial 1990 to R2,6m last year. With the effective tax rate up from 6,6% to 21,7%, there was little left. EPS (on a comparable basis) fell by 52,1%, from 15,7c to 7,5c. Despite the stated intention in Vaalauto's pre-listing statement to "retain a similar dividend policy" to Vaaltrucar's (three times cover), cover was reduced to 1,8. Shareholders received a total dividend of 4,2c (5c) a share.

A continuing slide in interest and leasing cover, a drop in debt cover to only 0,41 and constraints on cash flow signal difficult times. But Germishuizen is "conservatively optimistic" about prospects for financial 1992.

It's been decided to consolidate the motor

interests and concentrate on developing the existing and newly acquired parts businesses. Germishuizen expects turnover of Spareco and Eddies to be about R80m this year, pushing the contribution of parts to total sales to about 65% (15%) Eddies, a 99% cash business, now operates out of one store — the other three were taken over by Spareco — and is profitable to the tune of about R3,3m.

Stock levels reduced

The Spareco chain, bought on liquidation in a consortium with Brochure Investments and IGI, has been expanded from 24 to 30 stores. Germishuizen says the excessive stock levels have been reduced, but not to the extent required. Seven months since acquisition, the group is just breaking even. How Spareco and Eddies will be accounted for within Vaaltrucar is uncertain — Germishuizen does not rule out a combined listing for these two operations.

Though the new-car market remains depressed, some improvement in the used-car market is being seen. But growth from this source will be limited and shareholders should watch for developments relating to Spareco and Eddies. Germishuizen expects earnings in financial 1992 to be on a par with last year, despite the wider scope of the group. This may turn out to be optimistic.

Pam Baskind

MOTOR SALES FM 2/8/91

Ending the secrecy

192

After three years of self-imposed censorship the National Association of Automobile Manufacturers of SA (Naamsa) plans to reveal more complete industry sales figures by the end of the year. In a compromise move, however, it will probably give total sales of each manufacturer instead of breaking them down by model and variant as it once did.

Full monthly reports

Naamsa wants to revert to its pre-1988 practice of publishing full monthly reports of vehicle sales, but two of its members do not want this.

The dissenters are Delta Motor Corp and Nissan SA. They refused to supply Naamsa with breakdown statistics after 1988 to protect their Japanese sources from sanctions-busting charges. The other members closed ranks and also withheld detailed information. Naamsa stopped publishing details but issued only category totals monthly. It was left to individual companies to provide more information.

"We're ready to start reporting once all

continue →

BUSINESS & TECHNOLOGY

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companies make their statistics available to us," says Naamsa president Spencer Sterling. "The other companies in Naamsa are happy to have their results published. It's pointless to report without two companies."

He and his supporters argue that full disclosure would reduce the number of erroneous press reports and help financial institutions to build up an accurate data base.

Naamsa's data base is more than six months out of date.

Delta MD Keith Butler-Wheelhouse argues that the old-style reporting wasn't productive. He says six-month-old figures are sufficient because they are needed only "for market trending, they don't change all that quickly."

He adds "We will oppose any move back to the old system, which was a way to seek publicity by certain companies and could cause distortions. We don't want to get involved in arguments over whether we sold 10 more than a competitor in a given month. We accept that Toyota sells more than any of us and don't need monthly figures to prove it."

Nissan SA chairman John Newbury is touchy about his company being identified as one of the two that requested that statistics should not be published. "That information is wrong. It was a joint decision taken by Naamsa's executive group. I don't have any difficulty, personally, in publishing figures."

Mercedes-Benz CE Christoph Kopke says there is no reason to withhold statistics.

Toyota Marketing MD Brand Pretorius agrees, and recently made a vigorous plea for full reporting.

He says that the lack of accurate statistics led to a deduction — based on Central Statistical Service's figures, which exclude sales in the homelands — that Toyota was losing market share. In fact, he says, Toyota was gaining. ■

Motor industry hit by strike as negotiations fail

AS the motor industry talks deadlocked this week, the strike inflicted heavy costs on motor manufacturers

The two week-old strike — involving about 25 000 workers — is the costliest in the industry's history. With daily production losses of about R60-million, employers by Thursday were estimated to have lost more than R500-million in turnover since the strike began last Monday.

Mercedes Benz SA was the only motor manufacturer in full production by Thursday.

The union is demanding an across the board increase of R1,20 an hour, a moratorium on retrenchments and talks on the effects of value added tax. Employers are offering between R1,00 across the board.

Talks between National Association of Automobile Manufacturers of South Africa (Naamsa) and the National Union of Metalworkers of South Africa (Numsa) broke down on Tuesday after Numsa's failure to get workers back to work.

Naamsa president Spencer Sterling claims the union reneged on its undertaking at last Thursday's talks to normalise production by Tuesday.

Although talks are due to resume on Friday, Sterling has said employers will not negotiate until all manufacturers are back in full production.

On Wednesday about 30 percent of workers, mainly at Toyota's Durban plant and at Volkswagen's Uitenhage plant, did not come to work.

Numsa spokesman Les Kettleas blamed employers for the return to work confusion.

"Confusion surrounding the return to work was largely created by employers not understanding their own position," he said. "They proposed Wednesday as a date for the first meeting. Tuesday was agreed on as a compromise."

At the time of going to press the chief executives of Naamsa's seven affiliates were locked in a meeting in Johannesburg to map out strategies to counter the strike.

This damaging strike comes at a time of crisis in the industry. Sales are low and some manufacturers have big stockpiles. This has been advanced as a reason for manufacturers' tough stance in their dealings with the union.

Toyota industrial relations director Theo van de Bergh says present downturn in the motor industry will cushion the damage caused by the strike.

"The industry is not too upset because many companies are overstocked as it is," Van de Bergh said.

Production at Toyota has been set back by 450 cars a day.

Van de Bergh pointed out that allied industries such as components makers would also be badly affected by the strike.

About 3 000 tyre industry workers are out on strike.

CT 318191

Auto strike end in sight

THE paralysing 10-day strike in the auto assembly industry could be over by Tuesday, Mr Spencer Sterling, president of the National Association of Automobile Manufacturers of SA (Naamsa), said yesterday.

Naamsa and the National Union of Metalworkers of SA (Numsa) were still locked in negotiations yesterday.

Differences on wages and job security remained the chief obstacles to a settlement.

Industry sources say Numsa could accept a compromise on wages in exchange for concessions on its demand for a moratorium on retrenchments — Sapa

1972

THE HEADACHE OF WAITING FOR VAT

S/Times 4/8/91.

192

By DIRK TIEMANN

VALUE ADDED TAX and the depressed economy are the biggest headaches in the trucking business at present.

Manufacturers are not selling projected volumes despite various financing schemes available until the introduction of VAT. Toyota tried the hardsell with a scheme whereby the client enters into a rental agreement until October 1, after which the agreement is cancelled and converted into a straight lease.

National fleet manager Richard Meny-Gibert says there have been some sales, but not as many as expected.

Upturn

"People are waiting to do it all at once instead of through several different agreements. There will be an upturn after VAT, but no rush. Those using the scheme are desperate for vehicles, but those who buy cash will wait for October to get an input credit."

Nissan Diesel director Dave Scott says information sessions are being held with all their dealers to inform them of the impact VAT will have on their customers. Training sessions are being run for dealers and customers and a VAT document will be produced.

Mr Scott emphasises that there are several disadvantages to delaying a purchase.

"Not replacing a vehicle that needs replacing means heavier maintenance, a factor probably not budgeted for," he says.

Beware that 'misconception'

BUY your used vehicle now before the introduction of VAT. That is the advice of Willie van Wyk, marketing and sales director of Delta Motor Corporation.

"Buyers are waiting for the introduction of VAT so they can buy their vehicles free of the tax from private sellers, but there is a misconception here," he says.

VAT will provide for a rebate system of national input credit to the dealer. This means that although used vehicles sold by dealers still carry VAT, the rebate received by the dealer will result in a negligible difference to the selling price of the private seller.

"Buying from a dealer also gives the purchaser more protection if things go wrong," he says.

He adds that the delay in the purchase of used vehicles has also resulted in the current depressed state of the used market, where larger discounts are offered.

"These prices are likely to rise after September 30 with the expected increase in demand," says Mr Van Wyk.

"Besides, a 5% increase on June 1 meant that some of the benefit of waiting until October 1991 has already been lost."

Mr Scott also warns that there may be shortages after October 1991. He says it's a buyer's market at present because bargains are being offered on rates. But the poor economy means that demand is non-existent. Truck rental companies have underutilised fleets with less tonnage being moved over shorter distances.

He says "It is the first time in four years that truck sales are down on the previous months."

This is not cutting much ice with buyers — especially those in the rental business — who are sitting with

overcapacity and do not see the need to buy.

Bateleur Transport Finance director Tony Wickins says business has remained fairly static but casual rental would be the best option between now and October.

Boosted

"We have an aggressive marketing team, but rentals are staying static. Anybody who says that VAT has boosted rentals is wrong. It probably only helped maintain turnover and not lift it. Casual rentals may have picked up, but they are overshadowed by the downturn in the economy."

"Our own truck purchases are not affected by

GST, but after October 1 we will be liable for VAT which will have a negative impact on our cashflow. We do, however, get an input credit.

"At the moment there is excess capacity in the rental industry. Our long-term full-maintenance lease contracts are helping to smooth things out. We are now placing more emphasis on FML."

Mr Wickins says VAT is a sophisticated tax which will require a lot more analysis.

Courses

Cargo Carriers managing director Patrick Murray says his company is taking VAT very seriously.

"Our auditors have run courses and we have set up a subcommittee which is going through training programmes. We are not buying trucks now — no transporter is," he says.

Imperial Truck Rental financial director Graeme Staniforth says "We have continued to offer the same agreements as in the past. We have not promoted FML and other fancy deals for six months. We have encouraged casual rental and downplayed the VAT issue."

Budget Autolease director of operations Colin Jobe says he is now renting 50 trucks a year as opposed to 180 trucks a year ago.

Mr Jobe says "We only do rental for one year or longer with an option to purchase, but I believe the short-term rental is doing better than ours."

Any rush after October 1? Mr Jobe says "If purchases go up by more than 25%, I will be surprised."

(192) (152)
S/Times (Bus Times) 4/8/91

Strikers lose R26m

By DON ROBERTSON

WORKERS were the losers in the motor industry strike

It is estimated that they lost R26-million in wages and will have to work 18 months to recover the additional 15c an hour they won through striking

They initially demanded an increase of R1,20 an hour. Motor companies offered R1. The settlement was R1,15.

Manufacturers, who lost about R800-million in turnover, hope to make it up before the end of the year.

The industry's latest car sales estimate for the year of 206 000 units is 2 000 down on the previous forecast. Poor

demand and unavailability of stock are the main reasons for this reduction.

Car sales for July, which were not affected by the strike, were 12% down on July last and 10% lower than in June.

The cost of the negotiations was about R500 000, which could be reflected in the price of cars in future, say some manufacturers.

Manufacturers, while not claiming a victory, say their strong stand against the unions was forced on them by economic realities in a declining market.

The deal ^{4/18/91} doesn't end ¹⁹² with the sale

WITH more than 80% of all new cars going into company fleets or allowance schemes, this business is of the utmost importance to every vehicle manufacturer, says Pieter Ackermann, Nissan SA's general manager fleet and government sales.

In the changing and more difficult economic environment, fleet operators are increasingly looking for guidance and assistance in vehicle management, says Mr Ackermann.

Vehicle management is rapidly developing into a science in its own right. The old-fashioned "out-of-sight, out-of-mind" approach is no longer acceptable to company executives. Sale is only part of the overall package.

"Fleet management covers the life of a vehicle and includes acquisition, finance, insurance, maintenance, fuel, disposal and administration." Although each of these aspects is a specialised field on its own, the fleet operator has to consider the total picture.

"The company buyer may, for example, spend a lot of time and effort to negotiate an extra 0.5% discount (R150 on a R30 000 car), but poor fuel control can easily cost the company substantially more in the first six months of the vehicle's life."

Another issue which Mr Ackermann says is of great concern is that of paying car allowances rather than providing company vehicles. The benefits and disadvantages to the company and the employee should be carefully considered before changes are made. These benefits and disadvantages to the company and the employee, which relate to risk, actual cost, the company's financial structure, fringe benefit tax



YOU KNOW YOU'RE IN GOOD HANDS WITH UNO Nissan offers the complete package

and to the individual's preferences, should be carefully considered before changes are made.

"These are but two of the areas covered by the no-cost, no-strings-attached consulting service we provide to fleet operators," says Mr Ackermann.

Flexible

"Our objective is to assist with the operation of the fleets with a view to increasing efficiency and cost-effectiveness. If we don't have all the answers, we seek expert help — at no cost to the customer."

"We will assist any fleet operator, irrespective of size or type of vehicles in the fleet. We also help operators who are not supporters of our products."

Over and above the advice that Nissan offers, several flexible Nissan-Uno support packages are available through the dealer network.

These are comprehensive insurance, maintenance contracts with and without tyres, and the new Warranty Plus extended warranty programme.

These support packages have been designed and developed by Nissan itself and are available through the dealer network "at very competitive prices", says Mr Ackermann.

Unique

The Nissan "insurance plan" has certain unique features, such as no loading for business use, full acceptance by financial institutions, assistance with towing, hotel accommodation and car rental, full recognition of no-claim bonuses and discounts to fleet operators. All this comes at a maximum of 5% for vehicles above R55 000 or Uno models in most parts of the country.

The Nissan "maintenance plan" offers contracts on all the company's cars and light commercial vehicles and Uno cars for up to 48 months and 150 000km. Included are all services and repairs, replacement of battery, exhaust system and shock absorbers — "everything other than accident damage and breakage of glass and plas-

tic," says Mr Ackermann.

Special arrangements with the 230 Nissan and Uno dealers ensure that the fixed monthly charges for the various time and distance options are competitive.

Nissan-Uno Warranty Plus, which will be available from dealers this week, provides an opportunity for the owner to obtain an extended warranty for up to three years after expiry of the manufacturer's 12-month warranty and up to a maximum of 150 000km.

This package provides full

flexibility in terms of the period (one, two or three years) and the claim limit.

"Nissan can further assist by arranging finance from banks. This gives the customer complete flexibility to use his existing banker or to spread his business," says Mr Ackermann.

"We are not merely selling vehicles. We offer a total package to satisfy the needs of the ordinary person, the recipient of a car allowance and the fleet operator. Our fleet consultants are always available to help."

NISSAN SOUTH AFRICA

A Business 1

Passport to truck fleets' efficiency

S/Times (Bus Times) 4/8/91 192 232

NISSAN DIESEL is not in the business of simply selling trucks. It is here to offer transport solutions, says Nissan Diesel director Dave Scott.

"Our commitment to fleet management, no matter how big or small it is, is our customers' passport to cost-effective transport and profit."

Mr Scott's summary of his company's responsibility to its customers might sound trite, but he says it is sincere.

The days are long gone when companies could wave good-bye to customers in their new vehicles, then promptly forget all about them.

Today, the sale is only part of the package — the beginning of a long relationship between company and customer.

The successful truck manufacturer does not merely make high-quality products. In addition, the manufacturer and his dealers must offer a combination of services ranging from product advice

and financial packages to driver and technical training, and from route cost analysis and maintenance back-up to the simplification of complex transport legislation and the implications of value added tax.

Nissan Diesel, says Mr Scott, has a highly professional approach to the concept of transport consultancy.

It has taken a leadership role in the market. The range of its customer information and support services bears witness to the fact that its expertise has been built up over many years.

Alarming

What has become apparent is that buyers themselves have not always been aware of what is on offer.

That awareness is, however, growing — and for good reason. Truck prices have risen at such an alarming rate in recent years that buyers want more for their money. If they must pay more, then they expect more in return.

They want value for money. That includes learning how to avoid losing mon-

ey on a truck's day-to-day operation.

"There is little price difference between all the truck manufacturers, and no difference when it comes to quality," says Mr Scott.

"So how do you market yourself? You market yourself through the service and support you provide to your customers as well as your general attitude to them."

Nissan provides a comprehensive customer support package to fleet operators. This includes the Nissan Diesel Vehicle Management System, which enables operators and their drivers to record and compare every area of vehicles' performance and condition.

This system includes sheets for recording vehicle defects, insurance costs, workshop costs, cost ratios, parts requisition forms, and even a planning chart for service and maintenance programmes.

In pursuit of its aim to offer the best transport consultancy programme in the motor industry, Nissan has also prepared a series of route standards, detailing the main transport routes in SA.

The company's experts can advise on the best available body for any Nissan Diesel vehicle. Everything the body-builder needs to know is included in Nissan Diesel's Body and Equipment Mounting Manual.

The booklet contains specifications for every Nissan model.

Videos

Driver and technician training is another of the support functions which Nissan Diesel provides. The company has produced video tapes to go with each of its truck models, advising customers what to look for at point of purchase and what to expect of the dealer.

It also offers important operating and training tips for drivers — even experienced ones. The videos — in English and Afrikaans — demonstrate how to drive the vehicle, how to set it up for work, how to follow checklists and ensure everything in the cab is in order. It has advice on changing gears and even on how to change a flat tyre and deal with the vehicle in a breakdown.

The service is extended to

the technical side of the operator's business. Nissan provides technical support staff with training on the Nissan vehicles in the fleet at its training centre in Wynberg, Johannesburg.

To be an operator today no longer requires merely a vehicle and a strong pair of shoulders. You must be able to find your way through a seeming maze of confusing rules.

Nissan offers a wealth of vital and easily understood information through its Trucking Insights programme.

Cold

This programme, in the form of pamphlets in both English and Afrikaans, explains how to prepare for and overcome the challenges presented by trucking.

Titles currently available are Vehicle Costs in Perspective, Preparing for RTQS, Truck Cab Maintenance, Depreciation in Perspective, Towards More Fuel-Efficient Trucking and Guide to Roadside Roadworthiness Inspections.

Nissan also offers its customers a full maintenance contract, enabling them to fix the direct cost of maintenance and repairs at a monthly rate. This fixed sum is fixed according to the customer's needs.

Mr Scott says "Operators are increasingly beginning to realise that the capital investment in a truck is so high that they need a lot more advice on how to use it."

"To recover your money, you must make the vehicle work hard. The higher the cost of the machinery, the more productive it must be. The driver's seat must never get cold."

Nissan Diesel has no shortage of experts to help operators make the right choices and decisions.

"We would like to stop their repeating wrong decisions."

The fleet consultants are always available to help and Mr Scott is never further than a phone call away.

"We concentrate on certain segments of the market because you can't be all things to all people. We are strong in the construction industry where we have specialist vehicles, the petrochemical industry where we



DAVE SCOTT At your service

focus on particular customer needs, and in the truck rental business.

"We are only now entering the public carriers sector where one talks to specialist hauliers. Our recently launched Cabstar is a newcomer in the three-to-four-ton sector. It is fitted with a Nissan Diesel engine and not an ADE power plant."

There are certain sectors where Nissan Diesel is not represented "and we are honest about it." In such cases Nissan Diesel gives advice on where to go and what to buy.

"It is important to have specialists on your team who know and understand the truck business. We use outside specialists from time to time to help us with different projects."

The most important aspect of the truck industry, according to Mr Scott, is closeness to the customer's business — and an understanding of commerce and industry. Although trucks look the same as they leave the plant, they end up in a large variety of applications.

Principles

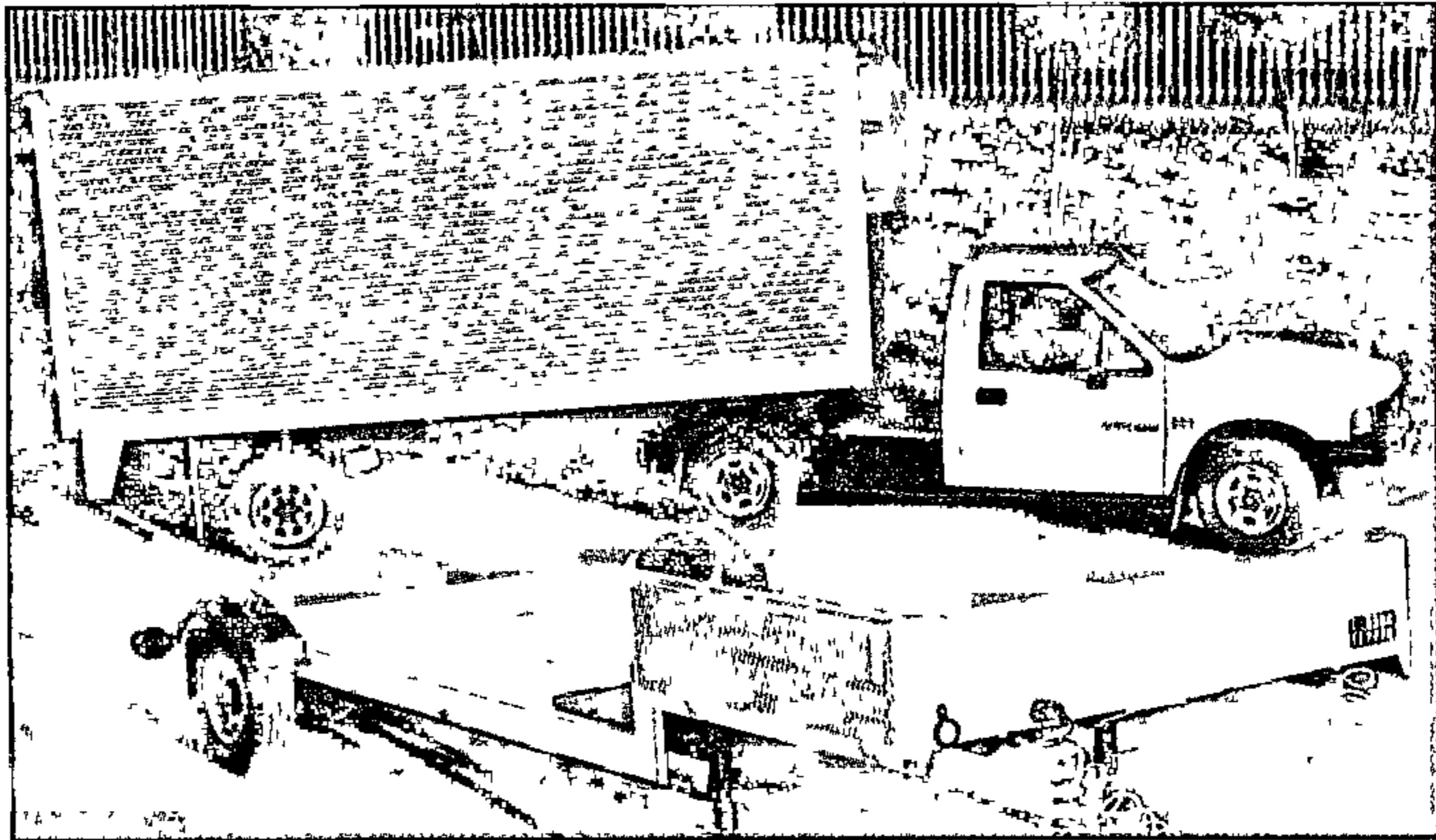
"It's no use talking to an operator and saying 'There's the whole book on transport. Study that and you'll have all the answers'."

"They have individual problems and it is our duty and responsibility to help. Our business is, therefore, very much a consultative one."

To meet Nissan's intention to provide the best support possible, its consultancy package includes seminars and, of course, face-to-face advice apart from the booklets and videos.

"Our commitment to our customers rests on six principles:

- Immediate parts response
- A specialist dealer service network
- Application and fleet management consultancy
- Technician and driver training
- No ifs, ands or buts guarantees
- A truck to suit your needs."



STRANGE, BUT TRUE Delta Motor Corporation, in conjunction with Maritzburg-based LCM Engineering, has converted the Isuzu KB 250D bakkie into an articulated vehicle capable of hauling a wide variety of trailers. This, says Delta, is an efficient, cost-effective solution to transporting high volume, low mass goods

Known as the Isuzu Artik, this popular one-ton bakkie can be easily converted from a conventional bakkie with a slide-on rigid body to a horse and trailer. "It is particularly suitable for retail outlets, such as furniture companies, which up to now have operated four- to eight-ton rigid trucks to get the space. The cap-

ital investment in these is high — and unnecessary — but companies have been forced to take this route because of the lack of other options," says Willie van Wyk, Delta's sales and marketing director. LCM marketing director Cecil Alberts says initial production is scheduled at 100 units a month.

Quick finance with Comfin

By DON ROBERTSON
BUSAF, one of the largest commercial vehicle body manufacturers, has teamed up with Investec Bank

to establish a specialist finance company. Commercial Vehicle Finance will finance and insure the requirements of transport operators who buy Busaf buses and

coaches as well as its specialist range of commercial vehicle bodies. Busaf, a member of the Dorbyl Transport Products group, is now able to offer a one-stop service to cus-

tomers. Previously, many road transport operators had to contend with financial institutions who did not always understand their requirements, says Comfin director, Michael O'Brien. Many were considered "high risk" customers and a large proportion were unable to raise funds under these circumstances.

Busaf, in this business for 10 years through Dorbyl's Dorfin division, is particularly able to assess a customer's ability to service his debt.

"Our services to the bus industry in particular, are going to become more popular if the latest trend towards fragmentation of major bus operations continues," says Mr O'Brien.

He adds that smaller companies will find it difficult to raise finance.

Comfin is able to offer a quick service and approve finance within 48 hours. It will also offer a flexible service and, should a small operator suffer cash flow problems because of a vehicle being inoperative, the repayment plan can be restructured. For school bus operators, repayments can be missed during holidays while, in some cases, a three-month moratorium on payments can be arranged to allow a customer to build up capital.

Ronnie Bass offers reconditioning

ALTHOUGH it is widely known for its passenger car service and workshops, Ronnie Bass, Edenvale, is now offering a reconditioning service for the heavy duty truck market.

Workshop manager Simon Ingram says Ronnie Bass is expanding into the commercial sector to "cater for the wide range of industries that need to prolong the life of their trucks." The recondition-

ing will be carried out by Schudel Swiss Engineering. "By using Schudel, a specialist in heavy duty engine reconditioning, we save on investing in the high-tech specialised equipment that is now necessary to provide a sound reconditioning service," he says. "At the same time, it enables us to concentrate on our own area of expertise leaving the specialist reconditioning to an expert."

Journalists' sub-committee

THE South African Guild of Motoring Journalists has formed a trucking sub-committee to promote a better appreciation of the many facets of the trucking industry among its members.

Chairman Deon Schoeman says "The main activities of the SAGMJ are, by nature of its membership, car-oriented. However, our roads are shared by trucks and cars and the aim is to ultimately forge a better camaraderie be-

tween the two." A broad "education" programme is being drawn up to include activities such as truck driving, visits to truck and component manufacturers, industry briefings and presentations on the role of trucking in the economy.

The role of the truck driver in road safety will also be emphasised.

"We'll arrange for our members to ride as observers and experience the on-the-road problems facing

truck drivers — many of which are caused by inconsiderate motorists.

"By targeting our efforts at the motoring journalist, we hope they will give their readers a better understanding of the role and the challenges facing local truckers," says Mr Schoeman.

The sub-committee is headed by Patrick O'Leary, a writer for **TRUCK TIMES** and member of the SAGMJ executive committee.

Re-build package pays

By DON ROBERTSON

THE first financial package tailored to meet the rebuilding of trucks has been introduced by a new group, Truckfin, which has the backing of a major commercial bank *S/Times 4/8/91*

Jack Pienaar, founder of the new group, believes that with SA's growing acceptance in the rest of Africa, trucking of goods into the interior will increase substantially, putting additional strain on over-worked vehicles and cash flow

Small operators, particularly, are faced with prohibitive new vehicle prices, so if they are to capitalise on these opportunities they will have to revitalise existing fleets, says Mr Pienaar.

Re-manufacturing of vehicles has lately become more acceptable and is also being increasingly used by public sector bodies, such as Posts and Telecommunications, the SABC and the SA Defence Force. In the past, however, it was not possible to finance the re-build or re-manufacture of a truck.

Truckfin has now established its own

financial package to cater for this and can structure a wide range of financial options for the operator, both large and small. Included in these are contract hire, full maintenance leasing, standard maintenance contracts, stepped leases, annualised instalments as well as post-harvest one-time "balloon" payments for farmers

Truckfin insists, however, that if an existing financial agreement exists on a vehicle, this must be settled by its bank and the new deal must then be negotiated.

Truckfin adheres strictly to a set of procedures. An independent technical representative will examine the fleet vehicle and arrange three re-build quotations for the client. The Truckfin representative will then examine the best possible financial option for the customer.

During the re-build, the customer and the bank representative are able to inspect progress. When completed, the customer takes possession of the vehicle from the bank.

Mercedes-Benz sees positive

future in the new SA

THE presence of Mercedes-Benz chief executives from Zambia, Malawi, Mozambique and Zimbabwe at the opening of MBSA's new R25-million commercial vehicle plant last month tells a story

Combined with the welcoming statement made by Adolf Moosbauer, management board member in charge of commercial vehicles, the story line becomes even stronger

"We hope they are assured of the best service and services from the new South Africa," he says

Mercedes-Benz, although facing one of the most depressed local markets in years, is looking at the positive side of the coin by structuring plans to participate fully in what it sees as positive future growth for the commercial vehicle markets locally and to the north

Mr Moosbauer is riding a note of optimism which he says is born of many years experience in watching Mercedes-Benz ride out the lows and highs on international markets

"We have learnt that what comes down must go up so the South African market will not remain at its present low. Over the next five years, it will probably rise to double its current volumes with additional encouragement being the opportunities that are emerging in Africa," he says

He says another reason for his optimism is the age of the national fleet in South Africa

"It is much too high for a growing economy and we are positive that

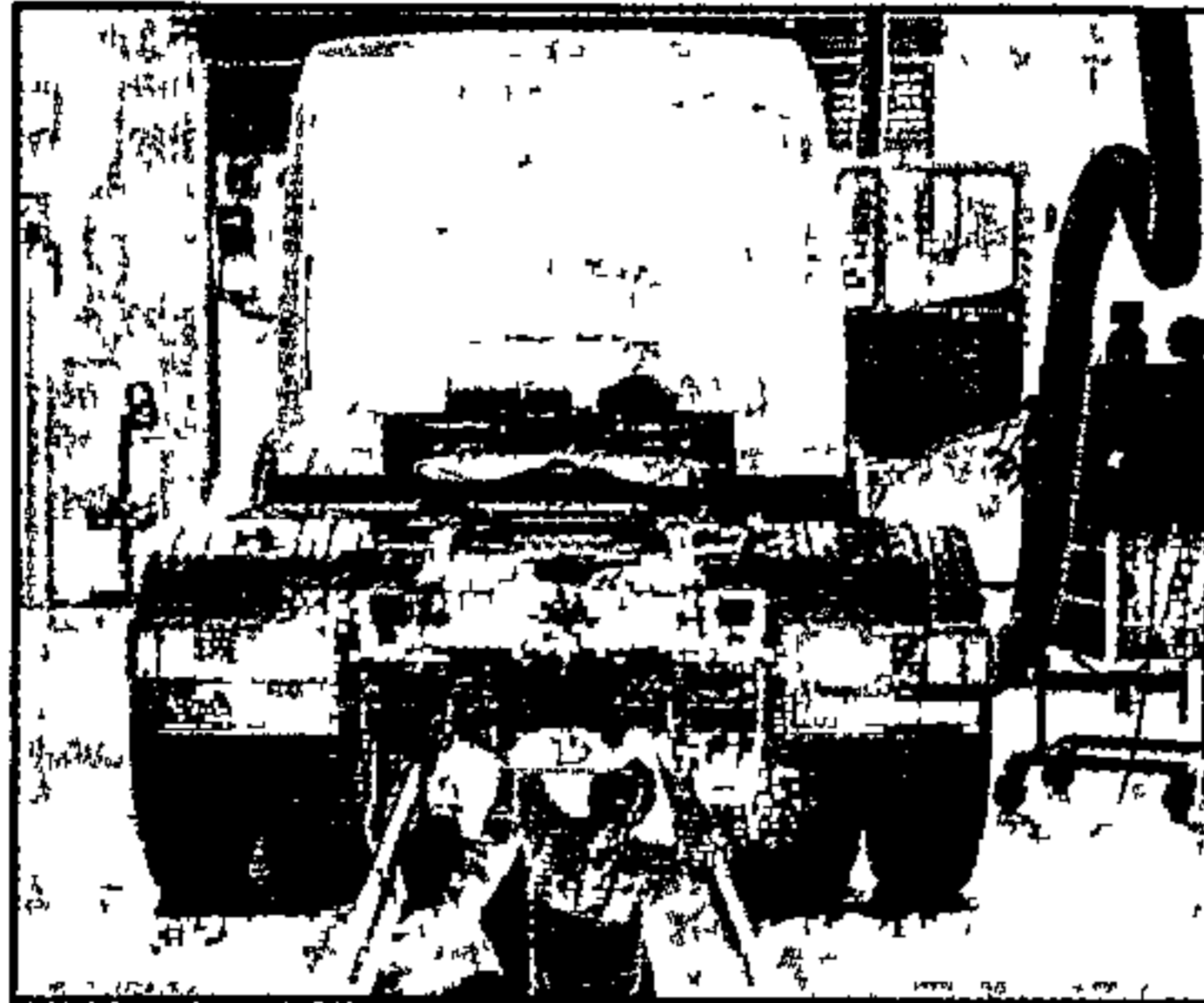
the economy will once again grow. It is also uneconomical to operate ageing vehicles," he says

Mr Moosbauer sees great opportunity ahead for South African manufacturers and component suppliers to capitalise on the skills built up under the sanctions-imposed local content programme and the use of these skills to provide vehicles for African conditions.

"The type of truck being demanded by operators in central Europe for the year 2000 is extremely high-tech which I don't see as suitable for our conditions. There is also the matter of cost," he says

He adds that overseas models have reached the maximum technology required in Africa for the next 10 to 20 years

"We've already had to taper down our Powerliner range to the right technical specifications for our circumstances and the next range of European models will probably be further from our needs"



QUALITY FOREMOST the final inspection station at the refurbished MBSA commercial vehicle plant in East London

By PATRICK O'LEARY

He emphasises that he is not belittling South African operators. It is rather to the operating conditions such as bad roads to which he refers. This is especially true for the neighbouring countries

"We need good solid trucks that are less sophisticated than the overseas models, easier to repair, have a high life expectancy and a high standardisation of parts. We can build such trucks in South Africa be-

cause we have built up the expertise under the sanctions climate," he says

In advocating this route, he does not rule out access to overseas technological developments. However, these must be critically analysed for their appropriateness to local conditions

"We cannot afford the luxury of First World research in our mixed economy but we must have access to, for example, fuel-efficient engines. The

costs of researching and developing such products would be horrendous, but access to such developments is essential. We can then tailor these developments to our needs," he says

He adds that local content legislation is still necessary even with South Africa re-entering world markets

"We cannot open our markets to all competitors because the trucks we produce and export must be competitively priced. To

get to that position, we need the volumes so I see a certain degree of local content necessary"

Regarding Mercedes-Benz AG's support for such moves, he says what is happening now is the realisation of a vision born years ago

Route

"We are not an agent for Mercedes-Benz. We are Mercedes-Benz and if we can service the market better from South Africa, then that is the route to go. It has always been our vision to become a major player in Africa"

He pointed out that Mercedes-Benz has always believed that, even during bad times, democratic change in South Africa could only take place in a functioning economy

"Sanctions are counterproductive so their removal was not unexpected. What has been an unexpected development over the last 18 months is that even with the government doing the right things and the official lifting of sanctions in many quarters, the economy has not improved. It has actually got worse and could deteriorate even further before we see the fruits of change"

That this is true can be seen by the fact that total sales of trucks over 7500 kgs for the year to June was 2861 compared with 3795 for the same period last year. Mercedes sold 956 trucks out of the total, giving it a market share of 33%. Total sales for June in this category were 474 of which Mercedes sold 182 for a market share of 38.4%

"In 1989 total sales in this category were 9673 and this dropped to 7827 last year. If our forecast is right, this year will see the lowest commercial vehicle performance in history," he says

Optimist

Mercedes-Benz sees the market picking up next year and steadily rising to double its present volumes by the year 1996 when the numbers will be back to what they were in about 1984

As regards sales up north, Mr Moosbauer predicts them to be 20% of SA sales next year rising to 50% in five years

Being the eternal optimist, he says South Africa does, nevertheless, have a relatively stable market

UNIQUE STATUS FOR EXCHANGE UNITS

MERCEDES-BENZ has elevated its remanufacturing operation, MB Exchange Units, to divisional status. The reconditioned commercial vehicle components will be called "M-units"

The new division is the only Mercedes-Benz remanufacturing facility outside Germany and has full ADE approval. The M-unit products include all popular Mercedes-Benz diesel engines, gear-

boxes, truck axles, steering boxes, power steering pumps and other smaller components.

Adolf Moosbauer, director of MBSA's commercial vehicle division, says: "No company can claim a full or comprehensive 'back-up' for commercial vehicles if it does not supply a speedy and cost effective exchange unit programme."

"This service is provided by the

best trained and equipped commercial vehicle dealer organisation in southern Africa. The supply and guarantee of M-units is backed and underwritten by MBSA, the manufacturer. Only original Mercedes-Benz parts are used and where applicable, the latest updates are incorporated."

He said the costing method of M-units had been greatly simplified

The deal is concluded between customer and dealer "on the spot" when the dealer trades in the old for the reconditioned, and no surprises of later additional charges for subsequently discovered faults on blocks or crankshafts and the like will be made

Mr Moosbauer said the reconditioned M-units cost on average 45% of the price of a new unit

NISSAN SOUTH AFRICA

Our future in the hands of buyers

Customer care *STIMES (Sun Times) 4/18/91.* 192 the driving force

SOUTH AFRICANS are not geared to customer service. It is not yet a matter of pride. They accept poor service too easily.

This is the view of Stephanus Loubser, managing director of Nissan SA Marketing. Mr Loubser says the average customer still does not believe that he is getting the type of service to which he is entitled.

"Things are, however, beginning to change and more and more people are insisting on a product that is right and service that is professional.

"This decade belongs to the consumer and that is why there is worldwide

NISSAN SA prides itself on customer care and service throughout its organisation.

In this feature, a second in a series on Nissan SA, **JOHANN CRAFTFORD** reports on the importance the motor manufacturer gives to this aspect of its business.

planning to provide better service to customers. Product loyalty is declining.

"The new generation of South Africans are not scared to try out new things and they are not easily intimidated.

"At Nissan we accept that the consumer has a simple view of his vehicle. He expects the vehicle to be delivered to him without faults or damage, that it requires only fuel and oil, and when it becomes necessary to service it, it

will be done right the first time and at a reasonable price."

Mr Loubser says Nissan customers have to have more confidence in both their manufacturer and their dealers.

"Nissan and its dealers are our customers' friends in spite of mistakes we may make. A customer who makes his demands in a reasonable and fair manner will be satisfied.

"We are fully aware that our future is in the hands of

the customer."

South Africa has tremendous growth potential if one looks at the ratio of persons a vehicle, according to Mr Loubser.

In America, for example, there are 1,8 persons to every car. In West Germany the ratio is 1,2:1 and in Australia 2,3:1.

In South Africa, which has 5,8-million vehicles, of which 56% are cars, there are no fewer than 9,3 persons to every car.

In terms of product quality, it is generally accepted that the seven remaining motor manufacturers in South Africa are on a par. The only distinguishing factor is customer care and service, from both the manufacturer and its dealer network.



STEPHANUS LOUBSER

This, says Mr Loubser, is the "battle-field" of the future.

There are four requirements for success in the South African motor industry, says Mr Loubser. They are:

- The right product
- The right quality
- Excellent service
- A customer-care disposition

"It is easy to promise the best possible customer care and service because talk is cheap. What is important, is to pass the test of the consumer. At Nissan we are driven to do just that.

"Our mission is to exceed the expectations of all our customers."

Times Corporate Feature

Zillions of spares keep them going

192
S/Times (Bus Times) 4/8/91

NISSAN SA parts and accessories director Tom Gorlei is under no illusion about what is required to make his company top of the heap — the best possible customer care and satisfaction

"A key element in the chain of customer care and satisfaction is the supply and distribution of parts to our 230-strong dealer network. Keeping Nissan vehicles on the road — and our customers happy and satisfied — is the name of the game."

But it is a far from simple process, bearing in mind that Nissan's central warehouse at Rosslyn near Pretoria holds 94 000 different line items in varying quantities to service more than 600 000 vehicles, ranging in age from new to 10 years and older

Warranties

If that isn't enough, Nissan expects the number of items to exceed 100 000 soon when new models are launched

The central warehouse has been expanded at a cost of R8,5-million to provide additional space to store parts for new ranges like the 300 ZX, the 200 SX and the Cabstar Diesel, as well as for those models yet to be introduced

The line items can be categorised

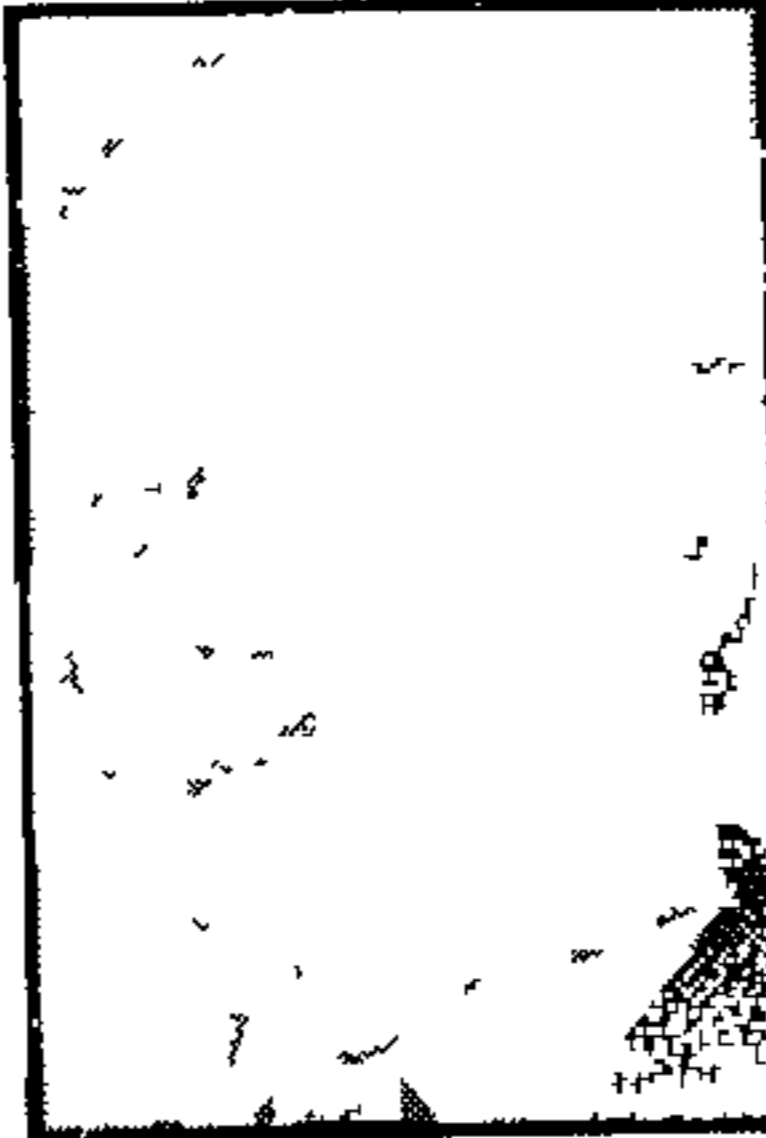
- Nissan passenger and light commercial vehicle parts
- Nissan Diesel components
- Fiat Uno components
- Accessories

In addition, the parts and accessories division supplies a range of remanufactured components with "as new" warranties

"That is the 'hardware' which forms the basis of our operation. The 'software', however, is equally important in our business. It includes communication with our dealers and, of course, our customers

"To streamline information flow between our parts and accessories division and our dealer network, the dealers are linked to the warehouse on the Nissan communication system," says Mr Gorlei

"This computer system enables dealers to send and receive electronic mail, check



TONI GORLEI. Streamlined

Nissan's stocks, place orders and confirm despatch, among other features, at the touch of a few keys

"Now that warehousing has become a technologically advanced science, our parts and accessories division gives high priority to training our people both here and by sending them on courses run by Nissan in Japan

"Furthermore, visiting Japanese support teams, at the forefront of this technology, assist in fine-tuning the warehouse operation and advise us about enhancements to the facilities

"It is not only on the technical and technological side that the Japanese are the best. They are also the best as far as managing a warehouse of this size is concerned and obtaining the highest possible levels of productivity from people"

The two main advantages of a well-run parts and accessories division, says Mr Gorlei, are speed of response to a request and parts and accessories that arrive at their destinations without damage

Slick

"The slicker an operation like this operates, the more cost effective it is. Cost is important to Nissan SA

"If we can reduce the cost of our operation, we can pass those benefits to the customer

"It must be remembered that we are not planning for today. We are planning for years ahead. Customer care and satisfaction are at the core of everything we do"

Mercedes put their money into production

Star 6/8/91

192

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The expansion and development of Mercedes-Benz of South Africa's production facilities in East London, through the investment of R25-million in a new commercial vehicle manufacturing plant, is symbolic of the company's commitment to the South African transport industry

Christoph Kopke MBSA chief executive, says "MBSA's investment in a new commercial vehicle plant is a clear indication of our confidence in the economy of South Africa. We have made this investment at a time when the commercial vehicle market has been depressed for a considerable period of time

"We are firmly of the opinion that once the economy moves in a more positive direction, there will be a tremendous demand for the transport of goods and people. An economy in which the total population of South Africa can participate on an equal footing will ensure greater mobility of goods and services

"With greater stability in the Southern African region, MBSA will be correctly positioned to service the transport needs of the entire region. I believe that all our customers will benefit from a larger and more efficient manufacturing operation in the future."

Through its investment in this modern commercial vehicle manufacturing facility, MBSA will further enhance its position as the leading manufacturer in the over 7,5 tonne commercial vehicle market segment. The capacity of the new plant will also facilitate entry into export markets that are expected to become accessible to South African industry in the near future

The production capacity of the commercial vehicle manu-

facturing operation has been substantially increased due to the technologically advanced equipment and innovative methods employed in the new plant

Twenty-six commercial vehicle units, comprising the complete range of Mercedes-Benz models currently available, can be produced per day

The new commercial vehicle operation has a significantly improved material and production flow as a result of the close proximity of various assembly points and the introduction of automated vehicle movement

Special attention was also given to the creation of fully automated buffer areas in the design of the plant, further enhancing the supply of materials to the various assembly points

MBSA's new commercial vehicle manufacturing operation lends itself fully to the plant's deeply entrenched motivation for "doing it right the first time". Even at this initial stage of production, the number of faults recorded against units emerging off the line reflects positively on the innovative methods that have been introduced. This vindicates management's philosophy that better working conditions are inseparable from improved production and quality standards

MBSA's commitment to an employee-friendly environment is reflected in the modern canteen facilities — with seating for approximately 300 employees — and change-room facilities that include lockers, showers and toilets. Special emphasis has been placed on the lighting, ventilation and colour schemes of the facade to enhance employee comfort. An automatic bank-teller machine has been installed to facilitate the daily cash withdrawal requirements of staff members

Strike talks set to continue

JOHANNESBURG —
Long mediation to re-
solve the costly 11-day
vehicle assembly strike
continued in Port Eliza-
beth yesterday without
any clear sign of resolu-
tion. CT 6/8/91

Late yesterday the
talks — affecting 24 000
workers — were set to
continue today

Strike action crippled
most vehicle assembly
lines in various centres
yesterday. — Sapa



R300m boost for motor industry

6/10am 6/8/91

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HASENFUSS

MOTOR manufacturers, currently suffering from low sales, will receive a welcome boost of up to R300m through orders from car rental firms in the next few months

SA's main car rental operators Avis, Imperial and Budget, are cautiously optimistic of an upturn in the industry before the end of the year

Imperial MD Carol Scott said her company had just taken delivery of 400 Toyotas, the biggest consignment yet received by the group

Orders by Imperial between July and December could reach about R77m

Budget expects to spend about R55m on new vehicles in the five months to the end of December

A group spokesman said although the domestic market would remain depressed, increased buying would take place to cope with the expected influx of overseas tourists to SA

Budget MD Tony Langley said the industry's buy-down pattern would continue and the purchasing of Mercedes-Benz and BMW models would decline

Avis recently took delivery of 50 Mercedes-Benz 200Es valued at R5m and

would acquire 100 micro buses and 300 BMW 320s in the next nine months, Langley said. The value of the deals would be about R30m

Earlier this year, Toyota SA received a combined order forecast for 7 450 vehicles worth about R220m.

Avis MD Grenville Wilson said Avis was still experiencing a steady demand for luxury vehicles

Cutbacks in corporate spending, high petrol prices and a marked decrease in foreign bookings due to political unrest had brought down rental activity in real terms by 25% this year.

With rocketing vehicle prices forcing the private buyer out of the new car market, the car rental industry had become one of the most important vehicle buyers.

Scott was optimistic of a surge in international visitors in the light of improved political conditions

She predicted that this sector would see growth in October with the advent of SA's summer

Toyota plants in Durban back on line

ARG 7/8/91 192

Tentative accord in motor industry

The Argus Correspondent

DURBAN — Toyota's Mombeni and Prospecton plants here were back in production today.

This follows a tentative agreement reached yesterday between motor assembly industry employers and the National Union of Metalworkers of South Africa

But the agreement has still to be ratified by most of Numsa's members at various plants countrywide

A Toyota spokesman confirmed today the company's plants were back in production.

He said although the final outcome of the agreement would only be announced late today, Toyota workers' representatives had indicated yes-

terday that normal duties would be resumed from today

A detailed statement would be released later today

Mr Les Kettleidas, Numsa's secretary for collective bargaining, said yesterday that employers had tabled offers in respect of wage rises and a moratorium on retrenchments — two key issues of the dispute

He said Numsa's bargaining committee members had reported back to members in plants yesterday and would continue to do this today

The report-backs were expected to be completed today and Numsa would formally indicate its reaction to the employers resulting from the 40-hour mediation

Mr Nico Vermeulen, director

of the National Association of Automobile Manufacturers of South Africa, said yesterday it was hoped the outcome of mediation would be known today. A more detailed statement would be issued today

About 25 000 Numsa members at seven companies countrywide took part in the country's most crippling and expensive strike

The strike has cost car manufacturers more than R500-million in loss of revenue

Mr Charles Nupen of the Independent Mediation Service of SA, assisted by Mr Mark Anstey, managed to bring the parties to a tentative agreement yesterday after trying since Saturday

A Numsa spokesman was not available for comment today

Sinclair changes its focus to car retailing

8/12/91 7/18/91
SINCLAIR Holdings is to refocus its operations on motor retailing and will acquire a R13,1m interest in certain motor franchises next month, according to a statement released today

In order to reflect the operations conducted by the group, the board of directors of Sinclair Holdings has proposed a change in the company's name to Urquhart Motor Group. It has applied to the JSE to transfer the company's listing from the industrial holding to the motor sector

The subsidiaries of Sinclair Holdings

~~JSE~~ 192
SHARON WOOD

will conduct the business of motor retailing and the ownership of motor dealership properties

A special dividend of about R24,1m in aggregate will be declared by the company, which translates into R93,50 for every 100 shares held by shareholders

The board of directors has proposed an increase in the company's authorised share capital by the creation of 10-million preferred ordinary shares of 70c each

Hope for resolving auto strike

Own Correspondent

JOHANNESBURG — Car assembly employers and the National Union of Metalworkers (Numsa) yesterday achieved a breakthrough in the 12-day-old national strike after employers tabled revised offers on wages and a moratorium on retrenchments

Numsa will start polling members on employers' revised offer today and employers are hopeful full production will resume tomorrow

Vehicle assemblers have been losing about 1 500 production units daily in strike action which has crippled production at the assembly plants of Toyota, Nissan, Delta, BMW, Samcor and Volkswagen

Numsa senior negotiator Mr Les Kettledas said yesterday the breakthrough was reached after 40 hours of mediation which started at the weekend. Parties had agreed to call in Independent Mediation Services of SA director Mr Charles Nupen

Employers were offering hourly across-the-board wage increases of R1 when the parties deadlocked in the middle of last month. Numsa lowered its opening demand of R1,50 to R1,20 when negotiations resumed in Port Elizabeth last week. The union was also demanding an unconditional moratorium on retrenchments

Individual vehicle sales still kept under wraps

ECONOMISTS are still being denied full access to what analysts yesterday termed one of the leading economic indicators — individual vehicle manufacturers' unit sales figures

Analysts said yesterday that a failure to reach consensus among vehicle manufacturers was among the reasons given for the non-disclosure of the individual monthly sales performance

National Association of Automobile Manufacturers of SA (Naamsa) director Nico Vermuelen said further disclosure of monthly new vehicle sales figures was under periodic review, and "hopefully" the industry would provide a fuller disclosure by the end of the year

Current Naamsa figures show only the total industry sales in the passenger, light commercial, medium commercial and heavy commercial vehicles

Econometrix's motor industry expert Tony Twine said comprehensive data would eliminate "a lot of guesswork"

B/day 8/8/91

MARC HASENFUSS

With restricted data people were "flying blind" when running and planning their businesses

Industry sources said the use of Central Statistical Service figures which showed the number of new vehicles registered by manufacturers was unacceptable. These figures do not include sales to neighbouring countries and do not take into account special trends in the motor industry

The publication of individual manufacturers' unit sales figures was stopped by Naamsa in 1988 for strategic reasons, after economic sanctions intensified

However, industry sources said that with the easing of sanctions it was no longer necessary to hold back on the data

Toyota, VW, Samcor, Mercedes Benz and BMW support fuller disclosure, while Nissan has expressed conditional support

Only Delta Motor Corporation remains firmly opposed

Car workers to return to plants

SHARON SOROUR
Labour Reporter and Sapa

ALG 8/8/91

192

TENS of thousands of motor industry workers are expected back at work today after agreement was reached to end the crippling 13-day nationwide strike which cost an estimated R800 million in lost turnover.

More than 25 000 workers — members of the National Union of Metalworkers of S A (Numsa) — downed tools on July 22 over wages.

The agreement follows three days of mediation in Port Elizabeth to break the deadlock between the union and most of the seven employers party to the National Bargaining Forum and represented by the National Association of Automobile Manufacturers of S A (Naamsa).

Union national secretary for collective bargaining Mr Les Kettledas said the agreement between was accepted by workers following report-backs from the plants.

Confirming the strike had ended, Mr Kettledas said workers won wage increases which ranged from R1,15 an hour for unskilled workers and R1,80, or 13,5 percent, whichever was the higher for skilled staff.

Motor strike ends as final deal is reached

FINAL settlement was reached yesterday in the 13-day-old vehicle assembly strike by 25 000 National Union of Metalworkers (Numsa) members which cost the industry about R800m in lost turnover

Numsa chief negotiator Les Kettledas said yesterday workers were expected to return to work today

The agreement — reached after three days of mediation which started at the weekend — provides for across-the-board increases in the hourly-wage of between R1,15 and R1,80 for unskilled and skilled workers respectively

The settlement also provides for an interim moratorium on retrenchments and an agreement to set up a joint industry education and training board

The parties committed themselves to the long-term growth of the industry and the protection of jobs, Kettledas said. It was accepted that employers and government would jointly fund child-care facilities at all plants

National Association of Automobile Manufacturers of SA (Naamsa) representatives were not available for comment last night

A dispute was declared in June when Naamsa employers offered a R1 across-the-board increase. Numsa lowered its opening demand of R1,50 to R1,20 when negotiations resumed in Port Elizabeth last week. It also wanted an unconditional moratorium

Employers on Tuesday upped their wage

8/8/91

VERA VON LIERES

offer and accepted a moratorium on retrenchments

In terms of the settlement employers agreed to an interim moratorium on retrenchments, while a job security committee was appointed to develop by the end of November a plan for the long-term viability of the industry and job security

The parties accepted that employers would be entitled to withdraw the moratorium in the event of repeated failure to reach production targets

In a landmark agreement on training, the parties undertook to set up a joint industry education and training board which will be guided by a number of principles. These include the linking of training to clearly defined industry career paths, and that government should have an obligation to assist in training

Vehicle assemblers lost about 1 500 production units daily in strike action which halted production at Toyota, Nissan, Delta, BMW, Samcor, and Volkswagen assembly plants

Five of the seven companies party to the vehicle assembly national bargaining forum were still not in production yesterday. A spokesman for Toyota SA confirmed that production resumed at its Mobeni and Prospecton plants in Durban yesterday, Sapa reports

Car strike ends after 13 days

PORT ELIZABETH — The first national strike in the country's motor vehicle assembly industry ended yesterday after 13 days, said National Union of Metalworkers of South Africa spokesman Mr Les Kettleidas.

The estimated 25 000 Numsa members who downed tools on July 22 are expected to go back to work today.

Wage increases were pegged at R1,15 an hour for unskilled workers. Skilled staff were awarded increases of R1,80 an hour, or 13,5%, whichever was the higher.

The agreement between Numsa and the National Association of Automobile Manufacturers of SA was accepted by the union membership following report-backs by union negotiators on Tuesday and yesterday.

Wage increases would be backdated to the first pay week of July, Mr Kettleidas said.

Key aspects of the deal, struck on

Tuesday after three days of continuous mediation, included an interim moratorium on retrenchment and landmark agreement for a joint management-union industry training board.


The parties also committed themselves to the long-term growth and viability of the industry and to the protection of jobs, said Mr Kettleidas.

It was accepted that employers and the state would fund community-based childcare facilities.

"It is believed that this agreement lays the foundation and heralds a new era in the collective bargaining relationship with employers in the automobile industry," Mr Kettleidas said.

The strike, which embroiled most of the seven auto manufacturers party to the industry's National Bargaining Forum, tied down production for 13 days and cost the sector an estimated R800 million in losses.

Strike action was focused in plants in the Eastern Cape, Durban and Pretoria — Sapa

VAT: 
Cosatu
call for
CT8/8/91
wage rise

Own Correspondent

JOHANNESBURG — Cosatu is to demand an immediate 5% wage increase for all workers to compensate for the inflationary effects of VAT.

The campaign would be backed by strike action if necessary, Costau told employer federation Saccola at a meeting on Tuesday. Cosatu wants interim wage increases from the day after VAT is introduced on September 30.

Cosatu official Ms Lisa Seftel said yesterday that the organisation was seeking urgent negotiations with Finance Minister Mr Barend du Plessis on proposed changes to the VAT structure.

She said Cosatu was angry at Mr Du Plessis, as he had failed to meet a July 16 undertaking to respond to Cosatu submissions for union subscriptions to be zero-rated.

Cosatu unions will refuse to pay VAT on subscriptions. Cosatu has argued that unions are entitled to the same treatment as political parties.

Auto workers *Star 8/8/91* expected back on the job today

By Shareen Singh
and Helen Grange

About 25 000 workers in the motor industry are set to return to work today, following a major breakthrough with employers on wages, retrenchments and training after a costly two-week strike.

The National Union of Metalworkers (Numsa) clinched an agreement with seven motor companies, securing a moratorium on retrenchments for the next 12 months and hourly pay increases ranging between R1,15 and R1,80

The parties also agreed to set up a training committee with joint representation by employers and unions to look at training needs

Numsa spokesman Les Kettle said employers had agreed to 99 per cent of the union's demands on training

Previously, employers had focused solely on apprenticeship training, but the new agreement provided training as well as literacy and numeracy education for workers

Unionists believe the agreement has set a precedent for other industries

The settlement was reached after a strike

which brought production to a standstill at six motor companies and which cost employers more than R500 million.

A meeting of workers arranged yesterday by Numsa at Samcor's Pretoria plant to vote on the agreement had had a smaller turnout than hoped for, and another meeting had been planned for this morning, said Samcor spokesman Ruven Els — "so we will not be in full production for at least another morning"

However, other plants, including Volkswagen, Toyota, Nissan, Delta and BMW, expect most workers to return today

The 12-day strike is expected to have serious repercussions on the supply of high-selling vehicles, Mr Els said

"There is already a two-month to three-month waiting list on these vehicles," he said

All plants affected are making plans to make up for lost production

Ralph Broadly, managing director of Toyota Manufacturing, said there would be a shortage of units, but strike allowances had been incorporated in the production schedule

One source said the strike's effects would likely be felt at the end of the year, when demand for vehicles was highest

Dip in car sales worries Naamsa

MARC HASENFUSS

THE combined effects of VAT, changes to car allowances, supply shortages and recessionary conditions slowed new car sales a disturbing 12% in July, according to National Association of Automobile Manufacturers of SA (Naamsa), figures released yesterday

Passenger car sales slipped to 16 234 units against 18 367 in the corresponding month last year. The July figure was also 10% down on June's 18 016 units.

Samcor MD Spencer Sterling said passenger car sales were lower than forecast and attributed the drop to low availability of certain vehicles. General economic pressures were now initiating the anticipated sales decline in a market that up to now had been holding up quite well.

In light of the weaker sales, Sterling revised down his full year sales forecast for the industry from 208 000 units to 206 000 units.

VW Public Affairs GM Matt Gennrich said VAT and changes to car allowance tax perks was causing uncertainties in the new vehicle market and stalling purchases.

Econometrix's Tony Twine said although sales for July were down against June, pre-price-increase buying caused an overshoot in June new vehicle sales.

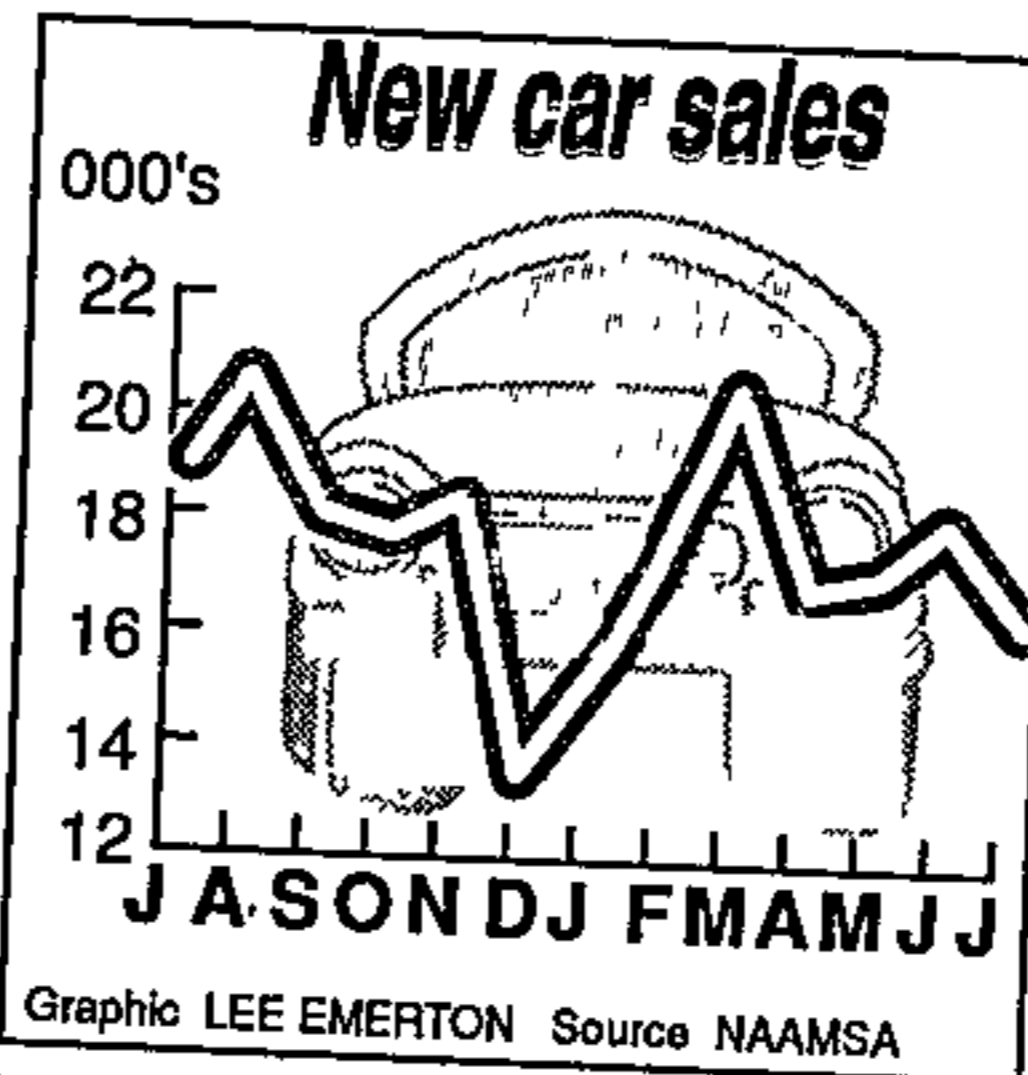
In line with industry expectations, light commercial vehicle sales fell

14% on a year on year basis to 8 182 (9 526) units

Medium commercial vehicle (MCV) sales were static at 411 units, while heavy commercial vehicle (HCV) sales tumbled 27% to 472 units (650) HCV sales, however, were maintained against June's 472 units.

In a statement Naamsa said that all four sales sectors remained under pressure from the weakening economy aggravated by stringent monetary policy, low levels of confidence and subdued investment trends.

Unit sales comparisons were likely to remain negative for the rest of the year, while the disruptive impact of the recent strike in the car assembly industry would become apparent only in the August sales figures, Naamsa said.



More trouble brews for motor industry

Bl Day 9/8/91
VERA VON LIERES and MARC HASENFUSS

ALL vehicle assembly plants are expected to resume full production today after the resolution this week of a national 13-day strike, while industrial action by about 200 000 workers looms in another sector of the motor industry (192)

Potential strike action would involve workers at petrol stations, garages, component manufacturers, vehicle body building, automotive engineers and reconditioning establishments countrywide

National Union of Metalworkers chief negotiator Les Kettleas said yesterday a special meeting of the industrial council for the motor industry would be held today

Kettleas said the dispute arose from the call by the SA Motor Industries Employers' Association (Samea) for a wage freeze until August next year

Employers also refused to negotiate on Numsa demands, he said

Motor industry sources yesterday hailed this week's agreement between Numsa and employers as "ground breaking"

About 3 000 workers at Samcor's Silverton plant did not return to work yesterday, but Samcor spokesman Ruben Els said production was expected to resume today. Workers had returned to work at the company's plant in Port Elizabeth

Keeping SA's motor industry revving up

HIDDEN trade-offs rather than bloody-mindedness probably helped vehicle manufacturers sit out the longest strike in the industry's history, a leading industrial relations consultant suggested on Thursday

The multi-million rand industrial tussle also, however, pointed to a maturing relationship between unions and employers cooperation replacing confrontation, restructuring displacing resistance

Mr Gavin Young was asked to comment on the 13-day strike which saw industry bosses lose about R800-million in turnover and only settle after 40 hours of gruelling mediation and stop-start talks

Why did employers appear prepared to weather a costly stand-off while conceding considerable concessions on key union demands only after a debilitating strike and warning of heavy losses to all parties?

Why did Mercedes-Benz (SA) escape almost scot-free from industrial action while other plants ground to a standstill for almost three weeks, losing vast sums of money?

The picture which emerges is blurred — yet the strike in the auto assembly sector reveals insights into a range of forces, interests and trends which are helping to shape and mature industrial relations in South Africa

There were no clear winners, but, as Volkswagen (SA) human resources director Mr Brian Harris commented yesterday "The agreement is a good compromise between the needs of the workers and industry's needs for increased productivity

"It is now up to both management and the unions to turn this historic agreement into a living document, not just another piece of paper"

Tuesday's agreement was preceded by 25 000 members of the National Union of Metalworkers of SA strangling production lines of top auto manufacturers for more than two weeks. Most returned to work on Thursday

Workers were awarded R1,15, or about 14 per cent, on the lowest hourly wages

It also saw the country's largest trade union clinching a landmark deal linking job security to industrial restructuring and the long-term growth of the industry

"The strike was an absolute aberration — it went against the trend of all other strike action this year. Strike action has probably been at its lowest in the past six to seven years," said Mr Young

Underlying relative union placidness has been an "economy in tailspin" — which, ironically, appeared to have been precisely the reason why many vehicle assemblers may have accepted the strike as a blessing in disguise, according to Mr Young

Workers' demands for a cost-of-living increase and guarantees of no retrenchments in the troubled industry were clear incentives to brave flexing their industrial muscle — but was it worth the risk of being fired?

Whether it was known to the union or not, employers could afford the strike — hence, maybe, the lack of counter-industrial action through interdicts, lockouts and even dismissals

"Because of the poor economy, new car sales have been falling like a lead balloon," said Mr Young "It's my impression that most motor industry employers were quite relaxed about the strike — that is why they were not interested in a quick settlement

"They saved between two and three weeks' wages, and some producers were sitting with hundreds and thousands of unsold vehicles

"Others who had new models ready to enter the market were probably set back, but generally employers were not overly anxious"

A recessionary economy had buffeted unions into a strike-shy mode, where job protection and consolidation of existing gains enjoyed priority over actions which could cost thousands their jobs, eroding union power bases

The metal industry was shedding over 2 000 jobs a month by the first quarter this year, a clear factor contributing to Numsa's 113 000 members in the sector choosing not to go on strike this year

"Nobody ever seriously believed that the union would go on strike in the metal industry," said Mr Young

But they did in automobile assembly plants

Alternatively, on the question of job security, did the National Association of Automobile Manufacturers of SA eventually buckle on the issue of union demands for a moratorium on retrenchments?

Not really, argued Mr Young "No concessions were really needed on retrenchments — they'd already been completed

"Employers probably find current manning levels to be quite adequate. It could have been a far greater fight if Numsa had tabled the moratorium demand six to 12 months ago

"The retrenchment process has, however, been effectively completed"

Under the new agreement, employers guaranteed not to retrench workers until June 30 next year if Numsa ensured production schedules were met without interference by unprocedural industrial action

"With regard to joint initiatives on industrial planning, we are seeing a move away from confrontational to cooperative bargaining," said Mr Young

Astas looks to exports to offset heavy vehicle slump

9/18/91
Bbay
MALBAK subsidiary AS Transmissions and Steerings (Astas) is looking to boost exports to offset the severe slump in the local heavy commercial vehicle market

However, Astas MD Leighton Lee stressed yesterday that Astas could not easily export components to developed overseas markets at competitive prices without the same subsidy as enjoyed by the original equipment manufacturers (OEMs) under Phase VI

Lee said that under the prevailing economic conditions the Boksburg plant was operating at between 25% and 30% capacity, while the number of employees had been cut from 700 at the start of last year to 300

There had also been a 67% drop in the number of axles and transmissions produced and turnover had crashed from R257m last year to R100m this year, Lee said

In a statement issued in Johannesburg, he said about 20% of current output was being exported in the form of components for transmissions and drive axles to licensors ZF and MAN

Lee said it was essential for Astas, currently exporting primarily through OEMs, to export individually as the group required the Phase VI

192
MARC HASENFUSS

export incentive to attain the 100% deemed local content requirement

Lee said that Astas viewed the export achievements of the OEMs under Phase VI with concern as they posed a definite threat to their continued support of Astas's products in their local content plans

He said Phase VI would have far more potential if it was carefully tailored to emphasise the real objectives, while controlling the abuses of the export incentives that were apparently taking place

OEMs, under Phase VI, can offset the importation of key components by increasing the value of component exports, and thereby limit their reliance on local component suppliers

Lee said that some local vehicle manufacturers still preferred to use components from parent companies

The Board of Trade and Industry is still reviewing the structure of Phase VI and will announce significant changes to the programme in September

Lee, however, remained optimistic about the group's future, and saw the current drop in demand as "fully testing the capability and resilience of the organisation"

Auto strike resolved

CT 9/8/91
192

THE National Union of Metalworkers of SA (Numsa) has agreed to make up production lost during the 13-day auto industry strike by some 25 000 of its members, the National Association of Automobile Manufacturers of SA (Naamsa) said yesterday

Naamsa president Mr Spencer Stirling said the parties agreed on a commitment to the long-term growth of the industry, achieving production schedules and recovering lost production

The agreement guaranteed across-the-board wage increases of R1,15, backdated to the first week of July

Employers had promised a moratorium on retrenchments in the industry for the duration of the agreement, which expires on June 30 next year — Sapa

New car sales plummet 11%

CT 9/8/91 (192)

By AUDREY D'ANGELO
Business Editor

AVIS Rent-a-Car has announced that it will spend R27m on luxury or upgraded vehicles between now and October, "in addition to routine fleet renewal purchases"

This announcement yesterday coincided with figures issued by the National Association of Automobile Manufacturers of SA (Naamsa) showing a steep drop in sales of all new vehicles in July compared with June and with July last year

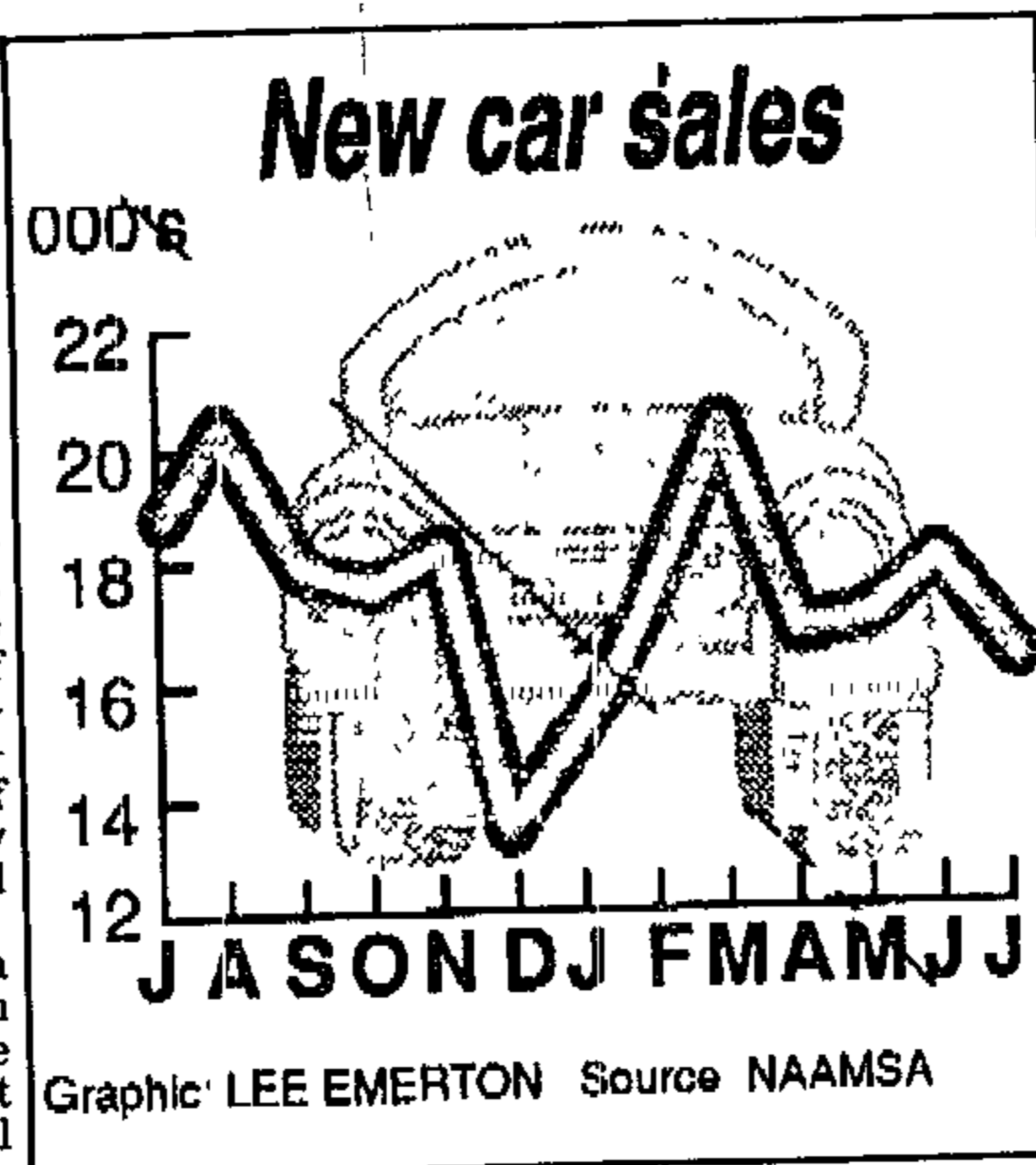
In a statement, Naamsa says trading conditions in the motor industry have worsened in recent months and sales in all sectors are currently running at levels below those in 1990

It expects this to continue for the rest of the year, with the "disruptive impact of the recent strike in the SA assembly industry" coming through in the August sales figures

The figures issued yesterday show that sales of new cars in July were down by 2 133 units, or 11%, compared with the same month last year

And they were down by 9,9% compared with June sales of 18 016 units

Sales of new light commercial vehicles, bakkies and minibuses were also down in July, compared with June and with sales a year ago



Naamsa said a total of 8 182 units were sold compared with 9 526 in July a year ago, and with 8 866 units sold in June

Sales of medium and heavy trucks remained severely depressed, the Naamsa statement continued, and would show meaningful improvement "only when gross domestic fixed investment levels in the SA economy improve"

Meanwhile Avis MD Grenville Wilson, who says his company has "traditionally been the largest private sector purchaser of new cars in SA", says it will buy 50 Mercedes Benz 200 Es, 300 BMW 320 I's and 100 2,5l VW microbuses in time for the holiday season

Wilson says Avis is buying these vehicles "to maintain the quality of its rental fleet as well as the variety of choices available to its customers"

He says "Over the past two years volumes in the car rental industry have dropped substantially as a result of the recession and the decline in tourism from abroad"


"Avis has scaled down its fleet size in line with this trend but we are making no compromises on the quality of the fleet"

Wilson says Avis has a rental fleet of up to 6 000 cars, which are retired after six to nine months' service, and a lease fleet of about 8 000 vehicles

Long wait for new cars

By Jovial Rantao

(192)

staw 9/8/91 

New car buyers will receive their cars four to six weeks late and some may even be forced to pay increased prices as a result of the 13-day strike that crippled the motor industry.

Some car dealers said the strike, which ended on Wednesday after the National Union of Metalworkers (Numsa) clinched an agreement with seven motor companies, had a moderate effect on business. The loss in industry turnover has been estimated at R800 million.

One dealer said new car owners would be forced to pay new prices because of the delay. "Car prices go up every 90 days and by the time some customers receive their cars, the new prices will be in effect," the dealer said.

Some dealers said they had made provision for a strike situation and were therefore not affected by the work stoppage. Others said their stock levels

were high because of the depressed economy.

The waiting period for new car owners might be reduced after Numsa agreed to make up production lost during the strike by about 25 000 members, the National Association of Automobile Manufacturers of SA (Naamsa) said yesterday. Production at all motor assembly plants, with the exception of Samcor's Silverton plant, resumed yesterday. Production at Silverton will resume today.

However, another major dispute in the motor industry remains unsettled — the wage dispute affecting about 20 000 workers at petrol stations, garages, vehicle body-building establishments, components manufacturers, automotive engineers and reconditioning establishments.

A special dispute meeting between Numsa and employers was set to take place at Industrial Council level today.

Naamsa president Spencer Sterling said the deal with Numsa contained some significant principles.

Motor strike ends with retrenchments accord

W/Ment 9/8-15/8/91. (192) (193) (194) (195) (196) (197) (198) (199) (200)

EMLOYERS have conceded to industry's first ever retrenchment moratorium, in terms of the landmark deal bringing to a close the 13-day national strike in the vehicle assembly sector

Another pioneering feature — although this was substantially finalised before the strike — is an agreement to set up an industry training and education board to consolidate and oversee all training initiatives, funded by employers and under joint union-employer control

Ground-breaking accords on retrenchments and training marked the end of the motor industry strike, reports

DREW FORREST

The National Union of Metalworkers described it as "breaking new ground in the history of training in this industry and the country"

Retrenchments and pay were the key triggers for the first national strike in the industry, staged by Numsa and involving 25 000 workers and affect-

ing production at all major assembly plants except Mercedes Benz. Costing an alleged R800-million in lost output, it was resolved after 40 hours of mediation

In mediation, Numsa succeeded in driving up the wage offer for the lowest paid from R1 to R1,15 an hour — well short of its original R2 across-the-board demand. Skilled workers will receive R1,80 or 13,5 percent, whichever is greater

The retrenchment moratorium applies until June 30 next year, when the agreement lapses, but can be suspended in the event of repeated failure to reach production targets because of unprocedural industrial action.

In their pre-mediation offer, employers tied the moratorium to a number of other conditions, including the achievement of monthly production schedules.

The agreement also gives effect to Numsa's job security and creation concerns by setting up a "job security and productivity committee", which will draw up a plan of action and make recommendations to the national bargaining forum by November 30.

Underpinning the proposed industry training board are a set of agreed principles: training will be linked to programmes for economic transformation and industry restructuring, will redress past racial and gender discrimination, will be linked to the formal education system and defined industry career paths and will be modular and competence based

It will also encompass adult basic education and literacy, while the job security committee will set guidelines on the training of retrenched and the jobless.

Another unusual feature is an employer agreement to share the cost of community-based child-care facilities with the state

Providing for "the whole spectrum of educare, from infant care to after-school care", these will be established in the communities from which companies draw their workforce and remain under community control

Numsa's bargaining secretary, Les Kettleidas, commented that the agreement "heralds a new era in the bargaining relationship with employers in the auto industry"

Numsa strike 'hurt the lower-paid'

~~152~~
192

REC 10/8/91

JOHANNESBURG — The damaging motor industry strike which was settled this week has gained more for some of Numsa's members than others, say industry observers

And those that gained the least in terms of the wage settlement are the lowest-paid workers

Transport specialist at Econometrix, Mr Tony Twine, estimates that those now receiving the minimum R1,15-an-hour wage would have had to work

DAVID CUMMING

Weekend Argus
Correspondent

for three-and-a-half months to make up wages lost during the strike, assuming the settlement had not been made retrospective

By contrast, the higher-skilled workers, who would typically include shop stewards, would make up the backlog far quicker

The strike also followed historic patterns in terms of its duration. One observer believes this has to do with pay patterns

in the industry.

He says there is some delay between the time work is done and payments are made

Thus on the first Friday of a strike, a full pay packet awaits the worker

The same applies on the second but on the third there is nothing

This means that there is a strong incentive to limit strike periods to no more than two-and-a-half weeks to ensure that workers have at least some pay at the end of the third week.

Motor industry: we'll take our business overseas if steel prices rise

8 Dec 1972
THE SA motor industry has warned it will look to foreign producers for its steel requirements, after speculation by steel converters that local producers might be gearing up for a second price rise this year.

National Association of Automobile Manufacturers of SA (Naamsa) CE Nico Vermeulen said yesterday if steel producers put up prices again this year, the industry would be forced to evaluate the costs involved and could be prompted to import more of its steel.

Vermeulen said another price increase would be "unthinkable", and warned any increase would be greeted by a "significant amount of resistance" from the motor in-

dustry, which is a major consumer. He said Phase VI of the local content programme allowed the industry the flexibility to import steel if it was deemed beneficial to do so.

Spokesmen for producers Iscor and Highveld Steel & Vanadium (Hiveld) would not be drawn yesterday on whether another increase could be expected.

Iscor spokesman Piet du Plessis did not specifically rule out another adjustment Iscor generally acts as the price-setter in the industry, and Hiveld follows suit.

Group 5 (Engineering) MD Stan Hughes said there was "no doubt" that the market

was already paying far more for steel than it should.

He said a company like Group 5 was particularly vulnerable to steel price fluctuations because it bought steel only for individual contracts and could not stockpile.

After the initial 16.5% price rise on January 1, Iscor gave downstream users an undertaking that prices would not be raised again this year. However, the rise was then adjusted down to 14.5% and producers withdrew the undertaking.

Independent Wire Converters' Associ-

ation (IWCA) chairman Robin Bosomworth said the market should not have to bear price hikes when the world market was in a slump.

He slammed Iscor's export policy, saying the two-tier pricing system meant that local users were effectively subsidising the export market.

The IWCA claimed that SA users could import steel from the Far East more cheaply than they bought locally — even after paying duty on it.

The IWCA has also lodged a formal application against a Rolled Steel Producers' Council application with the Board of

Trade and Industry for increased protection levels on imports of certain types of steel. The council's aim is to counteract "dumping" from the depressed world steel market.

Because of shrinking local demand, local producers have increased exports to almost 50% of total production from about 36% at the same time last year. But in attempting to underpin costs on the local market, steel is going cheap to overseas buyers.

Market analysts, with that in mind, and with the already poor results turned in by Hiveld, say it will be interesting to see how Iscor performs for the year to June.

Own Correspondent

JOHANNESBURG — The SA motor industry has warned that it will look to foreign producers for its steel requirements, after speculation by steel converters that local producers may be gearing up for a second price rise this year

National Association of Automobile Manufacturers of SA (Naamsa) CE Nico Vermeulen said yesterday if steel producers put up prices again this year, the industry would be forced to evaluate the costs involved and could be prompted to import more of its steel

Vermeulen said another price increase would be "unthinkable", and warned any increase would be greeted by a "significant amount of resistance" from the motor industry, which is a major consumer

He said Phase VI of the local content programme allowed the industry to import steel

Spokesmen for producers Iscor and Highveld Steel & Vanadium (Hiveld) would not be drawn yesterday on whether another increase could be expected

SA motor industry et 13/8/91 (192) warns on steel price

Iscor spokesman Piet du Plessis did not specifically rule out another adjustment Iscor generally acts as the price-setter in the industry, and Hiveld follows suit

Group 5 (Engineering) MD Stan Hughes said there was "no doubt" that the market was already paying far more for steel than it should

He said a company like Group 5 was particularly vulnerable to steel price fluctuations because it bought steel only for individual contracts and could not stockpile

After the initial 16,5% price rise on January 1, Iscor gave downstream users an undertaking that prices would not be raised again this year. However, the rise was then adjusted down to 14,5% and producers withdrew the undertaking

Independent Wire Converters' Association (IWCA) chairman

Robin Bosomworth said the market should not have to bear price hikes when the world market was in a slump

He slammed Iscor's export policy, saying the two-tier pricing system meant that local users were effectively subsidising the export market

The IWCA claims that SA users can import steel from the Far East more cheaply than they buy locally — even after paying duty on it.

The IWCA has also lodged a formal application against a Rolled Steel Producers' Council application with the Board of Trade and Industry for increased protection levels on imports of certain types of steel. The council's aim is to counteract "dumping" from the depressed world steel market.

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**Car exports
increasing**

South African motor exports have risen from R50 million a year in 1985 to R700 million at present, Nissan South Africa director Andries du Toit said at the Afrikaanse Handelsinstituut motor congress in Johannesburg yesterday.

"Growth can be expected to accelerate further since manufacturers have been working for years on certain projects which will only come to fruition in the near future," he said.

Expectations in the motor industry were that in the long term more than just spare production capacity would be employed for the export markets.

"Purposeful investment for exports will become a prerequisite."

The introduction of an export effort had pressured short-term price structures and sudden price reductions should not be expected.

Instead, he said, price increases should slow down provided exchange rates, labour and productivity factors stayed stable — Sapa.

Metair sees 13% rise in earnings

MARC HASENFUSS

192

AUTOMOTIVE component manufacturer Metair Investments shrugged off the effects of weakening new vehicle sales and reported a solid 13% increase in interim earnings

The recovery in earnings is in line with forecasts made in the group's annual report after abnormal losses at two Metair operations and declining new vehicle sales saw earnings plummet 38% at the 1990 year end

MD Alan Plummer attributed the improved earnings to increased after-tax profits from Metair's subsidiaries. *Monday 14/8/91*

Earnings accelerated to R7,4m (R6,5m) or 130c (115c) a share for the six months to June. No interim dividend was declared

Turnover for the period under review was not disclosed but pre-tax profit showed a healthy 34% rise to R14,2m (R10,5m)

A smaller R133 000 (R1,4m) after-tax contribution from associated companies diluted the effect of a 45% boost in after-tax earnings to R7,3m (R5,2m) on the bottom line

Plummer said long-term loans to finance extensions and additions to Smiths Manufacturing and Metlink had been secured, increasing the interest bill to R3,6m (R2,1m)

Export opportunities should open for the group, he said

It was hoped 12-month results would be better than last year's and the dividend would be maintained

SA motor exports accelerate to R700m

SA MOTOR exports had risen from R50m a year in 1985 to R700m at present, Nissan South Africa director Andries du Toit said at the Afrikaanse Handelsinstituut motor congress in Johannesburg yesterday (192)

"Growth can be expected to accelerate further, since manufacturers have been working for years on certain projects which will come to fruition in the near future," he said

In the long term, it was expected that more than just spare capacity

would be used for export markets "Purposeful investment for exports will become a prerequisite"

Du Toit said phase six of the government's local content programme had been much criticised for stoking inflation. But most vehicles on the production lines at present had been in the development stage under phase five, which terminated in 1989

The export effort had pressured short-term price structures and sudden price reductions should not be expected — Sapa

14/8/91
B/D

It now takes 31 months of salary to buy a car

Finance Staff

Buying an average car costs the average South African 31 months' salary compared with seven months for the average American and 12 months for the average Briton

This was disclosed by management consultant Ian Buyers at the Afrikaanse Handelsinstituut motor congress in Johannesburg

He said South Africa's R30 billion-a-year motor industry faced the problem of high vehicle prices which constrained the market size

Continued price rises against the background of declining real wealth made vehicles progressively less affordable to all categories of users and this included businesses

Forecasts by the industry indicated an upturn in vehicle sales was likely to materialise only in the first five years of the next century to return sales volumes to the levels achieved in the early 1980s

The motor industry remained the second largest

employer in South Africa and contributed a significant part of tax revenue

One out of every 14 working South Africans was employed by the industry while the Treasury collected R3 billion in general sales tax on motor vehicle transactions last year

Employees contributed more than R600 million in personal tax and GST and tax on spare parts raised a further R750 million

Mr Buyers said the government had to give a clear focus on the future direction of growth of motor manufacturers, who had to know whether the industry would develop into part of the world market or remain at all times semi-dependent customers of the international motor industry

"We also need to know whether the main thrust of the industry in the future will be to produce larger quantities of more affordable cars to satisfy what may even be perceived by some to be a social responsibility"

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Africa losing investors' interest

By Derek Tommey (192) (198)

The opening of major car plants would do more to create jobs than two years of effort by the Small Business Development Corporation, some people claim

Along with this claim goes the belief that in the new South Africa there will be new car plants aplenty

But more than a new South Africa will be needed to attract large scale investment by the international motor industry, says Ronnie Kruger, Volkswagen general manager (public affairs)

He was speaking at a meeting with media representatives yesterday

What South Africa also needed would be economically viable companies operating in a free market situation and an economy growing strongly enough to divert the attention of foreign investors from other growth areas, he said

South Africa was in competition with other areas of the world for new investment and had to

offer greater growth and profit prospects than others seeking new investment.

At present this is certainly not the case as figures issued by Volkswagen last night show

Car sales by Volkswagen Germany grew 50,76 percent in the first quarter of this year, compared with the same period last year. Its market share for the period also rose to 28 percent

But in South Africa, sales rose 10,48 percent.

The Group's worldwide sales showed a healthy increase with a first quarter total of 801,905 units, up from 748,968 in 1990

Substantial increases were recorded in a number of other countries outside Europe. Argentinian sales were up by 47,62 percent, while Mexico recorded a 17,11 percent jump

Three years ago Africa was seen as the only market in the world where sales could rise higher than the inflation rate, he said

Motor companies were interested in opening up in South

Africa because they knew that if political problems could be resolved the area could become the springboard for world penetration

But two things had happened since then, he said

The first was that African economies had not improved. Volkswagen has a factory in Nigeria which last year produced about six cars. The reason was that it could not afford to buy CKD kits for want of foreign exchange

The second was the collapse of communism in Eastern Europe.

Suddenly an underdeveloped market taking 500,000 units a year and with waiting lists of 16 to 17 years opened up to major motor manufacturers, and everybody went in to try and get a share of the market

Volkswagen bought the company which used to produce the Trabant and was now making the Polo in a new factory. It had also bought Czechoslovakia's Skoda

The expected enlargement of the European market had also resulted in Volkswagen joining forces with Ford to make a multi-purpose vehicle in Portugal. It had also enlarged its production facilities in Spain

These investments were costing Dm15 billion to Dm16 billion (R22 billion to R23 billion)

Volkswagen also had two factories in China making Audis for the hierarchy

Volkswagen no longer had the means to help South Africa recover economically because it had its own agenda, he said

"We at Volkswagen SA and the other motor companies will certainly do our share to help the economy to recover.

"But to do that, to create more jobs and to get more people trained for these jobs, you have to have a financially viable country," he said

Current strikes were not doing anyone in the motor industry any good, they were not doing the workers any good, and they were not doing SA's growth any good

Company car still ahead in vehicle benefit stakes

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- MARC HASENFUSS -
THE company car still remains the predominant form of vehicle benefit despite a decrease from 95% in 1988 to 83% in corporate car buying this year, an independent survey released this week shows

However, the trend towards car allowance schemes intensified during the last 12 months mainly due to off balance sheet funding benefits and reaction to last year's perks tax hikes on company cars, the FSA-Contact annual survey showed

A 45% increase in the incidence of car allowance schemes since 1988 was recorded

FSA-Contact said that from a company's point of view the introduction of VAT seemed to favour the travelling allowance as there was no disallowed input tax and no fringe benefit subject to VAT

"From an individual's point of view, the tax amendments mean that he will in most cases pay more tax on his fringe benefit whichever option chosen"

The survey pointed out that most organisations allowed unlimited downgrading, and to a lesser extent, unlimited upgrading from the benchmark vehicle

There had been a significant 27% increase in the number of organisations which paid out the difference between the benchmark allowance and actual cost in cash where an employee downgraded his vehicle

The survey also showed that 22% of participants with company car policies indicated that more than one company car was provided to the most senior employees

This was a 38% increase over last year

The FSA-Contact survey samples vehicle buying schemes in 200 major organisations countrywide.

(192)

Luxury car sales slump hits Saficon

MARC HASENFUSS

BLUE chip motor group Saficon Investments was affected by poor demand for luxury and heavy commercial vehicles, said chairman Sidney Borsook at the group's general meeting yesterday

Borsook said although vehicle supplies were no longer a problem, Saficon's results for the first four months of the current financial year were below expectations

He attributed reluctance to buy new vehicles to the unexpected further decline in economic activity in the past four months and a highly volatile level of business confidence

The introduction of VAT in October and the escalation of perks tax on company cars had exacerbated the situation, he said

Borsook said it was significant that Mercedes-Benz was not affected by the recent strike at motor manufacturers' plants and this could indicate there would be regular supplies of Mercedes-Benz and Honda vehicles in the future

Saficon's earnings were knocked by two weeks of strike action at the Mercedes-Benz plant in August last year

Borsook said the group would review its earnings forecast for the year to March 1992 when Saficon's interim earnings were released in October

Toyota leads market

TOYOTA ^{8/04} looks set for another solid performance in the six months to June despite further weakening in the new vehicle market and a less favourable rand-yen exchange rate

The group has bucked the downtrend in the market and its market share for the interim period edged up slightly to 29,1% (29% at year end)

The interim results were due this month but because of a technical hitch will only be published in mid-September

Analysts believe the strong sales trend will offset the effects of the strengthening of the yen against the rand

In the past the weakening yen resulted in a cut in the cost of imported components, allowing Toyota to curb new vehicle price hikes

In the six-month period the group ac-

^{16/8/91} ⁽¹⁹²⁾
MARC HASENFUSS

counted for 28,2% of passenger vehicle sales, 37,5% of light commercial sales, 54,7% of medium commercial sales and 25% of heavy commercial sales

Last year demand outstripped supply for Toyota's popular models

Earlier this year the group invested over R30m on plant improvements to increase Corolla production from 177 to 220 units a day and LCV production from 155 to 170

The share has climbed from below R20 at the split in May to register a R35 high in August. The shares eased to R32 yesterday in a small deal

Toyota's year to December earnings were up 28% to R112m (R87m) or R27,64 (R21,49) a share on the back of a modest 7% rise in turnover to R3,1bn (R2,9bn)



Bearing Man Limited

(Registration number 55/02109/06)

("Bearing Man")

Cautionary announcement

Shareholders are advised that negotiations are in

Fearing that it would drive up costs and eliminate jobs, opponents are lining up against the Draft Designs Bill, which would largely prohibit the manufacture of spare parts by anyone other than the original maker. But the motor industry and other powerful interests are just as determined to push the Bill through (*Business & Technology* June 21)

The Bill has been amended substantially since it was proposed a year ago, but it would still erect so many bureaucratic hurdles for independent suppliers and manufacturers of vehicle replacement parts that the booming sector, which has created 70 000 jobs in four years, would all but die. The Bill is an attempt by vehicle manufacturers to control the lucrative after-sales market by giving themselves a monopoly over the manufacture and sale of components that go into their vehicles.

"The second attempt is no better than the first — it is a thoroughly bad law that would harm the spare-parts industry, lose jobs and fuel inflation," says Marius le Roux, a patent attorney who has broken ranks with his peers in opposing the Bill.

Criticising the Bill in recent weeks have been the Automobile Association of SA (AA), the short-term insurance industry and Louise Tager of the Harmful Business Prac-

tices Committee

Says SA Insurance Association spokesman Damon Deavin "The Act clearly creates a monopoly and our main concern is that costs to the end user will increase, ultimately pushing up premiums at a time when neither the industry nor the economy can afford it."

Says AA spokesman Quinton van Eerden "It appears that the Bill could have adverse implications for the spare-parts industry. Ultimately we have to decide whether the legislation will benefit the motorist." He says the AA is still formulating its final recommendation. All comments must be submitted to the advisory committee appointed by Minister of Trade, Industry & Tourism Org Marais by September 30.

Critics mainly object to the Bill because it would grant manufacturers the right to register for protection the design of functional parts, in addition to aesthetic parts such as grilles and bumpers, which already have protection. Carmakers argue that they need this protection to maintain safety standards and protect customers from pirate parts, fraudulently passed off as originals. But opponents say the Bill is overkill, it would stifle the many legitimate businesses to get at a few bad apples.

The Bill, however, would make exceptions. Spare-parts makers could obtain a licence to manufacture a specific part, but the item must be one that is replaced regularly.

And obtaining a licence would be an onerous procedure. Licences would have to be approved by no less an official than the Minister. And before one is approved — the ability to supply the component at half the going price would make a good case for approval — the Minister must publish the planned approval and allow time for comment. Vehicle manufacturers are likely to object every time.

The lucky applicant making it through this administrative gauntlet still would have to pay royalties to the owner of the registered functional design. The applicant could decide not to go ahead after all if the Minister sets the royalty payments too high and wipes out the applicant's potential profit margin. The Minister also would wield the power to say where the spare parts could be exported, if at all.

To add insult to injury, the Bill would not allow licences for imported spare parts — the very sector of the industry that is keeping prices in check. In other words, suppliers whose livelihood depends on imported parts will be out of business as soon as the Bill becomes law.

"This constitutes government interference in trade and industry at a time when government's stated policy is the exact opposite — de-regulation," says Le Roux. "This concept is unheard of in intellectual property law."

"More than 100 000 parts could be affected," says John Rich, MD of spare-parts dealer Midas. "The Bill could include every nut or bolt. It will keep a lot of attorneys very happy."

To top it all off, the Bill would prohibit

any outside manufacturing of a spare part for the first two years after the vehicle manufacturer puts it on the market. This would give the vehicle manufacturer time to decide which functional designs to register while giving it a monopoly over the replacement of every part in its vehicles. By the time the grace period is over, copying the spare parts would be less attractive because new models would be on the market.

Naturally, the Bill has the support of a large number of patent attorneys. Advisory committee member Chris Job, who is also the attorney acting for BMW and Toyota, says "The majority recognise the basic need in a healthy economy to protect innovation and encourage expenditure of effort and money on original research and capital investment."

But says Midas's Rich "At the end of the day, the Bill seeks to protect the motor manufacturers, who are well established in the country and are all doing well, despite the recession."

WIDE GAP REMAINS ON PHASE SIX (192)

Did he really think he could get the motor industry to come to swift agreement with the Board of Trade & Industry on something as touchy as the Phase Six local content programme? If he did, then Trade & Industry Minister Org Marais is a disappointed man

Vehicle and components manufacturers have become increasingly disenchanted with a stream of changes since Phase Six was introduced in 1989. Marais decreed in June (*Business & Technology* June 14) that it was finally time to stop tinkering and instructed the board to

FM 16/8/91.
come up with a final version to be implemented on September 1

So what will happen on that date? Nothing. Vehicle assemblers are unhappy with the board's "definitive" programme and have asked for more time to make their own recommendations. The earliest a new programme can be implemented is now December 1.

Board chairman Lawrence McCrystal confirms that the September 1 deadline won't be met. He says the board has yet to receive formal feedback from the industry on its latest proposals. However, an assembly industry spokesman says they are "totally unacceptable".

He might use the same adjective to describe the current state of the new-vehicle market. Official industry figures show car sales last month were 10% down on the previous month and 11,6% down on July 1990.

And that's the good news. Early indications are that, because of the two-week strike at vehicle assemblers, this month's figures will be even worse. Errol Richardson, chairman of the National Automobile Dealers Association, says sales in the first 10 days of August were down by as much as 15% on the corresponding July period.

However, most of the cars sold at the beginning of this month were built before the strike, so the shortage of vehicles has yet to be felt on dealer floors. He estimates that overall August sales could fall as much as 20% in July.

JULY VEHICLE SALES

	1991	1990	% change
Cars			
July	16 234	18 367	-11,2
January-July	120 848	122 273	-1,2
June (18 016)-July			-9,9
Light commercials			
July	8 182	9 526	-14,1
January-July	60 587	66 086	-8,3
June (8 866)-July			-7,7
Medium commercials			
July	411	413	-0,5
January-July	2 540	2 848	-10,8
June (434)-July			-5,3
Heavy commercials			
July	472	650	-27,4
January-July	3 333	4 445	-25,0
June (474)-July			-0,4
Total sales			
July	25 299	28 956	-12,6
January-July	187 308	195 652	-4,3
June (27 790)-July			-9,0

Source Naamsa

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scars will take longer to heal
Not only did the strike occur at a time when the industry is in the depths of a drawn-out market recession, but there is more than a suspicion among some employers that the strike was a carefully timed flexing of union muscle

They point out that the build up to the strike began soon after Numsa finally forced employers to bow to central industry bargaining. When, in May, Delta Motor Corp became the last assembler to join the National Bargaining Forum (NBF), the time was ripe for action, it has been suggested

The effects of the strike have been felt not only in the assembly industry, but also among motor components suppliers, some of whom have faced closure. Turnover losses among assemblers amounts to about R800m — but at least some of that should be recouped once production losses have been made up. Unions have agreed to overtime to make up the production deficit

In terms of the mediated agreement, which runs to June 1992, not only must unions ensure that their members make up lost production and meet ongoing production schedules, but they must also be prepared to negotiate shift patterns to secure "competitiveness" on local and foreign contracts

If not, the moratorium on industry retrenchments (contained in the package) could be in jeopardy. A clause in the agreement states that repeated failure to meet production targets through "unprocedural industrial action" will entitle an employer to scrap the moratorium

Nor is there any guarantee workers won't be put on short time or unpaid leave, or even be temporarily laid off. Employers say all these are acceptable means of avoiding retrenchment

Talks to end another motor industry strike continued this week. The strike by workers at tyre manufacturers has not yet affected car and truck companies, which had ample stocks before the strike began. As the *FM* went to press, negotiators were optimistic that the dispute would be over this week ■

MOTOR INDUSTRY STRIKE
Wild card 192 192 192
FM 16/8/91

The National Union of Metalworkers (Numsa) may appear to hold most of the aces in its dealings with the motor industry, but it also has a wild card — Mercedes-Benz

The unpredictability of its members at Mercedes' East London plant once again nonplussed the union during the recent two-week motor industry strike

Last year, Mercedes workers went on strike because they didn't want the company to be part of the central industry bargaining process. This time they carried on working while everyone else walked out

Mercedes workers turned down union demands that they join the strike, say industry sources. One reason could be that last year's protracted industrial action threatened to jeopardise the company's continued presence in SA

"They would have nothing to do with it," says a senior negotiator in the latest industry dispute. "They'd had enough of strikes and told their shop stewards to get lost." Management won't comment on how it escaped another costly shutdown, beyond saying that "the majority of workers wanted to work, and so they did"

But if Numsa had cause for disappointment, so did vehicle assemblers. The long-term financial and production effects of this strike will be limited, but the psychological

second quarter had been limited by higher government spending and a lower reduction in inventories, which partially offset the continued contraction in private consumption expenditure

R1 343 or, alternatively, his repayment period (at R1 679 a month) would decline sharply to just over seven years.

ned world of money on sale TV1 we will have yet another look at inflation and what this insidious process is doing to our money.

Insurance costs more than the car

Are you under 25 and driving a sporty Fiat Uno turbo?

Well, the chances are that your monthly insurance premiums at some insurance companies will be significantly more than the monthly repayments on your car

This is the startling finding by David Hersch of Compuquote, a Cape-Town-based company that provides a computer-based comparison of insurance quotes.

Based on the claims experience of youngsters driving a Fiat Uno turbo several companies have now rated the risk attached to this high-powered little car. The result has been a sharp increase in insurance premiums

For instance, Aegis now demands

Star
17/8/91
MAGNUS HEYSTEK

a monthly premium of R902,49 a month for comprehensive insurance of a driver under the age of 25, in addition to a basic excess of R2 100 in the event of a claim

This is more than the monthly repayments on the same car bought with a 20 percent deposit repayable over three years. The average premium now demanded by 14 insurance companies is R478,5 according to a study conducted by Compuquote.

This, says Mr Hersch, is yet another example of how expensive car insurance has become

Mr Hersch says the sharp in-

creases in car insurance costs is leading to a downscaling of cars owned by private buyers who are not subsidised in any way

Even if a person receives an allowance of some kind, this is not enough to compensate fully for the combined cost of repayments and insurance.

"The cost of motor insurance is increasingly having a direct effect on the model of the car bought

"The motor industry is a barometer of the state of the economy and will therefore be profoundly affected by this developing trend and will have to take cognisance of it and adjust accordingly by making comparative shopping (for insurance rates) available on the sales floor"

Bert steers Toyota SA to world stage

Sunday Times (Bus/T) 18/8/91

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By IAN SMITH

HOME-GROWN motor industry giant Toyota SA, the third-largest producer of Toyota vehicles behind Japan and the US, aims to become a world player

That is the aim of new executive chairman Bert Wessels, the son of founder Albert Wessels who died last month

The opening of doors long closed to SA business and the development of his company, which hit turnover of more than R3-billion for the first time in the year to last December, provides the opportunity for it to spread its wings, says Mr Wessels

The group is a significant exporter and planned spending of R1-billion in the next five years — R300-million on projects to increase local content and R700-million on tooling for new models — will increase its ability to compete in world markets

Unique

"To overcome the isolation mentality, a product of sanctions, we have to become globally expansive in our outlook," says Mr Wessels

"Along with other industrial players, Toyota SA will seek to place itself in the global business community to take full advantage of export opportunities"

The company is unique as an autonomous licensee with wide-ranging manufacturing agreements with Toyota Manufacturing Corporation

"As the world opens up this will enable the company to take advantage of new opportunities"

He says there is a prospect of joint ventures in other parts of the world with Toyota Japan. The SA company can also supply components to foreign operations, and it is ideally situated to supply desperately needed products and services in sub-Saharan Africa

"We have to respect distribution agreements with Toyota Japan and we must be conscious of the needs of other countries. They also face job creation pressures, but we could supply them with CKD kits

"We will explore all export avenues"

But outside opportunities will not deflect his attention from Toyota SA. The priority will be to consolidate on the foundations laid by Dr Wessels and to ensure the continued expansion and profitability of the SA company

Mr Wessels says his direction will differ from his father's in that he will concentrate on expansion in the core business of the motor industry

"My father was a true entrepreneur. He always looked for opportunities and then handed the projects over to other people to pull together

"My prime focus will be to consolidate and expand Toyota while looking to the company's becoming a supplier in the global Toyota network

"Make no mistake, I will take advantage of entrepreneurial opportunities. But more often than not these will have a bias to our activities in the motor industry"

The family group Wesco Invest-

ments, now under the chairmanship of his sister Elisabeth Bradley, is better suited to exploiting opportunities outside the motor industry. Wesco, which is 59,3 held by the Wessels family, has a 50% stake in Toyota SA

Mr Wessels says his main ambition is to see Toyota SA play a "meaningful role" in the success of a changing SA

To do that the company must remain successful. Toyota SA has held the top-selling spot in the industry for 10 years and last year produced taxed profits of R112,4-million

"Toyota is in good shape, but I will be disappointed if we cannot enhance the overall performance," says Mr Wessels

Dividends

"We must ensure that the company keeps growing, remains profitable and expands employment. But planning must be conservative to ensure that we avoid the potential pitfalls in a changing environment"

He says the most successful economic giants have combined maximum productivity with a high level of concern for the well-being of employees and the community

To do this Toyota must remain profitable. One of the most tangible contributions it can make to SA will be to continue to pay tax — R1'8,8-million last year

The cautious dividend policy established by Dr Wessels, payments covered about six times, will continue

"A growing company must plough back a large part of its profits," says Mr Wessels



BERT WESSELS A role for his company in a changing South Africa

When he went to the University of Cape Town to study mechanical engineering there was no commitment by his father to give him a job — and no commitment by him to join the company

"My ambition was to become an automotive engineer." But, with his degree, he worked for Toyota in Japan for a year. His admiration for Toyota's work culture, which had so impressed his father, made it seem natural that he should join the SA operation

After six years in the manufacturing operation he spent 13 in the marketing company. He has been chief executive of the group for the past 2½ years

Organisationally, there will be no changes in Toyota SA, says Mr Wessels

"The executive directors who have played such an important role in the development of the group will continue to run their operations"

Toyota SA's greatest strength is its autonomy, says Mr Wessels. "It gives us the ability to react more quickly to threats and opportunities"

"We have no corporate safety net if things go wrong and that small element of insecurity makes us conservative in financial planning

"I do not see Toyota SA giving up its greatest strength easily"

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By DON ROBERTSON

Motor-maker cuts spending by 35% (192)

THE GRIM outlook for sales has forced a major manufacturer of cars and heavy commercials in the Eastern Cape to cut capital expenditure by 35% to R64-million for the rest of the year

The second quarterly report from the National Association of Automobile Manufacturers of SA (Naamsa) says most of the reduction — 41% — represents tooling for a new model

The decision to cut spending backs Naamsa's contention that trading, particularly in the third quarter, will deteriorate before economic conditions begin to improve next year

Sales of cars, light,

medium and heavy commercials continued well below long-term historical levels in the second quarter because of high interest rates, declines in corporate spending on luxury and capital goods and deferment of purchases ahead of Vat's introduction

Other manufacturers also reduced spending in the June quarter to R168,6-million from R212,4-million in the first three months. But three car-makers spent R72,39-mil-

lion on model-related expansion and another invested R35,5-million in engine assembly

Production use in the four categories fell to 80,6% for

cars, 66,5% for light commercials, 53,6% for mediums and 45,5% for heavy vehicles. The average for the industry dipped to 61,5% from 63,3% previously

S/Times (Bus/T) 18/8/91

Malbak offers to buy out Markmot

Monday 19/8/91

192

DIVERSIFIED industrial holding company Malbak is to acquire the listed Cape-based motor retailer Market Motor Group (Markmot) for R38,5m, according to an announcement yesterday

Wholly owned subsidiary Malbak Industrial Holdings (MIH) is offering Markmot shareholders 170c a share for 100% of their shares. If the bid is successful MIH will delist Markmot.

The offer takes the form of 100 Malbak shares valued at 1 040c a share in exchange for 612 Markmots valued at 170c each.

Markmot shareholders have the option of exchanging their shares for cash or for 15% of the Malbak shares plus the remainder in cash.

MIH's offer of 170c is above Markmot's latest 150c market price and Markmot directors and management, controlling in excess of 75% of the group's equity, have indicated their willingness to accept the offer.

According to the statement, the acquisition will make Malbak SA's largest Toyota motor dealer, accounting for about 13% of Toyota SA's total vehicle sales.

Markmot, which was listed in September 1987, operates six Toyota dealerships and 11 used car dealerships. It has an

MARC HASENFUSS

annual turnover of R200m and an operating profit in excess of R10m.

Sales from these dealerships account for almost 50% of Toyota's new vehicle sales in the Cape.

Malbak motor division chairman Tom Chalmers said the acquisition was consistent with Malbak's philosophy of being a major force in its chosen markets and extending its influence in motor trading.

"Motor retailing has always been a profitable area for Malbak, earning us a consistently high return on funds employed."

He said the transaction would enable Malbak's motor division to deliver vehicles anywhere in the country.

Chalmers said Markmot was an excellent operation and he was pleased that the present management would remain with the group.

Malbak Motor Holdings holds the Toyota franchises for Port Elizabeth, Uitenhage, East London, King William's Town, Bloemfontein, Welkom, Kimberley, Klerksdorp, Germiston and Primrose.

The group's motor division also has three Mercedes-Benz franchises in Sandton, Midrand and Pretoria.

Malbak in R38,5-m bid for Markmot

By Jabulani Sikhakhane

Malbak Industrial Holdings (MIH) is buying the Cape-based Market Motor Group (Markmot) in a deal worth R38,5 million or 170c a share. If successful Malbak intends delisting Markmot.

Malbak announced last night that the directors and management of Markmot who control over 75 percent of the shares have indicated their willingness to accept

In terms of the scheme of arrangement Markmot shareholders are being offered 100 Malbak shares valued at R10,40 a share for every 612 Markmot shares, placing a value of 170c on the Markmot shares.

Malbak is underwriting the shares for cash and has given

Markmot shareholders the option to take cash for up to 85 percent of the Malbak shares they get in exchange.

The offer price is 13,3 percent above the Markmot market price of 150c and Malbak is also paying a premium of 107 percent on the net tangible asset value of 82,28c stated in the 1990 annual report.

The chairman of Malbak's motor division Tom Chalmers says the acquisition will result in the group becoming the country's second largest Toyota motor dealer with a 13 percent share of Toyota South Africa's total vehicle sales.

Listed in September 1987, Markmot has a turnover of R200 million and operating profit of more than R10 million.

It operates six Toyota dealerships and 11 used car outlets in the Western Cape. Sales from these dealerships account for some 50 percent of Toyota's new vehicle sales in the Cape.

"Motor retailing has always been a profitable area for Malbak, earning for us a consistently high return on funds employed. And here in one move, we become a far more dominant supplier of Toyota vehicles, we expand our geographic spread into the Cape and we increase our national fleet business," Mr Chalmers said.

The Markmot board remains unchanged with Wessel Groenewald, Noel Nel, Track Hartley and Mr Chalmers joining from Malbak.

19/8/91
5/2/87

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Good growth for Sinclair⁽¹⁹²⁾

Sinclair Holdings has achieved a healthy growth rate, with net profits jumping by 55,1 percent in the year to June *Spr 23/8/91*.

The group said yesterday that attributable income rose from R4 million to R6,2 million, equivalent to a rise in earnings per share from 15,5c to 24,1c.

A special dividend of 93,5c has been declared

The results were achieved on a 7,65 percent increase in turnover to R234,78 million (R218,3 million)

The company will change its name to the Urquhart Motor Group and will be relisted shortly in the motor sector of the Johannesburg Stock Exchange — Sapa

WAITING FOR VAT MAY COST YOU MORE

IF YOU thought that waiting for the introduction of VAT could save you thousands when buying a used car, think again. Prices may in fact rise rather than drop after VAT comes into effect.

On the face of it, VAT should reduce the effective purchase price of used vehicles in the case of private sales, no tax whatsoever is payable, where the current GST system adds 13 percent to the asking price.

There is also an anticipated VAT-related saving in the case of new light commercial vehicles, since owners will be able to claim back the VAT paid on these vehicles.

However, motor industry executives are perturbed that would-be vehicle buyers could be caught unawares by an anticipated swing in demand after VAT is in place. And that could mean that prices will rise rather than fall.

Toyota Marketing Company MD Brand Pretorius points out that now is actually a very favourable time to buy a used car. "With everybody waiting for VAT, used car stocks are high at most dealers. And they are very keen to sell," he said.

Discounts and special financing deals abound as the saturated market tries to shed stock before VAT.

However, buyers are not prepared to pay 13 percent GST only weeks before the new tax arrives.

"What they don't realise," Pretorius insists "is that as soon as buyers climb in when VAT is introduced, the strong increase in demand will see used car prices soar.

"Also, there is a very good chance that these buyers will still have to pay GST. Used cars in dealers stock before VAT is introduced continue to be

Waiting for VAT

From Page One

The exotic car market has gone through tough times but we have now reached the lowest point and we believe that those who want to get in on the ground floor should do it now.

"Prices are very competitive indeed and good investment opportunities abound. However, there are a lot of fence-sitters who are waiting for VAT before they jump in. And that surge in demand is sure to see prices rise.

Fyfe predicts an initial jump of up to 18 percent.

Prospective buyers of used cars are still likely to find the best buys with private sellers, who are not likely to be as aware of increases and demands.

While the overall average for used cars will almost certainly climb private sellers will be content with recovering their GST costs.

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S Times 25/8/91

Car prices set to rise as demand increases

And as far as light commercials are concerned, interim price increases — due to inflation, higher production costs and currency fluctuations — will erode much of the 13 percent benefit.

The slump in the used car market in anticipation of VAT has had a restricting influence on new car sales, too. Dealers, already overloaded with trade-in stock, have had to cry enough and are losing new car sales as a result.

Delta marketing and sales director Willie van Wyk also believes that buyers who wait until VAT arrives are cheating themselves. "The pent-up demand is definitely going to cause a price hike."

losses after the recent crippling strike.

While the losses are likely to be at least partly recuperated by year-end, many popular vehicles will be in short supply, and waiting lists could stretch over months. Almost inevitably, price increases will see prices rise in the period between ordering a new light commercial and its delivery.

Some manufacturers are trying to coax buyers into the market before VAT arrives by offering preferen-

Losses

The expected sudden surge in demand for light commercials will place an even heavier burden on hard-pressed local manufacturers, who are already facing massive production

tial interest rates on approved used cars. BMW, for instance has a financing package offering an effective 15 percent interest rate on its approved used cars.

But while special deals on factory-approved cars abound at the moment, buyers may not be so lucky when the post-VAT demand makes selling that much easier. Almost certainly, the aggressive sales campaigns currently being run will be replaced with a far more sober, conservative approach.

Exotic car dealer Ross Fyfe of Investment Cars echoes the sentiments of the motor industry

To Centre Pages

'Green' Opels grow in popularity

SI Times 25/8/91 192

THE Delta Motor Corporation, which produced Opel passenger cars in South Africa, would like to see the local introduction of lead-free fuel as soon as possible

The company says it is ready to produce environment-friendly cars equipped with catalytic converters and run on lead-free fuel

"Opel engines used here have been designed to run on lead-free fuel. And by adding a catalytic converter, we could easily produce cars compatible with lead-free fuel," said Rolf Mentzel, engineering and quality assurance manager at Delta

He said Delta would like to see local availability of lead-free fuel as soon as possible. "Pollution on the Reef is a huge problem, and cleaner exhaust emissions can improve the situation drastically."

In Europe, environment-friendly models are becoming increasingly popular as car buyers become more aware of the impact of pollution on the environment.

Increased

Motor manufacturer Opel has seen German sales soar after its decision to adapt and develop vehicles that are environment-friendly. Market share has already increased by almost two percent in only three years

The company has addressed six aspects necessary for cars to have as little effect as possible on the environment

Engines have to be as fuel efficient as possible, while the toxins in exhaust gases need to be cleaned up by using catalytic converters. Water-based paints, asbestos-free spare parts, a high level of recyclable components and a reduction of noise also need to be addressed

According to Mentzel, Opel in Germany is completely committed to producing "green" cars. "Already, lead-free fuel is used widely in Europe, in conjunction with cars fitted with catalytic converters. Opel was the first manufacturer to fit these converters to all its cars sold in Germany."

Thanks to advanced engine design and aerodynamic body shapes, Opel cars also boast a high level of fuel efficiency; while water-based paints are already in use. Brake pads and clutches for Opels no longer contain asbestos, Mentzel claims

He pointed out that while lead-free fuel was not yet available in South Africa, all locally produced Opels could be adapted accordingly

Motor duty may be axed

(Burr/t) SyTimes 25/8/91. (192)

THE TEMPORARY 2,5% increase in excise duty on imported motor components is likely to be scrapped in September, say motor industry sources

By DON ROBERTSON

It was instituted in June because the Government ran out of money to pay export incentives to motor makers. The pool has presumably been built up again.

Their incentives of 50c in the rand are funded by this special duty, but it was insufficient because exports were greater than expected.

Other changes to the structure of the Phase Six local content programme were to have been announced in September. But the Board of Trade and Industry and the National Association of Automobile Manufacturers of SA (Naamsa) have agreed to postpone them to December.

Changes arising from Vat have also been deferred to December.

Exports boost Trencor's profit above R100-m level

Finance Staff

Buoyed by a successful year in exports and overseas operations, Trencor has maintained its growth record with a 29 percent increase in earnings to 735c (572c) a share for the 12 months to June 30.

The advance in earnings was achieved on a six percent rise in turnover to R829 million (R784,6 million) by the group's interests in manufacturing trailers, tankers and containers, and in transport, trading, exporting and tyres.

Income after taxation was 25 percent better at R109,6 million (R87,7 million) Attributable income totalled R105,2 million (R81,8 million) after outside shareholders' interest of R4,5 million (R5,9 million)

This is the first time Trencor's attributable income has exceeded R100 million. The year's performance means compound growth in earnings

since 1984 has been 40 percent.

A final dividend of 125c (100c) a share brought the total payout for the year to 160c (130c)

Executive chairman Neil Jowell says domestic operations performed satisfactorily in the recession, although in some cases they did not fare as well as in 1990

"By contrast, our overseas operations and exports have had a successful year's trading and

have again made a significant and increased contribution to group earnings"

Mr Jowell says turnover for the year is not comparable with 1990 because of the significant change in the mix of manufacturing and retail trading arising from the merger of Tycon (previously Goodyear) and Trencor to form Contred

He adds that, as forecast, conditions in the international container market are tightening.

Star 28/8/91

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Call for lifting of ADE import protection

IMPORT protection enjoyed by Atlantis Diesel Engines (ADE) should be lifted to allow the SA tractor industry to acquire cheaper tractors, the SA Agricultural Machinery Association (Saama) said yesterday

Saama chairman Bert Pepler said the lifting of protective tariffs would place SA tractor manufacturers in a better position to benefit from lower international prices

ADE MD Fritz Korte said the ADE engine accounted for 17% of the retail price of the agricultural tractor but did not represent a full premium on its own

MARC HASENFUSS
and GERALD REILLY

Pepler said ADE engines would still be 30% more expensive than their imported equivalents, in spite of proposed price reductions

He questioned ADE's ability to achieve these price reductions

An IDC report on ADE says ADE's 25% price reduction programme will reduce the price gap between local and imported engines to 23% in the next 18 months

ADE engines are 75% more expensive than comparable imported ones

Monday 29/8/91

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Vigorous asset management pays dividends for Imphold

MARC HASENFUSS

IMPROVED margins and a reduced interest bill helped Imphold transform a mediocre 10% rise in turnover into an inflation-beating 27% increase in earnings for the year to June 1991

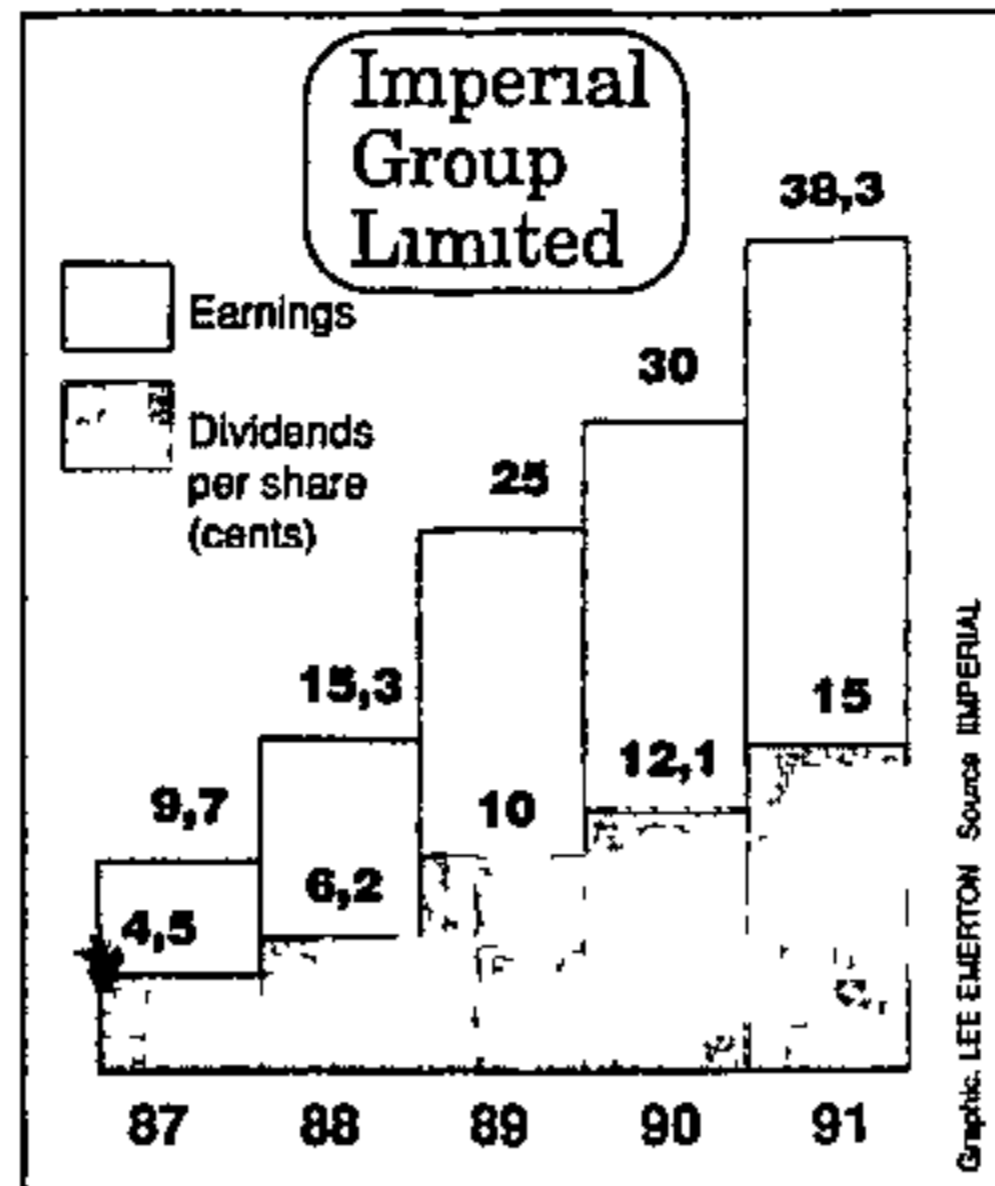
Executive chairman Bill Lynch said the group did not chase turnover and took on only profitable business. This allowed it to increase its operating margin to 9,5% (9,2%)

Earnings went to R21,5m (R16,9m) or 38,3c (30,2c) a share on the back of turnover of R598m (R545m). The group declared a final dividend of 8c, increasing the total payout to 15c (12,05c) a share

"We addressed asset management vigorously and our management teams had the foresight to match their asset bases with the market circumstances and in some cases even gained market share"

He said this was a considerable achievement as all divisions, bar the insurance, finance and property divisions, were showing sales growth well below the inflation rate.

Lynch said asset management remained a key objective for the group. Interest-bearing debt declined to



R38m (R41,5m) causing the interest bill to drop to R6,2m (R7,6m). Gearing now stands at 36% (47%)

The group's motor division, with R260m, remained the largest contributor to group turnover followed by R165m from truck systems

Car rentals added R141m to turnover while the newly formed insurance, finance and property division contributed R31m

Lynch said despite a 15% decline in car rental volumes, Imperial Car Rental turnover (excluding vehicle sales) rose 13%

Against falling industry sales, the motor division maintained new car sales levels while the used car division increased sales by 11%

The casual transport industry had a very lean year, as did the market for heavy truck sales

The Regent Insurance Company continued to gain ground against the trend in the short-term insurance industry, and showed an underwriting profit

With a healthy balance sheet and group operations becoming more dominant in their markets, Lynch expects Imphold to report real earnings and dividend growth in the year ahead

Imperial Group, which has as its sole investment a 74,4% stake in Imphold, reported earnings of 113,9c (90,4c) a share

Imperial declared a final dividend of 23,6c a share, bringing the total distribution to 44,2c (35,85c)

Imphold and Imperial shares were untraded at 400c and R12,50 respectively yesterday

The shares peaked at 500c and R14,50 in June after control of the group passed from the Abelkop and Wilder families to Bill Lynch and a seven of SA's largest institutions

VW boost for local industry

B 1000
30/8/91

KIN BENTLEY

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LONDON — The eastern Cape motor industry is set for a major boost following confirmation by Volkswagen's German headquarters yesterday that the Uitenhage plant will start producing the new Golf from October next year

This forms part of Volkswagen's ambitious global plan to spend R16bn a year over the next five years on capital investment and product development

A company spokesman said from Wolfsburg yesterday final details of the the Uitenhage investment plan would be announced at a later date

The new Golf will be unveiled to the public at the Frankfurt Motor Show next month

Chairman of the VW management board Carl Hahn believes the group's vehicle sales worldwide are on course to increase to 4,5-million by the year 2000

Good second half beats forecasts for McCarthy

SA's largest motor vehicle distributor, the McCarthy Group, staged a strong comeback in the second half to beat its own forecast and the expectations of most market watchers.

After earnings fell 19% at the interim stage, the group accelerated its new vehicle sales and managed a 3% rise in earnings to R51,4m (R50,1m) on the back of a 6% increase in turnover to R2,9bn (R2,7bn) for the year to June 1991.

Earnings a share, diluted by an increased number of shares in issue, were up 2% to 59,8c (58,6c).

The final dividend was unchanged at 13,5c, and along with the 2,5c special "centennial" bonus brings the total payout to 23,5c (21c).

The market initially expected an earnings decline in the region of 20% in light of McCarthy's forecast of a 10-15% drop in full-year earnings.

A group spokesman said the resumption of work at the Mercedes Benz plant after a prolonged strike helped McCarthy boost earnings by 18% against first-half levels.

MARC HASENFUSS

McCarthy increased its market share of total new vehicle sales to 12,6% (12,3%) despite a 6% decline in the national sales market for the period under review.

Positive growth was also achieved in the group's used car and customer service departments.

Tight asset control, coupled with the sale of the underperforming McCarthy Transport Holdings, enabled the group to slash the interest bill by 43% to R7m (R12,2m).

Midas, the group's 30% held parts and accessories associate, continued its weak performance and donated a reduced R634 000 (R1,7m).

However, analysts are expecting a better performance from recently restructured Midas in the current year and believe McCarthy could benefit extensively from its spares arm in the long term.

The good results were anticipated by the market as the share recently rose to a high of 495c from January's low of 275c. The share was untraded yesterday at 450c.

McCarthy slips into higher gear

After being 19 percent down at the halfway stage, McCarthy has come up with higher profits for the year to June, beating both its own forecast and market expectations

Attributable profit was up three percent from R50,1 million (58,6c a share) to R51,4 million (59,8c)

The final dividend is unchanged at 13,5c, making a total of 23,5c, which includes a 2,5c special centennial bonus distribution at mid-year to mark the group's 100th dividend. Dividends in the previous year totalled 21c.

These results will surprise the market, where some analysts were expecting a drop in earnings of up to 20 percent.

Helped by the return to work at the Mercedes-Benz plant after a prolonged strike, McCarthy shifted gear in the second half and earnings were 18 percent up on the first half.

Underlining the quality of performance is the fact that it managed to raise its share of total new vehicle sales by dealers from 12,3 percent to 12,6 percent in a national market that was six percent down.

Turnover came in at R2,9 billion, against R2,7 billion previously, while operating profit was five percent higher at R105,8 million.

Tight asset control enabled it to slash its interest bill by a 43 percent from R12,2 million to under R7 million.

Pre-tax profit was thus R10 million higher at R99 million. The taxman's bite was 18 percent bigger at R46 million, while minorities took R2,1 million, against R1,4 million previously.

The 30 percent-held parts and accessories group Midas chipped in R634 000 (R1,7 million previously) — Sapa

Motor strike (192)

DURBAN — Toyota workers downed tools again yesterday — just three weeks after a nationwide strike which cost the industry R800 million was resolved

This latest stoppage forced the giant Pro-specton-based plant to shut down — Sapa

SA content shock for motor-makers

(Business) S/Times

1/9/91

(192)

By CURT VON KEYSERLINGK

MOTOR manufacturers are enraged by what an official of the Board of Trade and Industry (BTI) describes as a "technical adjustment" to local content regulations.

The rules were announced on Friday. They provide for an increase in vehicle excise duties from 34% to 39% and will lift the minimum local content requirement from 70% to 78%.

The BTI official says the changes were made purely to compensate for the effect of including Vat in the figures used for calculating local content.

But industry sources say it could have been achieved by increasing excise duties by only 1,5% and not 4%.

"It looks as if they made a gross arithmetical error," says one motor-maker. "If not, it is a ruse to collect more money to give away as export incentives for the motor industry."

The Government uses excise paid by the industry to pay back a 50c-in-the-rand incentive to motor manufacturers that export. Many have

taken advantage of this hand-out. The result is that the Government has not collected sufficient excise revenue to pay them.

It is estimated that the shortfall is now about R250 million.

The additional revenue from the higher duties could cover this.

A motor spokesman says "It will cost the industry R100-million in additional excise tax payments in one quarter."

"It will force us to raise prices by 4% above the 4% inflation-driven increases in the pipeline."

"This means that most manufacturers will announce price increases of 8% in the September quarter."

Paradox

Another manufacturer says "It is an outrageous imposition on an industry that is extremely depressed. It will raise the average cost of our vehicles by R1 500 and further depress the market."

"Paradoxically, this could lead to the loss of jobs at the same time that the Government is trying to stimulate

job creation with a R1-billion programme."

It is believed that the motor industry will ask the Government tomorrow for a reversal of the ruling.

Walk-out at Toyota

S Times 11/9/91 (Business)
TOYOTA has been hit by a strike — three weeks after a protracted stoppage and immediately after new Phase Six local-content requirements. Its plant at Prospecton near Durban closed on Friday when paint-shop workers walked out in an “unprocedural” stoppage about overtime. (15) (172)
The company claims this contravenes an agreement with the National Union of Metalworkers which ended a previous strike.

Motor spares industry is still battling to meet expectations

192
B/Daw 2/9/91
MARC HASENFUSS

THE motor component and accessories industry, which usually reacts in a contracyclical manner to weak new and used vehicle sales, is still not performing to industry expectations

However, industry sources reported better business levels in the past two months and believed the recovery for the spares industry was underway

Econometrix's motor industry analyst Tony Twine shares this view, but warned that the recent 10% hike in the fuel price could cause a hiccough.

Twine said that before the Gulf War the spares sector had been improving, but a possible lull in fuel consumption could cause a fall in short-term demand

Theoretically, the demand for spares should have been boosted by soaring new vehicle prices over the last two years which

forced buyers to hold onto their vehicles for longer

According to 1989 figures, the average vehicle age in SA was 9,1 years. Industry estimates show the average age now at 9,7 years

Some analysts suggest that the recession and high cost of replacement parts has put recommended car maintenance out of the reach of many vehicle owners

Essential repairs and replacement was still taking place but the overall upkeep of vehicles was increasingly neglected, industry sources said. Furthermore, intense competition between component groups has led to price cutting and heavy bulk sale discounting which have adversely affected operating margins

Spareco joint MD Gerald Germishuizen confirmed the demand for spares was still flat. He said Spareco, under new control, was seeing slow turnover growth, although off a relatively low base, as the group regained old clientele.

Industry sources said the aftermarket distribution chain had also been disrupted by smaller dealers' imports of cheap, poor quality products which strained operating margins

Fleishman's MD Stephen Szerwach said the spares business was having a quiet patch but there had been a noticeable pick-up in business during the past month

With the spares market undertraded and overstocked, component exports are set to play an increasingly important role

Industry estimates expect the total revenue from exports to reach R1bn by the end of the year

Higher local content to raise new vehicle prices

NEW vehicle prices will show a year-on-year increase of more than 20% in 1991 following the Board of Trade and Industry's (BTI's) decision to increase the motor industry's local content target by another 8%, industry sources say.

Econometrix motor industry analyst Tony Twine said the consumer price index for vehicles was 21% higher in the first half of 1991 than the previous year.

If vehicle manufacturers carried the cost of the local content adjustment through to the consumer there was little hope that new vehicle price increases would be less than 20% this year, Twine said.

A BTI spokesman said at the weekend that "technical adjustments" to Phase

VI were made to compensate for the effect of VAT in determining local content levels. The effects of GST were not included in the programme, and introduction of VAT would distort local content calculations.

According to the new regulations, vehicle excise duties will increase from 35% to 39% from this month, lifting local content levels under Phase VI from 70% to 78%.

An industry source said this would add 4% to the average 4% quarterly new vehicle price increases.

National Association of Automobile Manufacturers of SA (Naamsa) director Nico Vermeulen said the changes were not unexpected given the industry's performance in the quarter to end-August.

The industry had expected that the temporary 2,5% ad valorem duty would be removed when excise du-

ties were increased. Vermeulen said the industry would ask government to remove the temporary surcharge.

Industry sources said the BTI had not clearly indicated whether the duty was permanent or temporary.

Duties are used by government to pay back a 50c-in-the-rand incentive to exporting manufacturers.

The temporary duty was introduced in December to compensate for a R64m shortfall in the 1990 fiscal year to March after revenue due to car makers under Phase VI exceeded expectations. Industry estimates put the current shortfall in revenue owed to car makers for exports and local content achievements at close to R250m.

Since the inception of the programme almost two years ago local content targets have moved from 55% to 78%.

B/Daw 2/9/91
MARC HASENFUSS

Own Correspondent

JOHANNESBURG —
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Iscor and motor industry in major steel price talks

DAVID CUMMING

JOHANNESBURG — Iscor and the motor industry, represented by Naamsa, are to hold talks on the steel price next month

This follows reports that some manufacturers are considering importing steel, which they believe they can obtain at a lower price than Iscor's

Nols Olivier, Iscor's deputy managing director, said that sheet steel made up very little of the overall cost of a car. A study had revealed that it accounted for between 0,78 and 2,5 percent of the price

"Since 1981, the Producer Price Index has risen by 13,7 percent and the steel price by 13,1 percent. In that time the price of a range of popular cars has risen by between 13,7 and 21,9 percent

"We believe the problems of the manufacturers lie elsewhere and we will discuss this with them," he said

A Naamsa spokesman confirmed the talks would take place and that some manufacturers had suggested they might import steel.

"However, there is a long-standing relationship between the manufacturers and Iscor and such ties would not be severed lightly."

He said that in terms of Phase Six of the local-content programme, manufacturers were entitled to import raw materials if they wished to do so

and they could offset imports against export earnings

Iscor chairman Dr Marius de Waal said Iscor would take steps to prevent foreign dumping of steel products during a period in which world demand was slack

The duty on steel was last revised in 1983 and Iscor would seek a revision to bring the duty into line with that of other steel-producing countries

"We will certainly not ask for protection from normal trade but we will most certainly ask for protection from dumping

"No steel-producing country will allow dumping. If we allowed it in South Africa we would kill the economy and the current unemployment situation would look like a Sunday school picnic"

Mr Olivier cited a recent example in which a specific grade of galvanised steel — thinner and with a thinner coating than that usually produced by Iscor — was dumped on the local market by a South American producer

Since the product had valid uses in housing, Iscor had responded by producing a similar product at a competitive price

Iscor last week announced a drop of 33,6 percent in attributable income, in line with that of most producers on the international steel market

-BUSINESS-

No easy road for Porter

31 July 1991
MARC HASENFUSS

DIFFICULT trading conditions in the new and used car markets continued to hamper Cape Town-based motor retailer Brian Porter Holdings in the year to June 1991

The group reported a 14% decline in earnings to R2,2m (R2,6m) or 78,2c (91,4c) a share, but a 7% increase in turnover to R307m (R287m). The final dividend was maintained at 13c, but total payout was slashed by 16% to 21c (25c) a share, covered 3,73 (3,66) times

Commenting on the results, chairman and MD Brian Porter said volumes and margins in the prestige car market dropped significantly. Operating profit showed a decline of 6% as operating margins were squeezed to 2,4% (2,8%)

3A/91
Brian Porter Holdings has recovered steadily from a 35% decline in earnings at the interim stage. The share was offered at 490c yesterday, just under the July high of 500c. Its current net asset value is 809c (752c)

Production of Toyotas disrupted by walkout

WILDCAT strike action, which has disrupted production at Toyota's Prospecton plant near Durban, entered its second day yesterday

Workers in Toyota's paint shop staged a walkout on Friday following an overtime disagreement

Production lost so far has been estimated to be in the region of 850 vehicles

Toyota industrial relations director Theo van den Berg said paint shop workers were requested to continue production after technical problems prevented further work in the plant's other production divisions

However, paint shop workers declined to resume production after employees in the affected divisions were sent home on Thursday

Van den Berg confirmed that production was not resumed yesterday, but said it was hoped that full production would be resumed today

A Toyota marketing spokesman estimated that work stoppages at Prospecton would cause a loss of about 430 production units a day

This has serious implications for Toyota, which had just started to recoup lost production after the

damaging two-week strike action which ended last month

Toyota is SA's largest vehicle manufacturer, and with a share of close to 30% of the total new vehicle market, production stoppages could create supply bottlenecks in certain of its best-selling passenger and light commercial vehicle models

Moratorium

The strike action seems to contravene the landmark agreement reached between employers and the National Union of Metal Workers (Numsa) after strike action hit almost all manufacturers in the industry last month.

According to the agreement, a moratorium on retrenchments would be entrenched for the period of the agreement provided production targets were met

However, repeated failure to achieve targets would entitle motor manufacturers to withdraw the moratorium

Official spokesmen for the union could not be reached for comment yesterday

MARC HASENFUSS

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More and more cars go under the hammer

Finance Staff

Star 4/9/91

South Africa's largest vehicle auctioneering group, Burchmore's, ended its financial year to June 30 in top gear — knocking down a record 9 000 cars for a total of some R200 million

"There is no doubt that when times get tough car auctioneering changes to a higher gear," says

Darryl Jacobson, managing director of Burchmore's

"We are auctioning more bank repossessions than ever before — vehicles which range from the bottom right up to luxury BMW and Mercedes-Benz cars less than a year old

"An average of 3 000 people pass through our Sandton show-rooms every month where, at any

given time, we have at least 400 cars — worth some R20 million — on view

"And our auctions now attract up to 250 trade and private bidders at a time"

In addition to its vehicle auctioneering activities, Burchmore's sells classic cars from a showroom stock valued at around R10 million

Own Correspondent

JOHANNESBURG — The local car manufacturing industry yesterday gave notice that it was about to become a player in world markets with the news of a trade agreement with Taiwan which will see 2 000 locally made cars exported to Taipei

The move follows hard on the heels of a recent announcement that Pretoria-based Samcor was to export 750 vehicles to the UK. The Taiwan pact could see Nissan, and again Samcor, come into the picture

A Department of Trade and Industry (DTI) spokesman confirmed the deal and said the agreement entailed

Taipei may be next for SA cars

192
CT 4/9/91

Taiwan importing 2 000 passenger cars and SA importing the equivalent value of components and parts

Nissan and Samcor had indicated their interest but no final decisions had been made yet, the DTI spokesman said

Nissan chief executive Mr John Newbury said that although there had

been much speculation regarding a possible deal with Taiwan, Nissan had not "formally" formulated an export agreement with that country

However, Sapa reports that Taiwanese Industrial Development Bureau officials said Nissan cars produced in SA would be among the

2 000 to be sent to Taiwan. The officials said Samcor was not expected to export to Taiwan until mid-1992

An industry source welcomed the agreement and said it was exactly what the local motor industry needed to bolster its plans of becoming a global market player

However, National Association of Automotive Component and Allied Manufacturers of SA executive director Mr Denzyl Vermooten warned that the local component industry was not running at full capacity and increased component imports could affect the local industry

Nissan and Samcor linked to pact

SA seals car export deal with Taiwan

B1 Day 4/9/91

192

MARC HASENFUSS

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The move follows hard on the heels of a recent announcement that Pretoria-based Samcor was to export 750 vehicles to the UK. The Taiwan pact could see Nissan, and again Samcor, come into the picture.

A Department of Trade and Industry (DTI) spokesman confirmed the deal and said the agreement entailed Taiwan importing 2 000 passenger cars and SA importing the equivalent value of components and parts.

Industry sources have estimated the export value of the vehicles to be R60m.

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Samcor public affairs director Ruben Els said the group was "aware" of a reciprocal trade agreement with Taiwan but stressed that Samcor had still not committed itself to participation.

The DTI spokesman was hopeful that the agreement would be implemented early next year.

Taiwan officials said passenger cars made in SA would make their debut in Taiwan late this year.

An industry source welcomed the agreement and said it was exactly what the local motor industry needed to bolster its plans of becoming a global market player.

However, National Association of Automotive Component and Allied Manufacturers of SA executive director Denzyl Vermooten warned that the local component industry was not running at full capacity and increased component imports could affect the local industry. He said imports would be acceptable if the components were those parts not made locally.

An industry source said it was almost certain the imported components would be only parts not manufactured locally.

Meanwhile, three delegations will meet Finance Minister Barend du Plessis today to discuss motor manufacturers' problems regarding recent announcements on Phase VI of the local content programme.

BMW and Mercedes-Benz of SA, which believe the regulations discriminate against "high-tech" manufacturers, will meet Du Plessis independently.

The National Association of Automobile Manufacturers of SA is also expected to ask Du Plessis for a reversal on the decision to deny an input tax credit on the sale of passenger vehicles under VAT.

Toyota prices set to rise after VAT

GILLIAN HAYNE and
MARC HASENFUSS

TOYOTA may increase its car prices by between 3% and 4% from Monday because of the effect of VAT on the local content formula, Toyota marketing MD Brand Pretorius said yesterday.

The price increase would be in addition to the motor industry's quarterly price review due next month.

Pretorius said the increase had not been finalised as industry representatives were still holding discussions with Finance Minister Barend du Plessis. *8/10 day 5/19/91*

"But if the outcome is negative we will be forced to increase our prices by between 3% and 4%," he said.

However, Volkswagen GM public affairs Ronnie Kruger denied that the change in the local content percentage would affect prices.

"In fact prices should come down slightly as VAT at 10% is lower than GST at 13%," he said. He said the only possible increase would be the 4% quarterly increase in October.

A Samcor spokesman said there was no specific indication of when an increase would take place although he admitted it would be before the year-end.

Dealers said yesterday additional price increases would aggravate already depressed new vehicle sales.

McCarthy joint MD Theo Swart said any perceived benefits of avoiding 13% GST and waiting for 10%

VAT would be more than offset by inevitable price hikes for new and used cars.

"The manufacturers have already warned of price increases of up to 8% on new cars."

National Automobile Dealers Association chairman Errol Richardson said it was evident from recent sales figures that the recession had tightened its grip on the motor industry.

He said new passenger car sales for August could decline on a year-on-year basis by as much as 15% and commercial vehicle sales could drop by over 20%.

Richardson pointed out that commercial vehicle sales were definitely being delayed by VAT.

Companies can obtain an input tax credit under VAT when buying commercial vehicles.

A pre-price increase buying surge during September would be negated by low dealer inventories following the two-week strike action that halted production at most vehicle assembly plants last month, he said.

A heavy schedule prevented Du Plessis from meeting the National Association of Automobile Manufacturers of SA (Naamsa) this week.

A meeting could be set up next week, Naamsa director Nico Vermeulen said last night.

Toyota may up prices as VAT takes its toll

GILLIAN HAYNE and (192)
MARC HASENFUSS CT 5/9/91

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NEWS IN BRIEF

Toyota and VAT ¹⁹²

YESTERDAY'S headline, "Toyota prices set to rise after VAT", might have misled readers by implying that proposed increases were directly attributable to VAT.

Toyota Marketing MD Brand Pretorius has asked Business Day to make clear that in his comments he did not relate the possible price increase to VAT. He attributed it to the increase in the local content requirements from 70% to 78% announced on September 1, and government's decision to retain the 2,5% ad valorem duty introduced on July 1.

Government sources say these changes are in fact connected to the introduction of VAT.

BIP/19/91

Motor industry in local content talks

MARC HASENFUSS

192

GOVERNMENT yesterday urgently contacted the motor manufacturing industry to reschedule a meeting on local content which was expected to take place in two weeks' time. 6/10/91 6/19/91

The move was seen as an attempt to defuse what sources said was a potential flash point after a recent announcement by the Board of Trade and Industry (BTI) that local content would rise from 70% to 78%.

A National Association of Automobile Manufacturers of SA (Naamsa) spokesman confirmed yesterday that the meeting had been brought forward to Tuesday at government's request. Sources said the request was conveyed by telegram.

The meeting would address matters directly related to Phase VI of the local content programme and the changes to excise duty announced last week, the Naamsa spokesman said.

The meeting would be attended by representatives from Naamsa, the Customs and Excise Department, the BTI and the Department of Trade and Industry.

Authorities increased local content requirements from 70% to 78% from September 1, while retaining the 2,5% ad valorem duty. The duty, introduced in July, was an interim arrangement and was due to lapse this month.

Excise duty was increased from 35% to 39% to compensate for the local content which would accrue through VAT, according to the department.

Autocare and BMW team up at trade fair

6/9/91 THEO RAWANA

A TRADE linkage between BMW SA and car-care products manufacturer Autocare was one of the many success stories to come out of the Matchmaker Services "business-to-business" fair.

The 1991 fair opened yesterday at Nasrec.

In line with tradition, BMW this year again took a stand among the small entrepreneurs with an array of prototypes, indicating what it would like to buy from them.

Above car components, workware and cleaning utensils displayed in the carmaker's stall were emblazoned invitations such as "Can You Manufacture These Items?", "We Need Your Expertise — Take the Challenge".

Teamed

Not far away was Autocare's stall, displaying car shampoos, window cleaners, upholstery cleaners and air fresheners.

BMW public affairs manager Seth Phalatse said yesterday his company, which used to source car-care products from Germany, teamed up with Hoechst SA to find a local producer and decided on Lucas Sebobe's Autocare, which they first contacted at last year's fair.

He said it had been a rewarding, mutually fruitful relationship.

Sebobe said it was not easy qualifying for the BMW contract. "We had to undergo stringent quality control under Hoechst."

Govt reschedules key meeting with motor manufacturers

(192)
CT 6/9/91

Own Correspondent

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Excise duty was increased from 35% to 39% to compensate for the local content which would accrue through VAT.

Local content ratios, duty could affect Toyota prices

JOHANNESBURG — A report in yesterday's Cape Times from Business Day that Toyota's prices could rise after VAT might have misled readers by implying that proposed increases were attributable to VAT. Toyota marketing MD Brand Pretorius said that in his comments he did not relate the possible price increase to VAT. He attributed it to the increase in the local content requirements from 70% to 78% announced on September 1, and government's decision to retain the 2,5% ad valorem duty introduced on July 1.

According to government sources, however, both these changes are in fact connected to VAT.

Motor-makers in excise duty tizzy

S Times (Bus)

8/9/91

(192)

By DON ROBERTSON

THE motor industry, facing increased duties of R750-million a year, is waiting apprehensively for its meeting with Finance Minister Barend du Plessis on Tuesday.

Since June 1, ad valorem and excise duties on motor manufacturers have been increased by 9,5%.

At least one has been forced to raise vehicle prices by 3,5% from tomorrow

The 2,5% "temporary" ad valorem duty lifted the excise total from 32,5% to 35%, equivalent to R250-million a year. It has been expected that this duty would be withdrawn on September 1.

But on August 30, Mr Du Plessis raised the duty from 35% to 39%, a further burden on the industry of R500-million.

Shortfall

The industry views last week's increase in excise duties and local content requirements as unacceptable and believes it is being forced to make up for part of State revenue that will be lost because Vat has been cut from 12% to 10%.

The decision to lift excise duties from 35% to 39% means that local content — based on value — rises to 78%. When Phase Six was introduced in 1989, plans were for a moderate increase each year to 75% by 1997.

The decision to increase the local content on August 30 took the industry by surprise. Revisions of Phase Six were due to be announced then, but were postponed to December 1.

Car-makers believe the authorities are guilty of an oversight in assessing the effects of Vat on them. Most will delay their quarterly price increases — due later this month — until after Tuesday's discussions.

Their claims are strengthened by last week's comments from Trade and Industry Minister Org Marais on the Board of Trade and Industry's recommendation that the temporary 2,5% duty on cars be withdrawn.

Dr Marais said: "This recommendation was not supported on the grounds of the loss of State revenue that it would entail."

"I intend to discuss the matter further with my colleague, the Minister of Finance, in order to ensure that the fiscal duty is levied on an even basis."

The temporary excise duty increase, introduced in June, was imposed to top up the pool of funds used to balance rebates on exports and duties paid by manufacturers which do not meet required local content.

The success of car-makers in increasing exports left the pool in deficit.

Manufacturers say the pool ran into deficit earlier this year, but suggest that it is about R160-million in the red. The Government claims the shortfall is about R260-million.

Manufacturers say that if the matter is not resolved, they will have to increase vehicle prices by as much as 4% this month, over and above the inflationary-based 4% they intended to impose.

Naamsa, government *6/Day 10/9/91* 192 hold crucial VAT talks

MARC HASENFUSS

THE National Association of Automobile Manufacturers of SA (Naamsa) is due to meet with government today for critical talks on VAT-related changes to Phase VI of the local content programme

The meeting will be attended by representatives of Naamsa, the Customs and Excise Department, the Department of Trade and Industry and the Board of Trade and Industry

Vehicle manufacturers' final decisions on additional price hikes — due early next month — will depend on the outcome of the meeting

Some have indicated that the changes to Phase VI would result in an 8% increase in new car prices instead of the average 4% quarterly increase

The Department of Trade and Industry increased the local content programme's target from 70% to 78% because VAT would substantially increase local content levels (VAT is considered to be local content)

Naamsa anticipated the increase but is to argue against the retention of the 2,5% ad valorem duty on vehicles

The ad valorem was intended as a tem-

porary arrangement and was due to be scrapped in September

The duty was initially introduced to compensate for the loss of state revenue after the better-than-expected performance notched up by the motor industry.

The shortfall in government coffers is estimated at R250m

Trade, Industry and Tourism Minister Org Marais said recently that the Board of Trade and Industry had recommended the withdrawal of the duty

Replacement

The recommendation had, however, not been implemented due to the loss in state revenue

Marais said that the adjustment of local content targets would not increase the retail price of vehicles, as VAT was simply replacing GST

"It does not, therefore, place any additional pressure on vehicle manufacturers to increase local content," Marais said

Nosedive for new car sales

Business Staff (192) AUG 11/9/91

NEW vehicles sales for August were sharply down, spreading the market recession more broadly and severely than at any time in the past 42 months, the National Association of Automobile Manufacturers Association of South Africa said

The heaviest falls were recorded in the commercial sector, according to Naamsa

Trading in the motor industry was expected to deteriorate further this month before a slight improvement toward the end of the year or early next year in line with an expected modest economic recovery

"Continued high interest rates, cutbacks in corporate spending on luxury and capital goods, a general indecision on the part of businesses to purchase or invest pending the introduction of VAT and the disruptive impact of the recent strike in the assembly industry all contributed to

extremely difficult trading conditions," Naamsa says

New passenger car sales dropped 18,77 per cent in August to 16 620 compared with the corresponding month last year

Light-commercial sales fell 24,1 percent to 7 688 units compared to August last year

"The serious recession in the industry's medium and heavy truck sectors continued unabated," according to Naamsa

Sales in these sectors registered drops of 33,4 percent and 41,1 percent to 309 and 462 respectively

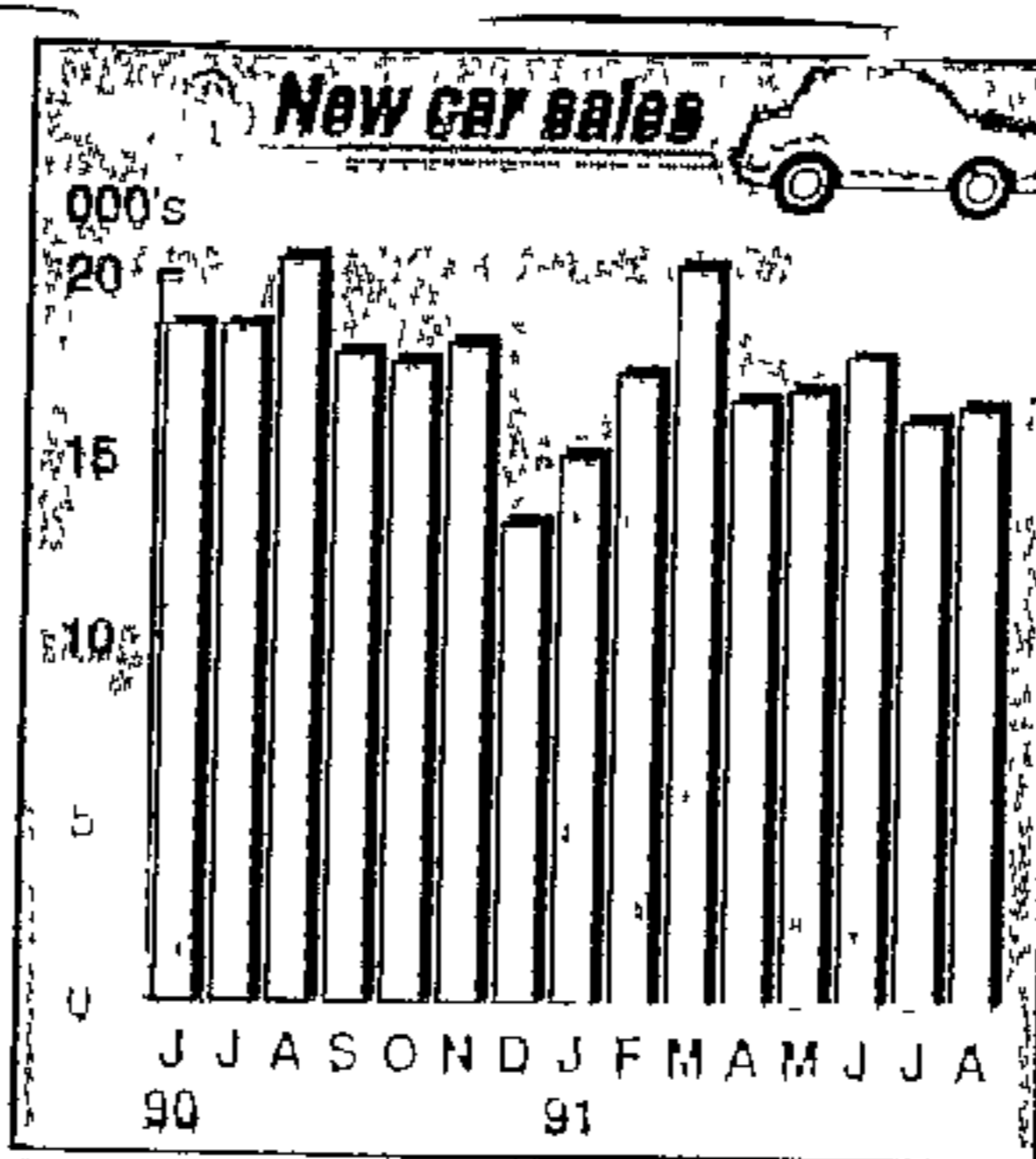
Meanwhile, a Naamsa spokesman said industry representatives would be meeting the government on Tuesday next week for talks on VAT in the local-content programme

Car makers' decisions on new prices next month are reported to depend on the outcome of the meeting

**IT'S HIGH TIME BIG BUSINESS
CAME DOWN TO EARTH.**

has been main





Graphic: FIONA KRISCH Source: NAAMSA

Severe slump in new vehicle sales

MARC HASENFUSS (192)

THE downturn in new vehicle sales, in all four categories, is now more severe than at any time in the past three-and-a-half years, says the National Association of Automobile Manufacturers of SA (Naamsa) *By Day 11/9/91.*

Naamsa's latest statistics show combined new vehicle sales for August fell 21% to 25 079 (31 839) units on a year-on-year basis.

Econometrix's Tony Twine estimated that the retail trading value for the motor industry in August slipped about 14% to R1bn against R1,2bn in the corresponding month last year.

Twine pointed out that the estimate included price changes, the buy-down trend and volume changes.

Naamsa attributed the sales drop to continued high interest rates, cutbacks in corporate spending on luxury and capital goods and general indecision on the part of businesses on whether to purchase or invest pending the introduction of VAT.

The recent two-week strike at most vehicle assembly plants also had a disruptive impact. Some dealers reported supply shortages in certain models during August.

Passenger car sales dropped 19% to 16 620 units compared with 20 460 units in August last year. The year-to-date figure of 137 468 units is 4% behind the corresponding period last year.

Volkswagen public affairs director Ronnie Kruger said that despite weak August sales, the Citi Golf had recorded its highest monthly sales and captured 9,3% of the

To Page 2

Vehicles *R 10 Day 11/9/91*

passenger vehicle market. Kruger said this was a clear indication of the buy-down trend in the new car market.

He said sales could see a resurgence in September, ahead of the industry's quarterly price increases scheduled for October.

BMW public affairs head Chris Moordyk said the group had not seen a downward sales trend in August compared with the previous months. He said BMW's 15% interest rate finance plan had been successful in keeping sales going in the period

(192) From Page 1

before the introduction of VAT.

Decisions to delay purchases in the light of VAT were most evident in commercial vehicle sales. Naamsa figures show light commercial vehicle and minibus sales declining 24% to 7 688 (10 131) for the period under review.

The serious recession in the industry's medium (MCV) and heavy truck (HCV) sectors continued unabated and sales showed declines of 33% and 41% respectively against August 1990.

New vehicle sales are sharply down

Star 11/9/91

Finance Staff (192)

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The heaviest falls were recorded in the commercial sector, according to Naamsa.

Trading in the motor industry was expected to deteriorate further this month before a slight improvement toward the end of the year or early next year in line with an expected modest economic recovery.

"Continued high interest rates, cutbacks in corporate spending on luxury and capital goods, a general indecision on the part of businesses to purchase or invest pending the introduction of VAT and the disruptive impact of the recent strike in the assembly in-

dustry all contributed to extremely difficult trading conditions," Naamsa says.

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Light-commercial sales fell 24,1 percent to 7 688 units compared to August last year.

"The serious recession in the industry's medium and heavy truck sectors continued unabated," according to Naamsa.

Sales in these sectors registered drops of 33,4 percent and 41,1 per cent to 309 and 462 respectively.

Meanwhile, Naamsa spokesman said industry representatives would be meeting the government on Tuesday next week for talks on VAT in the local-content programme.

Car makers' decisions on new prices next month are reported to depend on the outcome of the meeting.

New vehicle sales plummeted by 21% ¹⁹² _{CF11/9/91}

Own Correspondent

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● Yesterday Naamsa met with representatives from the Customs and Excise Department, the Department of Trade and Industry and the Board of Trade and Industry for crucial talks on VAT-related changes to Phase VI of the local content programme

Naamsa director Nico Vermeulen said that certain recommendations were made at the meeting. He stressed that these recommendations would first have to go back to government before a decision was taken

No further details of the meeting were disclosed

Annual hikes of 15% could double car prices in five years

192
3/10/91

NEW car prices are expected to increase by 15% a year for the next five years, which will double the price of vehicles in that time, says Toyota Marketing's vehicle sales director Henk Maree.

This means that a bottom-of-the-range Citi Golf, Opel Kadett or Nissan Sentra now costing about R25 000 would cost more than R50 000 by the end of 1996.

But motor industry analysts have discounted the claim as too conservative, they estimate new vehicle prices could rise by more than 20% a year.

This would put the price of a bottom-of-the-range vehicle at more than R60 000. Soaring prices have already put basic

models out of reach of most South Africans and kept new vehicle sales at low levels for almost two years.

External factors such as inflation, unstable exchange rates and the severe economic recession have left manufacturers unable to put the brake on price hikes.

Toyota financial director Peter Robinson said "We would like to do something to bring the individual buyer back into the new car market, but this cannot be done at the risk of going out of business."

He said new vehicle sales volumes would have to increase and exchange rates would have to stabilise before prices could be reduced.

MARC HASENFUSS

Motor industry analyst Malcolm Perry said the industry had slipped into a state of paralysis.

"The basic demand for passenger vehicles will remain about 200 000 no matter what the price is."

Depressed vehicle sales in recent years had led to gross under-utilisation at assembly plants, he said.

Econometricist Tony Twine said the level of car demand was controlled by all the factors characterising the performance of the economy in general.

Strong car sales in certain periods had been fuelled by expansionary credit creation, which meant that in reality the industry had "borrowed sales from the future".

This had contributed to the very cyclical nature of the motor industry which masked the fact that the real market was scarcely bigger than it was in 1978 when 201 000 units were sold.

"Effectively the car market is locked into a band about the size of 12 years ago. Until we move the real economy into a new quantum level we are doomed to sell 200 000 units a year."

Twine said the industry had been driven

into a corner

industry's local National Association chairman

was concerned that the relationship to inflation

Perry said make a much the expected

An industry produce a basic failed. The safety feature R1 000 to R2 est model cu

Position People's leader Rocco Metsing said Mangope would such an announcement the face of sure from the to release the who attempted row him in. The president ing eight me P.P.P.'s national Malebane-Met party is banned in th is also a member ANC's national

New cars to cost double in 5 years

192

ET 12/9/91

Own Correspondent

JOHANNESBURG — The price of new cars is expected to increase by 15% a year for the next five years — which will double the price of vehicles in that time, says Toyota Marketing's vehicle sales director Mr Henk Maree

This means that a bottom-of-the-range Citi Golf, Opel Kadett or Nissan Sentra, now costing about R25 000, would cost more than R50 000 by the end of 1996

And other motor-industry analysts have discounted the claim as too conservative — they estimate new vehicle prices could rise by more than 20% a year

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REACHING FOR A LIFELINE

192

FM 13/9/91

Car sales down 19%, bakkies and mini-buses down 24%, trucks and buses down 41%. If August's figures don't get across the message that the new-vehicle market is close to despair, then nothing will.

And, motor industry officials warn, it will get worse before it gets better. The National Association of Automobile Manufacturers predicts that sales will drop again this month, before climbing back — maybe.

Good news for manufacturers, though, is that government has agreed to compro-

mise on new local content rules.

Following talks this week with representatives from Customs & Excise and the Board of Trade & Industry, motor companies expect VAT to be removed from the excise duties imposed under the Phase Six local content programme. As a result, the local content target, raised from 70% to 78% on September 1, will be reduced.

To what extent is not certain because government and industry disagree on the level at which it's pitched now. The 78% target was imposed after government blamed the inclusion of VAT for pushing excise duty levels from 35% to 39%. The industry countered that VAT accounted for only 1,5 percentage points of the increase and the new target level should have been around 73%. It says government wants the rest to make up the shortfall in the fund, from which it rewards companies exceeding local content targets.

It is understood that no decision has been made about lifting the 2,5% ad valorem duty on cars and 2% on commercial vehicles. Government says it needs the money to make up the shortfall caused by reducing VAT from 12% to 10%. But the industry argues that vehicles, particularly trucks, should not be included in the luxury-goods category from which Finance Minister Barend du Plessis intends to recoup the money.

AUGUST VEHICLE SALES

	1991	1990	% change
Cars			
August	16 620	20 460	-18,8
January-August	137 468	142 733	-3,7
July (16 234)-August			+2,4
Light commercials			
August	7 688	10 131	-24,1
January-August	68 275	76 217	-10,4
July (8 182)-August			-6,0
Medium commercials			
August	309	464	-33,4
January-August	2 849	3 312	-14,0
July (411)-August			-24,8
Heavy commercials			
August	462	784	-41,1
January-August	3 795	5 229	-27,4
July (472)-August			-2,1
Total sales			
August	25 079	31 839	-21,2
January-August	212 387	227 491	-6,6
July (25 299)-August			-0,9

Source: Naamsa



BUSINESS

Bill to scupper parts 'pirates'

by *W. W. W. W.* 13/9/91

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THE "pirate" spare parts business will be dealt a big blow if a proposed law is passed by parliament.

The Draft Designs Amendment Bill, published for discussion at the end of June, will make it illegal to copycat certain parts of not only motor cars, but also those of machinery, plant and equipment.

According to patent lawyer Marrus le Roux, the Bill creates a new kind of registered right, other than copyright, patent or trademark. This new right applies to a "functional design".

Anything which has a new shape when it is released on to the market can be registered, no matter how simple. No originality or inventiveness is required. Even an engine exhaust pipe with a bend in a different place from previous exhaust pipes or a piston ring with an extra groove will qualify for registration.

So original equipment manufacturers such as car manufacturers can get the parts they manufacture registered and protected in law against copying. There is no need for law protecting ordinary mass-produced articles, Le Roux argues.

South Africa already has copious statutory law protecting intellectual property rights, as well as a well-developed common law protecting against "passing off" or unlawful competition. No

A new draft Bill to protect functional designs will clamp down on 'pirate' parts manufacturers but may lead to soaring prices.

REG RUNNEY reports

such right, says Le Roux, is granted in major industrial countries of the world. National Association of Motor Manufacturers of South Africa (Naamsa) director Nico Vermeulen says the Bill is still under investigation by Naamsa, and the association will have more to say about it after September 30, the cut-off date for submission of comment to the government.

Le Roux notes the Bill allows a manufacturer to get a licence, whether the original manufacturer likes it or not, to make spare parts. This, he considers, is unacceptable government intervention when the government is committed to deregulation. Moreover, it doesn't allow the import of non-genuine parts, but the importers of spare parts provide competition in a market which would otherwise be dominated by original equipment manufacturers.

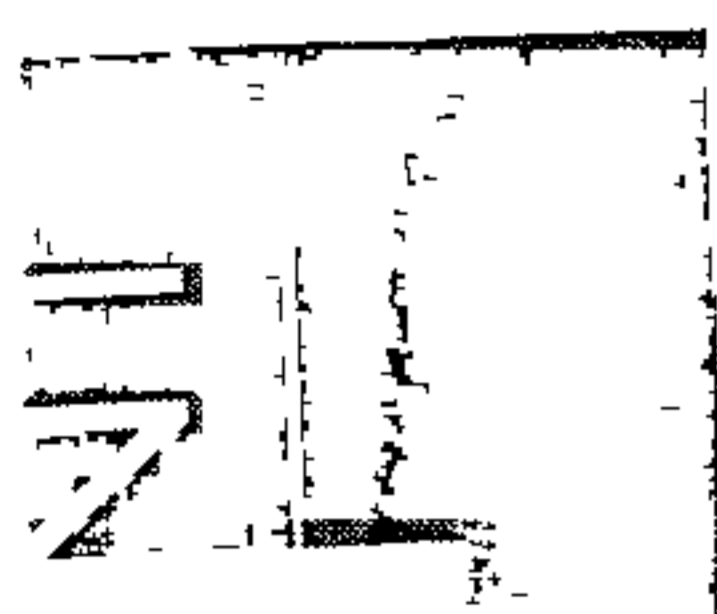
If the Bill is passed, Le Roux says, among other effects will be a rise in the price of spare parts and cost of repair and insurance of machinery, motor vehicles and plant will increase.

"It should also be noted that the envisaged compulsory licence for 'spare' parts does not permit the importation of non-genuine parts, but only their manufacture in South Africa. This means, even if large-scale compulsory licensing is authorised by the minister and assuring local manufacturers can remain profitable in the face of royalties payable to the owners of the registered functional designs, that the industrial sector which relies on importation of low-priced parts and components will face gradual closure.

"This is the very sector which provides competitiveness in a market which would otherwise be dominated by original equipment manufacturers

and insurance of machinery, motor vehicles and plant will increase.

"It should also be noted that the envisaged compulsory licence for 'spare' parts does not permit the importation of non-genuine parts, but only their manufacture in South Africa. This means, even if large-scale compulsory licensing is authorised by the minister and assuring local manufacturers can remain profitable in the face of royalties payable to the owners of the registered functional designs, that the industrial sector which relies on importation of low-priced parts and components will face gradual closure.



Wheels for wealth

as car costs soar

(192)
R29 14/9/91

JOHN SPIRA

**Weekend Argus
Correspondent**

SOARING motoring costs have placed new motor vehicles beyond the reach of all but the very wealthy and the big companies.

This is the alarming conclusion of Prime Car Leasing managing director, Mr Nigel Webb, who has compiled statistics which highlight not only the rocketing prices of new cars over the past five years but also the ballooning costs of maintenance, petrol, insurance and finance.

Nor is the outlook for prospective new car owners likely to get any better, since Mr Webb's findings follow industry forecasts that the prices of new cars will double in the next five years.

Lest he be labelled an alarmist, Mr Webb has based his calculations on a

popular, 1600cc passenger car considered affordable five years ago.

In 1986, the retail price of this model was R16 775 — today you'd have to pay R33 302 for the equivalent model.

But that's only if you have the necessary cash.

If you're leasing it (over 48 months at prime rate plus 2 percent), you'll be paying R1 068 a month — R589 more than you would have paid in 1986 — because in the interim the prime lending rate has risen from 14 percent to 20 percent.

Before you get your brand new car on the road — provided you can afford one, what with crippling taxes and a roaring grocery bill — you'll need to insure it.

Five years ago you could have got away with a fully comprehensive monthly insurance package of R112. In 1991 your insurance broker will be billing you for R236 a month — more

than double the figure of five years back.

Petrol? In 1986 you paid R1,02c a litre for premium grade. You're now paying R1,43.

Even should your car (hopefully) prove to be relatively trouble free, you're going to have to maintain it.

On the assumption that you do 30 000 km a year, Mr Webb calculates that it will cost you R230 a month in maintenance over the next four years of driving. That's a whopping R133 a month more than it cost you in 1986.

One of the biggest increases will be for brake pads which in the next four years will go up in price by 30,9 percent a year since 1986.

Not far behind are spark plugs (up from R2,50 to R6,35), an oil filter (from R10 to R25), the labour rate (from R32 to R74) and tyres (from R88 to R188).

The only components expected to

lag behind inflation are batteries and exhausts.

Rubbing salt into the new car wound is the fact that since the 1985/86 tax year the user of a company car has been exposed to perks tax.

In 1986, the monthly perks tax burden was R102. It is now R360 — an annual rate of increase of 28,6 percent.

Mr Webb notes that against this background even the very wealthy must be reeling under the pressure.

He points out that the only method of reducing the monthly cash requirement of keeping the vehicle on the road is to adopt a programme of usage rather than ownership, in which case the lease component in 1991 would reduce from R1 068 to R781 — a saving of R287 a month.

"However, a usage or rental package is not available to the man in the street. He has no option other than to purchase the vehicle — provided he has the wherewithal to do so."

Business Editor

IF the Government abandons the local content programme for cars BMW will be able to fit its SA operation into its global plan, Harry Roegner, head of company affairs, said yesterday

This could result in more jobs for SA workers and more exports from this country

Roegner, on his first visit to SA from Germany, said that BMW operations all over the world competed against each other on price to supply different markets

Like other international firms, BMW wanted to manufacture components where it could be done most economically and send them to assembly operations all over the world

Without the local content pro-

'Local content a hindrance'

gramme it was quite possible that some components would be made in SA, for export, and it would make sense to assemble cars in this country for the whole of southern Africa

"Labour is still much cheaper here than in Germany, where there are high costs for social security and working hours are short"

A spokesman for BMW said the car was becoming popular among young black executives and professional people

Many were living with their parents in low-cost accommodation and could afford to spend a major part of their salaries on their cars

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McCarthy queries high tax on motors

S Times (Sun) 15/9/97

By DON ROBERTSON

THE motor industry is often punitively singled out by the Government instead of being supported so that it can create jobs, says Brian McCarthy, chairman of McCarthy Group

Mr McCarthy says in his report for the year to June why company cars are excluded from input tax credits under Vat when other goods of a capital nature enjoy this benefit

He also asks why fringe benefit tax on company cars, although sound, is so high

Factors such as these inhibit sales and reduce the size of the market which ultimately results in a loss of jobs

Sales last year were 4% below the 10-year average to 1990 and labour-cost increases

have far outstripped productivity

Mr McCarthy says "There is no doubt that SA's endemic inflation problem is closely bound to the problem of wage escalations inevitably exceeding productivity gains"

Nevertheless, the group is in a sound position to fund growth and investment, although earnings in the current year are expected to fall marginally

At the end of the last financial year, interest-bearing debt stood at 10% of shareholders' funds and the group had cash resources of R71-million This and the disposal of the truck rental division for R19-million helped the company to post a modest increase in earnings to 59,8c a share from 58,6c

Interest

The interest bill was reduced by 43% to R7-million, profit margins were held at 3%, the Yamaha division did well and the property portfolio grew to R43-million from R38,9-million

The group's share of full maintenance leasing was strengthened through a joint venture with Stannic The

stake in Midas was raised to 36,3%

Mr McCarthy believes new-vehicle sales will fall by 2% this year with increased pressure on margins

Mr McCarthy's projection on earnings in the current year is subject to there being no unfavourable socio-political developments and labour unrest An improvement in investor confidence is required

Should the economy be free of restraints, his earnings forecast could be conservative

Salt shipper

UNICORN Lines has extended its contract with Walvis Bay Salt Refiners to carry bulk salt from Walvis Bay to Durban for 12 months.

About 350 000 tons will be shipped in a 19 800-ton bulk carrier The salt is produced in evaporation pans at Walvis Bay and is used by the chlor-alkali industry in SA

Office deal

ANGLO Dutch Office Furniture has won a R3,4-million order for Standard Bank's premises at 78 Fox Street, Johannesburg. Five other companies competed

war Marlin

stone for export to the Middle East in particular The turmoil there since last August had a very negative effect on our business"

Sales to the Far East improved since April, but the pace of recovery is slow In America and Europe, demand is still patchy

Marlin has strengthened its marketing team in the hope that the upturn will gather momentum

"The worldwide market for granite is still immense

THE WEEK IN

A SUMMARY of the week's corporate announcements

MONDAY. Adprom members offered 35c a share cash, Adprom to delist Finnfo members offered 70c a share It will also delist Underground operations at Barplats' Crocodile River to close immediately, opencast to be wound

14% of official wage is reduced 90 000 If finance may be closed THURSDAY Gentyre warment at No 6

Midmacor

battered ^{for 16/9/91} (192) by recession

Midmacor has not only been battered by the recession, but has also been severely hit by the fact that insufficient provision was made for write-offs for the year to June.

The group said at the weekend that last year's profit of R2,86 million had been turned into a loss of R78 000 for the 1991 financial year.

Management said that apart from the effects of the economic downturn, insufficient provision for losses in certain areas had been made.

If these figures had been correct, the group would have made a profit of R861 000, which represents earnings per share of 11c.

Instead, earnings per share were one cent, compared with the previous 36,4c.

A final dividend of 2c (6c) has been declared.

Midmacor is currently carrying out an investigation into the problem.

It estimates that the total loss caused by the non-recurring items amounted to R1,8 million — Sapa

Secrecy over new Toyota

MARC HASENFUSS

TOYOTA SA's R43m investment in a "versatile" new vehicle has been veiled in secrecy, but indications are that SA's largest carmaker is set to launch an "affordable" family car *Bl Day 16/9/91*

A weekend statement gave scant details of the new vehicle

Toyota marketing MD Brand Pretorius said it would be placed in the medium price range between R30 000 and R40 000. It would meet a wide range of passenger needs and would also fill a void in the fleet market

"Above all, it must be affordable to a wide spectrum of buyers," said Pretorius

A Toyota spokesman said the vehicle was still "top secret" and no further details would be divulged until the launch date, expected to be near the end of the year

However, industry sources expected the vehicle would be an updated version of a

current model, as an investment of R43m was not enough to cover the cost of tooling up for a new one

They suggested Toyota's Stallion light commercial vehicle could be transformed into a multipurpose station wagon. It is widely believed the Stallion will be Toyota's entry in the SA Guild of Motoring Journalists' Car of the Year competition. Toyota has not yet named its entry

Sources believe the new vehicle could seat six to eight passengers and be a strong seller in the black market

"The pre-production concept vehicles caused quite a stir at market research clinics," said Pretorius. "We are confident this venture will open a new and exciting area of the market"

The investment was an indication of Toyota's confidence in the venture, he said

Cars may be as good as property

PETER GALLI

192

PROPERTY has always been considered a good investment, but your car could offer a similar return in the long term

Figures correlated by Samad, now Volkswagen SA, and released to its dealers show that in 1961/62 the most expensive car was an automatic Jaguar 3,4 litre Mk II, retailing at R3 608 at the coast

In comparison, some new cars sold locally top the R1,5m mark, with the Porsche 928 at R545 800 and a Jaguar XJ6 costing R390 100. *8/10/61 16/9/71*

In 1961, the Fiat 600D was at the bottom of the price list at R1 006, closely followed by the imported Goggomobile Royal T700 at R1 036. These cars were, also the slowest

Latest new car prices show Fiat still offers the cheapest car, with the 3-door Uno at R21 790

In the '60s the ever popular Volkswagen deluxe sedan or Beetle sold at R1 315

Fuel consumption varied, with the Renault Delphine the most economical at 45 miles a gallon and the Ford Galaxie Town Sedan covering only 15,5 miles a gallon

Concern mounts over local content

By Des Parker

192

DURBAN — A measure of foreboding about phase six of the motor industry's local content programme lay behind the celebrations yesterday when a Japanese executive flicked a switch at Prospecton to start the latest multi-million rand investment by Toyota SA.

A statement by the local manufacturer's executive chairman, Bert Wessels, released at the opening of the R83,4 million engine component machining line by Mr M Komsh,

^{Star} 18/9/91
a director of the engineering division of Toyota Motor Corporation, voiced the concern of the domestic motor industry about the local content programme

Mr Wessels said the stage was being reached where further local content increases by the Government in terms of the programme could further increase the rate of increase of new vehicle prices

Motor manufacturers are very concerned at the fact that private motorists have all but been squeezed

out of the market for new cars by rising prices and that that sales to corporate buyers have reached a plateau

"All of our objectives have been met in the commissioning of this project," said Mr Wessels

Forex saving

"It will provide a significant foreign exchange saving and will play a pivotal role in our product localisation programme. Unfortunately, things remain in a state of flux as far as the ground rules for

phase six are concerned

"While projects like this one are what we consider to be very much within the original objectives and spirit of phase six, I would like to caution that we are reaching a stage where pushing up the percentage of local content can be counter-productive in terms of the effect of increased cost input on vehicle prices"

The new machining line was part of the SA company's plan to spend R1 billion over five years meeting the requirements of phase six

MARC HASENFUSS

NEW vehicle sales remain at the 200 000-unit-a-year support level thanks to the corporate sector still complacently absorbing manufacturers' hefty price increases, industry analysts say

- The sector is responsible for over 90% of the market
- In essence the private buyer, bludgeoned over the past two years by high interest rates, high pricing and an economic slump, is no longer a factor in the new car market
- With the corporates bearing the brunt of the price hikes, the motor industry appears unperturbed at the near elimination of the private buyer, according to industry observers
- Although corporate spending has tapered off slightly in line with the dip in the economy, demand has been steady enough to pin new vehicle sales at the required rate
- This was in line with "inflation-driven price increases" and lucrative export markets for components has helped manufacturers keep their heads above water, analysts said
- Fortunately, the motor industry can look to export markets and lucrative incentives under Phase VI of the local content programme to offset partially

INDUSTRY

A pillar in the car market

a weak domestic car market

Unfortunately for the private buyers, attempts by the industry to accommodate them in the new vehicle market are being negated by what industry sources term "influences outside the motor industry"

Consumers, nevertheless, still accuse the motor industry of price fixing, and have repeatedly called on manufacturers to drop prices to affordable levels again

Currently the cheapest bottom-of-the-range model available is the Fiat Uno Fire which retails at R22 000 excluding GST. The Mazda 323 and City Golf sell for R24 400, the Nissan Sentra, Opel Kadett and Ford Laser sell for around R26 000 and the Toyota Conquest and Corolla go for R27 000

The motor industry has made it clear that prices cannot be reduced while high inflation, unstable exchange rates, local content regulations and the recession play havoc with the industry

It is doubtful whether an immediate price reduction of 10% to 15% (R2 500 - R3 500) in new car prices would lead to strong private buying, especially in

recessionary times

Furthermore, there is no guarantee that a price cut would be the required tonic to boost the current sales slump, and the inherent risks on operating margins are far too high for the motor industry to contemplate

The industry is currently vastly under-utilised and some manufacturers have the capacity to produce up to 300 000 units a year. The total new vehicle market shared between the seven manufacturers reached 334 767 units in 1990

Recovery

Initially industry expected new vehicle sales to bottom out at the end of 1991 and start a steady recovery in the new year. But sales have continued to weaken, albeit due to the delaying of purchases prior to VAT, and some manufacturers and analysts have revised their sales forecasts downwards

If the economy improves next year, the passenger car market is likely to remain at 1990 levels of 210 000 due mainly to high prices. Real recovery

may only arrive as late as mid 1993

However, one industry source maintains that new cars are not being priced out of proportion to the general economy

"Relative to income cars have become slightly cheaper, but because of a higher standard of living people are forced by social pressures to spend more of their income on semi-essential luxury goods"

Analysts discounted the comparative buying power theory as unrealistic because the tax rate on individuals had doubled over the last three decades

Ultimately the dealerships are feeling the pinch. Sporadic private buying is mostly concentrated in the bottom end of the market. However, dealerships have reported stronger used vehicle sales in light of the high cost of even the most basic car models

Dealers have been offering innovative deals on used cars which has drawn potential buyers away from the new car market. They said that economic realities now outweighed the negative stigma which in the past had been attached to buying a used car

Buyers are now perceiving a new car as a luxury item rather than a necessity. Dealers, though, are still quick to point out that the majority of car owners were still determined to buy above their needs

The buy-down trend will no longer be limited to bottom-of-the-range new cars but will extend through into the used car sector, dealers believe

Dealers' survival tactics include financial packages in which monthly repayments are reduced in a bid to woo buyers back into a new vehicle market. These tactics, however, are crushing dealers' operating margins. Thus is borne out by the results of JSE-listed retailers, where innovative marketing schemes have boosted turnover at the expense of operating margins

Bottom-line earnings growth for even the most established groups has been stagnant

Special interest rate schemes on new and approved used models are currently being offered along with free insurance plans and other lucrative side items to lure back customers

Dealers claim these plans have improved business levels. Whether this is enough to rejuvenate the industry in the long term still depends on a general economic recovery and increased black spending in the new car market

Toyota invests R83,4m in local content scheme

DURBAN — Toyota SA yesterday announced it had invested R83,4m in a new component machine line at its Prospecton manufacturing plant

The new production facility is part of Toyota's commitment to spend R1bn on product localisation and new models under Phase VI of the local content programme over a five year period

Toyota SA executive chairman Bert Wessels said planning for the machining facility had started nearly three years ago when it became apparent that the implementation of a value-based local content formula was imminent.

"When the full ramifications of Phase VI became apparent to us we decided to expand our commitment to localisation in this facility."

He said they originally planned to machine local connecting rods, camshafts and cylinder heads. The crankshank line represented an additional investment

The project has created 145 jobs, 95% of which have been filled by local recruits

MARC HASENFUSS

Wessels said the engine components localisation programme had been instrumental in bringing the Cosworth aluminum foundry process to SA

Murray & Roberts, as suppliers of raw cylinder head castings, had access to this technology but needed a firm contract to underwrite the R13,5m investment required

B10
18/9/91
Caution (192)

"Unfortunately things remain in a state of flux as far the ground rules go for Phase VI," Wessels said

"While projects like this one are what we at Toyota consider to be very much within the original objects and spirit of Phase VI, I would like to caution that we are reaching a stage where pushing up the percentage of local content can be counterproductive in terms of the effect of increased cost input on vehicle prices"

Major trade pact signed with Poland

By Sven Lunsche

South Africa and Poland have signed a far-reaching trade agreement in terms of which Poland will lift all remaining sanctions on South Africa.

The agreement, which makes provisions for the strengthening of trade relations, was signed in Warsaw yesterday by the Minister of Trade and Industry, Dr Org Marais and the Polish Minister for Foreign Economic Relations.

Dr Marais said in a statement that South Africa would allow all goods of Polish origin to be imported free of surcharge.

He also disclosed that several cargo ships were being built in Poland for SA companies.

Trade relations between the two countries have been normalised over the past two years and a trade mission was set up in Warsaw in April this year.

SA's major exports to Poland are manganese, iron ore, steel, fruit and increasingly manufactured goods.

Media companies stand to

gain from freeing of airwaves

By Des Parker

DURBAN — A proposal to free the airwaves and reduce the role of the SABC as a medium for advertising may not have them jumping for joy at Auckland Park — but wry smiles are playing on the faces of executives in a number of other sectors.

While the recommendation that the State broadcasting and television service should reduce its reliance on advertising revenue by almost half has been described as "cloud cuckoo land stuff", the suggestion that the way be opened for private regional radio and television services is being taken a lot more seriously.

Investors on the JSE have signalled their awareness of the prospects for media companies by bidding up their shares strongly in recent weeks, particularly since the proposals by the Government's Task Group on Advertising became more widely known earlier this month.

Public release of the group's report last week enhanced the market view M-Net's shares, which had dipped back below 700c by last Thursday in the wake of a rise of almost R2 over the previous three weeks, were back to 730c yesterday.

Newspaper groups Argus, TML and Perskor, which jointly hold the majority stake in M-Net, have all experienced strong rises — although less spectacular than M-Net's — since late-August. Argus has gone from 2100c on August 25 to 2700c yesterday, Perskor from 1950c to 2 400c and TML to 1750c (1350).

Advertising agency bosses, who are not happy with the proposal to cut SABC's advertising role, say the Press stands indirectly to gain from regionalised services.

John Charter, MD of Matthews and Charter of Durban and the Natal representative on the Association of Advertising Agencies (AAA), believes newspaper groups are well placed to get in on the ground floor.

"Obviously there would be some adverse consequences of a dilution of their share of ad-spend among regional radio — and even more so among TV. But the established press has the financial muscle to diversify in these areas, particularly the more capital intensive television field.

"And they don't face the anti-monopoly obsession they do in the US and other parts of the world. Not surprisingly, M-Net is going like a train."

Mr Charter is a strong believer in the symbiosis between TV and print advertising. "It's hard to beat TV for conveying product image and its similarly hard to beat print for advertising product and price."

The media won't be the only sector to benefit from liberalised broadcasting, Mr Charter believes.

Regional retail groups, presently heavily reliant on press ads to draw customers on price discounts, will be able to use regional TV spot ads to do some of the job.

Assore slashes its dividend

Finance Staff

Associated Ore and Metal Corporation (Assore) has cut its total dividend for the year to end-June by 45 percent to 550c, with a final of 350c.

This follows a drop in earnings a share of nearly 59 percent to 1139c from 2747c.

The directors say the sharp drop in earnings was due mainly to the lower dividends received from the group company Associate Manganese (Assomang), whose profits were affected by weak world markets.

The group benefited from higher manganese prices early in the year but the market for ferrochrome remained weak throughout. No improvement is expected in the first half of the current year.

Vektra's earnings slump

Finance Staff

W & A subsidiary Vektra, the distributor of vehicles and automotive parts, suffered a 27 percent drop in attributable earnings to R3,95 million in the first half of financial 1991 in the wake of the slump in vehicle sales over the period.

Turnover rose by seven percent to R242,6 million.

(R226,8 million), but operating margins declined from 6,4 percent to 5,3 percent over the period.

Earnings per share slumped from 30,8c to 22,4c, while an interim dividend of 6c was declared.

Chairman Alan Schlesinger says that turnover from automotive replacement parts showed real growth.

Toyota in R25-m plan to help home owners

By Frank Jeans

(192)

Toyota South Africa has launched a homeownership plan in which at least 3 000 workers will benefit

The company is investing R25 million to help employees qualify for 100 percent loans from building societies and also to shorten the bond repayment time from 20 to 10 years

Facilitating the plan is low-

cost housing expert Lindsay Clive-Smith, who is based at Toyota SA Manufacturing in Prospecton, near Durban, where there are about 4 000 hourly-paid workers

Under the scheme, the company buys an insurance policy to the value of R7 000 for an employee. The investment is linked with equities in the form of unit trusts while the benefits are tied to the bond repayment

Star 19/9/91
The policy acts as security for a 100 percent building society loan, while the growth in the net asset value of the investment substantially reduces the repayment period

Mr Clive-Smith says "Permutations of the scheme also ensure that Toyota workers who have already bought their homes are also able to benefit

"The policy is ceded to Toyota and when benefits are due,

the work record of the relevant employee is taken into account'

Toyota has approached developers who have contracted to build and market houses on about 2 000 sites near Toyota's Prospecton plant

Toyota is also carrying out a survey for a housing programme for employees at the company's marketing headquarters in Sandton

Vektra results affected by pending VAT

W & A's vehicle and automotive parts distributor Vektra reported a 27% drop in earnings after competitive markets were aggravated by a slump in vehicle sales pending the introduction of VAT

Although turnover rose 7% to R242,6m (R226,8m previously) in the six months to June, operating margins fell to 5,3% (6,4%) and reduced earnings to R3,94m (R5,45m) or 22,4c

MARC HASENFUSS

(30,8c) a share. An interim dividend of 6c was paid out, covered 3,7 times

Chairman Alan Schlesinger said turnover from automotive replacement parts showed real growth during the past year. Profit contributions had increased in the 1990 period

"Inventory management in the parts division, consisting of Femo Group and V & R Engine Spares, continues to improve, benefiting stock availability and financial performance."

He said Delta dealer Williams Hunt had achieved a significant reduction in in-

ventory, although the depressed economy caused an increase in receivables and resulted in high average borrowings and a significant increase in interest charges

Management had addressed the reduction of receivables and expected an improvement during the balance of 1991, Schlesinger said

Vehicle sales were expected to return to normal levels after VAT was implemented. "As Vektra expects to reduce current assets and expenses, this should result in an improved performance in the second half of the year"

192

SA car firms 'must keep pace'

8/10 am
20/9/91. MARC HASENFUSS

192

SA could become a valuable exporter of cars and engines, but it needed to be in step with world trends to be accepted in other countries, Toyota Motor Corporation (Japan) engineering division director Masami Konishi said this week. He said the major market was for lead-free fuelled cars. It was becoming increasingly difficult to provide engines in massive volumes for leaded fuel usage.

Toyota would be in favour of the introduction of unleaded fuel in SA but this could not be done without some preparation, he said.

"We have looked at various petrol specifications in lead-free countries and have made recommendations to the National Energy Commission on what we believe will be a satisfactory fuel specification of lead-free fuel in SA."

VW cuts prices

SI Times
(Sun)
22/9/91

VOLKSWAGEN SA has reduced the prices of many spare parts by an average of 20% and in some cases 50%

The cost of maintaining and buying cars has risen sharply as a result of the rand's weakening and has increased the average age of vehicles (192)

After reducing prices on about 1500 items by about 20% in the past year, innovative sourcing of components has allowed VWSA to pass on savings of up to 50% on parts such as water pumps, thermostats, clutch and pressure plates, filters, shock absorbers and tail light lenses

All parts are guaranteed

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Toyota going for all SA car

By DON ROBERTSON

TOYOTA has taken another step in its drive to produce an all-South African car

The company officially opened an R83,4-million engine machining plant this week at its Prospecton factory near Durban

The plant, with equipment supplied by five European countries, will machine crankshafts, camshafts, connecting rods, inlet manifolds and cylinder heads, all of which are made in SA (192)

In the past, cylinder blocks, bearing caps, flywheels and exhaust manifolds were machined in-house

Initially, only the Y series engine fitted to Hilux bakkies, Hi Ace minibuses and some Cressida models will be assembled. But the equipment is sufficiently flexible to enable the full range of engines to be produced, including the multi-valve units.

Spirit

Director of product engineering Frank Colin Downie says that the Y series engines are now close to being fully made in SA 22/9/91

Toyota is to spend R1-billion in the next five years to increase local content. Most other manufacturers have increased local content to some extent, but have also lifted exports to earn rebates for imported components.

The plant will offer considerable foreign-currency savings and will provide component manufacturers with new business worth about R15-million a year.

Toyota chairman Bert Wessels says the Phase Six programme remains in flux.

"While projects like this one are what we at Toyota consider to be very much within the original objectives and spirit of Phase Six, I would like to caution that we are reaching a stage where pushing up the percentage of local content can be counter-productive in terms of the effect of increased cost input on vehicle prices."

McCarthy plans for another difficult year

B 10ay 23/9/91 (192)

MARC HASENFUSS

SA's largest vehicle retailer, the McCarthy Group, has budgeted for a marginal decline in earnings in the year ahead, in line with the expected fall in the new vehicle market and increased pressure on margins

The group predicts that national new vehicle sales will decline by a further 2% in the year ahead

Chairman Brian McCarthy said it would be the third successive year in which unit sales have declined. This was the main factor causing group earnings to stagnate

Uncertainties arising from VAT had led consumers to defer spending, particularly on items such as new and used cars, he said. "This problem will be behind us before the end of the calendar year"

McCarthy said favourable socio-political developments, minimal industrial unrest and greater investor confidence could render the group's earnings projection conservative

The market's confidence in McCarthy's long-term strength is justified by the group's share price. The share has shown renewed investor interest recently and recovered from 275c in January to 480c last week, which is just below its July

high of 495c

Shareholders' faith was further vindicated by the group's better than expected results in the year to June, in which earnings were lifted to 59,8c (58,6c) a share after a 19% decline at the interim stage

McCarthy said cash flow from trading, coupled with stringent management of stocks and debtors, resulted in interest bearing debt reducing to R23m. The interest bill fell by 45% to R7m (R12m) and interest cover rose to 15,2 times

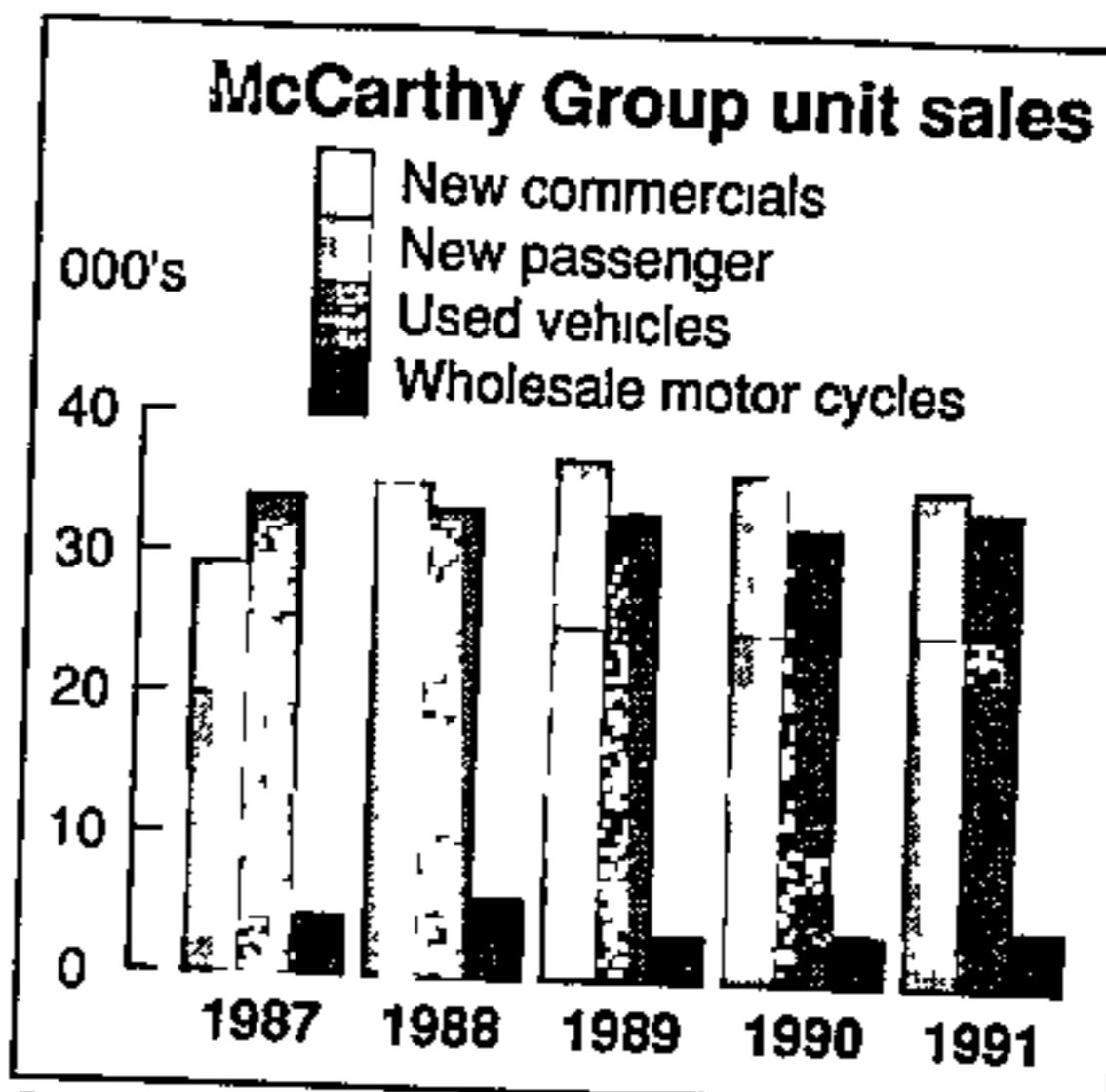
Gearing stands at a healthy 10% while cash resources are at R71m

"The group's strong balance sheet places it in a sound position to fund future growth and investments," said McCarthy

During the year McCarthy Motor Holdings opened a new dealership for MMI in Alberton, new Volkswagen dealerships in Verwoedburgstad, a Nissan dealership in Pretoria and a Toyota dealership in Tongaat

Yamaha Distributors Power and Sport extended its product range by acquiring Motor Cycle World

The group recently



formed a joint venture company with Standard Credit Corporation (Standard) to provide credit instalment finance and full maintenance leasing (FML)

McCarthy said that in recent years there had been a steady trend, locally and internationally, towards FML. The group intended to be a major player in the field

Costs contained, but Autoquip's earnings fall

8/23/91 MARC HASENFUSS (192)

AUTOMOTIVE accessory and performance tyre distributor Autoquip posted a 15% drop in earnings as deteriorating business conditions knocked operating margins. Earnings fell 15% to R1,8m (R2,1m) or 11,1c (13,1c) a share for the year to June as discounting increased under competitive market conditions and general destocking in the industry.

However, the dividend was maintained at 5c a share, covered 2,2 (2,6) times

Margins came under intense pressure and operating margins were sacrificed to protect market share against "indiscriminate dumping", directors said

Turnover increased 12% to R50m (R44,5m) but was transformed by squeezed margins at 10% (11,7%) into a 4% decline at operating level.

A reduction in taxation to R1,6m was offset by a rise in the interest bill to R1,6m (R1,2m) for the period under review

Profitable

Directors said operating costs were well contained and increased by only 11,5%, which was below the inflation rate

The Techniquip division was closed during the year and the stock sold off "This will enable management to focus fully on the automotive market and maximise efforts in the group's core business"

The group's offshore interest was disposed of during the year at a net gain to Autoquip, directors said

They do not expect the current difficult trading conditions to ease in the year ahead, but aggressive marketing and cost controls should keep all Autoquip's division profitable

Autoquip's share was untraded at 35c at the weekend, just above the November low of 30c. The share peaked at 70c at the end of last year. The group's net asset value currently stands at 60c

Tight control brings results

MARC HASENFUSS

TIGHT control of expenses helped automotive and industrial lubricant manufacturer Molyslip lift interim earnings 31% in the six months to August 1991

Chairman Robert Spanjaard said Molyslip's consolidation during the last financial year, when the group reported a 48% drop in earnings, had paid off. Earnings rose to R151 000 (R115 000) or 2,6c (2c) a share as a result of better operating margins which offset a 4,3% decline in turnover to R7,2m (R7,5m).

According to group policy, no interim dividend was declared *0/0c 23/9/91*

Spanjaard said better sales since year end and the group's aggressive marketing stance should lead to improved results in the second half of the year

Directors pointed out that the second half of the year was traditionally better than the first

Molyslip was well positioned to take advantage of any improvement in trading conditions and greater export opportunities

The tightly held share, currently at 75c, last traded in March. The share peaked at 85c in October last year and was at a low of 40c in February

Molyslip's net asset value currently stands at 63,8c (53,2c) a share

High spares sales offset sluggish new car trade

6/00ay 24/9/91

192

MARC HASENFUSS

TRADING revenue for motor vehicle and spares retailers increased 10,4% as better performances from the used car, spares and services markets offset weakening new car sales

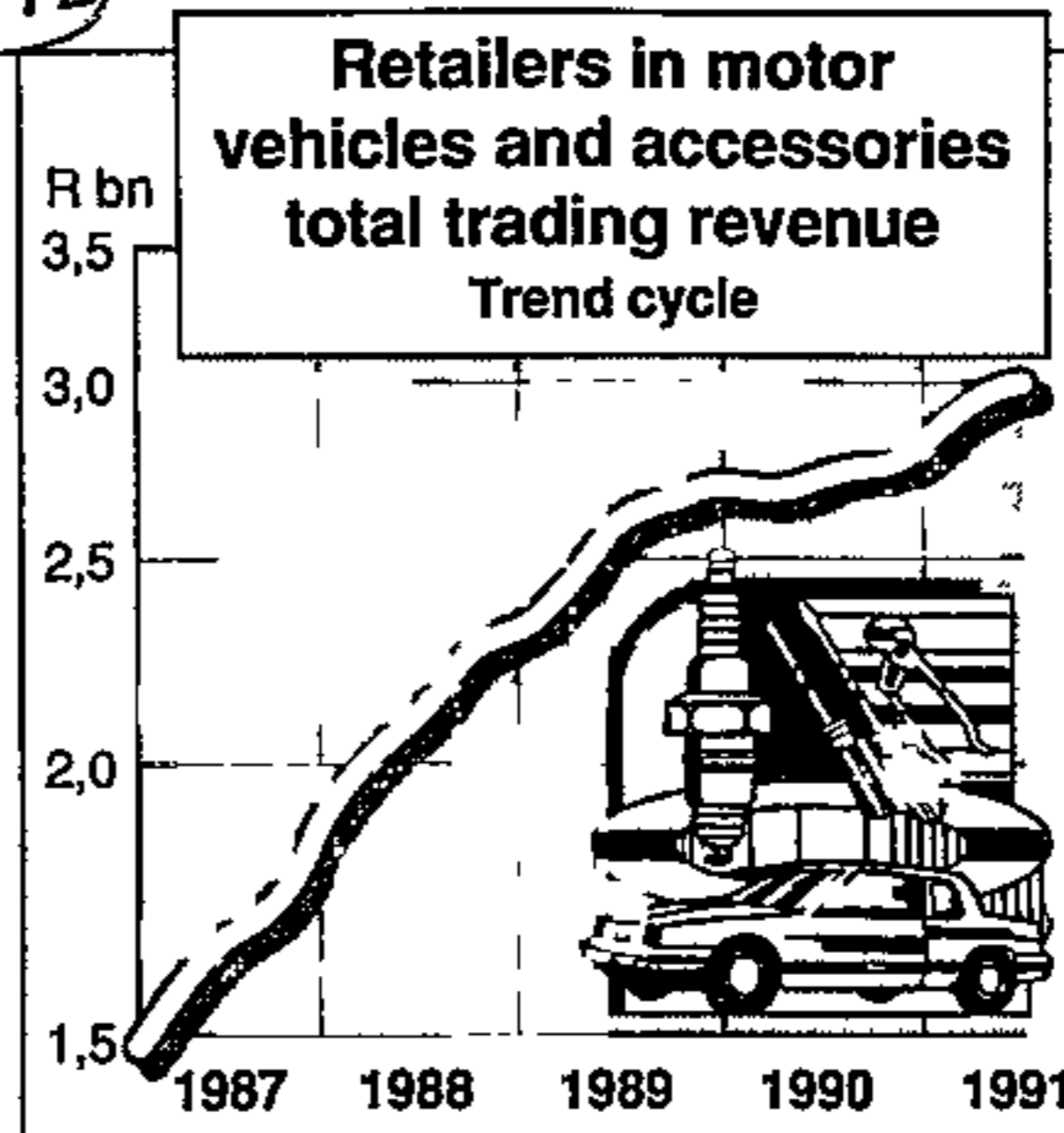
Total trading revenue for car dealers lifted to almost R17,5bn in the six months to end June 1991 against the R15,8bn recorded in the corresponding period last year, according to Central Statistical Service (CSS) figures released this week.

Econometrix's motor industry analyst Tony Twine said the increase in revenue translated into a small shrinkage in real terms for the motor retailers but did indicate that trading levels had bottomed out

If miscellaneous trading income at R2,8bn (mainly forecourt sales at petrol stations) is excluded from total trading revenue, the year-on-year increase is below 10%

The biggest increase came from sales of spares and accessories which increased 21% to R3,5bn (R2,9bn), the CSS said Workshop revenue increased 14% to R1,8bn (R1,5bn) while income from the sale of used vehicles rose 13,5% to R3bn (R2,6bn) Reflecting the slump in the new car market, income from new vehicle sales lifted 2,4% to R6,4bn (R6,3bn)

Analysts said the delay of new car pur-



Graphic FIONA KRISCH Source CSS

chases prior to VAT made it difficult to accurately assess the state of the market Some industry sources believe the market has started to bottom out

Used car sales have improved mainly as a result of excessive new car price hikes which has put basic 1300cc cars out of the reach of most South Africans.

The used car market is also attracting the bulk of black spending power, and the motor industry estimates that black vehicle ownership will double to 1,4-million at the end of the decade.

Nissan leads assault on luxury car market

NISSAN SA is spearheading a Japanese assault on the local luxury vehicle market, which has been dominated by German car manufacturers BMW, Mercedes-Benz and Audi.

The group is set to launch the Maxima, a new medium-sized luxury saloon. Speculation is that the car will be available from dealers before year-end.

Nissan would not disclose details of tooling up costs or the vehicle's price range. However, tooling up requirements for a new model usually require an investment of well over R100m, according to industry

25/9/91
MARC HASENRUSS

estimates

A Nissan spokesman said the Maxima would be competitively priced against the German luxury saloons.

According to Nissan, the Maxima was widely acclaimed abroad and was the first mass market saloon to feature European styling influences.

Japanese cars, especially Toyota's Lexus and Nissan's Infiniti, have made strong gains in the European and US

192
 To Page 2

Nissan

luxury car markets

Motor industry analysts said traditionally German manufacturers monopolised the luxury car market, with Japanese manufacturers, despite excellent products, struggling to break into the market.

However, analysts said prejudices against top-of-the-range Japanese cars had been rapidly eroded. Competitive pricing coupled with striking features had helped Toyota, Honda, Nissan and Mazda grab a substantial slice of the luxury car markets abroad.

192 From Page 1

Reacting to the news of Nissan's Maxima, Audi spokesman Ronnie Kruger said "Nissan is attempting to enter a difficult and shrinking segment of the new car market, and good luck to them."

BMW public affairs head Chris Moerdyk said his group welcomed competition. He said additional players highlighted the importance of the high-tech car in SA.

The Nissan spokesman said Maxima was the first of a new generation of passenger cars to be produced in SA.

Toyota slips into low gear

By Sven Lunsche

192

The decline in new car sales took its toll on Toyota's interim results, with attributable earnings rising by a modest 6,8 percent to R46,2 million (R43,3 million)

In the six months to June earnings per share improved from 106,45c to 113,68c on the back of R233 million rise in turnover to R1,714 billion (R1,481 billion) The interim dividend was raised by 2c to 19c *Star 27/9/91*

The group said it was attempting to recoup production lost during the recent industry wide strike but was meeting resistance from organised labour to work overtime

The programme of substantial capital investment related to the local content programme was progressing as planned, the company said

The cost pressures resulting from exchange rate deterioration, higher local content targets and increased ad valorem duties may affect the operating margins for the remainder of the year

The company was also pessimistic that the low demand for new cars would pick-up in the second half

Toyota invests R83 million

Sowetan 27/9/91
TOYOTA South Africa has invested R83,4 million in a new facility that will give the company access to some of the most advanced engine component machining technology in the country

The new production facility at Prospecton is an element of Toyota's commitment to spend R1 billion on product localisation and new models under Phase Six of the local content programme over a five year period

Speaking at the official opening of the project in Durban, the executive chairman of the company, Mr Bert Wesels, said: "Planning for this machining facility was started nearly three years ago. At that time it was apparent that the

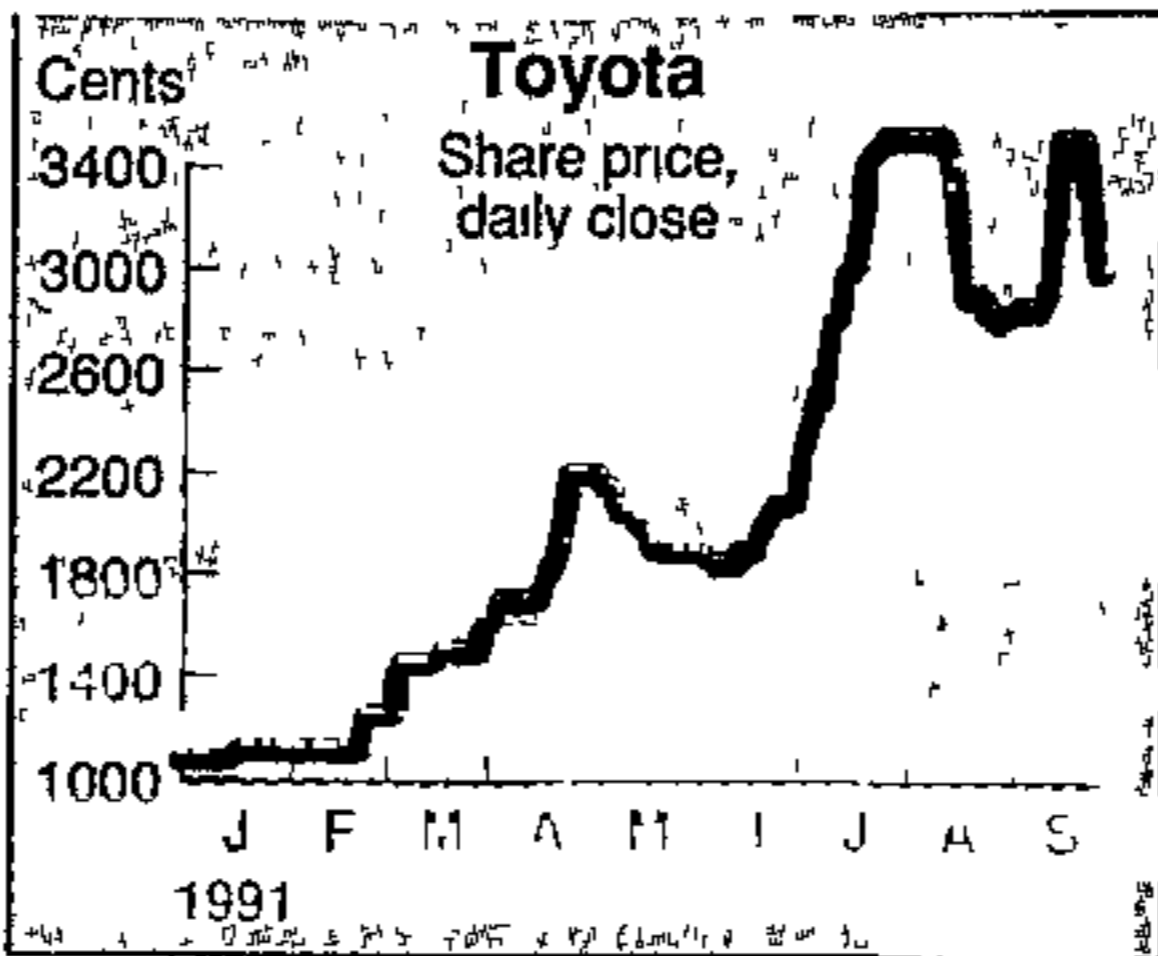
implementation of a value based local content formula was imminent and that we had to plan well ahead to achieve our objective under that formula"

He added: "When the full ramifications of Phase Six became apparent to us, we decided to expand our commitment to localisation in this facility

"Originally it was planned to machine local connecting-rods, camshafts and cylinder heads. The crankshaft line represents an additional investment over and above our original plans"

He said throughout all the feasibility studies and engineering evaluations the project had to meet the objectives of the local content philosophy

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Graphic FIONA KRISCH Source I NET

Toyota SA shows unexpected strain

MARC HASENFUSS

SA's largest vehicle manufacturer, Toyota SA, has started to feel the recessionary pinch reporting a pedestrian 7% increase in interim earnings on the back of declining new vehicle sales

This was contrary to market expectations, following the group's 28% earnings rise in the previous financial year.

Toyota's total new vehicle sales showed a small 1,6% year-on-year decline to 47 110 (47 885) against a 3% sales decline industrywide. Market share rose to 29,1% (28,7%) in the period under review.

Financial director Pieter Robinson said margins were eroded by exchange rates and increases in local content targets

The rand/yen exchange rate during the latter part of 1990 and first six months of

To Page 2

Toyota SA

1991 led to higher selling price increases. Furthermore, hikes in the local content requirement and ad valorem duties under phase VI of the local content programme were likely to have further adverse effects on prices and operating margins.

Earnings rose to R46m (R43m) or 113,7c (106,5c) a share in the six months to June and a 19c (17c) dividend was paid out.

Turnover rose 16% to R1,7bn (R1,5bn), but margins fell to 5,8% (6,4%) and operating profit lifted only 5% to R100m (R95m).

Toyota lost 11 days through industrial action recently and was implementing plans to recoup lost production time. Directors

said that further industrial action could affect results for the full year.

The low level in demand for new vehicles was expected to continue for the rest of the year but directors were confident the group would maintain its increased market share.

Directors said the R1bn capital investment programme related to maintaining the competitiveness of the Toyota model range and increasing local content was progressing as planned.

Ahead of the results, Toyota slipped 250c to R30 on the JSE this week. This share has made spectacular gains since the share split in May and peaked recently at R35.

From Page 1

Toyota feels the pinch

192

ET 27/9/91

Own Correspondent

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Toyota's new look

SITIMES (BUS)
TOYOTA SA and its dealers
will spend R39-million in
the next 18 months to
change the corporate im-
age and upgrade dealer-
ships 29/9/91.

Dealerships will soon carry a
new logo, on a metallic sil-
ver base and the red,
prancing stallion. The
stallion was developed for
the Toyota company by
founder Albert Wessels. It
is the only Toyota manu-
facturer allowed its own
emblem (192)

Dealers will spend R29-mil-
lion on refurbishing show-
rooms

Brand Pretorius, managing
director of Toyota Mar-
keting, says "In the tough
economic times, this has
come as a welcome sur-
prise"

Toyota's move follows par-
ent Toyota Motor Corpra-
tion's plan to upgrade its
global image

During the revamp, several
dealers will move a stage
further and enhance their
facilities

700115110

Car prices through roof again this year

S/Times (Sun) 29/9/91

(192)

VEHICLE price increases are likely to exceed inflation yet again this year

Most motor companies raised prices by about 3% in the past few weeks because of higher local content requirements and excise duty

The Government's decision to increase local content from 70% to 78% — and two weeks later to reduce it to 75% in response to a plea by the industry — has thrown pricing policies into disarray

One manufacturer included the higher taxes in its usual September's quarterly price increase. But the others, although raising prices to take into account the higher tax, have yet to make their usual quarterly increases.

The industry has also been hit by the reduction in Vat from 12% to 10% which is to be recovered by the Government through higher duties on "luxury goods", such as motor vehicles

Part of this is to be raised by retaining the temporary 2,5% ad valorem duty placed on motor vehicles in June

Alcohol

Other "luxury" goods, such as alcohol, cigarettes and TV sets, will also be penalised

In response to these increases, market leader Toyota decided on September 9 to lift prices by 3% to counter the higher tax and local content levels

It will review its quarterly price increase. Its price increases so far this year amount to 17%

Volkswagen lifted prices a week ago by 3% to meet the higher local content and says it will defer its quarterly increase until late next month or early November

Volkswagen, like several other manufacturers, raised prices late last December — effectively the first of the quarterly increases for 1991. Since then, its prices have risen

By DON ROBERTSON

by 10,6%, excluding the latest one

The company says that at least 4% of the increase is to recover higher duties

Samcor has raised prices by between 3% and 3,5%, "partially to recover the increase on local content"

The company says there will not necessarily be another increase this year — it will depend on developments. Samcor has increased prices by 15% this year

BMW, combining the local content rise and the quarterly inflation factor, has lifted prices by 5,8%. The company says, however, that the rises include product development advantages, such as air-conditioning in all 3 Series cars and the inclusion of power steering in some models

Honda

Price rises amounted to 9,1% this year before the latest. There will be no further increases this year

Nissan lifted prices by 3,5% this week in terms of its normal inflationary requirements. It is looking at a further increase next week to meet higher local content requirements

Price rises this year are 14,6% for cars and 13,1% for commercials

Delta raised prices 3% this week to counter the higher local content demands. It will consider a quarterly, inflation-related increase later. Increases for the year have been 12,5%

In terms of normal quarterly rises, Mercedes-Benz SA (MBSA) has increased Honda prices by 3,7%, the W124 range by 3,5% and the S Class models by 5%. It will consider a duty-based increase later

Since the beginning of the year, Honda prices have risen by 17,5%, the Mercedes 124 by 18,3% and the S Class by 24,5%

Savings on motor vehicles set to take time

Star 30/9/91
Consumer Reporter

VAT benefits for the motor industry will not filter through to consumers immediately, say the 11 vehicle manufacturing companies that have come out in support of the Vatwatch pledge

All members of the National Association of

Automobile Manufacturers (Naamsa) say they have pledged to

- Urge their suppliers to pass on any cost benefits
- Pass along to their customers any savings from VAT
- Ensure that the pricing policies of Naamsa members fairly reflect the benefits of VAT

192
But Naamsa stressed that VAT cost benefits might not immediately become apparent

Car makers normally raise prices quarterly to provide for excise duty rises and inflation.

Several manufacturers will implement such increases this week

Prices will double in 5 years

Sowetan 30/9/91

THE number of black people owning a motor vehicle is expected to almost double by the end of the decade - and most of these new owners will start off with a used vehicle.

Highlighting the importance of the black sector and the used vehicle market, Toyota Marketing Company's director of vehicle sales and field operations, Mr Henk Maree, says the number of black owners is expected to rise from the current 714 000 to 1,4 million by the year 2000.

Maree was speaking at a confer-

By SELLO RABOTATA

ence held in Johannesburg for Toyota dealers who have an Automark used car franchise

"Seventy percent of these potential black owners will enter the market through the used car medium," says Maree

Older

Maree added that the average vehicle on South African roads was getting older all the time as prices rose. The average age will

be 12½ years by the end of this decade

"Vehicle prices are expected to increase by 15 percent a year over the next five years which will nearly double the price of vehicles within the next five years," he told delegates



Tax benefits for small cars

GILLIAN HAYNE

SMALL car owners are to receive greater benefits than their executive counterparts, an analysis of the new travel allowance deduction tables shows *192* *B 10/19 30/9/91*

BDO Spencer Steward tax director Matthew Lester said owners of cars valued at R20 000, who covered 30 000km a year, would receive a 26,7% increase in their travel allowance deduction at the end of the current tax year

Owners of R200 000 executive cars would be given a mere 1,6% increase compared with last year's deduction

"This is not the first assault the executive car market has suffered this year," Lester said

Those using executive cars as company cars were penalised with the change in the tax treatment of fringe benefits. Employees with company cars are now paying tax on 1,2% of the cost of the car, each month

"The amendment reduced the deemed fringe benefit placed on cheaper motor vehicles while it substantially increased the fringe benefit placed on executive vehicles," Lester said

From August 1 employees receiving travel allowances have been charged PAYE tax on 25% of the allowance. For example, an employee receiving a travel allowance of R1 000 a month is paying PAYE on R250 — that is about R75, assuming a tax rate of 30%

KMPG Aiken and Peat tax manager Vinnie Roodt explained that the PAYE payment was merely a provisional payment. At the end of the tax year the individual would have to assess how much of the allowance was used for business and private use

The new travel allowance deduction tables indicate what deductions will be allowed on deemed business usage for those who have not kept detailed records

Cost of vehicle	Total deduction allowed against travel allowance		Increased deduction 1991 vs 1992	% Increase
	1991	1992		
20 000	8 056	10 206	2 150	26,7
50 000	14 608	16 394	1 786	12,2
75 000	20 360	21 452	1 092	5,4
100 000	24 520	25 380	860	3,5
150 000	34 380	35 280	900	2,6
200 000	44 220	44 946	726	1,6

Assumption: total mileage = 30 000 kilometers a year

Designs Bill (192)
31/12/91
**changes to aid
vehicle makers**

Business Day Reporter

THE amended draft of the Designs Bill is intended to compensate for the loss of copyright on functional designs, but it is a watered down form of protection which will favour car manufacturers, says SA Institute of Intellectual Property Law (SAIPL) member Owen Dean

The new Designs Bill is expected to be brought into operation in 1992 to allow for registration of aesthetic industrial designs and functional designs

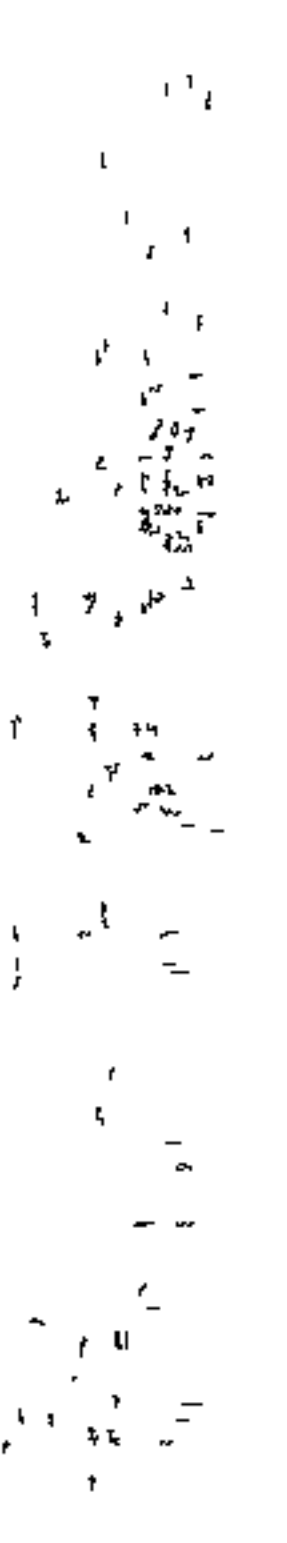
If the Bill becomes law it will allow non-aesthetic industrial designs which are new in a specific class to be registered under the existing Designs Act

This will exclude others from reproducing the registered design or a substantial part of it, but not from independently making products with the same design

MANUF. - MOTOR INDUSTRY

1991

OCT. - DEC



Toyota leads the new car market

B/Day 1/10/91. 192

MARC HASENFUSS

ONLY four out of seven vehicle manufacturers were yesterday willing to disclose new car sales figures for the first six months of 1991 after Business Day petitioned them to determine their market share.

Toyota, Mercedes-Benz (MBSA), Samcor and BMW indicated their market share for new passenger car sales, while Nissan, Delta and Volkswagen (VW) declined.

Nissan and VW were in favour of releasing individual sales data but said they would only provide figures when all parties affiliated to the National Association of Automobile Manufacturers of SA (Naamsa) disclosed their figures.

Delta remains determined not to release its sales data.

Naamsa stopped the publication of individual manufacturers' unit sales on a monthly basis in May 1988 for strategic reasons following the intensification of economic sanctions against SA.

The last time full sales data were disclosed in April 1988 Toyota, with 23,1% of the new car market, edged out VW with 22,8%. Samcor followed with 16,4%.

Although the figures obtained are not complete, Toyota, with 26,2% of the new vehicle market, still remains the dominant force.

Analysts attributed Toyota's success to its best-selling Corolla range and the increasingly popular Conquest, which are strong fleet sellers.

Samcor, which manufactures Ford and Mazda, performed consistently with 17,2% of the market in the six month period.

Samcor MD Spencer Sterling said although vehicle sales in the past three months indicated that the recession was biting deep, the market during the first six months exceeded forecasts.

Sales for the period under review reached 104 614 units, slightly above the 103 906 in the corresponding period last year.

Samcor experienced a supply shortage in small cars and six-cylinder Fords in the six-month period which resulted in a slight loss in market share, Sterling said.

He said small cars accounted for almost 75% of new vehicle purchases.

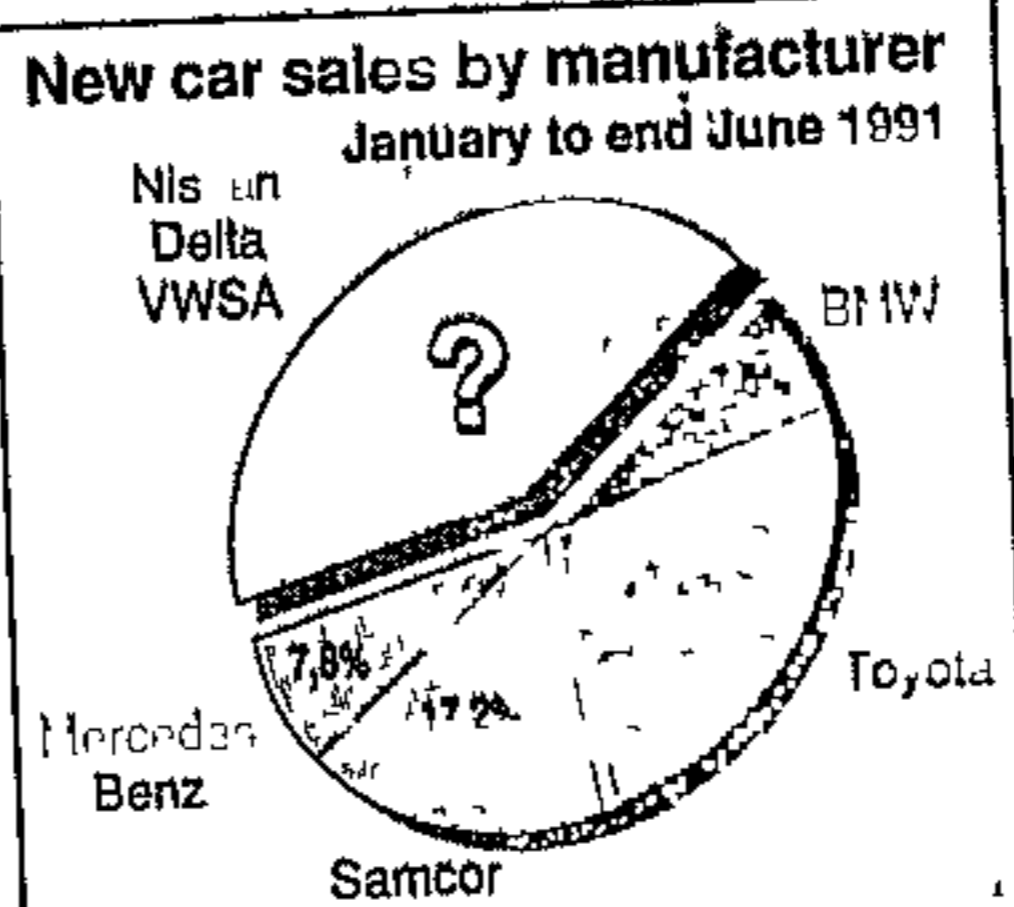
The two luxury car manufacturers, BMW and MBSA (which also assembles Honda) have performed admirably under recessionary conditions. Despite the swing to small cars MBSA held onto 7,8% of the market while BMW captured 7,6%.

A BMW spokesman said the group's market share in SA represented the highest BMW market share worldwide.

He said in 1985 one in five luxury cars was a BMW while in 1991 the figure had risen to one in three.

Industry and economic analysts have called on Naamsa to release individual unit sales to provide a clearer picture on one of the most important economic indicators.

Naamsa has hinted that more comprehensive sales data could be available by year end.



Graphic: FIONA KRISCH

Samcor set for huge car export order

27/10/91 (192)

JOHANNESBURG
Own Correspondent
Motor manufacturer Samcor announced at the weekend another multimillion-rand export order for 2400 new cars for the UK and Africa.
Earlier this year Samcor exported 750 Sao Penza (a rebadged Mazda 323) to the UK. Samcor spokesman Dirk de Vos confirmed that a further 1400 Sao Penza units would be exported to the UK before year-end.
An industry source estimated the value of the exports at around R63m.

African deals

Efforts to market Samcor's vehicles in Africa had also paid off. De Vos said 1000 vehicles, representing models across the group's range, would be shipped to various African countries and offshore islands. At least 400 of these vehicles were earmarked for Mozambique. On exports to Taiwan, he said the group was not party to the trade agreement with Taiwan which would see 2000 SA-made vehicles exported in exchange for the equivalent value of components for the deal, it will definitely not be this year.

Nissan stake

Nissan is reportedly involved in the trade agreement, according to a spokesman at the Republic of China's embassy. He said the trade office had recently spoken with Nissan and the group had expressed interest in the trade agreement. An agreement had been reached in principle last year, but the spokesman said, but the deal would be implemented under investigation at Nissan. Spokesmen at Nissan would not comment on the trade agreement.

United opposition to motor spares Bill

B/Day 2/10/91.

MARC HASENFUSS

MOTOR spares manufacturers and retailers have banded together to submit representations to government to halt the implementation of the controversial Draft Designs Bill

The Bill, which was gazetted in June and could be implemented early next year, is aimed at curtailing the production and distribution of "pirate" spare parts

Industry sources warned that the Bill would create monopolies in the motor industry by allowing original equipment manufacturers to determine the pricing and availability of spares

The Motor Industries' Federation (MIF) said the parts distribution industry, which depended on competi-

tively priced imports to supplement local parts, would have their activities reduced to the extent that some businesses would close down

Spareco, Midas and Fleishmans spokesmen said the Bill would render spares retailers totally uncompetitive

Fleishmans MD Stephen Szewach said some imported "pirate" components cost one third of the price of "genuine" spares. Although these parts were cheaper it did not follow that the quality was inferior

National Association of Automotive Component and Allied Manu-

facturers (Naacam) director Denzil Vermooten slammed the Bill as being out of line with government's intention to deregulate the economy

Patent lawyers said the Bill was aimed specifically at curtailing the manufacture and distribution of "pirate" spare parts and would not create monopolies

SA Institute of Intellectual Property Law's Owen Dean said by protecting innovation, the Bill would encourage research and development and would allow manufacturers to place new products on the market without fear of having their fledgling business destroyed by the action of copiers

(192)

COMPANIES

Genrec gears up to export motor parts

GENREC's new R45m motor component manufacturer General Machining Technology (Gemtec) is set to export up to 40% of total production in the next three years

Gemtec MD Arno van Wyk said the close ties between Gemtec and Murray & Roberts Foundries would lead to expanding export horizons for both companies

A technology transfer agreement has been concluded between Gemtec and German-based Jung CNC which supplies Volkswagen AG Volkswagen SA is committed to using the machining capability

"Gemtec will concentrate on specific niche markets where low volumes provide a competitive edge to flexible, high quality manufacturers"

He said Gemtec could export to Europe through Jung and SA vehicle manufactur-

ers exporting to their parent companies A third export route through niche manufacturers was envisaged

31 Day 3/10/91
MARC HASENFUSS

Gemtec foresaw strong export growth in view of the limited surplus machining capacity worldwide, he said

Gemtec's plant in Port Elizabeth will be opened today but commercial production will only begin next month At full capacity it will produce 400 cylinder heads a day, Van Wyk said

If Gemtec was successful, further precision machining facilities could be built "These expansions, while dependent on overall product demand, are planned for completion over the next five years and could cost more than R70m," he said

Nissan confronts the Germans

By GEOFF DALGLISH

Times (Sun) 6/10/91
192

NISSAN South Africa is on a collision course with the German luxury car establishment

Within days the company plans to introduce a new up-market saloon to challenge Audi, BMW and Mercedes-Benz

The car is the Nissan Maxima, a plush 3/ V6 automatic aimed squarely at prestige cars, like the Audi 500SE, while seriously undercutting both the entry-level BMW 520i and Merc 200E

It is expected to sell for less than R100 000, offering superior power, performance and equipment levels than its

smaller-engined rivals

Secrecy shrouds the project, but insiders report that the locally-assembled Maxima is targeted at a small but important niche market between more affordable Japanese models like the Nissan Skyline 3.0 SGLi and Toyota Cressida 3.0i Twin Cam and the German luxury marques

But where both the Skyline and Cressida have been censured for their dated styling, poor passenger space, disappointing aerodynamics and noise levels, the Maxima is perceived as a match for some of Europe's best

VAT fails to trigger capital spending

THE post-VAT takeoff in capital spending predicted by Finance Minister Barend du Plessis is not about to happen.

The minister has said repeatedly that the abolition of the 13% GST on certain capital goods and their VAT-free status would lead to considerable industrial investment after the introduction of VAT.

He also used this as an argument against delaying the introduction of the new tax, by saying that to do so would delay the next economic upswing. But businessmen who should be making the investments deny it. "We have not held back any investments in new facilities to take advantage of VAT and we plan no new projects to take advantage of

VAT," says a spokesman for Amic, Anglo American's industrial arm.

"VAT is simply one step in the direction of improving the local investment climate," says Barlow Rand financial director Evert Groeneweg.

"Other factors that still deter investment include inflation and corporate tax rates, which are high by world standards, and comments by politicians on future economic policy."

But this increase may be short-lived. The industry is still retrenching staff, though

dence of potential foreign investors." He says the introduction of VAT has made no difference to Barlow's investment plans.

Michael McDonald, chief economist of the Steel and Engineering Industries Federation of SA (Seifsa), says some orders for the purchase of capital goods have been held back over the past few months to await VAT, and that some improvement is expected.

the rate of retrenchments is expected to decline from about 2,500 a month — a figure that has prevailed for the past few years — to under 2,000.

He expects no major improvement in the steel and engineering industry until at least after the first half of next year.

He says the introduction of VAT will allow Seifsa members to reduce prices by between 1 and 2%. Because of the tough conditions he expects these savings to be passed on in full.

By CURT VON KEYSERLINGK and DON ROBERTSON

S/Times (Burr) 6/10/91



EVERT GROENEWEG
'Comments are damaging to business confidence'

director of the SA Federation of Civil Engineering Contractors, says that, though it is still early days, there has been no immediate rush into the approval of capital projects.

"Generally, business is very slack due to the state of the economy," he says. Warwick James, chairman of Allied Machinery and the Machine Tool Merchants Association, says "The market has been in the doldrums for the past 18 months, and this was aggravated as VAT-day grew closer. We had hoped for a flood of orders, but things have been quiet."

Bob Whyte, managing director of machine-tool suppliers Drury Redman, says that since Monday a number of genuine inquiries had been put through "We have not experienced this for many months," he says.

He does not expect any "fireworks" in the next few months, and he does not expect business to develop until at least the beginning of next year.

"But Barend is right when it comes to spending on what might be called 'consumable capital items such as motor vehicles and computers'," says Mr Groeneweg.

Flurry

The Amic spokesman confirms this. He says there has been a flurry of orders for commercial vehicles placed with Amic's Samcor motor company, though his group has had no orders for major items of capital equipment.

Brand Pretorius, managing director of Toyota Marketing, says deliveries of commercial vehicles in October will be about 25% higher than during September.

Daily Toyota sales have been 380 on average for the past few months, but rose to 750 on Monday and 633 on Tuesday, says Mr Pretorius.

He is doubtful, however, whether this trend will last because of the state of the economy. Joint managing director of the McCarthy Group Theo Swart says there has been a fairly substantial rise in the sale of commercial vehicles, especially bakkies, but he is doubtful if it will be sustained.

Mercedes-Benz commercial vehicles boss Adolf Moosbauer says "There has been a slight bubble in orders for our commercial vehicles, but basically the situation remains unchanged."

Flak for Designs Bill

THE Competition Board has joined consumer groups which are opposing the Draft Design Bill. If passed it could, for example, lead to higher prices for motor spares as it would ban the sale of "pirate parts", which sell for much less than those bearing the brand name of the vehicle concerned.

In many cases pirate parts are identical to the branded products and are made by the same manufacturers. Price differences are sometimes as much as 30%.

Pirate-parts sales boomed after 1988, when amendments to the Copyright Act were introduced as an anti-sanctions measure to make it easier for local manufacturers to copy foreign designs. According to an estimate

by the Automobile Association this spawned a R5,8-billion a-year industry that now employs 73 000 people. The new Bill seeks to bring SA legislation more in line with international norms. It was first introduced last

Competition Board defends 'pirate parts'

By DON ROBERTSON

year, but because of opposition it has since been watered down.

Pierre Brooks, chairman of the Competition Board, says he has no problem with the intention of the Bill, which is to protect intellectu-

al property rights.

But, he says, this cannot be viewed in isolation, and the legislation does not properly address the problem of protection versus competition.

"This is particularly so in the automotive spare-parts industry, where we have proof of this."

Groups such as the Auto-

mobile Association (AA), the Motor Industries Federation (MIF), the SA Insurance Association and members of the National Association of Automobile Component and Allied Manufacturers (Naacam) have reacted strongly to the Bill.

Denzyl Vermooten, executive director of Naacam, says that about 90% of the Bill refers directly to motor-component manufacturers.

Owen Dean, a member of the SA Institute of Intellectual Property Law (SAIPL), disputes this and says it is aimed at the "functional design" of all industrial products.

The National Association of Automobile Manufacturers of SA (Naamsa), representing motor manufacturers as well as SAIPL, supports the Bill, though Dr Dean says the component industry might need special attention.



DENZYL VERMOOTEN



NICO VERMEULEN

THE

Voltex confident about Usko's cabling

MYRON BERZACK of Voltex — the cabling company that took control of Usko this week — is confident that Usko's cabling will have a significant impact on the bottom line.

In a novel deal — the terms of which have not been made absolute — Voltex will inject R70-million into Usko in return for the issue of shares that will give Voltex 80% of the enlarged company.

Voltex is not throwing R70-million into a dead duck. The interest lies in Usko's non-ferrous division, which houses four cabling operations as well as a clutch of worthwhile investments.

Mr Berzack says there were other bidders for Usko, which partly explains the haste behind the deal and the fact that the details are not yet ironed out.

"Usko's cabling operations are complementary to our own divisions," says Mr Berzack.

He believes the subscription for shares is a novel move in SA. Because the deal is imperative to Usko's survival, and because the existing major shareholders would not inject capital, an offer to Usko's minority will not be required by the JSE in

Usko's cabling

By JULIE WALKER

spite of an effective change of control.

Mr Berzack says one of the first steps will be to reduce Usko's debt burden possibly through a rights issue.

Negated

Usko has already sold its steel interests for R55-million, and its vanadium operations to RhoVan. After these disposals, Usko has negative shareholders funds, and debt believed to be R60-million to R80-million.

"Usko's non-ferrous division was making fair money, but it was negated by the loss-makers in the rest of the group," says Mr Berzack. He is cagey over just how much Usko's cabling does earn, but R20-million before interest and tax is probably conservative.

"Once we have brought down the interest bill, Usko should turn out to be a real bargain."

This year Barlows' Reun-



MYRON BERZACK

ert bought Cullinan's shareholding in African Cables in a R76-million deal.

Another large cable company, Aberdare, issued a warning on July 4, but cancelled negotiations two weeks later. It is believed to have looked at Usko too.

The other part of Friday's announcements concerns the cancellation by Usko of 20-

year agreements with RhoVan to produce vanadium pentoxide flake.

Usko's financial difficulties have necessitated the cancellation. It must pay RhoVan R19-million cash before March 1992. Usko will also sell to RhoVan the assets used in the vanadium operations, free of liabilities and contingencies, for R1

Options

RhoEx will buy Usko's shares in Rhosco (the holding company of RhoVan) and the options Usko holds in RhoVan, for R2,1-million.

Vanadium has been an expensive exercise for both Usko and for Rand Mines, whose loss-making Vansa mine had to be closed last year.

Polymer merger

HOECHST SA and Sentrachem, joint shareholders of Plastomark, are to merge their engineering polymer divisions.

The new company, Plastomark Engineering Polymers, will become a subsidiary of Plastomark, and will be the largest supplier of engineering thermoplastics and thermosets in Southern Africa.

The product range will include modified polypropylene, high-density polyethylene, engineering polymers and associated products such as nylon.

Monopoly

Nico Vermeulen, director of Naamsa, says "functional design" needs protection in a developing country, but he recognises that a compromise between the many parties subject to the Bill will have to be negotiated.

Chief protagonists in opposition to the Bill are the AA and the MIF. They say it will give motor manufacturers a monopoly in the supply and price of spares. Consumers will have no choice as to which part to buy.

The AA says the claim by manufacturers that they need to recover the cost of research and development through the sale of parts holds no credence, as the research is done overseas and imported into SA under licence.

The AA adds that it has not yet been proved that pirate parts are less reliable than original equipment parts.

Both feel the Bill will cause job losses and facilitate monopolistic pricing.

Mr Vermooten says the Bill represents a further regulation of commerce and industry, which goes against the government's intention to deregulate.

The Bill will affect all manufactured items, including products such as furniture, tools, mechanically engineered units and kitchen utensils.

TWICE already this year gold dealers have been caught with their pants down as the metal looked to go better, then bombed out.

They are hoping this week's fillip is third-time lucky, but none is taking chances. Gold strengthened to \$356,30 without faltering, but shares edged up incrementally. Before the rally there was plenty of jobbing stock, but when institutions returned as buyers scrip dried up.

Gold's rally came on news that Soviet gold reserves are an order of magnitude below what was thought. Oil prices also firmed, with North Sea Brent rising to \$21,50 a barrel as Europe goes into winter.

Over the week Kloof added 250c to R30,75, Driefontein 185c to R37,75 and Freegold 260c to R25.

Platinums picked up on the back of gold and on the unbundling of Rusplats, which is to distribute to members its holdings in Lebowa Plats.

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Samcor nets big export deal

B/Daw 7/10/91
MOTOR manufacturer Samcor announced at the weekend another multimillion-rand export order for 2 400 new cars for the UK and Africa

Earlier this year Samcor exported 750 Sao Penzas (a rebadged Mazda 323) to the UK. Samcor spokesman Dirk de Vos confirmed that a further 1 400 Sao Penza units would be exported to the UK before year-end, after increased orders were received from British dealerships.

According to reports the cars were well received and were price-competitive with other small cars in the UK.

An industry source estimated the value of the exports at around R63m.

Efforts to market Samcor's vehicles in Africa had also paid off, De Vos said. He said 1 000 vehicles, representing

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MARC HASENFUSS

models across the group's range, would be shipped to various African countries and offshore islands.

At least 400 of these vehicles were earmarked for Mozambique.

On exports to Taiwan, he said the group was not party to the trade agreement with Taiwan which would see 2 000 SA-made vehicles exported in exchange for the equivalent value of components.

"If we do ever get involved in the deal, it will definitely not be this year."

Nissan is reportedly involved in the trade agreement, according to a spokesman at the Republic of China's embassy.

He said the trade office had recently

□ To Page 2

Samcor

B/Daw 7/10/91
spoken with Nissan and the group had expressed interest in the trade agreement.

An agreement had been reached in principle last year, the spokesman said, but the manner in which the deal would be implemented was still under investigation.

Spokesmen at Nissan would not comment on the trade agreement.

A Department of Trade and Industry spokesman confirmed the bilateral agreement was still on despite "some hiccoughs".

He said it would be some time before the

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deal was finalised, because engines of local vehicle manufacturers had to comply with stringent environmental control requirements.

A motor industry analyst said the further growth of export markets for SA car-makers could be restricted by local production problems.

He said many countries required left-hand-drive cars and engines with specific emission control. Local car-makers would incur considerable costs to manufacture vehicles to overseas specifications.

High rise in car prices explained

B/day 8/10/91
SHARON WOOD

THE retention of the local content ad valorem tax, higher local content levels and normal economic price increases caused the significant 6% month-on-month rise in August new vehicle prices, motor industry sources said yesterday.

Economists questioned the high monthly increase in new vehicle prices, measured by the Central Statistical Service (CSS), given

depressed economic conditions which should lead to lower prices

Toyota marketing MD Brand Pretorius said the retention of the 2,5% ad valorem tax, which was initially supposed to be a temporary measure, had come as an unpleasant surprise and had made the cost base of the company higher

than anticipated ⁽¹⁹²⁾

The increase in the local content level under the Phase VI Local Content Programme to 75% from 70% had also had an unfavourable effect on the company's cost base

Pretorius said "We hate price increases and are concerned about inflationary escalation because it undermines affordability

"But we have to make huge capital investments and to do this we must make reasonable profits."

VW public affairs manager Ronnie Kruger said VW's prices had risen by

between 3% and 4% on July 1 as a result of the ad valorem tax and normal inflationary pricing

A motor industry spokesman said the high price rises in new vehicles in August were not necessarily a result of higher local content levels

It was probably a combination of both the higher levels and static demand

Demand for new cars was relatively static, with a base demand of about 180 000, and therefore prices could be increased more easily, he said

● Comment: Page 10

Motor industry pins hopes on VAT to stimulate sales

By Sven Lunsche (192)

New car sales remained under pressure in September, but the industry expects a slight recovery now that VAT has been introduced

Figures released by the National Association of Automobile Manufacturers (Naamsa) yesterday show that the new vehicle market in September remained under pressure.

Sales in all four sectors declined for the fifth consecutive month, compared with comparable figures last year

There were some modest increases on a monthly basis, which have to be seen, however, against the background of the low August

1991 base, Naamsa says
Sales of new cars in September declined by 843 units, or 4,7 percent, to 17 029 units from 17 872 in September last year

September's new car sales were, however, 409 units, or 2,4 percent, higher than the 16 620 units sold in August this year

Sales of light commercial vehicles, including mini-buses and light trucks, at 8 374 units fell by 14,6 percent, compared with September last year, but showed a nine percent rise on the unit sales of 9 804 in August

Naamsa says trading conditions throughout all sectors of the industry are expected to remain

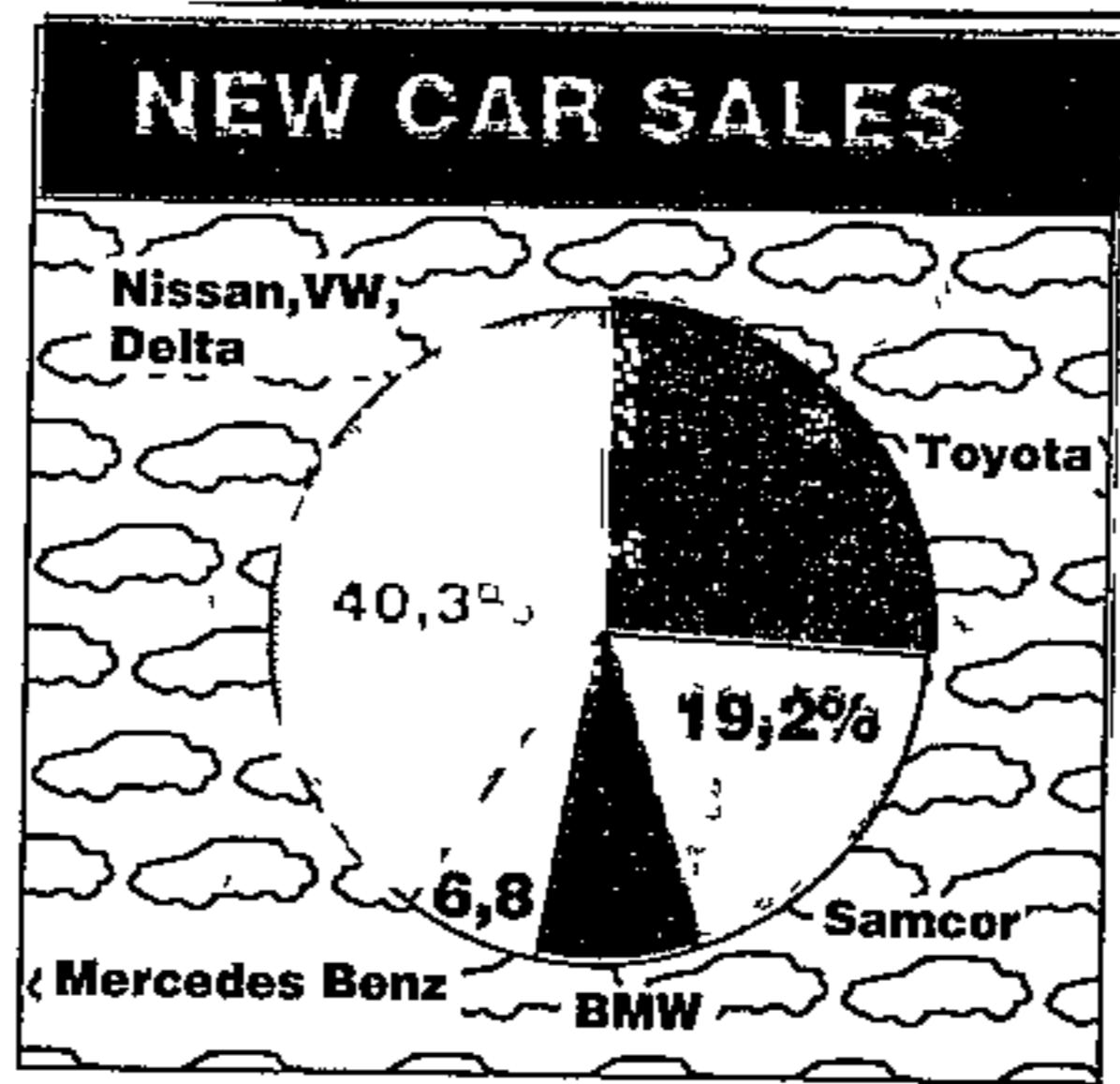
difficult in the months ahead

However, it is expected that new commercial vehicle sales will receive a boost in the last three months of the year as a result of the introduction of the VAT input tax credit available to companies when acquiring new commercial vehicles

The serious recession in the industry's medium and heavy truck sectors continued unabated in September, Naamsa says

Sales in these sectors fell by 16,5 percent for medium commercial vehicles and by 26,5 percent for heavy commercial vehicles and buses, compared with sales in September 1990

Star 9/10/91.



Graphic LEE EMERTON Source NAAMSA

Slump in vehicle sales continues 192

MARC HASENFUSS

NEW vehicle sales for September showed a year-on-year decline for the fifth consecutive month, but buying before the implementation of price increases and of VAT helped to drive sales above August's levels *8/Day 9/10/91*

Combined new vehicle sales fell 9% to 26 225 units compared with 28 738 units in the corresponding month a year ago, according to National Association of Automobile Manufacturers (Naamsa) figures released yesterday

However, the September figures showed a 5% increase over the 25 079 units sold in the previous month

Passenger car sales continued to weaken, slipping a further 5% to 17 029 units compared with 17 872 units. Passenger cars showed a slender 2.5% increase over the 16 620 units sold in the previous month

Toyota continued to dominate the passenger sales sector, lifting its market share to 25.9% (4 410 units) in September. The group's market share had slipped to 23.9% in August when supply shortages were experienced

Samcor had a strong sales month, and captured 19.2% (3 270 units) of the passenger car market, MD Spencer Sterling said.

BMW held its market share at 7.8%

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Car slump *8/Day 9/10/91*

(1 328 units). Marketing MD Ivan Honeyborne said sales were restricted by a supply shortage in certain models

Mercedes-Benz registered a lower 6.8% (1 158 units) market share for September but its share for the third quarter (July to September) was higher at 7.9%

Management board member Peter Cleary said the introduction of VAT necessitated a look at combined sales figures for September and October as many customers delayed purchases

"On a year-to-date basis we have shown the biggest growth in market share of all the manufacturers and have overtaken two manufacturers in unit sales this year"

Nissan, VW and Delta again declined to disclose sales figures

VW supported the release of individual sales data, but said it was "not strategically advantageous" to release data until all manufacturers agreed to publish their data.

Toyota marketing MD Brand Pretorius

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said the September figures were better than expected as demand was stimulated by last-minute pre-price increase and pre-VAT buying

Naamsa said the modest monthly improvement in sectoral unit volumes in September should be seen in context of the extremely low August sales base

Passenger car sales at the end of the third quarter reached 154 497 units, 4% down on the 160 605 units sold in the same period last year. This is in line with industry expectations of around 205 000 unit sales for the full year

Light commercial vehicle (LCV) sales dipped a hefty 15% to 8 374 (9 804) units but showed a 9% increase over August sales of 7 688 units

The serious recession in the industry's medium (MCV) and heavy truck (HCV) sectors continued unabated during September and sales in these sectors recorded declines of 16.5% and 26.5% compared to the corresponding month a year ago

New vehicle sales ¹⁹² plummet by 8,7% 279/10/91

By MAGGIE ROWLEY
Deputy Business Editor

THE new vehicle market remained under pressure in September with combined sales dropping 8,7% from the same month last year

The latest statistics issued by the National Association of Automobile Manufacturers of South Africa (Naamsa) show that new vehicle sales in all four sectors recorded declines for the fifth consecutive month compared to the corresponding month a year ago

Combined new vehicle sales were down from 2 8738 in September 1990 to 26 225 but showed a modest improvement on

total sales in August of this year of 25 079. However this improvement, says Naamsa, had to be seen in the context of the extremely low August 1991 base

Sales of new passenger cars during September dropped by 843 units or 4,7% to 17 029 units against 17 872 during the same month last year. However September's new car sales were up 2,4% from 16 620 in August this year

Sales of new light commercial vehicles, bakkies and minibuses totalling 8 374 were down 14,6% or 1430 units on a year ago but up 8,9% from August 1991

Naamsa said the serious recession in the industry's medium and heavy truck

sectors had continued unabated during September 1991. On a year on year basis sales of medium commercial vehicles were down 16,5% at 344 while the number of heavy commercial vehicles and buses sold plunged 26,5% to 478

While trading conditions throughout all sectors of the industry are expected to remain difficult during the months ahead, Naamsa said they anticipated commercial vehicle sales would receive a boost during the last three months of the year as a result of the introduction of VAT and the VAT input tax credit available to corporations and operators purchasing capital goods in the form of new commercial vehicles

computer sector should still offer opportunities. Saulz says that Siltek, because of its decentralised structure, can take over a small software company and leave management in charge rather than absorb acquisitions into a stifling corporate culture. Siltek straddles the computer product range from mainframes to niche distributors, such as Softsource and Select Software.

AVI has always believed in giving responsibility to management on the ground. Most companies claim to be decentralised, but few can claim it to the same extent as AVI. Head office is very small. Robbertze and Richard Savage, the director in charge of finance and corporate planning, sit in 56 Main Street with a financial manager and some secretarial staff. The other five executive directors are the hands-on CEOs of the five operating divisions.

Apart from Savage, who joined AVI from Altron four months ago, the line-up has not changed since the present divisional structure was set up in 1985. There have been very few changes in senior management. Unlike, say, Barlow Rand, AVI does not believe in giving managers a grand tour around its operations, it prefers companies to be run by specialists in their fields.

Yet Robbertze does not regard himself as a passive portfolio manager. "A group the size of AVI cannot be micromanaged from the centre, but my job is to sit and debate with my co-directors their three-year plans, with particular emphasis on the first year," he says. "This is not management by committee, it is a sharing of problems and ideas."

Consol MD Piet Neethling says AVI sets demanding targets but shows considerable trust in operating management. He says AVI is smart on planning, but it does not impose a corporate blueprint.

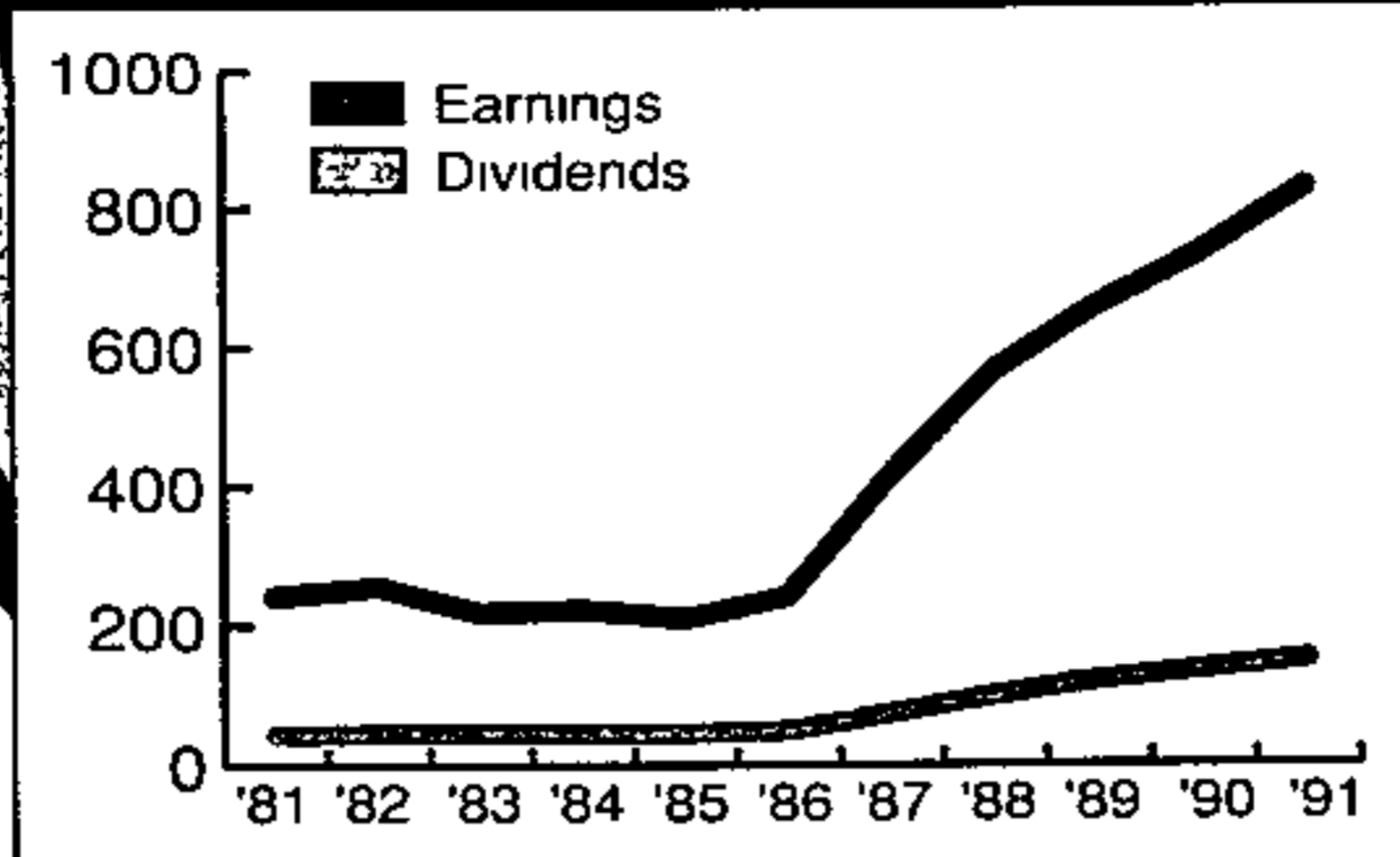
Robbertze says he has to decide if the AVI portfolio is appropriate to the market opportunities which will arise. AVI is disposing of its interest in the advertising signs company Claude Neon, because the industry is fragmenting into a lot of smaller shops and, as the business moves from rental contracts to cash payments, it may not be appropriate for a corporate business.

AVI has never liked commodities. Bakers had the largest bread-baking business in the Durban area, which was growing and profitable, but it did not meet AVI's branding criteria and so it was sold. Many of the businesses are in basic goods and maturing industries. Among these are frozen food, packaging, biscuits, tea and coffee. Robbertze sees considerable growth even here.

Markets which would be mature in developed countries — in dry groceries and beverages, for example — still offer considerable

Up, up and away

Earnings and dividends for Anglovaal industries



growth opportunities in SA. The humble glass bottle is a very old product, yet there is still real growth in it. Consol could probably have remained profitable in glass. It once made two kinds of bottles — any colour you liked as long as it was brown. Then it diversified into plastic and paper packaging. Under Neethling, Consol has been turned into a market-driven group with a constant stream of new products. In the 1991 year, it contributed 29% of AVI's earnings.

Another key contributor, National Brands, has a range of options. It expanded its brief from dry groceries when it acquired the Yardley toiletry brand this year.

Robbertze believes that starting a grocery or beverage brand from scratch is high-risk, so AVI is seeking licences from major international food companies. Most likely partners include General Foods, which AVI used to work with in the Seventies, and the confectionery and petfood group Mars, which Robbertze says has very strong brand names and with which AVI has had informal contact. The French food company BSN is also a candidate.

At least two groups, Royal Corp and Rembrandt's Hunt Leuchars & Hepburn, have an equally aggressive approach to acquiring brand names and are often prepared to pay more than AVI. Food majors such as Tiger, Premier and Fedfood are also becoming more marketing and brand-driven — so the field is by no means open.

Moreover, some multinationals already have relationships with other groups, such as that between Heinz and Anglo American Farms. But much of the smart money must be on AVI, as its acquisition record has been consistent and solid — and it has plenty of cash available.

AVI will be choosy — Robbertze rules out the purchase of one of the Coca-Cola franchise holders, such as Peninsula Bottlers

The quoted franchises, ABI and Suncrush, are trading on earnings multiples around 25 and private bottlers would come no cheaper. He says he would require cast-iron guarantees that the franchise would last and notes that Coca-Cola is assembling its own company-owned bottling plants in SA. As for backing Pepsi, or starting a new soft drink, the group has a huge self-interest in supporting Consol's existing beverage customers.

A listing for National Brands is unlikely unless a super opportunity arises to acquire a company which is at least 70% its size. Smaller acquisitions could be accommodated without a listing. The proceeds from Cadbury Schweppes will be directly attributable to National Brands. Instead of just R2m in dividends from Cadbury Schweppes, AVI will receive R14m after-tax in interest and be well poised for acquisitions.

Of course, some AVI acquisitions, in retrospect, do not look so hot. Mooi River Textiles was bought for a demanding price of more than R78m. It was considered strategically important to Avtex, but the group may yet regret the purchase. The textile industry is in decline as government policy moves away from import replacement to exports. The AVI textile companies are still making money, despite the opening up of the market to more foreign competition — but planning, Robbertze comments, is not easy.

Tyres are also an import replacement industry which needs to adjust. The industry was built up to make use of local input materials, such as isoprene, and the industry has been unable to buy its raw materials on the world market. Robbertze argues that the industry needs a period of adjustment if it is going to compete with imports.

One perceived disadvantage of AVI has always been its lack of a currency hedge. Robbertze says this factor is constantly debated. There are increased exports of frozen fish and apparently of some "sensitive" branded products. But generally, an export-orientated business needs considerable capital expenditure.

It is difficult to see AVI starting a really capital-hungry business. Unlike some other groups, AVI specifies short-term profits along with long-term resilience as a goal. It likes rapid cash generation and the ratios management watches most are operating margins, stock-turn, debtors' days and the percentage of working capital to sales.

AVI acknowledges that it will never have the huge profit swings which tend to be brought about by a Mondi or a Middelburg Steel & Alloys, but in most years since 1986, its earnings growth has comfortably beaten inflation. Its strong financial position and marketing orientation have helped ensure above average growth. The market is looking for 22% to 24% earnings growth this year, and growth could well be better in 1993 and 1994 if the upturn is underway by then.

As long as consumer spending continues to rise and profits are sweetened by shrewdly chosen acquisitions, AVI could remain a leader.

Stephen Cranston

protection under the Draft Designs Bill "The Bill will keep the patent attorneys busy Keyburn says it will be possible to obtain a petty patent for individual components, as well as for an overall machine." The amount of legal work will proliferate. The Bill also leaves room for widespread uncertainty and abuse. In the event of a dispute, parties would appear before a tribunal of patent attorneys or practicing advocates, rather than the Supreme Court. Clashes of interests are inevitable Says Keyburn "It seems inherently wrong that patent attorneys and advocates will end up judging their competitors or their clients' work."

A memorandum accompanying the Bill states that it is well-acknowledged that a gap exists in SA for this legislation, and that the system of petty patents has been successful in at least 19 countries. Keyburn, however, challenges the efficacy of some of these systems. He sees no need for the proposed legislation. He says it is possible now to obtain a patent relatively quickly and inexpensively for both major and minor inventions. "Thus it can be contended that SA's existing patent system already incorporates a petty patent system." Keyburn is particularly concerned that both Bills are being proposed at a time when SA should be cutting back on legislation in order to re-enter world trade successfully and encourage the start of small industries. "We need to harmonise our law with European legislation as far as possible."

Published at the end of August, the new Bill would have much the same effect as the first Bill. It would give car manufacturers control of the after-market in motor spare parts by largely prohibiting the manufacture of spare parts by anyone other than the original maker. The result could be the loss of the thousands of jobs that independent manufacturers and suppliers have created in the past few years (*Business & Technology* August 16).

The new Bill provides blanket protection for low-level technology. In a nutshell — an innovator who makes minor steps forward in technology may obtain a 10-year monopoly on the manufacture, sale, importation and use of similar products. Any new item that involves an "inventive step" — a mere advance in the art is sufficient — and that is capable of being used or applied in trade, industry or agriculture, would qualify for protection if the Bill became law. Clearly, the intention of the Bill is to reduce the level of inventiveness required for patentability, petty patents would be relatively easy to obtain. Certainly, new spare parts for vehicles and machinery would be ideal candidates for such protection.

Says Weber Wentzel patent attorney Lawrence Keyburn "The Petty Patents Bill creates a new form of property centred on low-level technology, as opposed to the higher technology of full patents. It would provide protection for things that aren't inventions under the Patents Act, and include many objects that could also qualify for protection."

But car manufacturers, patent attorneys and other powerful interests have an alternative strategy in case the Designs Bill gets killed. It's called the Draft Petty Patents Bill.

Opposition has steadily mounted to the controversial Draft Designs Bill. Last week the Competition Board joined ranks with the Automobile Association, Motor Industries Federation, short-term insurance industry and National Association of Automobile Component and Allied Manufacturers in condemning the proposed legislation as anti-competitive.

Switching strategy
DRAFT DESIGNS BILL
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FM 11/10/91 (192) ~~192~~

But, he adds, for other SA manufacturers to tie up similar export deals, they will have to find the customers first "While competitive quality and pricing are important, successful negotiations with dealers or agents underpin such deals"

UK importing agent FCL, an associate of Mazda Cars Ltd, saw a narrow but profitable niche for Mazdas from SA "The cars we are exporting to the UK are one model generation behind the latest Japanese models and consequently are priced lower, creating their own niche in the (depressed) UK market," Sterling says

Should the UK recession continue next year, Sterling projects sales of 3 000 units because people are trading down But, should the UK economy recover, he expects sales to increase to about 5 000

"We also will sell about 1 000 vehicles in Africa and the neighbouring islands this year, with Mozambique taking up about 400 units," says Samcor spokesman Dirk de Vos

Meanwhile, Delta has just secured the right to sell Opel cars and Isuzu commercial vehicles in several right-hand-drive African countries, but details on how many cars will be sold are not available yet

"Fully assembled vehicles exported to niche markets could become meaningful in the future, provided the transport cost does not weigh up too heavily against the final selling price," says director of industrial and commercial holdings Andre van Rooyen "Delta would like to see SA-built vehicles enjoying the major share of the market in a number of African countries" Delta also is looking at Europe and, to a limited extent, South America for exports

Toyota export manager Ben Grobbelaar says a distribution agreement with the Japanese franchisor limits Toyota SA's sales to the SA Customs Union — Botswana, Namibia, Lesotho and Swaziland "This re-

MOTOR INDUSTRY FM 11/10/91

Pushing exports (192) ~~192~~

Exports of vehicle components have boomed in the last few years Now local motor manufacturers are beginning to move into the export market for fully assembled vehicles

This year, Samcor has tied up firm orders for the export of 1 400 Mazda cars to the UK — the first time SA will export fully assembled cars to the UK — and CE Spencer Sterling hopes to increase sales to between 3 000 and 5 000 units next year This would comprise about 8% of Samcor's total output of passenger cars

Other manufacturers are studying the potential for following suit, but many are restricted by contractual, financial or logistical considerations However, with the incentives under the Phase 6 local content programme offering a strong inducement to pursue exports and with the local market severely depressed, manufacturers seem intent on sidestepping these hurdles

Sterling says one reason why "we have been able to enter the European Community market is because our cars qualify for the EC's requirement of 65% minimum local content by any national exporter" Had Samcor not been able to meet the requirement that 65% of the content comes from SA, its cars would have come under the EC's import quota for Japanese vehicles

BUSINESS & TECHNOLOGY

FM 11/10/91 (192) ~~192~~
duces our potential export benefits under Phase Six" Exports will be on the agenda when Toyota Marketing MD Brand Pretorius visits Japan next month

Licensing agreements also hold back Nissan in exporting fully assembled Nissans and Fiats, says Charles Wiggill, MD of Nissan's international operation (Motoware) But negotiations with the Japanese and Italian licensors have allowed some cars to be sold in other African countries, he says

BMW financial director Peter Barbe says there is a good future for BMW SA in niche production He believes it would be economically viable for BMW SA to produce limited-volume cars for the rest of the BMW group "What may be considered to be a low-volume and possibly uneconomic, car in Germany could be a highly viable product if produced here In Germany, anything less than 10 000 units is considered to be low volume In SA, that is half the annual production of some car manufacturers Even producing 70 highly specialised cars at R500 000 each, for example, would make good economic sense here"

But no such initiatives are now under consideration

Mercedes-Benz SA management board member (commercial vehicles) Adolf Moosbauer says the changing political climate towards SA has opened the door for sizeable exports to Africa, mainly for the company's medium and heavy trucks

"Unlike many other local manufacturers, we are not a franchise operation, but part of Mercedes-Benz AG in Germany Where political stumbling blocks are removed and we can freely export to Africa, costs and our closeness to the market could determine that we will provide for this market, rather than our German or Brazilian divisions"

MBSA will export about 100 commercial vehicles to Africa this year, mainly to Zambia, Malawi and Mozambique, Moosbauer says "As with bus exports, we have hardly scratched the surface, but the availability of finance is the major dampener on developing the huge potential of the African market" ■

Tractors in mire

5 Times (Bus) 192

13/16/91

Business Times Reporter

TRACTOR sales slumped heavily in the run-up to VAT, with September sales of 201 units, 42% down on the same month last year.

The SA Agricultural Machinery Association says many farmers delayed delivery of capital goods until the introduction of VAT.

In the first nine months of the year, 1 981 tractors were sold, 34,5% down on the figure for the same period last year. The SAAMA has lifted its estimate of tractor sales for the full year from 2 500 to 2 600.

Cut car prices and educate

SITimes (843)
NEARLY R10-billion could be released for training and education in the next five years if the average price of company-owned cars can be cut by R10 000, according to John Newbury, MD of Nissan SA

Speaking at the launch of the new Nissan luxury vehicle, Mr Newbury says that traditionally, about 70% of passenger cars are sold to companies each year, representing about 250 000 in 1991

If the price could be reduced by R10 000 on each unit, R2,5-billion could be released for investment in productive assets or for training and education.

Thus, he says, is vital for the future of the country and the economy, which has seen the population grow from 22-million in 1970 to 37-million last year. Of these, 37% are under the age of 15, 65% are urbanised and 41% are unemployed. In 1960, it was possible to find jobs for

13/10/91 By DON ROBERTSON

736 out of each 1 000 school leavers, but today only 125 can be offered jobs, he says "This is a real nightmare"

To overcome this, the motor industry, the second largest employer in SA, must be encouraged to expand, improve productivity and enter global markets. It must also overcome unrealistic labour demands and absenteeism

Painting a gloomy picture about the economy, Mr Newbury says that he is concerned about the state of industry, labour disruption, political instability and the controversial Phase Six local content programme

The major problem facing SA is political instability

The recent comments of ANC secretary-general Cyril Ramaphosa can only

drive down investment in SA and severely damage the country's credibility internationally

Referring to Phase Six, Mr Newbury says that all manufacturers accepted the Board of Trade and Industry's concept that it should reduce foreign exchange expenditure, develop exports and produce affordable vehicles

But under pressure from German manufacturers, the BTI is moving away from this Low-cost motoring does not only involve the price of the car but also low cost maintenance, running costs, finance charges and insurance

Mr Newbury questioned the concept of fringe benefits, in which a Fiat Uno, manufactured by Nissan, carries the same 1,2% tax as a BMW 850i.

"Is this logical, can it continue? The Ministry of Finance must address this point."

Naamsa lifts gag on sales figures

Own Correspondent

INDIVIDUAL car manufacturers' sales figures will be released on Wednesday after a three-year blackout, says the National Association of Automobile Manufacturers, of SA (Naamsa)

Naamsa halted the publication of the statistics for strategic reasons in May 1988 after economic sanctions intensified

Naamsa expects to release detailed information of sales of new motor cars and new commercial vehicles by manufacturer, model variant and market area for the years 1988, 1989 and 1990

Although this will not apply to monthly new vehicle sales, economists have welcomed Naamsa's decision

The latest move will give economists a clearer view of the motor industry — long

considered a vital barometer of the economy. Only Delta remains firmly opposed to disclosure of monthly sales data.

In a surprise move at the weekend, Nissan released its market share statistics

The group captured 10.9% of the passenger vehicle market in September and had 10.8% of the market in the third quarter

It also reported 25.1% and 19% market share for the light/medium commercial and heavy commercial sector respectively in the nine months to end-September. Volkswagen, which supports the release of individual sales data, has an estimated market share of about 20.5%, according to reliable sources in the group

The market share breakdown for Sep-

tember's passenger car sales saw Toyota with 25.9%, Samcor 19.2%, BMW with 7.8% and Mercedes-Benz 6.8%

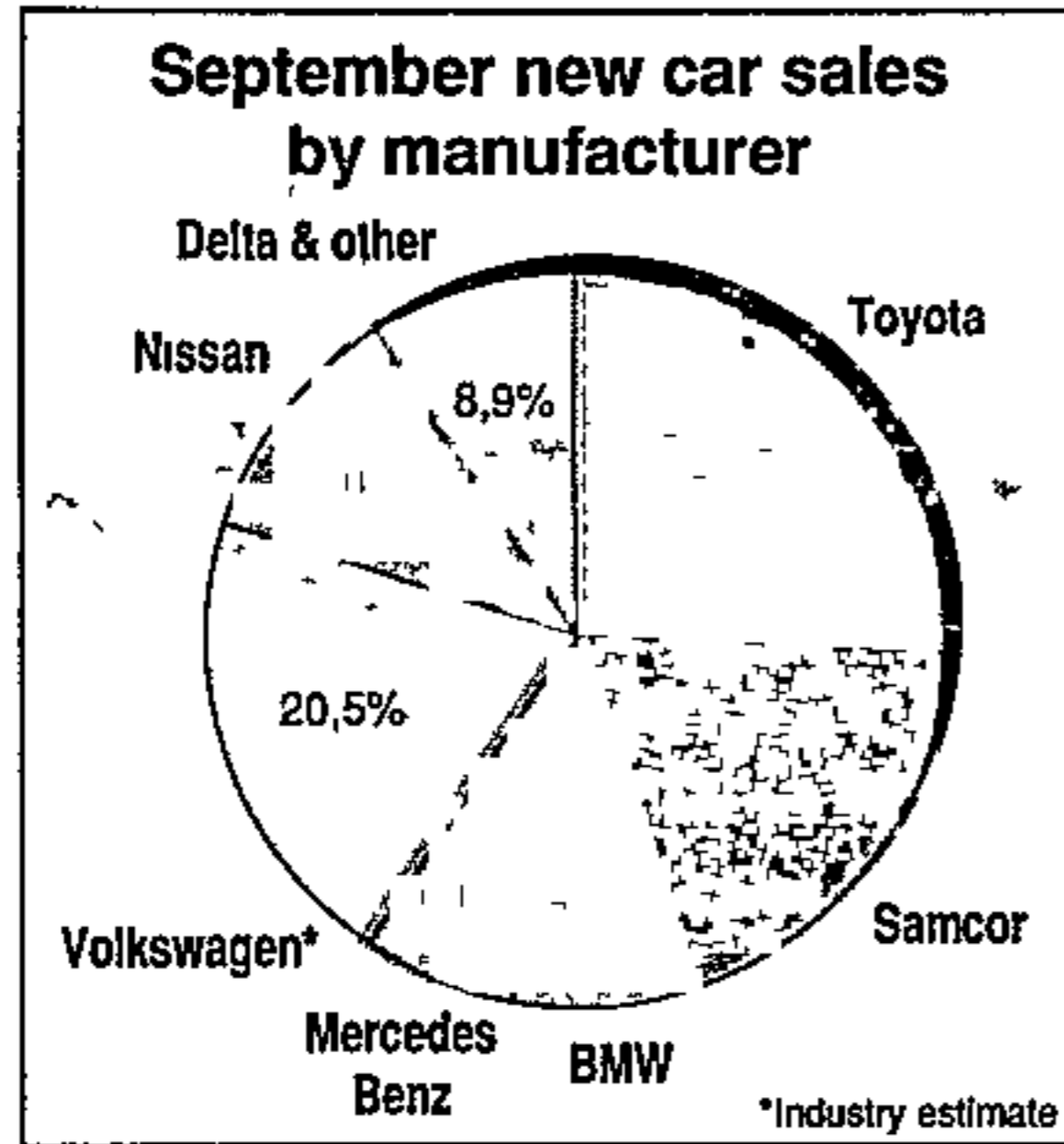
This leaves Delta and a handful of "other" sales with the remaining 8.9%. Naamsa director Nico Vermeulen said figures would now be available on a quarterly basis and would be released a few months in arrears of the last quarterly sales month

Vermeulen said that Naamsa hoped to resume publishing individual manufacturer's monthly new car sales figures. Econometrix's Tony Twine said the breakdown of unit sales would provide industry analysts with a much clearer picture of the new vehicle market

Twine believes that a monthly breakdown of unit sales would be possible once Japan lifts sanctions officially

(192) <T 14 10/91

Naamsa ends blackout on car sales



Graphic: FIONA KRISCH

MARC HASENFUSS

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□ To Page 2

Blackout

BIDON 14/10/91

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(192)

□ From Page 1

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Recovery ⁽¹⁹²⁾

predicted for Midas ^{B/day 16/10/91}

MARC HASENFUSS

MOTOR industry analysts are predicting a small recovery in earnings growth for automotive component distributor Midas in the six months to end August 1991 following significant rationalisation and a R2m expansion programme

In light of indications that the vehicle aftermarket has entered an upswing, analysts believe the group's results for the full year could show a marked improvement. Interim results are expected this week.

The group posted a 47% drop in earnings to R4.4m (R8.3m) last financial year on the back of a 10% increase in turnover.

Directors said trading in the first two months of the interim period were ahead of budget.

The share has done little to indicate investor optimism, and remained untraded yesterday at 350c. It peaked at 410c in August after slumping to 245c earlier this year.

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BUSINESS

SA tractor firms struggle to survive

B/Day 17/10/91

142

LOCAL agricultural machinery manufacturers are getting bogged down in a sluggish new tractor market which is unlikely to exceed a meagre 2 600 sales this year

The handful of tractor assemblers still operating locally are adopting desperate survival tactics in realisation that the industry is unlikely to relive the halcyon days of 1981 when 24 000 new tractors were sold

The boom sales periods in the late seventies and early eighties saw the market average out at more than 15 000 units a year

But this rapidly changed as the heavy agricultural debt burden, high interest rates, prolonged periods of drought and political changes thinned fixed investment levels in the farming sector

Some industry sources believe that tractor sales will recover slowly and expect the market to remain under 3 500 units for the next five years

However, Econometrix's Tony Twine says that, with agricultural sector fixed investment levels at a two decade low, a turnaround in the new tractor market could be dramatic

He said if climatic conditions reverted to their long term averages the improvement in agricultural product would necessitate farmers replacing old tractor stock

The cost of replacing new tractors and depressed agricultural yields in the last decade have caused farmers to delay the renewal of their tractor fleets. This has pushed the local tractor lifespan to an average of 12 to 14 years

Theoretically, tractors should be replaced every eight to nine years and industry sources say that extending tractor lives could prove costly in the long term

Older tractor models devalue relatively rapidly and farmers are unable to recoup replacement parts and labour costs on the resale price

SA Agricultural Machinery Association (Saama) chairman Bert Pepler says the "big four" John Deere, Massey-Ferguson, Fiat and Ford, now represent about 80% of the new tractor market

MARC HASENFUSS

Deutz, Agrico, Aco and Pillman still operate locally but on a relatively small scale

Landim (previously owned by Malco-mess) has been incorporated with Massey-Ferguson in line with rationalisation in the industry

The production MB-Trac, assembled locally by Mercedes-Benz SA, will cease worldwide at the end of the year after higher production costs for new models increased selling prices by between 10% and 20%

Some manufacturers have undertaken large scale rationalisation programmes in which the number of employees and models were slashed

He said the rationalisation in the industry was likely to continue well into next year although there were indications that the new tractor market had bottomed out

Janisch Industries recently provided cash strapped farmers with a viable alternative by importing a low cost Polish made Ursus tractor

Cheaper

Janisch GM Ronnie Holtzhausen says that 65% of the first two consignments of Polish tractors have already been sold

He says the tractors sell between 20% and 25% cheaper than the average locally assembled tractor and that 90% of the tractors' parts were interchangeable with a well established local manufacturer's models

Holtzhausen says the group could capitalise on the parts market by providing compatible parts for other tractor models at a 20% to 25% discount

Pepler believes there are definite export possibilities for local tractor makers north of SA's borders but that these were being hindered by the shortage of foreign exchange in most African countries

He said the industry received numerous enquiries from various African countries but attempts to organise finance almost always proved fruitless "By the time the necessary finance is arranged the price of tractors has escalated again"

Innovative thinking rewarded

Good sales boost the sum of Midas's parts

MARC HASENFUSS

BETTER sales, effective restructuring and stringent control helped motor component retailer Midas offset recessionary conditions and more than double its interim earnings

The results outpaced market expectations which predicted that the group would only show a small recovery at the halfway stage, in line with the gradual recovery in the motor spares industry

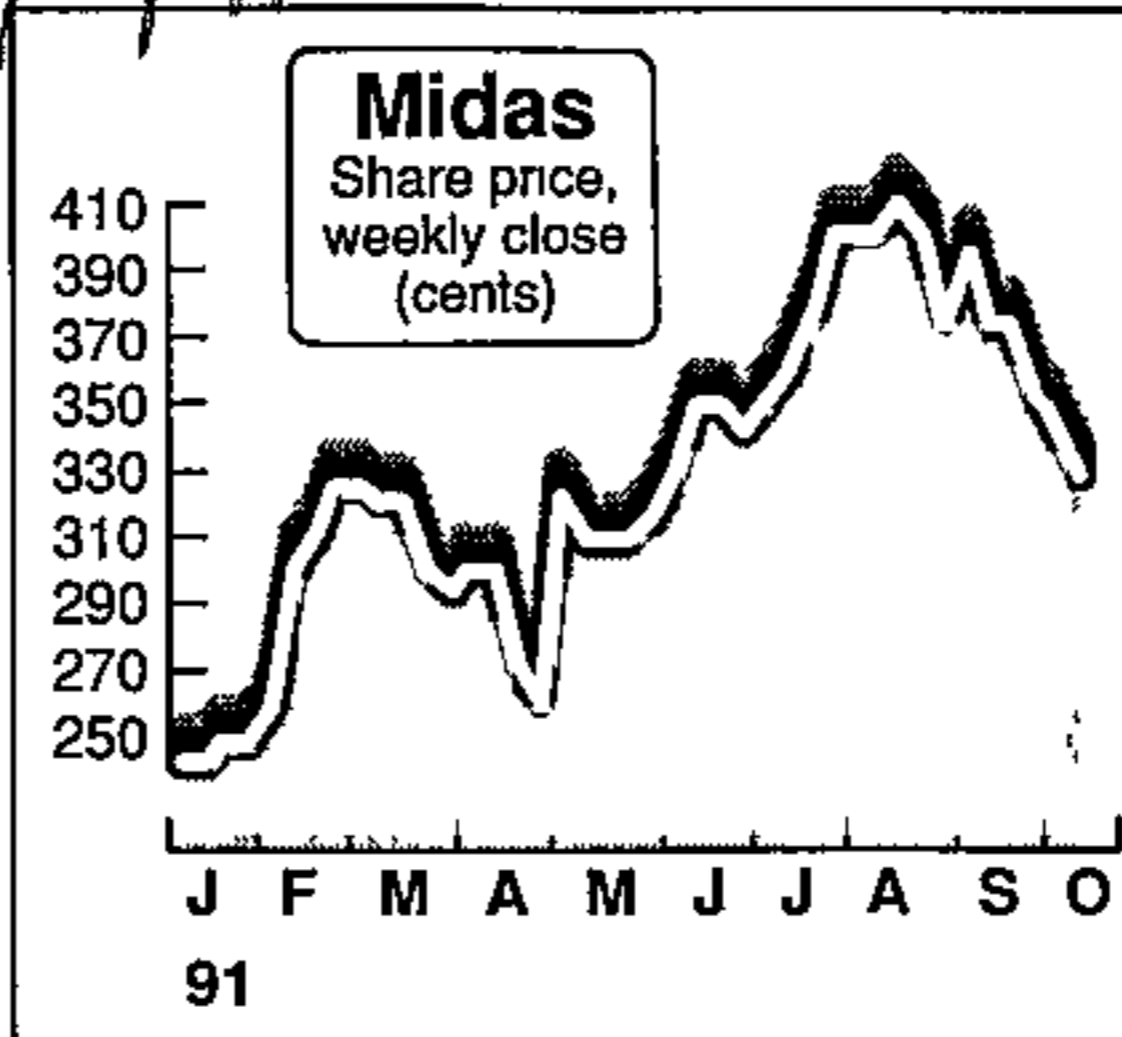
However, the share did not respond positively to the results yesterday, easing 15c to 330c in three small deals on the JSE yesterday

The share peaked at 410c in August and bottomed at 245c in January

MD John Rich attributed the improved results mainly to management's ability to control expenses more effectively

"The Midas group has now largely bedded down and we are in a position to consider meaningful acquisitions which will further enhance the value of the company"

Turnover lifted 22% to R145m (R119m) but stronger margins at 5,1% (previously 4,1%) boosted income 53% at operating



level to R7,5m (R4,9m) for the six months to end August 1991

Earnings soared to R3,75m (R1,69m) or 25,4c (11,5c) a share while shareholders were rewarded with the doubling of the interim dividend to 6c (3c) a share, covered 4,2 (3,8) times

A R2m extraordinary item related to goodwill, which had been amortised according to company policy Earnings after extraordinary items stood at R1,7m (previously a loss of R2,3m)

TRUCKING BACK? ¹⁹²

Fm 18/10/91

Sales of commercial vehicles, devastated in the build-up to VAT, are showing tentative signs of recovery. Errol Richardson, of the McCarthy Group, SA's biggest vehicle dealer franchise, says his dealers have reported a 20% rise in sales during the first 10 days of October

While most of the recovery seems to be at the lighter end of the market, heavy trucks and buses are also faring better than they have in months

Commercial sales have plunged this year since government announced that the introduction of VAT on September 30 would entitle buyers to claim back VAT as an input credit on capital goods. Car sales did not qualify. Many potential buyers, offered an effective 13% saving by waiting for the demise of GST, have since stayed out of the market. Dealers and vehicle manufacturers have been waiting anxiously to see whether the arrival of VAT would signal a recovery.

Richardson, who is also chairman of the National Automobile Dealers' Association, describes the early signs as encouraging but warns against expecting a long-term market recovery. Rather, he expects a temporary "flutter" before settling down.

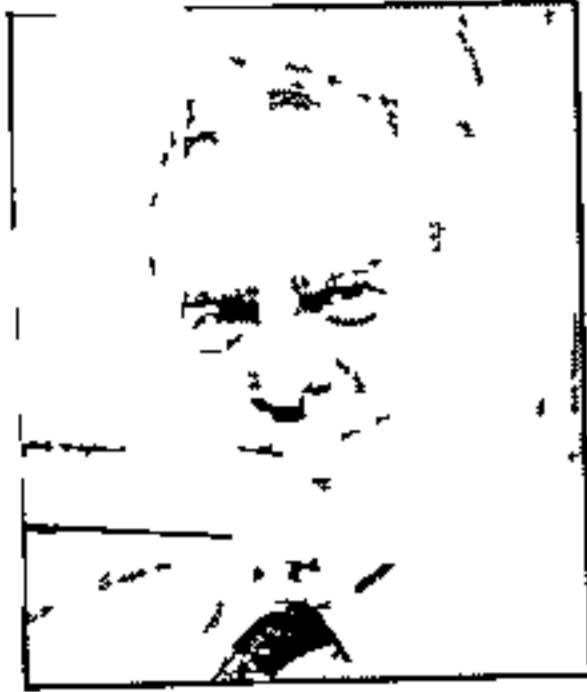
Nico Vermeulen, director of the National Association of Automobile Manufacturers, says that despite the current boost, trading conditions in all vehicle sectors — cars and commercials — will remain difficult for the foreseeable future

SEPTEMBER VEHICLE SALES

	1991	1990	% change
Cars			
September	17 029	17 872	-4.7
January-September	154 497	160 605	-3.8
Aug (16 620)-September			+2.5
Light commercials			
September	8 374	9 804	-14.6
January-September	76 649	86 021	-10.9
Aug (7 688)-September			+8.9
Medium commercials			
September	344	412	-16.5
January-September	3 159	3 701	-14.6
Aug (309)-September			+11.3
Heavy commercials			
September	478	650	-26.5
January-September	4 308	5 902	-27.0
Aug (462)-September			+3.5
Total sales			
September	26 225	28 738	-8.7
January-September	238 613	256 229	-6.9
Aug (25 079)-September			+4.6

Source Naamsa

Are luxury cars getting an easy ride?



John Newbury is the CE of Nissan SA. This is an extract from a speech he gave last week in Sandton.

FM 18/10/91

192

I am concerned at the direction being taken by the Phase Six local content programme for the SA motor industry and some of the nonsenses being evolved by the Board of Trade & Industry. I hope that soon it will get down to addressing the fundamental issues that were set by the Minister and the board at the time Phase Six was devised.

The first of these was preservation of foreign exchange. There's no doubt this is vital to SA and it was a key objective in that programme. Second was development of exports and I believe the programme can do that. Third was stimulation of more affordable motoring.

These are written in the Phase Six documents and I am talking particularly about the benefits favouring small cars. It was upon those commitments that people accepted the programme.

I am concerned that, as a consequence of German pressure, government seems to be moving away from the key fundamental criteria that were right for this programme and right for SA.

We should endeavour to stimulate more affordable transportation at economical levels, in other words, low-cost passenger

vehicles, commercial vehicles and minibuses. There's no doubt this is what SA needs.

SA has a disproportionately large luxury-car segment. BMW says it has a higher market share in SA than anywhere else in the world. That's wonderful for it, but is it good for SA? It can't be right that in an economy that is moving towards the Third World, luxury cars outperform their equals in any other country.

I know it's nice to drive these toys, but is that right for SA? Can this economy afford this sort of vehicle, this market structure?

Let me give a simplistic calculation. The current annual SA new-vehicle market is 300 000 vehicles, going up, hopefully, in the next couple of years to 400 000. If we talk about 70%-80% of this market comprised of fleet and company-owned vehicles, that represents about 250 000 vehicles in one year. And if we reduce the purchase price on average by R10 000 per vehicle, we would release, in productive capital, about R2,5bn.

You can argue my figures, but at the worst it's R2bn that can be employed in productive assets. And if it's not put into those assets because there is enough productive capability in SA, then let's put it into training and developing our people. What will we have if we throw R10bn at that in the next five years? Maybe we will have a work force that could put SA on the threshold of developing like the Hong Kongs, Singapores, Taiwans and other countries.

Perhaps the biggest limitation to growth in SA is the undertrained, underdeveloped and possibly not highly co-operative work force. We need to give it the tools to do those jobs.

Let me also talk about taxation. I'm not a proponent of higher taxes, but I believe that to downsize successfully the SA market, the whole aspect of tax structures in motor vehicles will have to be addressed.

This is a very common practice all over the world. For instance, you've got the gas-guzzler taxes in the US. In Italy, you pay 19% VAT on vehicles under 2 000 cc and 38% VAT on vehicles above 2 000 cc. Such principles are common practice in many countries of the world. One country where they aren't is Germany.

The taxation is used to determine and influence market structures. In SA, and this seems ridiculous to me, the fringe benefit tax on a Fiat Uno and on a BMW 850i is identical at 1,2% — on a R20 000 motor car and one costing half-a-million rands. Can you honestly tell me that is logical and we can allow this sort of nonsense to continue?

Maybe the 1,2% is right for the 850i or the R1,5m Ferraris, Lamborghinis and Rolls-Royces. Or maybe it's right on the Uno. But not on both. I don't mind how they do it, push one up or the other down, but I think it's time we addressed affordable motoring.

This is not a new idea. We have certain essential foodstuffs exempt from VAT. In the past, we have seen higher taxes on champagne than on other drinks and cigars carrying greater tax burdens.

It is a fundamental basic of taxation that's been established in SA and all over the world for many years.

It is time that it's sensibly addressed by the Ministry of Finance as a fundamental basis for restructuring the SA economy.

Time to rock the boat

By MAX BRAUN (192)

FORECASTERS predicting the worst year in more than a generation for new truck sales are more likely to be right than wrong

Sales of new vehicles with a gross vehicle mass (GVM) of more than 7 500kg have remained in the doldrums throughout this year. After the first eight months of 1991, only 3 795 new units were sold, according to the National Association of Automobile Manufacturers in South Africa (NAAMSA).

Annualising current sales, the 1991 total will fail to reach 5 700 units — more than 1 000 units less than the disastrous 6 839 recorded in 1986 (see table for annual new truck sales since 1979).

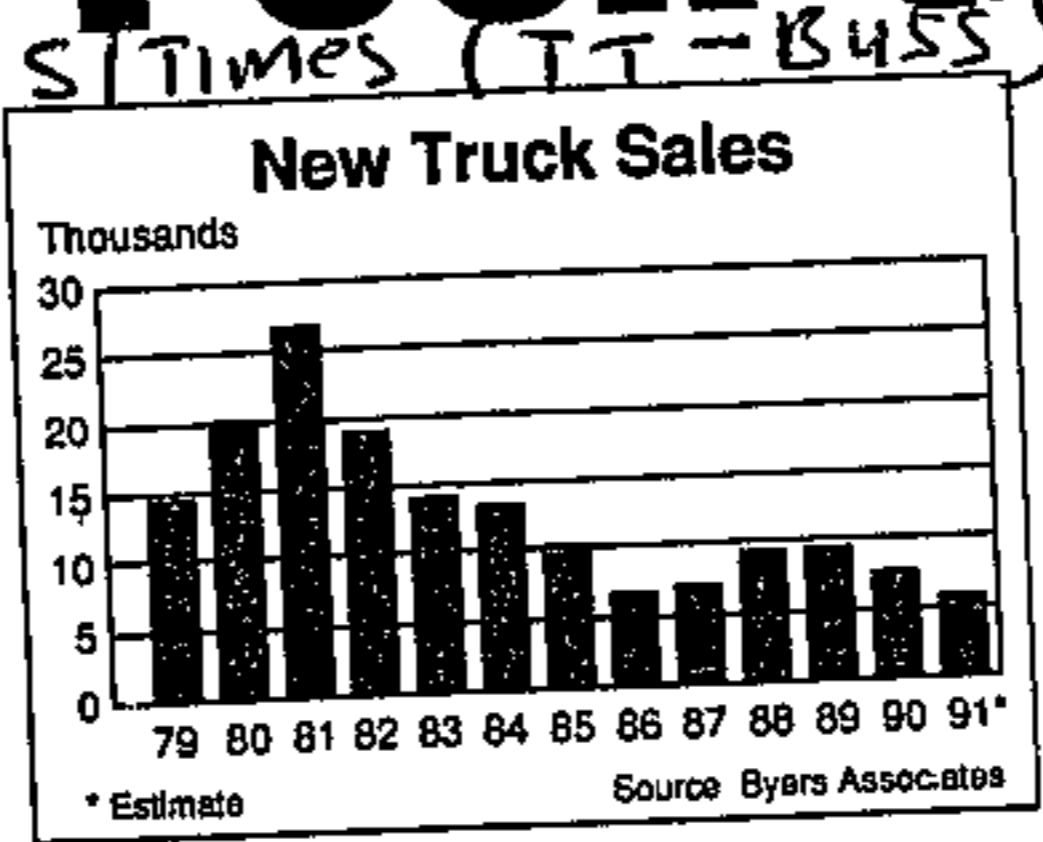
Vehicle manufacturers and dealers who have been in the business long enough say 1986 was the lowest in 25 years, 1991 seems certain to be considerably lower than this figure.

CONFIRMED

It is generally accepted that new truck sales follow the fortunes of the economy. This to an extent is confirmed by the sales recorded in 1981 and 1984, both good years for the economy. However, to what extent can the drop in unit sales be attributed to an economic downturn or to widespread lack of confidence in the future for SA, or weak selling efforts on the part of dealers and vehicle manufacturers?

Most manufacturers believe lack of confidence in the future of SA is the major obstacle facing their dealers. If their assumption is correct, then there is little they can do to change matters in the short-term.

Manufacturers support their view with the lack of activity in the used truck market where stocks of most



popular models are available. Even parts sales and vehicle rebuilding, remanufacturing and refurbishing are in the doldrums, they say, with little sign of an early improvement. It seems operators at virtually all levels are prepared to soldier on with their existing vehicles, old although they may be.

Truck suppliers and the allied industries that supply truck users are hopeful there is a worthwhile pent-up order book waiting to be executed now that VAT has been implemented. However, few suppliers believe that post-VAT buying will produce enough to make 1991 a reasonable sales year.

Accusations of alleged excessive discounting is the frequent cry heard on dealer shop floors and in the disillusioned corridors of vehicle manufacturers. No doubt there is probably truth in the accusations that many bad risk deals are being done just to keep the ball rolling.

Does this not beg the question: Is this all that dealers can do to capture the attention of fleet owners, many of whom are now plying our roads with tired and costly to operate geriatric vehicles?

The introduction of VAT opens the door to lobby Finance Minister Barend du Plessis and his department for the introduction of some form of tax investment credit or investment allowance.

The Margo Commission's recommendations clearly did not favour tax allowances because of the difficulty in forecasting how much revenue must be traded-off against the fruits of increased investment. Now that almost all truck owners will qualify for VAT input credits it may well suit the government to stimulate the purchase of new trucks in a bid to generate new and additional business that can be taxed in other areas of the income tax net.

Is it not time for vehicle manufacturers, in combination with the Road Freight Association, the National Association of Private Truck operators, the South African Bus Owners' Association, the Chamber of Business, the Afrikaanse Handelsinstituut and others to prepare a credible justification for the introduction of such a tax allowance?

SOLUTIONS

The benefits for operators, suppliers and the government include a stable supply situation, a more effective national fleet, improved road safety and increased taxation through increased economic activity and employment. Failure to stimulate truck purchases probably means retaining all the negatives of the suggested benefits just mentioned.

These would certainly ultimately include less choice of makes and models and longer delivery times.

As a last thought, vehicle manufacturers could insist their dealers become better qualified salesmen.

Whatever is required, dealers and their manufacturers should recall the words of Woodie Maartens: "To sell successfully you need a product plus, or a reason why." Selling, said Maartens, "is a war, not a social grace." So why not rock the boat?

Mazda moves to buy into Samcor

MAZDA Japan is set to take a 24% stake in vehicle manufacturer Samcor after yesterday's moves by the Japanese government to lift economic sanctions against SA.

Samcor, which assembles Mazda and Ford vehicles, has indicated that negotiations between itself and Mazda Japan would take place only when Japanese sanctions were lifted officially.

A spokesman for the Trustees of the Samcor Employees Trust (representing the workforce's 24% stake in the company) said that an offer from Mazda would be welcomed.

It will be business as usual for most local assemblers and distributors of Japanese products, despite the change in Japanese attitude.

Sources in the motor and electronic industries said yesterday the lifting of sanctions would have little or no effect on their markets.

A spokesman for the TV, audio and appliance industry said that many SA companies had long been trading openly with Japan and sanctions had "merely been a window-dressing".

Motor industry analyst Tony Twine said the lifting of sanctions was likely to have a muted effect.

He said the new-vehicle market had been in decline since 1988 and the easing of restrictions in motor related exports to SA would have little effect in a market where demand was still low.

Nashua MD Jac Moolman said that

192
22/10/91
MARC HASENFUSS
and MARCIA KLEIN

in 1988 Japan was under pressure from the US to impose sanctions. Since then, Japanese companies had tried to slowly decrease trade with SA. However, many companies were able to bring in a large amount of equipment by sourcing through third parties.

Since 1989 Japan had become more lenient. "Although sanctions were still on the books, they were not really being enforced," Moolman said.

He believed there would be no difference as SA already marketed almost every product which was produced in Japan, and he did not think Japan would want to become more involved in terms of investment.

National Panasonic MD Alan Coward agreed that there would probably be no effect, as sanctions against SA did not affect the flow of products.

Coward did not believe that Japan would make any investments in SA until the Japanese were convinced that nationalisation of industries would not take place.

Toyota executive chairman Bert Wessels said that although Toyota SA was not considering direct investment from Japan, a more supportive policy from Toyota Motor Corporation with regard to the export of vehicles and components would be beneficial.

Delta, which assembles Isuzu commercial vehicles, did not expect direct investment from Isuzu Japan.

'SA could win 20%' of catalytic exhaust trade

B/Dan 22/10/91

MARC HASENFUSS

SA's catalytic exhaust makers could increase their share in world markets from 3% to 20% if government assisted local manufacturers to overcome some serious problems facing the local industry

Mercedes-Benz export manager Vic Fear said the catalyst industry urgently needed a firm ministerial hand to push it into the future of SA and the international motor industry

The Board of Trade and Industry is investigating whether catalytic converters should be excluded from Phase VI of the motor industry's local content programme

Fear said the current investigation into the catalyst was extremely critical. The outcome had to be positive for the industry to continue to grow

An unreliable government decision in an export project with such a high-level exposure as the catalyst project would completely destroy any further initiatives and in this instance move SA into the Third World category of short-term exporter

"The catalyst unfortunately has been targeted by some vehicle manufacturers as 'windfall' local content, which is most unfortunate and inappropriate"

The catalyst industry was far from making windfall profits, he said. The costs would always be high as SA was 11 000km from its nearest major market

He said although catalyst plants were inherently expensive and had high value inventories which put producers in a high risk category, the contribution to the local economy and export activities could be

substantial

Fear said the largest problem faced by the catalyst industry was the lack of volume. Profitability was affected by a premium on the coating fee for the ceramic monolith, a small part of the catalytic converter. "Most catalysts have two monoliths and with a premium of R20 each, this is a serious situation"

Fear said the heavy premium could be offset by allowing the coating plants to export coated monoliths in their own right and claim benefits direct from government by way of tax or export incentives

Export

This would not adversely affect the motor industry, which would continue to export the monoliths in exhaust systems and claim export of catalysts under Phase VI

This would mean that the local plants could concentrate on several high-volume types and import small quantities of other monoliths for domestic requirements, thereby maximising production facilities

The lack of a precious metal spot market made it difficult for coaters (Algorax and Johnson & Matthey) to have any flexibility in monolith production, he said

"Metals used for coating monoliths must be produced in SA in order to qualify for Phase VI exports. The creation of an SA spot market becomes a high priority"

New car sales at five-year low ¹⁹² McCarthy

SA's total national new vehicle market for the July to September quarter was the lowest for the past five years, and the second lowest since 1978, McCarthy Group chairman Brian McCarthy said

Bay 23/10/91
Speaking after the group's AGM in Durban yesterday, McCarthy said the total vehicle market for the first quarter was 76 603 units — 14,4% lower than for the same period last year

Business Day Reporter

"Furthermore, throughout the last decade only once, in 1986, were sales lower for the July to September period than they were in the quarter just ended," he said

However, the company showed a 3% increase in attributable profits from R50,1m to R51,4m for the year to end June while turnover for the year was nearly R3bn against R2,7bn in 1990

Hefty tariff hikes on motor industry steel

5/10/91 24/10/91

192

BRENT VON MELVILLE

GOVERNMENT has announced hefty increases in tariffs of steel used extensively by the motor vehicle and appliance manufacturing industries, effectively shutting the door to the motor industry's intention to look elsewhere for their steel

The Government Gazette of October 18 shows tariffs on uncoated cold rolled coil and sheet have been amended to an across-the-board protection level of R1 670/ton free on board (fob)

This is compared to previous rates ranging from R596/ton and R706/ton fob, reflecting jumps of between 136% and 180%. In terms of the revision, any landed steel below the R1 670/ton rate is penalised by the full difference of the price, plus a 5% duty

This compares to Iscor's current list price of R1 730/ton free on rail for cold rolled sheet. An industry source pointed out that the increase in the protection levels meant an effective import parity price landed on the Reef of more than R2 000/ton

He added that the current list price also contrasted sharply with market prices in the main industrial countries — the US, UK, France and Germany — ranging from R1 170/ton to R1 270/ton

The National Association of Automobile Manufacturers of SA (Naamsa) would not comment on the increased protection ahead of its meeting with Iscor tentatively scheduled for November 20

But according to one motor indus-

try source, the increased tariffs would effectively block the industry from going elsewhere for their steel requirements, and gave Iscor carte blanche to increase steel prices

"At the same time the tariff levels could well promote the trend towards the import of cheaper and superior electrolytic coated steel plate for cars and components, as is the current trend in the automobile industry overseas," he said. The revision to the tariff structure has not updated the rate of duty on coated steel

But the decision to increase tariffs on cold rolled sheet had neglected the SA Rolled Steel Producer's Co-ordinating Council's request to increase protection for other locally made steel products, said Iscor spokesman Ernest Webb-Stock

Dumping

The council had also requested that the Board of Trade & Industry "update" tariffs on imported hot-rolled steel products and wire rod. Iscor's argument was that the tariffs were in urgent need of revision to protect against "dumping"

Council chairman Willem van Wyk said it was not possible to compete against dumping by allowing ordinary market forces to operate

Independent Wire Converter's Association (IWCA) chairman Robin Bosomworth said the decision not to increase tariffs on wire-rod was welcome

Naamsa unveils a few surprises

B/day 24/10/91 (192)

AFTER more than three years of secrecy, there were a few surprises in manufacturers' new vehicle sales for 1988-1990 released yesterday by the National Association of Automobile Manufacturers of SA (Naamsa).

The publication of individual manufacturer's unit sales figures was stopped by Naamsa in May 1988 for strategic reasons as sanctions against SA intensified.

As expected, Toyota remained the dominant force in the motor industry and lifted its market share in passenger vehicle sales from 22,8% in 1988 to 26,1% in 1990

However, other manufacturers surprised by outperforming — or underperforming — motor industry analysts' expectations

Toyota successfully concentrated its efforts in the high volume sales segment of the passenger car market with its Corolla, Cressida and Conquest ranges

The Corolla alone captured almost 20% of the passenger market in 1990, matching the entire market share of the group's closest competitor

Volkswagen (VW) came close to matching Toyota's market share in 1988 and 1989 with 21,3% and 22,2% of the market respectively, but lost ground in 1990 when market share dropped to 19,6%

Samcor's performance in the passenger segment over the three years was the most consistent, never straying far from the 17,5% mark

Despite the introduction of the Fiat Uno, Nissan ended 1990 with 10,6% of

MARC HASENFUSS

passenger sales, slightly above its 10,2% in 1989 and well below the 11,7% recorded in 1988

According to the Naamsa figures, Uno captured 3,2% of the passenger vehicle market

Delta captured 9,86% of the market in 1988, improved dramatically to 11,2% the following year, but slipped back to 10,4% in 1990

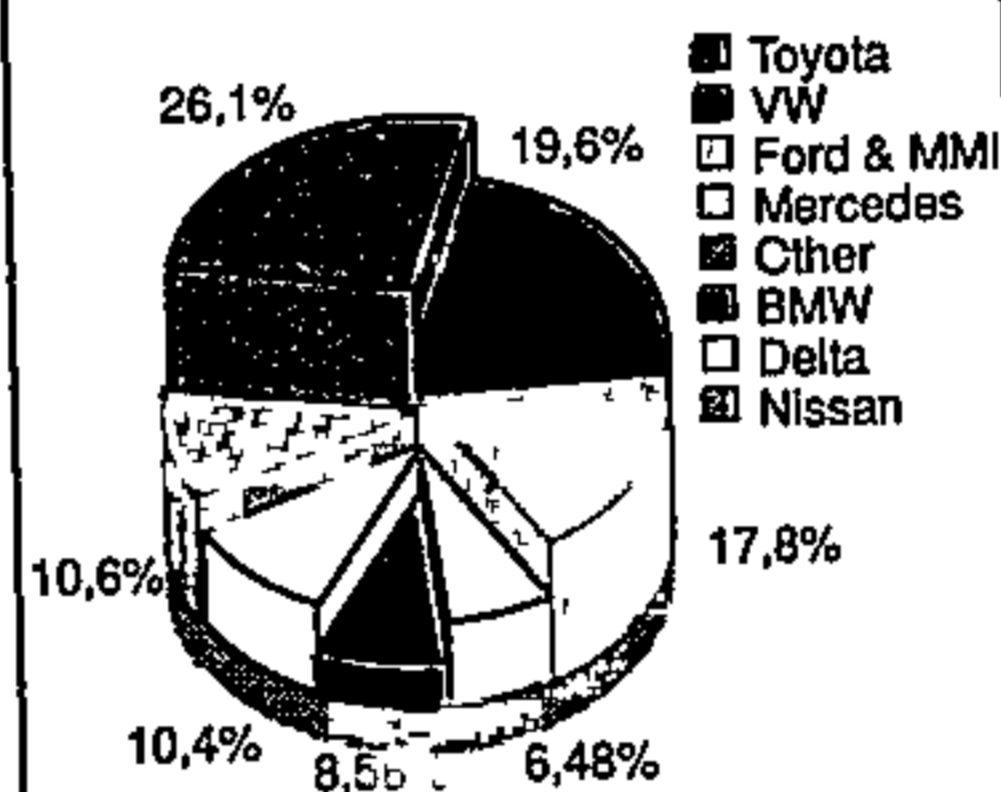
Sales for Delta's Kadett range remained strong but Monza and Rekord sales dipped 12% and 35% respectively

Mercedes-Benz's market share has been steadily eroded from 9,22% in 1988 to 7,87% in 1989 and 6,84% in 1990

In contrast, BMW has steadily gained market share, moving from 7,58% in 1988 to 8,56% in 1990 on the back of strong 3 and 5 Series sales

Toyota (33,5%), Nissan (22,2%) and Samcor (20,2%), made up the bulk of commercial vehicle sales

Passenger cars sales 1990



Graphic: LEE EMERTON Source: NAAMS

Delta to break silence on sales figures

IN A surprise move yesterday Delta Motor Corporation announced that it would, with immediate effect, resume the publication of its monthly new vehicle sales figures

Delta's public affairs director George Stegmann said the decision was taken in light of Japan's decision to lift economic, financial and trade sanctions against SA.

Prior to the announcement Delta was the only vehicle manufacturer still withholding its monthly sales

MARC HASENFUSS

data B/day 24/10/91 (192)

The move follows Nissan's sudden decision last week to release its monthly new vehicle sales figures

New vehicle sales figures for October will show a breakdown of individual vehicle manufacturer's unit sales for passenger and commercial vehicles. The breakdown was last reported in April 1988

MOTOR INDUSTRY FM 25/10/91
The final, final version

The Board of Trade & Industry is preparing a draft of what it hopes will be the definitive version of the Phase Six programme for local

FM 25/10/91 (192)
content in the motor industry
At a meeting with representatives of vehicle and component manufacturers this week, board officials put forward final proposals for incorporation into the programme. The amended Phase Six is scheduled to come into operation on December 1.

Though the proposals have yet to be formally accepted at a full board meeting, officials say they expect most of the points presented on Tuesday to be confirmed. They stress that the proposals are the result of several meetings with the industry and are not up for further discussion.

Among the proposals is that minimum real local content for motor vehicles should be set at 55%. This is the figure requested by components companies which argue that, by including export values and other allowances in the local content formula, Phase Six allows vehicle companies to raise their assessed local content without benefit to the local components industry.

The official local content target for all vehicle companies is set at 75% but the components industry says that, in some cases, real local content is less than half that.

In another likely change, board officials have recommended that vehicle manufacturers should be entitled to an excise duty rebate on small cars. As proposed, cars would earn a 1,5% rebate for every R1 000 of their retail price below R29 000. Unlike previous rebate systems, which have seen rebates paid into an industry pool, these would go directly to the company earning them.

The proposal is likely to please Nissan CE John Newbury who argued in a recent speech that government should do more to encourage small cars. However, his sugges-

Continue →

FM 25/10/91 (192)
tion that this should be done by imposing higher taxes on luxury cars (*Business & Technology* October 18), has stirred resistance from others in the industry.
Newbury said that money used by business to buy thousands of luxury cars could be better spent elsewhere. His comments, ironically, were made at the launch of Nissan's own luxury car, the Maxima. He said it was unfair for the buyer of a small car to pay perks tax at the same rate as the buyer of a luxury car. He recommended different tax levels to encourage a swing to small cars.

Other companies argue that government should refrain from distorting the market further. They say buyers of luxury cars already pay a disproportionate amount of tax compared with small-car purchasers. According to one estimate, the price of a R500 000 car includes more than R100 000 in taxes and duties. On top of that, the buyer must still pay perks tax of more than R2 500 a month. By comparison, the perks tax on a car at the bottom of the market can work out to R100 a month or less.

If people want to spend that much money on a car, why stop them, ask industry executives. Choice is a cornerstone of the free market and consumers should be offered the widest choice, without penalty, they say. They add that European manufacturers have invested major sums of foreign capital in SA and been responsible for large-scale technology transfers. At a time when SA needs further foreign investment and technological know-how, they should be encouraged, not discouraged.

Officials say that while they favour an advantage for small cars, this already exists

FM 25/10/91 (192)
in price and tax structures. According to the MD of a company producing Japanese cars, mass-market manufacturers have benefited for some time by the gradual buying-down towards less expensive cars. Spiralling prices and tax adjustments have already changed the traditional market structure. ■

Toyota and Delta boost share of weak commercial sector

8/10/91 25/10/91

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MARC HASENFUSS

TOYOTA and Delta snapped up market share in the weak new commercial vehicle market between 1988 and 1990, latest National Association of Automobile Manufacturers (Naamsa) statistics show

Toyota sales constituted more than one-third of commercial vehicles marketed by the end of 1990 on the back of strong gains made in all three segments of the market

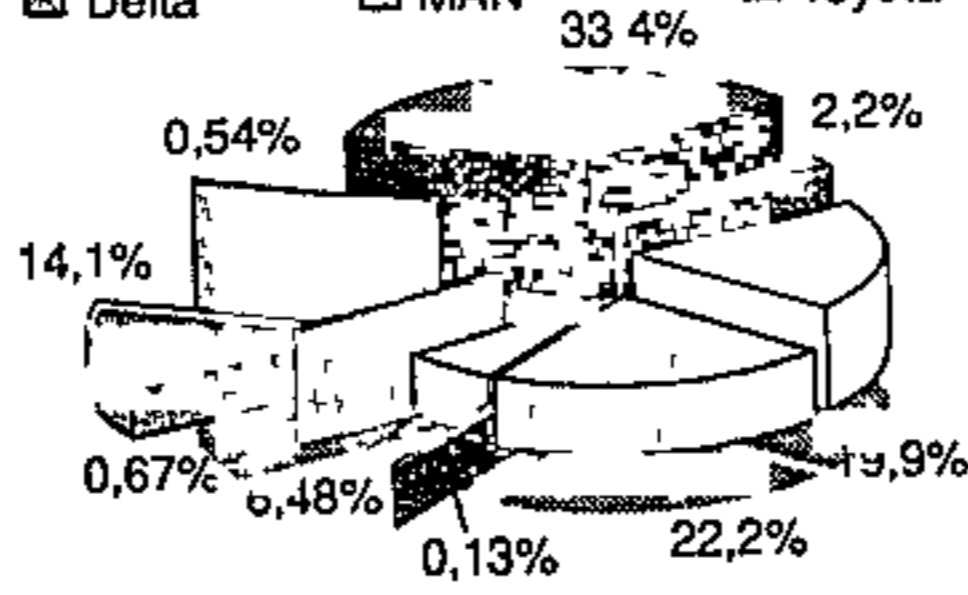
Delta (which assembles Isuzu trucks) ended 1990 with 14,1% of the total commercial vehicle market, with much stronger sales of medium commercial vehicles (MCV) in which market share increased from 18,57% in 1989 to 22,15% in 1991.

The jump in sales for Delta in the MCV sector could be a result of Isuzu filling the vacuum left by Nissan's Cabstar, which was temporarily withdrawn from the market in 1989 through to 1990

Nissan's slice of the MCV market before the withdrawal of the Cabstar was 9,04%

Commercial vehicles sales 1990

- Mercedes
- ERF
- Delta
- MMI & Ford
- VW
- MAN
- Nissan
- AAD
- Toyota



Graphic: LEE EMERTON Source: NAMSA

Nissan and Samcor (Ford and MMI) performed consistently in the three-year period. Nissan maintained its total market share at the end of 1990 at 22,2%, while Samcor improved marginally to 20,22%

Samcor, like Delta, gained ground in the MCV market with Nissan's withdrawal from the segment. This offset Ford's small loss in market share in the light commercial vehicle (LCV) segment in 1990

Although Nissan's and Toyota's

LCV sales have been buoyed by strong demand from the black taxi market, both manufacturers' bakkie ranges remained strong sellers

Heavy commercial vehicle (HCV) market leaders Mercedes-Benz (MBSA) lost the most ground in the three-year period

On the back of serious labour problems during the latter half of 1990, MBSA's share in the HCV segment crashed from 38% in 1989 to 31,85% in 1990

Econometrix's Tony Twine said the woes experienced by MBSA in the HCV market must be seen in the context of the dramatic decline in sales since 1988

Twine said most of the erosion of the HCV sales took place at the top end of the market where MBSA had achieved the most market penetration. "This helped Toyota and Delta, whose sales are concentrated at the lighter end of the HCV market"

Volkswagen, not a major producer of commercial vehicles, also lost ground. Market share dropped from 7,67% in 1989 to 6,48% in 1990

Political instability a problem to be beaten

S/Times (Buss) 192
27/10/91
WITH a staff complement of 6 500 and sales of about R2-million a year, Nissan plays a major role in the South African economy, says managing director John Newbury.

It helps the transfer of technology from Japan, develops SA manpower, is involved in many social activities and helps to develop cricket, golf and motor sport through sponsorships

The Japanese involvement with Nissan SA is significant and the company tries to encourage its increased participation in SA's economy

"We encourage the long-term participation of the Japanese in SA," says Mr Newbury "But a major problem facing SA is political instability"

Tough

Recent comments by Cyril Ramaphosa, secretary-general of the ANC, about nationalisation and SA's international debt can only depress the potential for investment and could damage SA's credibility internationally

Mr Newbury is, nevertheless, optimistic about the future

"Last year was a tough one, but the forecasts are now much better We believe that we will be able to meet the return criteria of our major shareholder, Sankorp

"But a weakening rand and high inflation are a problem Productivity must be improved"

Mr Newbury believes the total market will rise to about 330 000 vehicles next year, although prices will increase by about 15% There is, however, little chance that the economy will recover until the second quarter of 1992

High

"Production of the Fiat Uno was a significant achievement for Nissan from a survival point of view and in terms of strengthening our relationships with Europe The introduction of the Maxima will further enhance our image"

The new-generation vehicle was preceded by the



HN NEWBURY Trading on more than an image

300ZX and the 200SX, both of which are selling well in SA The introduction of the high-tech Maxima will give Nissan a head start over its rivals The Maxima will be introduced long before the Toyota Camry, for instance Long a proponent of manufacturing more affordable cars, Mr Newbury defends the introduction of a vehicle which will sell for R103 500

"Our car is far more affordable than its rivals and will cost between R30 000 and R40 000 less than its competitors

"I am delighted that we can introduce a car at this price while the others are so much more expensive All I can suggest is that they are trading on their image

"We, on the other hand, offer good value for money"

The company also intends to introduce a range of Sentras in the middle of next year Mr Newbury is confident that these new vehicles will lift its market share to between 17,5% and 18% from the current 15,1%

Growing exports bring the up-market Maxima

STIMES (RUS) 27/10/91

192

A COMBINATION of local content achievements and a growing export market made possible the introduction of the Maxima

By using credits on exports as well as localisation of certain components, Nissan has been able to finance the purchase of SKD models of the new luxury vehicle

The exports have been achieved through Motoware, established five years ago as an independent operation in the group. Its aim is to represent Nissan's export activities in a "spirit of freedom", says Charles Wiggill, managing director of Automakers' export arm, Motoware



CHARLES WIGGILL World player

Encouraged

It has spawned many developments, the latest being the possibility of developing a few left-hand drive vehicles with the co-operation of Nissan Japan for sale mainly to African countries

Motoware operates in three areas — completely built-up units (CBU), original equipment components and after-market spares and accessories

But traders in the 40-man team are encouraged to act with as few restrictions as possible "as if it were their own companies they are working for", says Mr Wiggill

In terms of its licence agreement, Nissan, through Motoware, is also heavily involved in the export of original equipment (OE) components, including engine-related parts, radiators, alternators, alloy wheels, leather seats and machined and un-machined components to Taiwan and Japan

In April next year, Nissan will begin bulk shipments of auto-catalysts to Italy for use on the Fiat Uno and Tipo models

however, Nissan SA is partially restricted in the number of countries it may export to

But it has established some niche markets in sub-Saharan Africa

Among its exports are heavy trucks and light commercials

Negotiations are under way for the export of vehicles to Taiwan

The Taiwanese and South African governments have reached agreement on an allocation of 2 000 units a year based on trade reciprocity on components

"The CBU market will eventually become the most important part of our business," says Mr Wiggill

"We are trading globally. Our major accent will be to establish long-term component contracts with Nissan and Fiat. We could perhaps supply six products to these companies, ones which we are good at. I think we're getting there," says Mr Wiggill

"We also believe in joint trade with the companies we deal with. In our trading with Taiwan, for instance, we buy back a reasonable percentage of the value of the components we sell them mainly in the form of original equipment parts

"We are also prepared to undertake counter trade with countries in Africa"

Counter

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R2bn bonus payout



AS part of the biggest bonus declaration in Southern African life assurance history, Old Mutual is to add R2bn to the policies of more than 1m people in South Africa, Namibia, Malawi, Zimbabwe and Kenya

The bonus distribution represents guaranteed additions to the value of all conventional policies, says GM (individual life) Bobbie Jooste

Bonus details are being mailed from Old Mutual's headquarters at Pinelands where staff have been working around the clock to handle the huge project. Seen here are Gerbi Oelofsen (left) and Giuliana Sabbatino with part of the huge mailing which will take two weeks to complete

Govt warns motor vehicle manufacturers

Own Correspondent

THE local vehicle manufacturing industry should prepare itself for a reduction in protection from foreign competition, Trade and Industry Minister Org Marais warned at the weekend

Addressing an industry conference in Somerset West, Marais said continued isolation and protection of the local vehicle and component manufacturing industry was unacceptable because it resulted in expensive and obsolete vehicles

The only alternative was to become part of the world industry and thus would require a reduction in protection, he said

"Phase VI of the Local Content Programme (which is aimed at developing the local industry) can be of some assistance in helping the industry to become more price competitive"

Opportunities

He said it was up to component manufacturers to use the opportunities provided by the programme to become more competitive in terms of price, quality and delivery

Efforts within the industry to become more internationally competitive would hopefully reduce the need for high levels of protection, making the transition more bearable, said Marais

SA should adopt a motto of international competitiveness which would automatically bring industrial growth and foreign exchange earnings

The main change was that the excise duty on motor vehicles — previously pegged at the level of the weighted average of the industry — was now fixed at 40% of which 2,5% was non-rebatable

"The excise duty level can now be considered a target," said Marais

"This target is set at 75% which means that a vehicle manufacturer exceeding 75% local content will no longer receive any incentives for the portion in excess of 75%," he said

The Board of Trade & Industry was considering a minimum level of local content, excluding exports, said Marais

More finance, page 12

NSB confounds competition

810000 28/10/91
NATIONAL Sorghum Breweries' (NSB's) competitors wrote the group off before it had started, executive chairman Mohale Mahanyele says in his first annual report since the group was privatised in May

"In our country black-controlled, -owned and -supported businesses have been noted for lack of success, in comparison with their white counterparts. It was to be expected that all the prophets of doom would strike one accord about how 'untried' and 'untested' we as blacks were regarded.

"It did not matter that my colleagues and I had been in business for a considerable time. The main difference, it would seem, hinges on blacks in a leading role."

He felt NSB's success in its first year as a private entity could be attributed to management's concentration on address-

WILLIAM GILFILLAN (12)

ing the product's strengths.

Few marketing or advertising businesses understood or knew the product

Mahanyele said NSB's mission was black economic empowerment through ownership and management of a group of companies in the beverage, food and leisure industries. "To further this mission, NSB aims at an affirmative action-based policy of employment, procurement of supplies and services in its business undertakings. This should clearly not be construed as discrimination in reverse since it is aimed at a fair and just society."

NSB recorded earnings up 54% to R17m from R11m on a 15% rise in turnover to R357m from R310m.

Protection to be reduced, car makers warned

BIRD
28/10/91
LESLEY LAMBERT

(192)

THE local vehicle manufacturing industry should prepare itself for a reduction in protection from foreign competition, Trade and Industry Minister Org Marais warned at the weekend.

Addressing an industry conference in Somerset West, Marais said continued isolation and protection of the local vehicle and component manufacturing industry was unacceptable because it resulted in expensive and obsolete vehicles.

The only alternative was to become part of the world industry and this would require a reduction in protection, he said.

"Phase VI of the Local Content Programme (which is aimed at developing the local industry) can be of some assistance in helping the industry to become more price competitive." He said it was up to component manufacturers to use the opportunities provided by the programme to become more competitive in terms of price, quality and delivery. Marais said that while it was too early to finalise a seventh phase for the programme, the trend was towards reduced protection.

Efforts within the industry to become more internationally competitive would hopefully reduce the need for high levels of protection, making the transition more bearable, Marais said.

SA should adopt a motto of international competitiveness which would automatically bring industrial growth and foreign exchange earnings.

Marais said recent changes to Phase VI did not deviate from the principles of the programme and were aimed at enhancing industrial development and forex.

The main change was that the excise duty on motor vehicles — previously pegged at the level of the weighted average of the industry — was now fixed at 40% of which 2,5% was non-rebatable.

"The excise duty level can now be considered a target," Marais said. "This target is set at 75% which means that a vehicle manufacturer exceeding 75% local content will no longer receive any incentives for the portion in excess of 75%," he said.

The Board of Trade & Industry was considering a minimum level of local content, excluding exports, Marais said.

Waiting for 'black knights'

8 (Day) 28 | 10 | 91 (192) markets
MARC HASENFUSS

WITH the new vehicle market showing signs of bottoming out, SA's largest motor retailer, the McCarthy Group, is looking increasingly to black consumers for future growth.

At a presentation to investment analysts last week, McCarthy joint MD Dudley Saville said although the much-anticipated boom in black vehicle buying was still a few years away, this market was regarded as a top priority.

He said black consumers would determine the growth of new vehicle sales as car buying among whites was close to saturation. The bulk of white purchases were replacements, which

put a ceiling on the market.

Consistent corporate buying has ensured that sales remain above the 200 000 mark but the steady elimination of sales to individual whites has seen sales steadily decline from 230 000 in 1988 to 210 000 in 1990.

He said black buying had already become increasingly evident in replacement parts and used vehicle markets, while new minibus sales had boomed.

Furthermore, Saville said SA's rapidly ageing vehicle population favoured the growth of the parts and services after-

The large capital injection needed to meet the increasing demand for high-tech aftermarket service favoured the larger franchised dealerships. He said it was unlikely that small service operators would be prepared to incur the cost of purchasing modern equipment.

McCarthy has a 36% stake in motor component retailer Midas.

McCarthy traded at 475c this week just below its July high of 495c. Better than expected results has seen McCarthy attract additional investor interest with buyers taking a two-year view on the share.

Car parts sector must look to exports

GROWTH in the automotive component industry would increasingly depend on exports, says Fred Keywood, outgoing National Association of Automotive Component and Allied Manufacturers (Naacam) president.

Speaking at last week's Naacam general meeting, Keywood said the local vehicle market had been static for years and it was unlikely any meaningful local growth would be experienced in the short-term.

"The need to become export oriented, and eventually fully fledged players in the global parts market, is a foregone conclusion and should be taken seriously by all component manufacturers."

The component manufacturing industry had increased exports from

192 (192) 8/20/91 29/10/91.
MARC HASENFUSS

R184m in 1986 to almost R1bn now

The move toward exports was promoted by low levels of capacity, as a result of the recession in the industry, favourable rand-yen exchange rates and various industry-led schemes

Referring to Phase VI of the local content programme, he said that never before had there been a greater need for the formulation of a clear and unambiguous policy

"In the absence of a clear, long-term policy strategy for the motor industry, many of the ad hoc amendments to Phase VI have led to unnecessary distortions within the programme with serious cost raising effects"

ROBERT LAING

CONTROL Instrument's (CI) major turnaround last year resulted from the group cutting expenses by R2,6m, chairman Hercules Hefer said in his annual review

The group managed to edge itself back into the black in the year to end June

It reported an attributable profit of R5 000 compared with 1990's loss of R4,6m

The company specialises in vehicle identification, traffic control, time recording and automotive and industrial instrumentation.

The return to profits was achieved on the back of a marginally lower turnover of R65m (R67m)

"Business in areas related to the medium and heavy commercial vehicle market remained

CI's fortunes change after R2,6m cut in expenses

depressed *B/paus 2.9/10/91*
"However, the indications are that this market has bottomed out

"Sales of time recorders and access control equipment increased for the third year in a row," Hefer said

CI reduced its debtors to R11m from R15m and borrowings to R17m from R18m

However, efforts to reduce stock failed and it rose to R22m from R21m

Emphasis would be placed on reducing the company's stock, speeding up turnaround times and increasing productivity levels, he said

Midmacor cost-cutting should eliminate unhealthy operations ¹⁹²

MARC HASENFUSS

CUTS in employee numbers and overhead costs should eliminate Midmacor's loss-making operations and help improve results in the current financial year

However, chairman Keith Jenkins warns that trading conditions for the motor-listed group are expected to remain extremely competitive

Midmacor is mainly involved in importing and distributing motorcycles, petrol/diesel engines, generators, welders and pumps

He says rationalisation on export models by Honda Motor company in Japan forced the group to source its products from Honda factories in other countries.

Honda models have been imported from Taiwan, and initial demand has exceeded supply.

Shipments from Honda Brazil, curtailed during the previous year because of un-

competitive pricing, were resumed because of more favourable import prices

Jenkins said government's decision to halve the ad valorem duty on motorcycles of up to 750cc and a reduction in the surcharge allowed prices on these models to be at more realistic and competitive levels.

Management is pursuing opportunities to extend the Honda model range

Retrenchments at subsidiary P S Power Products were unavoidable because of a lack of workshop activity

Demand for generator sets should improve and a number of promising tenders have been submitted

The scantily traded Midmacor share remains at its 60c high The share bottomed at 35c in April

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BIDAY 29/10/91

Longmile restructures in a bid to gain lost ground

B/DW. 30/10/91 192

DIVERSIFIED industrial group Longmile has restructured its silencer division in a bid to resume its growth pattern.

Last year the group's four-year inflation beating growth pattern was interrupted when strained business conditions, exacerbated by strikes and labour unrest in the silencer division, caused a hefty 37% drop in earnings

In his annual review, chairman Hendrik Potgieter said. "The group has taken the opportunity to restructure itself so as to enable it to take full advantage of an economic upswing as and when it occurs"

He said the restructuring of the silencer division saw the manufacturing, retailing and franchise operations organised into separate divisions

Potgieter said towbars, trailers, shock absorbers, batteries, tyres and silencers were now distributed through the Kwik-Fit, Silencer Shop and Silencer Service outlets

MARC HASENFUSS

Grapnel towbars and silencers, produced by the manufacturing arm, would be distributed through Grapnel distribution network to the motor industry

Under the new structure the division was trading profitably, Potgieter said. The labour problems experienced in the silencer division had been redressed and production had returned to normal

He said Longmile had disposed of its fastener division after the year-end

The disposal was prompted by the depressed local market for fastener products and the inability of the division to compete in the export market due to its relatively small manufacturing capacity

Potgieter said the effect of the sale on group earnings and net asset value would be negligible

The group's tyre division was also affected by labour unrest but Potgieter said these problems had been

addressed and had already resulted in improved manufacturing performance

Although the annual report does indicate divisional contributions to earnings, it is widely believed that the combined tyre venture between Tycon and Tredcor has been the gem in Longmile's stable

However, government's easing of import control on tyres could increase competition in the tyre industry and put pressure on operating margins in the year ahead

The launch of Kwikfit early last year required significant capital funding which affected Longmile's balance sheet. At year to end June 1991 gearing stood at a relatively high 64,9% (53,2%), the current ratio remained at an acceptable 1,21 and interest cover dropped to a five-year low of 3,1 (3,9) times

Longmile slumped to a 150c low earlier this month but recovered well to trade at 190c last week. The share peaked at 225c in March.

R1-billion for new range of SA cars

1972 AGG 31/10/91

VINCENT GILBEY, Motoring Staff

TOKYO. — Motor manufacturer Samcor is to invest R1-billion to replace its entire car range within two years.

In an exclusive interview in Japan, Mr Spencer Stirling, Samcor's chief executive officer, said the Mazda 626 and Ford Sierra would be scrapped in 1993

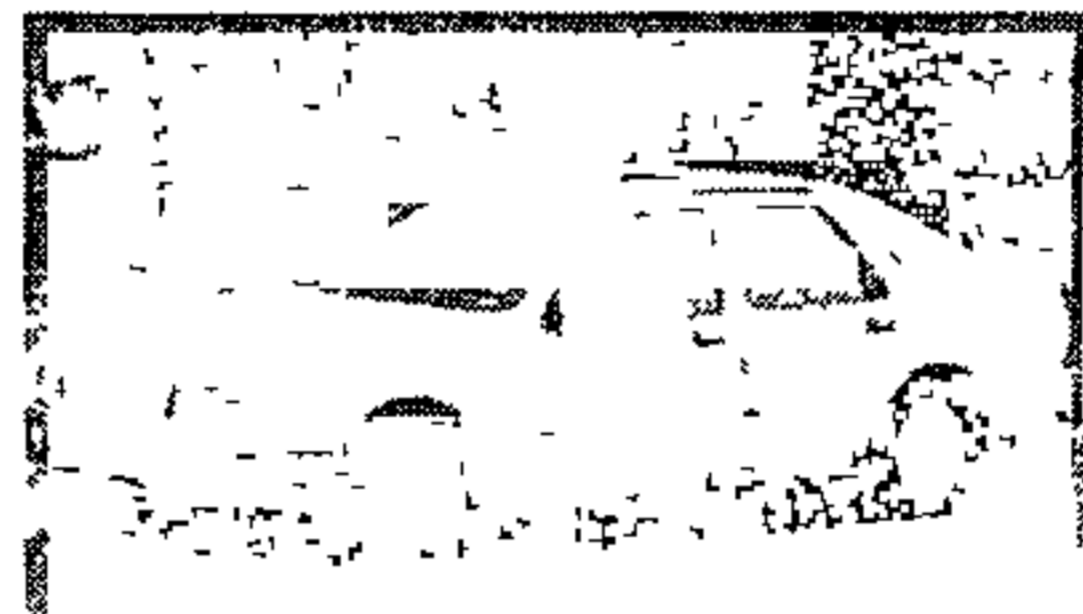
They would be replaced by the latest front-wheel-drive range, which would in-



TO BE SCRAPPED: The Mazda 626

clude a four-door sedan, a five-door hatchback and a stunning MX-6 coupe which was intended to sell at R60 000 in South Africa in today's money

"The cars will be powered by either a 2-



TO BE SCRAPPED: The Ford Sierra

litre or a 3-litre V6 hi-tech motor," said Mr Stirling

"The range will be marketed as Mazda 626s and Ford Telstars, with each dealer network selling two of the three derivatives"

At the same time Mazda Motor Corporation in Japan wants to invest in South Africa and has made a bid for 24 percent of Samcor's shares

These shares are held by a workers' trust which received them from Ford when it disinvested from South Africa some seven years ago

Ford has a large share in Mazda and some Mazdas are marketed as Fords in Taiwan and Australia, particularly the 626 and smaller 323 models

The R1-billion investment will be phased in over five years and includes increasing the number of automatic robots, while the workforce will be held at its present level of 4 500 until sales and market penetration increases

The Mazda 323, which is being exported successfully to Britain, the Ford Lasers, the Meteors and the light commercial range will all be replaced

Mr Stirling said Samcor holds nearly 20 percent of the car and light commercial truck market and is South Africa's second-largest motor manufacturer after Toyota

He said that contrary to the belief in some quarters, robots did not reduce labour requirements. They increased the number of workers but led to improved quality

No surprises — Toyota is tops

(192) CT 31/10/91 Own Correspondent

JOHANNESBURG — After more than three years of secrecy, there were a few surprises in manufacturers new vehicle sales for 1988-1990 released yesterday by the National Association of Automobile Manufacturers of SA (Naamsa)

The publication was stopped by Naamsa in May 1988 for strategic reasons as sanctions against SA intensified

As expected, Toyota remained the dominant force and lifted its market share in passenger vehicle sales from 22,8% in 1988 to 26,1% in 1990

The Corolla alone captured almost 20% of the passenger market in 1990, matching the entire market share of the group's closest competitor

Volkswagen (VW) came close to matching Toyota's market share in 1988 and 1989 with 21,3% and 22,2%, but lost ground in 1990 (19,6%)

Samcor's performance in the passenger segment was the most consistent around 17,5%

Despite the introduction of the Fiat Uno, Nissan ended 1990 with 10,6%, above its 10,2% in 1989 and well below the 11,7% recorded in 1988. Uno captured 3,2% of the passenger vehicle market

Delta captured 9,86% of the market in 1988, 11,2% the following year, but slipped back to 10,4% in 1990

Sales for Delta's Kadett range remained strong but Monza and Rekord sales dipped 12% and 35%

Mercedes-Benz's share has been steadily eroded from 9,22% in 1988 to 7,87% in 1989 and 6,84% in 1990

BMW has moved from 7,58% in 1988 to 8,56% in 1990 on the back of strong 3 and 5 Series sales

Toyota (33,5%), Nissan (22,2%) and Samcor (20,22%), made up the bulk of commercial sales

R1bn exports for car parts industry

PRETORIA — SA's motor vehicle component and manufacturing industry expects to exceed R1bn in export earnings this year, National Association of Automobile Component Manufacturers director Denzyl Vermooten said yesterday (192)

And next year, with the opening up of markets in eastern Europe and the expansion of others, it was hoped to raise export earnings by 20% B/Dag 31/10/91

Components had been shipped to niche markets in most European countries and the US and some manufacturers had even penetrated the Taiwanese market

Vermooten said local demand in the industry had stagnated but the bottom had been reached and he expected a slight upturn at the beginning of next year

This would probably gather pace in the

GERALD REILLY

second half of the year and could rise by 3,5% or 4%, he said

Vermooten said the inclusion of exhaust catalytic converters in the Phase VI local content programme would be a boost for the industry, but the real thrust in the market could only come from abroad and significant expansion in the local economy

Consumers' disposable incomes had been severely reduced in the past two years by inflation. Salary increases and bonuses had failed to compensate for this

"So, like other sectors of the economy, unless the political situation stabilises and violence and unrest are brought under control, we cannot expect any great progress in our industry," Vermooten added

Delta to export catalytic converters by year-end

8/10/91 31/10/91
DELTA Motor Corporation is set to export catalytic converters by early December, the group said in a statement yesterday

Industrial and Commercial Holdings director André van Rooyen said Delta had already begun trial production of the converter at its Aloes production facility outside Port Elizabeth.

He said the company would be in a position to meet contract requirements from next month.

Delta says it is premature to reveal expected production volumes and possible markets, although expectations are that it will export to its parent company, Opel, in Germany

Further details will be released by the group only after government indicates whether the export of catalytic converters will be included under Phase VI of the local content programme. Government's decision is expected in December.

Van Rooyen said "The manufacture of catalytic converters

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MARC HASENFUSS

makes good business sense in every aspect"

The high local content of catalytic converters made them a natural choice for manufacturers looking to increase earnings, provide jobs and boost gross national product, he said.

The precious metals required — rhodium and platinum — and the stainless steel used to press the "can", were readily available in SA, he said. The only imported component was the ceramic extrusion, known as the "honeycomb"

Van Rooyen believed that there was a strong possibility of locally manufacturing the honeycomb

He said that within four or five years emission requirements currently applicable in Europe could be introduced in SA

"We would naturally explore export opportunities for catalytic converters then, so why wait to make a late entry into a market that's ready for us now?"

Samcor revamps its range

SAMCOR is spending R1bn on renewing its entire model range over the next five years, a group spokesman said yesterday

Samcor CE Spencer Sterling said the Mazda 626 and Ford Sierra ranges could be scrapped as early as 1993, and would be replaced by the latest front wheel drive range

These would include a four-door sedan, a five-door hatchback and the MX-6 coupe which will go on the market at about R60 000

The vehicles will be powered by 2-litre or 3-litre engines

The R1bn capex will include increasing the number of robots used in the manufacture but staff levels will remain at about 4 500

Samcor's current Ford and MMI model ranges have served the group well and market share in the passen-

ger and commercial vehicle sector has remained constant over the past three years despite the industrywide sales downswing

The group has also established itself as a leading car exporter and has secured lucrative deals with the UK and a number of African countries

Samcor received 1 400 orders from UK dealerships for its Sao Penza (Mazda 323) range this year

Mazda Motor Corporation (MMC) Japan recently indicated that it intended acquiring a 24% stake in the group Samcor's employee trust, which holds the 24% stake, is still waiting for a formal MMC offer

Last month's lifting of Japanese sanctions could prompt MMC to make an offer before year-end

MARC HASENFUSS

ANIES

Car component market 'to remain idle'

THE vehicle component market is likely to idle along in low gear for the next nine months despite the first signs of an upswing in domestic business and increasing export opportunities, industry sources said

Associated Information Technologies (AIT) MD Malcolm Perrie said lack of disposable income would curb growth in the spares sector

Perrie said there were indications of an upturn in the motor component industry, but warned recovery for the spares industry would be slow

He said the industry would resume the strong growth pattern of 1988/89 by the second half of next year

Although SA's vehicle parts industry was 12 years old, the economic downturn and high petrol prices were restricting the mobility of SA's vehicle fleet, he said

Some industry analysts said the intensity of the recession had limited consumer spending in vehicle aftermarkets to essential replacement parts

Up to now motor component and accessory

retailers had been buoyed by strong sales to the black market in line with the expanding minibus industry. Accessory sales had also been strengthened as motorists upgraded vehicles to boost resale prices

Perrie said export avenues were rapidly opening up for SA component makers and a number of groups had already gained a lucrative foothold in foreign markets

Low levels of capacity utilisation due to the drop off in domestic demand had prompted the move to market SA-made spares overseas

National Association of Automotive Component and Allied Manufacturers (Naacam) figures show component exports rocketed from R184m in 1986 to R1bn in 1991

Naacam executive director Denzyl Vermooten expects component exports to increase a further 20% in 1992 to R1,2bn

Perrie estimates that exports currently constitute 13% of the revenue generated by the local vehicle aftermarket. Niche export mar-

kets include the US, UK, Germany, Netherlands, Belgium, Taiwan and China. Vermooten said the industry was looking to countries north of SA for export opportunities

Favourable geographical positioning should allow local component retailers and manufacturers to benefit from African business

Perrie said the lack of currency in many African countries would hinder exports at the outset but he stressed that these markets would produce benefits in the long term

A number of spares manufacturers had reviewed various African markets and had taken the first tentative steps by opening small distribution offices in selected areas, industry sources said

Despite better prospects for the component industry, investors were unlikely to rush back

Initial growth in 1988/89 attracted investors to strong-performing motor spare groups. However, with the onset of the recession profit growth stalled, share prices plummeted and investors, discouraged by the Spareco debacle, bailed out of listed spares groups

B/12/91 1/11/91

MARC HASSENFUS

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Protection falls away for motors

By DON ROBERTSON

(192)

THE motor industry, fighting to be internationally competitive and battling against a limp SA market, faces diminished protection

S Times (Buss) 3/11/91
Trade and Industry and Tourism Minister Org Marais has warned members of the National Association of Automotive Component and Allied Manufacturers (Naacam) that after the introduction of the Phase Six local content programme "it can be expected that the general trend will be to reduced protection".

He hopes that the need for high protection will at that stage have fallen away. Lower protection may thus not be painful.

Dr Marais says more international involvement and trade is a prerequisite for the SA industry to grow at an acceptable rate and that "this implies reduced protective barriers".

Naacam's new president, John Brandtner, says that although component manufacturers accept they have to become competitive, "the playing field needs to be levelled".

Vehicle assemblers receive protection of 110%, but do not have economies of scale to make component manufacturers competitive because of the proliferation of models in the small SA market. In addition, SA raw material prices have about 75% on foreign prices and an additional 136% to 180% has been given.

In contrast, the component industry has maximum protection of up to 50%. Naacam says that if component manufacturers are to become competitive, the cost of raw materials will have to be reviewed. It may ask for a commission of inquiry.

"We will accept lower protection provided raw material input costs are dealt with," says Mr Vermooten.

Samcor to spend R1bn on revamp

S/Times (BUS) 3/11/91. (192)

SAMCOR is to invest more than R1-billion in a new-model programme over the next five years

Chief executive Spencer Sterling says the Mazda, Ford and Mitsubishi passenger car and commercial vehicle ranges will be replaced by sophisticated models, enhancing the Pretoria manufacturer's competitiveness in a shrinking market

"In the next five years we will change every single model we are currently producing, with the exception of entry-level models

"The Mazda 323 will con-

tinue virtually forever," says Mr Sterling

There are further export opportunities for the budget hatchback which is being shipped to Britain as the keenly-priced Sao Penza

"We are working on a number of serious inquiries from other parts of the world," he says

"One or two look really exciting and we could be in a position, two or three years from now, where we are exporting major quantities of the basic South African

vehicles," says Mr Sterling

Although exports earn important credits in terms of Phase Six of the local content programme, he insists that the Sao Penza is priced at a level attractive for Samcor and the network of 93 British dealers

Mr Sterling was speaking only days after the lifting of most economic sanctions against SA

He says far-reaching changes to the company's model line-up will be evident in coming months

Leading Samcor's revitalisation programme will be the manufacture in 1993 of the stylish new Mazda 626 and MX-6 sports coupe, which was unveiled to widespread acclaim at the Tokyo Motor Show this week

There will also be a restyled Ford version, known as the Telstar. It should shake off the low-tech image of the current Sierra-Sapphire with its advanced technical specifications

Secret

Towards the end of 1994, expect an all-new and still-secret car line — code-named P5 — which will slot in between the existing entry-level models and forthcoming 626 and Telstar

Supplementing these SA-assembled Mazdas and Fords will be several exotic imports, including the Mazda RX-7 sports car and Sentia luxury sports saloon

Mr Sterling expects the seven major manufacturers to invest heavily to stay in the SA market, but he says it will be "a battle for survival"

The rumoured entry of additional manufacturers would not be profitable under the current rules of Phase Six

He says Samcor's fortunes have improved and a solid foundation has been established

"Samcor has a tremendous future and will continue to be a major competitor," he says

Fund managers overlook a well-tuned McCarthy Group

S/Times
S/Times (BUS) 3/11/91

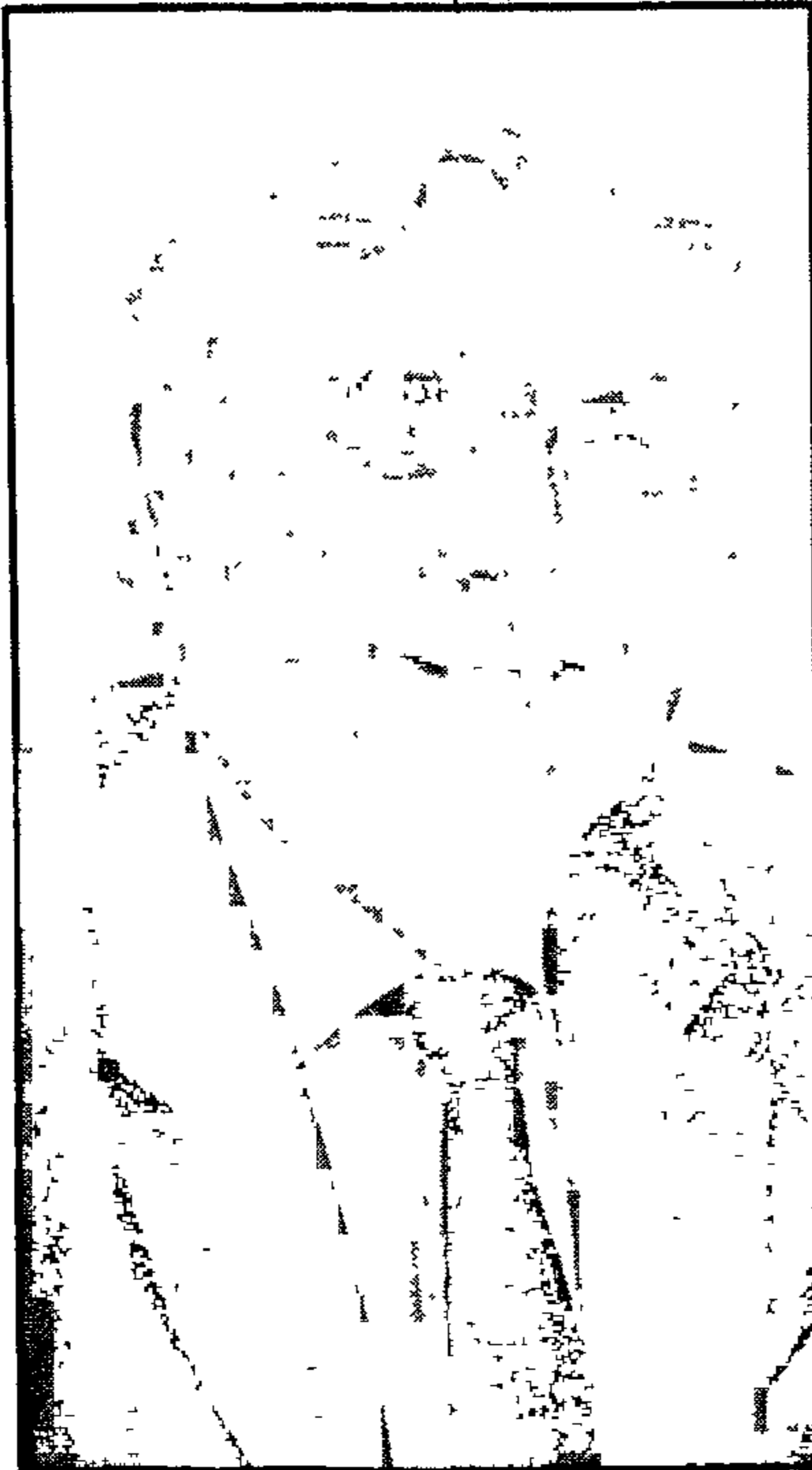
(192)

BRIAN MCCARTHY, chairman of McCarthy Group, raised laughs and eyebrows at a presentation to the Investment Analysts Society

The laughs came from his anecdote about the young investment analyst who approached him at the end of his previous presentation to the society with these words

"Mr McCarthy, as you were talking, I couldn't help but ask myself the question 'Would I buy a second-hand car from this man?'"

The eyebrows were raised by the myriad new- and used-car outlets that fall under the McCarthy banner



BRIAN MCCARTHY Laughs and raised eyebrows from the investment funds
Picture JIMMY HUTTON

High-street leaders such as Dan Perkins, Forsdicks, Daytona, Olympic, Capital Motors, Grosvenor, McCarthys, Cartoria, Atkinsons, Car Bar, Clarke and Burchmores are but a few at which Fords, Mazdas, Toyotas, BMWs, Mercedes-Benzes, VWs, Audis, Hondas, Nissans, Rolls-Royces and Bentleys may be bought

Mr McCarthy also queried the judgment of fund managers who appear to shun motor-linked companies in their portfolios in spite of their superior performance — Toyota in particular

Mr McCarthy — who together with his family owns 12% of group equity — outlined the global car market

He showed how Japanese vehicles dominate sales in 1990, Japan sold 13,49-million, 36% more than closest rival America. American cars took 60% of South Africa's market in the 1950s, now it is zero. Japanese sales of cars and commercial vehicles account for 67% of the market

Japan has 30% of America's market. Its success has led to an outcry by the likes of Chrysler and Ford, resulting in Japan's attention turning to Europe. It now has 12% of that market, which Mr McCarthy says can grow to 30% in a market free of restrictions and quotas

SA sales make up only 0,75% of the global total, but it is still high enough to rank 16th largest producer of vehicles

Car plants account for one in six German jobs, one in seven in America and one in 14 in SA even though new-vehicle sales have slipped steadily since peaking in 1982

Mr McCarthy says that although sales are lower, the numbers have been more stable in the past four years

His group's share of the SA market has risen from 10,7% to 12,6% in 10 years. He admits that there will be a ceiling on market share

Manufacturers feel uneasy about a dominant single distributor and McCarthy's top is probably 17% — still plenty of room for growth

The group has countered this trend by expanding into allied businesses, such as used cars, workshops and parts. It also has R43-million of property

Joint managing director Theo Swart says new-car sales are projected to rise gradually between 1992 and 1994

Mr Swart does not foresee radical changes to the distribution of cars. He believes

franchising will prevail

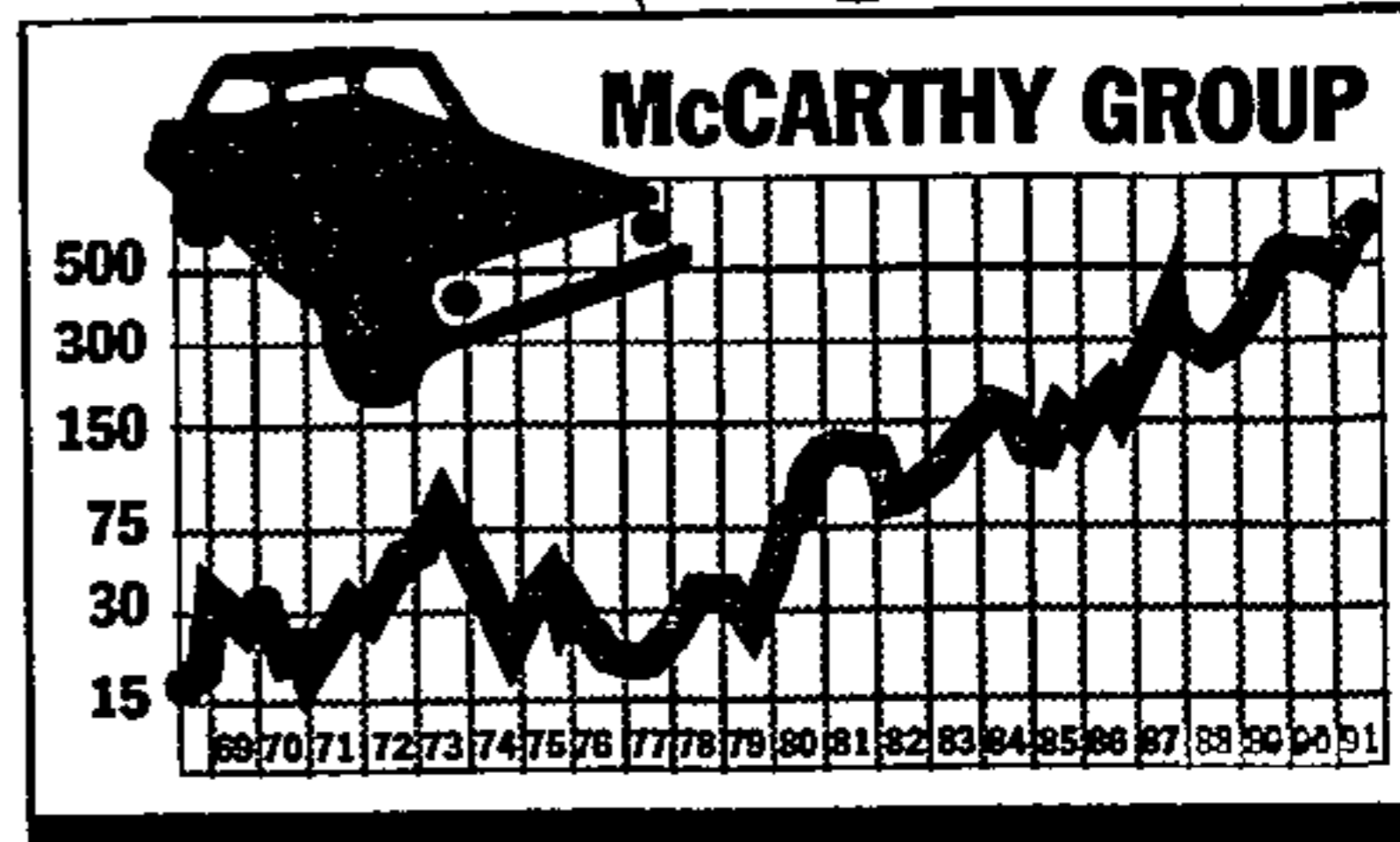
Parts will benefit as the average age of the cars on SA's roads lengthens. In 1985 it was eight years, by 1990 it had reached 10,5 years and will probably reach 12,5 years by 1995

The profile of car ownership will change. By the year 2000, 465 out of every 1 000 whites and 30 in every 1 000 blacks will own cars. But black ownership will rise from 9% of today's car park to 22% at the turn of the century

This is in spite of rising costs, attributable in part to the erosion of SA's currency. The price of a standard Toyota has climbed 48% in three years, that of a Mercedes-Benz 70%

Corporate buying accounts for 80% of sales, compared with 50% a decade ago. That means greater stability in the market because companies have fixed policies about vehicle replacement

Mr Swart says there are



excellent opportunities for McCarthy Group because of its assets, skills and franchises

Dudley Saville, who will retire as joint managing director next March, outlined the strategy of the group's industrial holdings

He said the group had expanded to achieve more balance, but had not been afraid to call it a day on ventures that did not meet its requirements

McCarthy built up a 30% market share in truck hire, but sold it because the return on investment was not high enough

Diversification into Yamaha — bikes, engines, sports goods and outboard motors — had been highly successful, as had the entry into full-maintenance leasing, credit instalment financing and the purchase of Budget Autolease

Mr Saville says Midas, in which McCarthy has slightly more than a third share, has 11% of the R6-billion-a-year car spares market and its profitability is improving under new management

and Old Mutual with McCarthy — hold any motor shares

He showed that Toyota and McCarthy shares had done far better than a selection of blue chips appearing in most unit trust portfolios in terms of earnings growth, dividends and share price appreciation

One analyst commented that McCarthy shares were hard to come by — a common gripe about top-quality scrip

Mr McCarthy gave a breakdown of share ownership: Anglo American has 38%, his family has 12%, 31% is held — perhaps invisibly — by the top 10 institutions and there are 1 506 individual members

Ten years ago there was almost twice that number of individuals — "something that is happening throughout the JSE"

McCarthy shares jumped 50c to 525c — well above the January low of 275c. For those lucky enough to get them, they should continue to do well

M-Net ou

M-NET has attracted as many only a few years as the whole trust industry has managed in 2

This observation comes from manager Kevin Cockcroft, reported by Hugo Lambrechts of the University of the Western Cape's Graduate School of Management

The view is that more should form the public of the benefits unit trusts

Assets of SA's 38 unit trusts billion at the end of September, doubling in four years and showing annual growth rate of 19,7%

One problem is that unit trusts payable to brokers who offer vice are low, whereas the other forms of investment are high. This issue is long overdue for

Dr Lambrechts says few provide adequate provision for retirement generally unaware that unit trusts

Lindsay Saker chief slams regulation of motor industry

Fewer new cars will be sold this year than in 1990, with sales not expected to exceed 205 000, says Jonathan Treagus, chairman of Lindsay Saker *Star 4/11/91*

In 1990, new car sales totalled just over 210 000 units

Mr Treagus slammed attempts to regulate the industry and the surge in vehicle prices

He said at the weekend that new car sales from January to

end-September were down just over three percent from 160 605 last year to 154 497 (192)

The total market over this period had declined by nearly seven percent.

"This downward trend in sales can be attributed to escalating prices, high interest rates, a poor exchange rate and declining business confidence," he said

"This state of affairs is not at

all helped by government intervention in the motor industry and ongoing attempts to regulate it

Instead of often singling the industry out for punitive action, it should be supported and encouraged to create job opportunities"

Mr Treagus said there were too many rules and regulations applying to the industry that inhibited rather than encouraged it

— Sapa

FilmNet, which has about 300 000 subscribers, is valued at between R396,5m and R419,8m. Richeumont's statement said it was expected other industry participants would be invited to join the consortium "in the near future".

FilmNet president Martin Lindskog is to remain head of the operation.

He said the new backing would encourage its growth.

FilmNet operates in Sweden, the Netherlands, Belgium, Norway, Denmark and Finland.

REPORTS Sapa

Safilife to focus on individuals

SEAN VAN ZYL

SAFRICAN Life (Safilife), the HCI group's life assurance arm, has disclosed a 13% rise in attributable income to R7,5m for the six months ended September.

Earnings came in at 25,5c (1990-25,5c) a share. An interim dividend of 15c (12,5c) a share was declared.

Chairman Michael Lewis attributed a decline in net premium income to a drop in group benefit business. "The recession has resulted in a number of companies retrenching staff, which impacted on our pension business," he said.

However, Safilife's recurring premiums were up by about 20% on the previous period. Individual business showed strong growth and Safilife would focus on developing new individual-based products, he said.

Policy lapses had not increased dramatically compared with the pre-

vious period. Drysdale said he "wouldn't be surprised if there was some small degree of collusion between buyers, but that was an imperfection in any auction market whether it be for property, cars or wool."

However, there was no evidence of manipulation on the scale that would be necessary to cause the current level of volatility in the market.

Bezuidenhout said prices surged 19,5% in Port Elizabeth in the previous week, following demand from Japanese and European buyers, but the market indicator fell 8,3% to R11,26/kg at last week's auction.

About 87% of the 17 107 bales on offer were sold, the board said.

Dorbyl in venture with Taiwanese

PORT ELIZABETH - Taiwanese company, TSK and Port Elizabeth company Dorbyl Automotive Products (DAP) have started a R14m vehicle parts joint venture, a DAP executive said.

The first of three plants has started manufacturing, the second is due to start in April 1992 and the third is due to start at the end of 1992, said P.R. Lavery, general manager of DAP Automotive Steering Wheels, a DAP unit.

He said the R14m would cover the cost of bringing the plants into production. DAP has 50% of two of the plants and 51% of the third. "TSK is already servicing accounts in the US and we believe this venture is going to mean a lot for Port Elizabeth," he said. "There is a possibility of us taking over some of those accounts" - Reuter

Presmed rights issue for debt and expansion

PRIVATE hospital group President Medical Investments (Presmed) is to raise R7,5m in a rights issue. This was announced on Friday when the group disclosed interim results which saw earnings up 45% at R1,6m (R1,1m) for the six months to August.

Higher occupancy levels and a reduction in fixed costs helped the earnings jump on a turnover up 41% at R34m from R24m.

Earnings a share were up 45% at 14,5c (10c). The group does not declare an interim dividend.

The group manages five private hospitals and seven day clinics. Presmed MD Carl Grilberger said the strong turnover growth flowed from management's effort to optimise the group's facilities. To illustrate, he said, they had been actively encouraging surgeons to operate during weekends.

Increased occupancy lev-

Net income for the period amounted to R801 000 compared with R161 000 in the corresponding period last year (192). Earnings per share increased to 5c a share compared with 1c a share previously and 2,9c a share for the year ended February 28 - Sapa

WILLIAM GILFILLAN

els and reduced fixed costs were experienced at the Cosmos hospital in Witbank, the Rosepark in Bloemfontein and the Jan S Marais in Bellville.

On the rights issue, Grilberger said part of the R7,5m to be raised was to be used to pay off debt and the rest to finance future expansion.

Expansion

"With the opening of the Bedfordview and Rustenburg hospitals in this past year, debt levels have risen. However, this is not apparent in the group's half-year balance sheet as much of the expenditure took place since then."

Presmed's exacting feasibility studies on the location of new hospitals and day clinics and their commissioning only when previous ones are well-established place the company in the Cosmos hospital."

a favourable position for further expansion"

As the group's market capitalisation was about R33m, the R7,5m rights issue would increase shareholder's funds by 20%. He said institutions had responded favourably to the rights issue.

He was optimistic on the group's prospects. "The board was able to commit itself to a compound annual profit growth of 20% over the next five years. With the ever-increasing cost of health care, the demand for Presmed's facilities - which are operated at the contracted tariffs of the medical aid movement - can only increase."

"The planned day clinic in Kempton Park should open within a year. Also, approval has been obtained for the reopening of the Witbank day clinic, which had to be closed in terms of the licence conditions for the Cosmos hospital."

MacAdams has a good year

CAPE TOWN - Bakery and confectionary equipment manufacturer MacAdams has turned in a 30% increase in turnover to R17,764m for the six months ended August 31.

Net income for the period amounted to R801 000 compared with R161 000 in the corresponding period last year (192). Earnings per share increased to 5c a share compared with 1c a share previously and 2,9c a share for the year ended February 28 - Sapa

EXECUTIVE SUITE



ABOUT THAT LITTLE TALK WE HAD ON HOW THE GOOD MANAGERS KNOW HOW TO DELEGATE?

By William Wells and Jack Lindstrom



PERHAPS I FAILED TO MENTION THAT THE GOOD MANAGER DOES RETAIN AT LEAST SOME SHARED RESPONSIBILITY.

DOES YOU

TO DEVELOP ME

Tough road ahead for car industry

192
BIDWY 4/11/91
MARC HASENFUSS

THE motor industry is in for a rough ride in 1992 as escalating costs stemming from local content requirements are likely to keep price increases above the inflation rate.

Added to this is a forecast of meagre sales which in turn will force manufacturers to raise prices to remain cost-effective.

Although new car sales forecasts for 1992 range from between 195 000 and 220 000, the general consensus is that the industry will be running lean for the next 10 months.

The National Association of Automobile Manufacturers of SA (Naamsa) forecasts 210 500 passenger car sales for 1992.

Associated Information Technologies (AIT) MD Malcolm Perrie predicts 204 000 units, while Volkswagen public affairs director Ronnie Kruger says the market will reach 215 000 units. McCarthy joint MD Theo Swart is most bullish, forecasting 220 000 units for next year.

Kruger expects the new vehicle market to grow at a compound rate of 5% a year, which has serious implications for new car pricing. Weak sales will force manufacturers to recoup costs by raising prices.

Econometrix director Tony Twine estimates that price increases, including premiums on new models, could be in the region of 23% next year.

Industry sources say price projections hinge on further amendments to Phase

VI of the local content programme which are due to be announced in December.

McCarthy's Swart believes government will stimulate the economy next year and that interest rates should come down 2% or 3%. He stresses that this will not cause a sales boom in the new vehicle market but a mild recovery in the latter part of 1992.

Lindsay Saker MD Jonathan Treagus says the weak new car market is not helped by continuous government intervention in the motor industry.

He says there are too many rules and regulations applying to the motor industry.

"Factors such as the latest increase in local content for passenger cars, unnecessarily high fringe tax benefit on company cars and high inflation inhibit sales and thus reduce the size of the market."

New vehicle sales for 1991, initially forecast to reach 210 000, are now expected to touch 200 000.

The post-VAT spending spree has not materialised in the motor industry and this does not bode well for car sales next year. Swart attributes the fall in sales to "confusion still surrounding VAT".

The post-VAT flop is ominous and vindicates the theory that the private buyer has been effectively eliminated from the new car market.

Iscor price hike is well received

192
BRENT VON MELVILLE

STEEL converters have accepted, with a minimum of grumbling, Iscor's price increases for the coming year. The rises, announced on Friday, are likely to be emulated by Highveld Steel & Vanadium, SA's second largest steel producer.

Price increases ranged from 0% (for reinforcing bar) to 13% (for heavier structural steels).

Industry sources said rises below the inflation rate were gratefully received. *3 Day 4/11/91*

A National Association of Automobile Manufacturers of SA (Naamsa) spokesman said yesterday rises on such items as cold rolled steel and galvanised sheets had been left at a very reasonable 5% to 6%. The Naamsa spokesman said the industry was assuming this was a "once-off" increase for the year.

Naamsa has been openly critical of Iscor's pricing policy and application for increases in protection for imported steel, and has threatened to "go elsewhere" if prices were not kept within reasonable levels.

Iscor deputy MD Nols Olivier said at the weekend that Iscor steel prices would be adjusted differentially, the weighted average being 9,3% taking market factors into consideration.

Olivier noted that taking the savings due to VAT into account, the increase of 9,3% was 1,5% less than the increase of 12,3% in the PPI from January to August this year.

Rough ride ahead as car prices set to soar

(192) (T 4/11/9)

From MARC HASENFUSS

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Saficon keeps costs in check

By Jabulani Sikhakhane

Star 5/11/91

192

In spite of tough trading conditions in the motor retail market, Saficon turned in a 23 percent advance in earnings for the six months to September, from 31c to 38c a share

The dividend is unchanged at 7c.

Financial director Peter Glendining says these results were achieved despite buyer — both company and individual — resistance to acquiring capital goods

The resistance was further exacerbated by the increase in perks tax on company cars and uncertainty ahead of the introduction of VAT

Mr Glendining adds that these factors made trading conditions difficult, putting margins under pressure

In the circumstances, Saficon did well to hold the pre-interest operating margin at 3,6 percent, largely due to tight control of operating costs

Turnover rose 8 percent to

R822,5 million and operating profit rose 7,4 percent to R29,4 million

At R11,33 million, the interest charge was marginally higher, as group gearing rose to 71 percent (67 percent)

The increase in gearing is largely attributable to the group having to finance an additional R25 million worth of debtors during the review period

However, the group benefited from the reduction in the company tax rate from 50 percent to 48 percent

Tax charge

This meant that the tax charge was only 3 percent higher at R8,68 million, boosting taxed profits by 14 percent to R9,399 million

A near doubling in associated company earnings (mainly Boumat) to R2,72 million (R1,18 million) boosted attributable income by 31,4 percent from R8,93 million to R11,73 million

But this was diluted by the

conversion of 1,1 million automatically convertible debentures into 1,7 million ordinary shares. Earnings a share rose 23 percent

Mr Glendining says with no significant changes expected in the economy, and Boumat's updated forecast, Saficon is expected to earn 74c (53c) a share for the year and pay a total dividend of 19c a share

This suggests earnings of 36c a share for the second six months to March 1992

However, Saficon's revised forecasts are lower than the 95c a share earnings and 24c dividends made in the 1991 annual report

Saker's finance and investment corporation, which holds 51,5 percent of Saficon, reports earnings of 64c and an unchanged dividend distribution of 11c

Its original forecast has also been revised to earnings a share of 122c and a dividend payment of 31c a share for the full financial year

Bateman confidently defies poor conditions

Bloom 6/11/91

MARC HASENFUSS

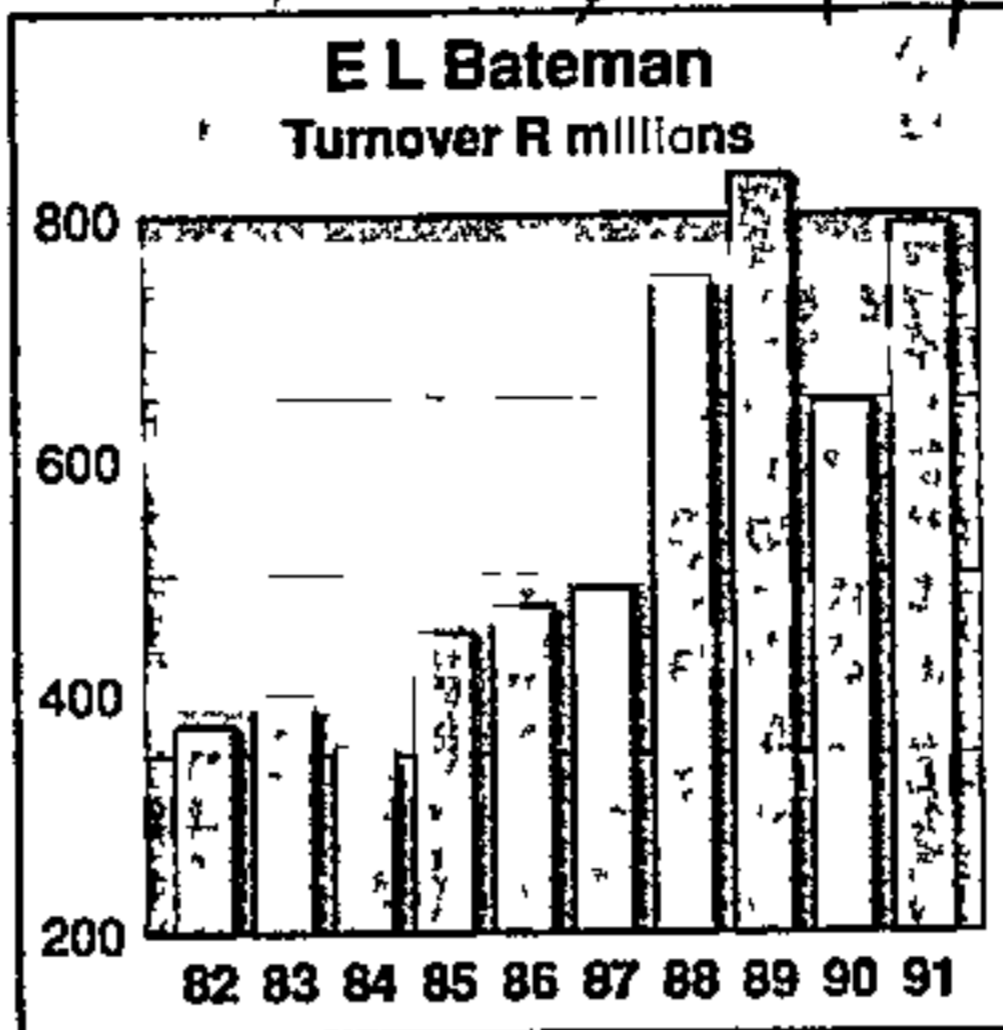
DETERIORATING conditions in the engineering sector are not intimidating Edward L. Bateman (ELB) and the group is forecasting a repeat of 1991's earnings in real terms for the year ahead.

In his annual report, chairman Bill Bateman said delays in announcing incentives to major industries, low gold and commodity prices, and the depressed economy, made conditions in the industries served by ELB very difficult.

"In the circumstances, maintenance of earnings in real terms is a reasonable and challenging objective for 1992"

ELB's activities are divided into two broad categories — equipment supply and engineering/contracting — which have a profit contribution of about 63% and 37% respectively.

ELB's Equipment (Bateman) MD Peter Brereton said that more of the division's businesses were feeling the strain of the business downturn than at this time last year. However, the



Graphic: PIONA KRISCH Source: E L BATEMAN

operating order book was higher than a year ago, though at a lower margin.

Brereton said that business and product acquisitions made during the year, and new markets, should enable Bateman to improve earnings in the year ahead.

Bateman had achieved a balance between supplying capital equipment and providing the aftermarket with spares and service

Exploration, mining and mineral

beneficiation still remained the biggest profit contributors in the equipment division. The weak rand and gold price had forced the industry to take remedial action and the market for equipment and consumables remained depressed, Brereton said.

Increased emphasis was placed on orders received from the platinum, coal, diamond, iron and steel, base metals and ferro-alloy industries

ELB's Engineering (Batepro) MD John Herselman said that an improvement on last year's results in real terms would be difficult to achieve "Batepro enters the new financial year with a reasonable order book and cautious optimism"

He said Batepro was well positioned for growth and broader involvement in future projects

Acceptance of SA in the international community had increased the demand for local services and products abroad, and Batepro was placing considerable emphasis on the development of these markets, Herselman said.

Brian Porter Holdings relying on cost control

Bloom 6/11/91

MARC HASENFUSS

THE continuing slump in new and used vehicle sales will see Cape-based motor retailer Brian Porter Holdings (Port) relying heavily on cost control to resume earnings growth in the year ahead

Executive chairman Brian Porter said the group would continue its stringent control over working capital, particularly the policy of closely watching debtors' accounts

In the year to end June, Port increased turnover 7% to R307m but higher operating costs knocked margins and operating income declined 6% to R4.4m.

Port recently extended the Porter BMW Somerset West, Porter MMI Parow and Porter MMI Muizenberg dealerships and also purchased new electronic workshop equipment.

The group's new car franchises include BMW, Delta/Isuzu, Ford, Jaguar/Daimler, Land/Range Rover, Nissan/Uno, Porsche, Rolls Royce/Bentley and Toyota in the Western Cape. It also has Mazda/Ford/Mitsubishi dealerships in the PWV.

Porter said that a close monitoring of new developments and marketing techniques in the US car market enabled the group to pioneer the concept of major sales over weekends

He said the group would remain on the alert for takeover opportunities. It

recently acquired businesses at Olifantsfontein and Midrand.

Porter said the Transvaal operation continued to grow well. The acquisition of a site in Germiston is expected to be of great value to the group in the years ahead.

The development of

Port's action display boards remained disappointing but opportunities in the UK and Australia were being investigated, he said

Port was untraded at 400c yesterday, wedged between its July high of 500c and November 1990 low of 320c

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FM 8/11/91 ~~191~~ 192

reasons that debtors are 33% up on September 30 1990 Financial director Peter Glen-dining says October sales are disappointing but stocks and debtors are now in line with market requirements

On interim EPS of 38c, Saficon has revised its forecast for the full year from 95c to 74c a share

Saficon has managed to put the lid on its interest bill After two years of sharp increases, interest increased by 6% to R11,3m and interest-bearing debt by 10%

Unlike last year, there was no significant



Saficon chairman Sydney Borsook re-vising earnings forecast

industrial action at suppliers This year Saficon had the opposite problem Demand was down for Mercedes-Benz models and Volkswagen just held its share of a reduced market Increased competition put pressure on gross margins but Saficon's operating margin was unchanged at 3,6%

The most encouraging feature is the much increased contribution from 36%-held Boumat, which made a loss in the second half of

MOVING AGAIN

Six months to	Sep 30 '90	Mar 31 '91	Sep 30 '91
Turnover (Rm)	760	703	822
Operating inc (Rm)	27	30	29
Attributable (Rm)	8,9	6,0	11,7
Earnings (c)	31	22	38
Dividends (c)	7	7	7

financial 1991 Its first-half contribution was up nearly 130%, and a comparable contribution is expected for the full year

Over the past 12 months tighter working capital disciplines have been brought in at Boumat, which slashed debtors by 15% and stocks by 4%

Gearing was cut from 55% to 48%

Chairman Irvine Brittan sees little evidence of any of the billions of rands reported to have been marshalled for low-cost housing Sales are expected to be lower in the second half but this should be more than offset by a reduction in borrowings

The Saficon share price has fallen from a 700c peak in July-August to 625c This gives a rolling 12-month p e of 6,9 and dividend yield of 3,5% It is not overpriced, but, in view of the uncertainty of the motor industry, is not yet a buy

Stephen Cranston

SAFICON FM 8/11/91 Buyers reluctant ~~191~~ 192

Vehicle distributors have been hit by eroded business confidence, which led to reluctance to buy cars, especially upmarket ones An increase in perks tax made this worse

Saficon, which sells mainly Mercedes-Benz and Volkswagen as well as imported cars such as Porsche, saw its volume sales decline Turnover in rand terms was up 8%

Many purchases were deferred until the introduction of VAT, which is one of the

Paying for bureaucracy

The revised local content rules improve on the past but squabbling continues



SA's motor men are quite a fractious lot — and who can blame them? Lumbered with a regulatory framework of Byzantine complexity, they have learnt to compete and survive on more than excellence. They

have had to become special pleaders as well.

That, of course, is part of the problem, in compelling all that managerial talent to learn the trade of the lobbyist, government, with its own mania for protectionism, set in motion a process of uncertainty which has far from run its course.

In recent years, Pretoria has been in search of certainty in the motor-making sector. Now, after two-and-a-half years of gestation, the Board of Trade & Industry (BTI) is putting the finishing touches to what it claims will be the definitive version of the Phase Six local content programme. The big question is whether an industry whose individual members' constant pleading for special treatment helped hamstringing the original programme can put aside its differences to make a success of the amended version.

The immediate signs are not good. While there is general acknowledgment that the new Phase Six — to be gazetted on November 29 — is an improvement on its predecessor, signs of conflict over its terms are already emerging.

Vehicle and components manufacturers are at odds over the minimum level of "real" local content which should be imposed, with both predicting dire consequences if their wishes are not met. Government officials are already resigned to receiving a stream of requests for special treatment as further points of disagreement emerge.

BTI CE Ruel Heyns concedes further adjustments might be necessary after the new programme — which is intended to take the industry through to 1997 — comes into effect on December 1. Trade & Industry Minister Org Marais also expects industry sectors and individual companies to continue lobbying for changes to suit their particular needs.

Indeed, as he points out, it is this special pleading that has led to the problems with Phase Six. The programme, which sets value-based minimum local content levels for SA-built vehicles, has been the target of a steady barrage of complaints since it

was implemented in mid-1989.

Companies, while generally welcoming the objectives of reducing foreign exchange spending and encouraging exports, have complained about the way Phase Six was devised — and the BTI's handling of it. Most notably, they say ever-increasing target levels, coupled to frequent technical changes, created a climate of manufacturing and investment uncertainty.

Heyns admits there have been difficulties.

But he says that in

trying to devise an acceptable programme, the BTI was placed in an invidious position.

Apart from the different demands of the vehicle and components industries, even individual companies couldn't agree on what they wanted. It

wasn't uncommon for the seven major vehicle companies to arrive at the bargaining table with seven different proposals. At times, these differed from those of the National Association of Automobile Manufacturers of SA (Naamsa), which is supposed to represent the companies. Whatever the BTI does will never find universal approval, Heyns complains.

Marais agrees. "The main players all have different interests. You have BMW and Mercedes-Benz producing luxury cars. Then there are the Japanese with their small and medium cars. And of course, Volkswagen. And they are all competing with one another. If exchange rate movements appear to favour one side, the other complains it is being penalised. When the situation changes, it is the other side that complains. We can't win."

These pressures might intensify as vehicle manufacturers in Japan respond to their government's lifting of sanctions by seeking shareholdings in SA motor companies.

Naamsa director Nico Vermeulen sym-

pathises. "This is a highly competitive industry and there is not a lot of love lost between manufacturers. The BTI and government have been subjected to conflicting pressures and influences. It's difficult for Marais and (BTI chairman Lawrence) McCrystal to deal with all the conflicting viewpoints and undercurrents."

Differences are emerging in other key areas. Some companies apparently still have not learnt the lessons of the divide-and-rule

tactics used by the National Union of Metalworkers (Numsa) to force the industry into the central bargaining process. Even now, says the industrial relations director of a mass manufacturer, companies often

spend as much time disagreeing among themselves as they do with the supposed opposition, Numsa.

"It's terrible," he says. "The union will come in with a firm negotiating position, but not the employers. If we're going to have any chance of standing up to the union, which has become very professional in its negotiating, we've got to show a united front."

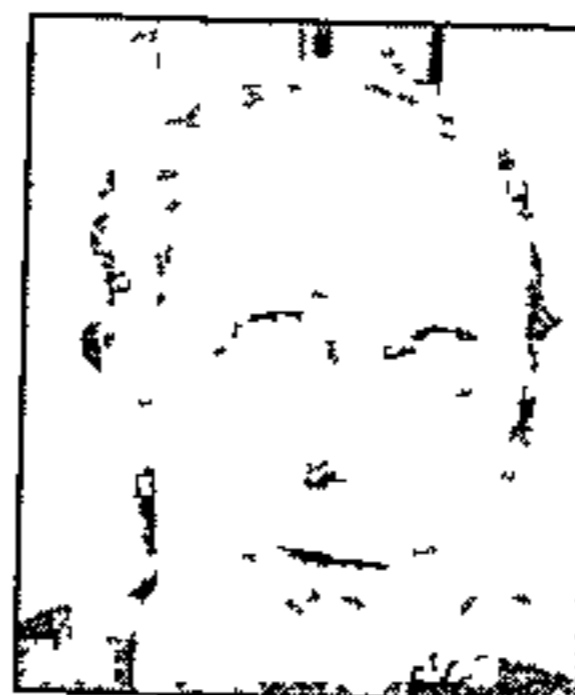
So how will the industry take to the new Phase Six local content programme? While some details have yet to be formally adopted by the BTI, the *FM* has been given an insight into all the proposed changes.

In one of the most significant departures from the current system, the self-funding nature of Phase Six has been overturned.

As things stand, vehicle manufacturers exceeding the local content target receive excise duty rebates from a government-administered central industry fund. Money in the fund comes from penalties imposed on companies falling short of the target.

As under-achievers sought to avoid these penalties by reaching the break-even target, so penalty payments dried up and there has been nothing to reward over-achievers. So the target has been raised to force companies back into arrears and the cycle has begun all over again.

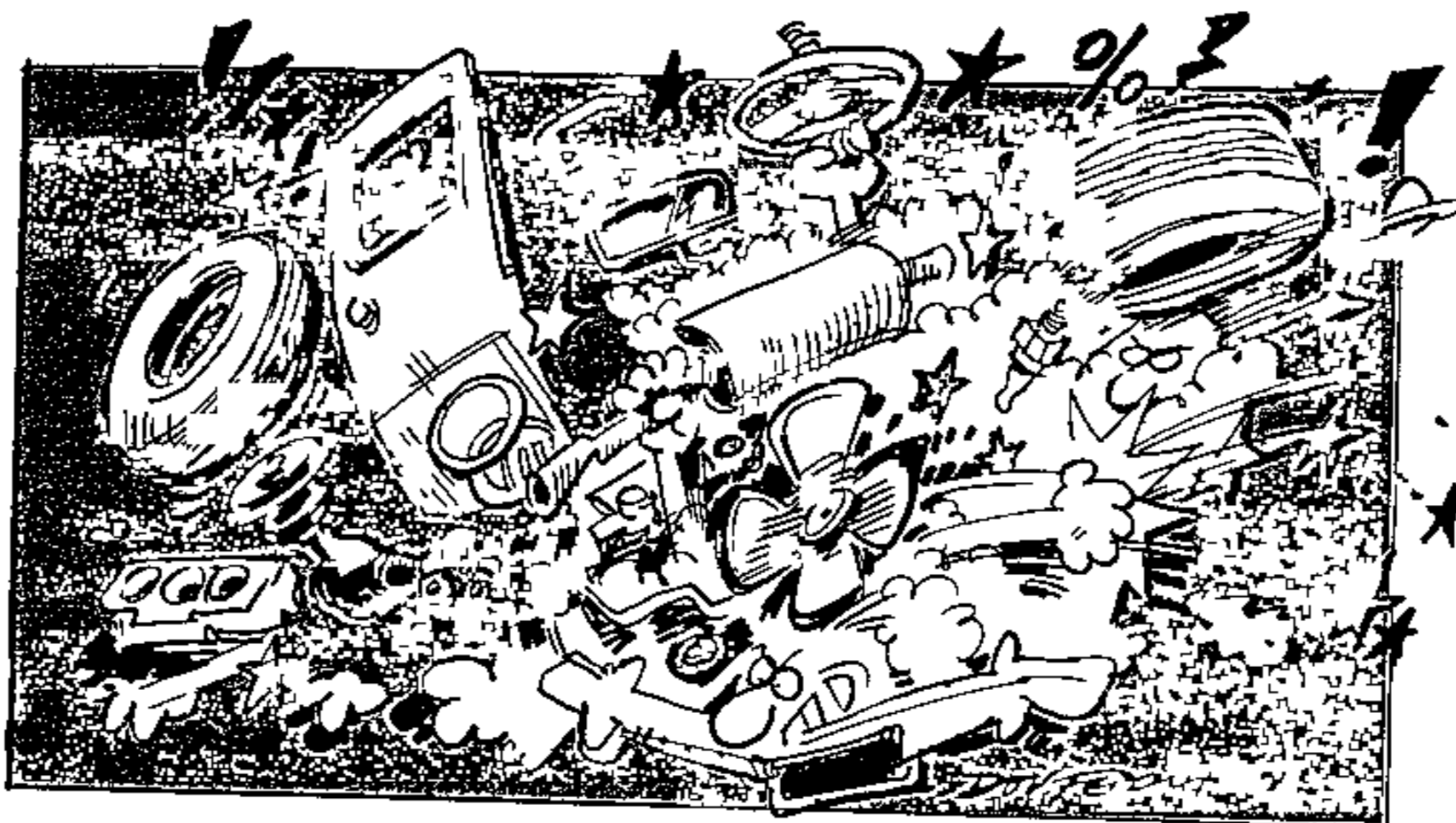
This way, the value-based target has increased from 55% to 75% in two years and there was every likelihood of it rising still further. Under this arrangement, a company could face a sudden cash-flow crisis through no fault of its own, by being



McCrystal



Vermeulen



JAY NAIDOO'S STAYAWAY

A handful of dust

FM 8/11/91

The impact of a stayaway as practised in SA is always ambiguous — both impressive and a little desolating. It can never be claimed as a triumph of black political unanimity simply because, though well-planned and co-ordinated, the element of fear can never be properly quantified.

Apartheid made this possible by isolating black suburbs far from places of work, accessible only by a few extremely visible modes of transport. Whatever the percentage support of the strike (see *Current Affairs*), the fear of intimidation is itself intimidation and cannot be measured. The deaths on the Free State gold mines inaugurated the stayaway.

That said, business would do well to consider the two main political messages of the strike:

□ The Cosatu-ANC alliance is holding for the moment — suggesting that this axis of the liberation movement will form a powerful and aggressive component at the negotiating table; but

□ In forewarning of yet further mass actions to compel the institution of an interim government, Jay Naidoo may be over-reaching himself, since this would set in train a process of revolution from which the ANC itself has been forced away by events. If he is, in effect, simply calling for a transfer of power, Naidoo will be compelled to embark on an agenda to which the ANC is no longer committed.

Naidoo's apparent victory, therefore, could be rendered nugatory if he believes in some kind of crescendo of popular feeling that will sweep away the existing government. What form an interim government will take is what is to be negotiated: there is no alternative to that, since blacks are in no position to engage in another cycle of endless and unre-

deemed suffering. This week's stayaway hurt them most.

There is a division between Naidoo and the ANC comparable to that between the ANC-in-exile and the homeland governments in the Eighties — and it concerns the question of "co-option." You either smash the system, or choose to work within it in the hope of eventually taking it over. The ANC, by abandoning the armed struggle, has chosen the latter course though it would deny that it has chosen co-option. This is merely semantics: an interim government is an inclusive mechanism, not a ride to unbridled power.

The strike is, therefore, oddly meaningless.

What Naidoo also appears to misunderstand is that by participating in negotiations, the ANC will attain a far greater awareness of the limitation of public resources than it has at present. As an important component of an interim government it is hardly likely to abolish sales tax which will give it resources to bridge gaps and redistribute social welfare.

Such a greater awareness of limitations is, of course, part of the challenge of responsibility. It certainly makes sense — as Cyril Ramaphosa suggested to the *FM's* Investment Conference last week — to make home-ownership in townships accessible to millions by converting rents to freehold (the *FM* has itself suggested this). But then you have to consider what you mean by ownership and think a little more deeply about all the other freedoms that flow from the right to private property.

We believe that Naidoo's strike was a Pyrrhic victory for him — which means that he can afford no more such victories at all. The time to negotiate is now. ■

THE CLIMATE OF REGULATION

Motorway madness

192
FM 8/11/91

The rules for local content manufacture that government imposes on the motor manufacturing industry are to be revised yet again. The current round, Phase Six, has already been revised more than once — and even after the latest substantial revisions (details are on the following pages), more changes are expected after the usual special pleading from the manufacturers.

The Board of Trade & Industry just cannot get it right. That is not surprising, for three reasons. The first is that it is an industry, the complexity of which defies price administration without serious dislocation and waste.

Second, like Sasol, Mossgas and Armscor, the local content programme is a creature of apartheid which has reduced relevance. There is a compelling argument now that the programme should be scrapped and, if the existing manufacturers cannot survive a flood of cheap imports, they should lose their place in the market.

Jobs will initially be lost. But cheap imported cars would

increase the car-owning population, and the consequent need for spare parts and service would recreate those jobs very quickly, and most likely even expand them.

Third is the ignorance of Trade & Industry Minister Org Marais. Cars were too cheap a few years ago because the rand was overvalued, he says. With that sort of logic, Marais must be about to join the ANC — perhaps in recompense for his tragic handling of VAT's introduction.

Today a modest sedan car here costs the same as a luxury limousine in the US. The reason is that inflation in the US is a quarter of what it is here and the industry there has no local content rules to burden costs. The Nats are squarely to blame for both inflation and local content imposts, and their consequences.

If government were following its own declared policy, it should be dismantling the local content programme and taking serious steps, through fiscal and other measures, to help existing manufacturers to reduce input costs. ■

thrust millions of rands into arrears by a better-than-expected performance from rivals that served to push up the break-even level

The inclusion of export values in the formula to determine local content and the successful export drive by most companies have contributed to the problem

Toyota CE Bert Wessels points out that the need to chase moving targets has encouraged some firms to seek export orders at almost any cost "Companies have been chasing each other in circles and pushing unproductive exports to ensure they remain ahead of their competitors"

In terms of the amended Phase Six, rebates and penalties will be managed on a company-by-company basis. A 40% excise duty is levied on the wholesale selling price of a manufacturer's vehicles, of which 2,5% is non-rebatable. Manufacturers are then rewarded with a 50c rebate for each additional rand of local content or exports, above a yet-to-be-specified minimum, up to a limit of 75%, at which point they achieve a full duty rebate

The 75% target includes export values, which are an integral part of the Phase Six formula. The minimum figure is for "real" local content value, without exports. It is this lower figure which is currently at the centre of the most heated debate between vehicle and components manufacturers

The minimum now is 25%. Component manufacturers want the BTI to raise this to 55%, and vehicle manufacturers to 45%

Denzi Vermooten, director of the National Association of Automotive Component and Allied Manufacturers (Naacam), argues that the 55% demanded by his members is actually a concession to vehicle manufacturers

He says local content currently makes up 62% of industry turnover. Of that, however, only 35% is represented by local components. The remaining 27% is made up of assembly costs, overheads and profit margins. At that level, he argues, vehicle manufacturers can actually achieve the present 25% minimum without buying any components locally. He insists manufacturers can achieve the 55% without hardship

Vehicle companies, however, see it differently. While most can reach the 55% comfortably, Naamsa counters that certain car-makers with high levels of expensive technology in their vehicles would struggle to meet the target without sourcing technology from SA — which, in view of low volumes, would be excessively costly

Vermooten rejects this. "They have no need to move into local high-tech components. Take away the profits and overheads and they are looking at little more than 20% local content. Surely they can buy enough jacks, glass, tyres, wheels, leather and other parts locally to reach that?"

Companies failing to meet the minimum set by the BTI will be disqualified from any excise duty rebates — including those for which they would otherwise qualify in search

of the overall 75% local content target

That is something that concerns Naamsa's Vermeulen. Exchange rate fluctuations can knock a company's forex usage out of line and tip local content values sharply downwards. Companies have lost up to six percentage points of local content in such circumstances, he says

With a sudden-death out-off below 55%, companies suffering forex-related blows could face disaster by suddenly being deprived of millions of rands of rebates for which they had budgeted. This could lead to temporary, or even permanent, shutdowns

Vermeulen recommends a system of gradual penalties down to, say, 45%, and sudden-death thereafter. "That way, there is at least some insurance against the unforeseen"

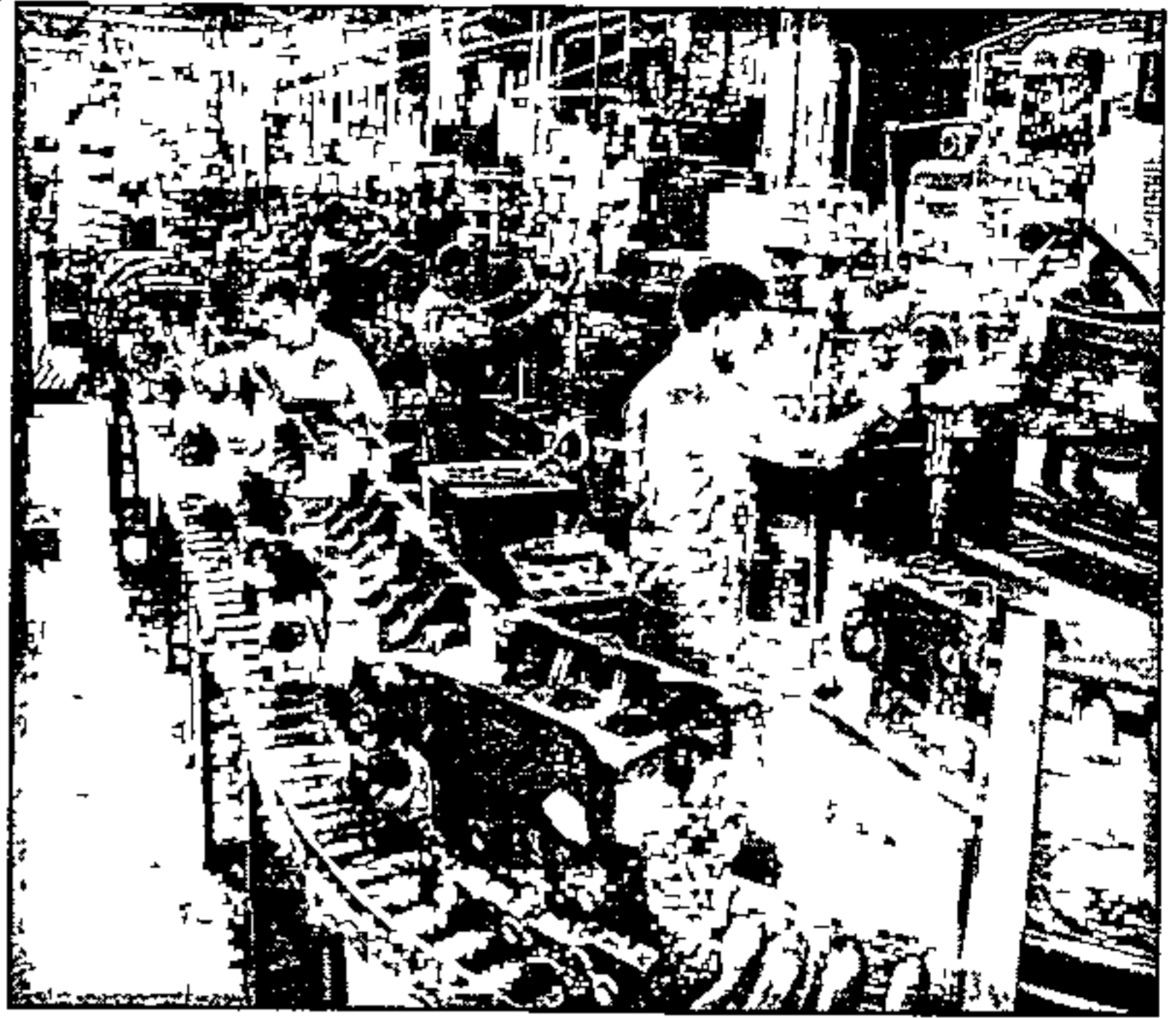
Another point at issue is the BTI's intention to cap excise duty rebates at the 75% target level, beyond which companies would receive no further benefit — something which could lead to difficulties in the future. Once at the limit, companies might decide there is no incentive to go any further. Since exports are calculated as part of local content, that could affect export programmes

In practice, industry and government officials expect companies exceeding 75% to sell their foreign exchange credits to those below the line, enabling them to avoid penalty payments. But that will work only as long as some companies don't reach 75% (the current industry average is below 70%)

But if they do all reach the target, government will consider using the General Export Incentive Scheme — from which the motor industry has been pointedly excluded until now — on an ad hoc basis to reward companies exceeding the 75%

In addition to the 50% rebate for local content, there is an extra incentive in the new Phase Six for companies to produce cheap cars. Cars will earn a 1,5% rebate for every R1 000 below a price level decided by the BTI. That level will probably be set at 75% of the average SA vehicle value, or halfway between the industry average and the cheapest vehicle. At present rates, that works out to about R29 000

In another departure from current practice, automotive components exports will



On the floor hidden blueprints

have to be approved by the BTI before qualifying for rebate under Phase Six. Government officials suspect some companies have used Phase Six to gain rebates for goods that should not fall under the programme. Industry reaction to the amended Phase Six has been positive — to a limited extent

"Vehicle manufacturers can plan for the future with greater certainty," concedes Naamsa's Vermeulen. "I think it will also benefit components manufacturers. Being able to plan from a firmer base, some vehicle manufacturers will have the confidence to revert to more localisation than if they were operating in a fluctuating situation"

He is also comfortable with the idea expressed last week by Trade & Industry Minister Marais to reduce protection for the motor industry — provided it is done in a gradual, phased manner in consultation with the industry

Naacam's Vermooten responds "We're happy with the idea, but only if they also end protection for the primary industries from which we buy our raw materials — the Iscors, Alusafs and Sentrachems. They must also price competitively. We are prepared to compete openly as long as the playing fields are even and as long as we are given sufficient time to adapt"

But what of the car-buyer? What will Phase Six (revised) do for prices? In theory, it should enable vehicle companies to restrain costs and, they hope, hold down car prices. The companies, of course, point to inflation, rising wage bills and forex rates as the biggest obstacles to this — but the less volatile planning environment of Phase Six is expected to help

Minister Marais is perhaps a little more realistic. "A few years ago, the rand was hugely overvalued and our vehicles were very cheap. We got used to cheap motor cars. Now that the rand is more reasonably valued, vehicles are getting closer to what their value should be and that is dramatic for us"

One or two cheers, then, from the consumer — whose ability to buy, ultimately, supports this superstructure of regulation and intrigue



Marais



Vermooten

Samancor plays down allegations of dumping

SAMANCOR, SA's leading ferro-alloy producer, yesterday played down reports that a trade dispute had arisen between SA producers and the Japanese government over allegations that they have been dumping ferro-silico-manganese on the Japanese market (13/11/91)

Samancor exports 20 000 tons of silico-manganese a year to Japan

Reuters reported this week that the Japan Ferro Alloy Association (JFA), an industrial body, had called early last month for the Japanese government to impose dumping duties on ferro-silico-manganese imports from SA, China and Norway (13/11/91)

The report said SA and Japan were locked in trade dispute about metal export prices

The JFA said in its petition to the Japanese finance ministry that low-cost imports of the ferro-alloy from these countries were damag-

ing the domestic industry

Samancor finance GM Chris Norval yesterday denied the group had been dumping

Samancor manganese division deputy GM Philip Brink said investigations were under way in Japan over the accusations of dumping and he was confident that, once they were complete, it would become clear SA was not guilty of dumping material Japanese customers had originally approached SA to supply silico-manganese to the Japanese market

He said the Japanese were primarily concerned with Chinese supplies of silico-manganese Chinese exports of cheap material to Japan had doubled in the past year or so

Silico-manganese prices have plunged by as

much as 40% in the past two years because of the flood of cheap, but low quality, Chinese and Soviet material

Lesley Boyd, chairman of Highveld Steel and Vanadium, whose subsidiary Transalloys is SA's other exporter of ferro-silico-manganese, was not available for comment yesterday

Ferro-silico-manganese is used in the manufacture of carbon steel and Samancor and Transalloys have to compete with Japanese producers for sales in Japan Japan does not manufacture its own ferrochrome, used in the stainless steel industry, which Samancor and other producers also export to the Far East

Reuters reported that SA commercial consul in Tokyo, H S Schoeman, said SA was trying to settle the dispute by changing its export practices "I'm sure the problem will be resolved soon", he said

BY MATTHEW CURTIN

13/11/91
B/Day

Sales of new cars continue to decline

NEW car sales have continued to decline, says Naamsa *Star 9/11/91*

Figures released yesterday show new car sales in October were down 11,6 percent on October last year at 15 590 units

Last year's sales for the same month were 17 640 units, a decline of 2 050.

Sales in October were down by 8,45 percent on September at 17 029 units

Sales of light commercial vehicles, bakkies and minibuses were down by 15 percent at 8 478 units — down on October last year's figure of 9 977

Sales of new light commercial sales recorded a slight increase of 1,2 percent, an improvement of 104 units

Naamsa said that while there had been a modest increase in the sale of medium and heavy commercial vehicles, compared with September,

the surge in sales as a result of VAT had failed to materialise

It said volumes in this category remained at historically low levels

Medium commercial vehicle sales in October were down 7,6 percent on the same month in 1990

However, compared with September this year there was an improvement of 57 units — an increase of 16,5 percent

Heavy commercial sales in October showed a decline of 17 percent over October last year

Naamsa expects trading conditions in all segments of the industry will continue to be extremely difficult in the months ahead

The association has suggested that some monetary policy relaxation, coupled with fiscal stimulatory measures in next year's Budget, now appear to be warranted — Sapa.

Motors⁽¹⁹²⁾

crawl⁽³⁴⁵⁵⁾

S | Times
FOR the sixth consecutive month, new-vehicle sales have fallen below the corresponding figure for last year. Commercial-vehicle sales failed to show the expected increase in October after the introduction of Vat 10/11/91.

Conditions are expected to remain depressed.

Car sales dipped to 15 590 in October from 17 029 in September and 17 640 in October 1990. Sales for the year are 170 087 against 178 245.

Light-commercial sales were 8 478 last month compared with 8 374 in September and 9 977 last year. Medium-commercial sales amounted to 401 in October, 344 in September, and 434 in October last year.

New vehicle sales sharply down

3 (Day) 11/11/91

MARC HASENFUSS

SALES of new vehicles in October were disturbingly low, the latest National Association of Automobile Manufacturers of SA (Naamsa) figures show

Naamsa, in figures released at the weekend, said trading conditions in all segments of the industry had deteriorated further recently and combined vehicle sales had, for the sixth consecutive month, recorded declines on a year-on-year basis

New car sales fell a marked 12% to 15 590 units in October against the 17 460 units sold in the corresponding month last year. Light commercial vehicle (LCV) sales dropped 15% to 8 478 units compared with 9 977 units in October last year

The expected surge in demand for medium (MCV) and heavy commercial vehicles (HCV) after the introduction of VAT failed to materialise. MCV and HCV sales for October showed only marginal improvement over September's sales

Econometrix's Tony Twine attributed the decline in sales to delays in new-vehicle buying ahead of the introduction of an array of new models next year

Toyota remained dominant as regards total market share. The group boosted its passenger sales share to 27,9% in October, while securing 33% of the total commercial vehicle market

Sales for the best selling Corolla-Conquest range alone constituted 21,7% of the total passenger car market, more than total passenger sales of Toyota's nearest competitor Volkswagen held on to second spot with 20,6% of new car sales

The effects of delayed buying and withdrawal of incentives to buyers for October were reflected in Samcor's sales for October. The group's market share fell from around 19% in September to 13,75% in the month under review

Delta and Nissan performed to expectations, achieving a 10,3% and 9,1% share, respectively, of the new car market

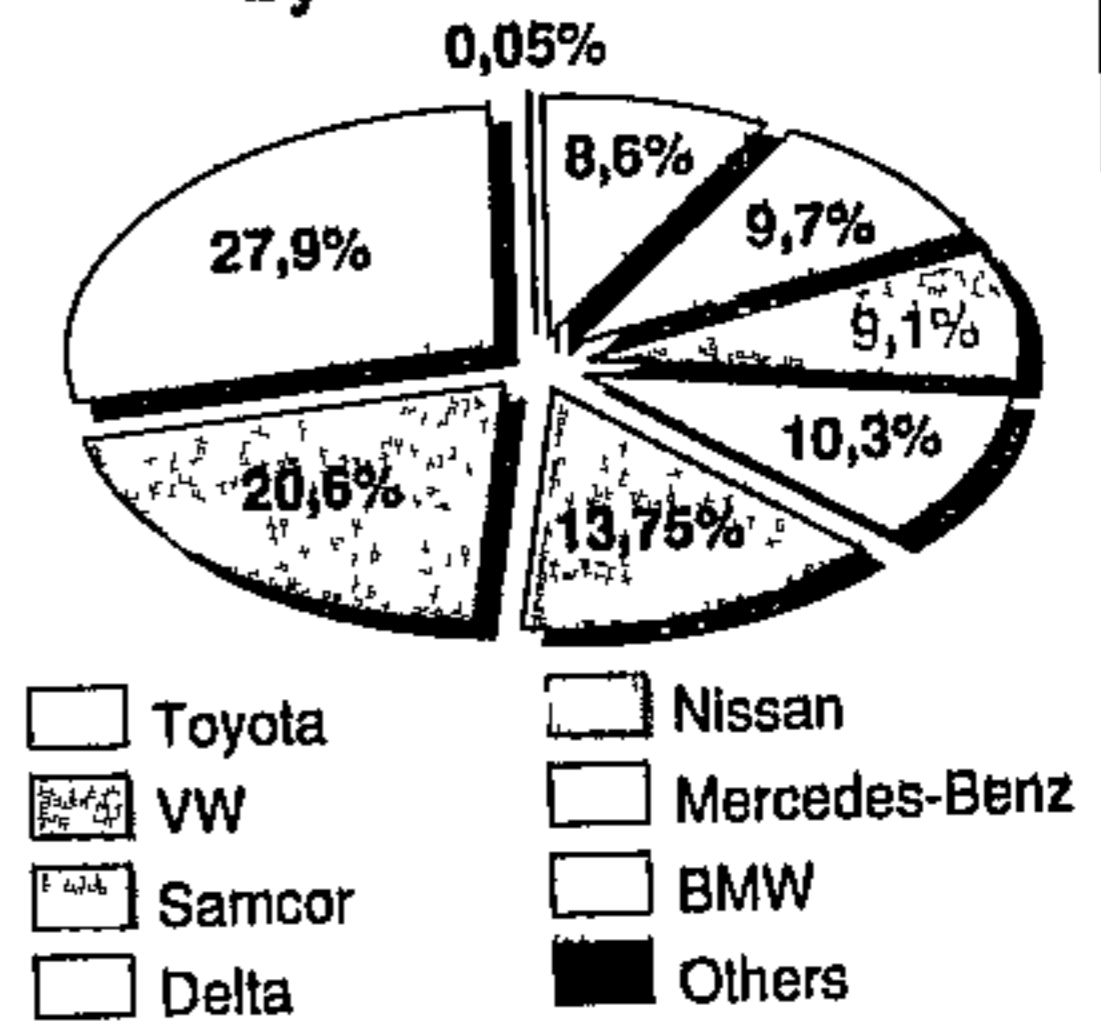
Nissan performed well in the commercial vehicle market, recording a solid 22,4% in LCV sales and 21,5% of HCV sales. The relaunch of the Cabstar allowed Nissan to snap up 7,5% of the MVC market

Both luxury car makers performed strongly in October

BMW was steady at 8,6%, helped by the introduction of financial packages aimed at making luxury cars more affordable

Combined new vehicle sales in the year to date at 263 687 units are 7,5% down against last year and Naamsa expects trading conditions in all segments to be

October new car sales by manufacturer



Graphic: FIONA KRISCH Source: NAAMSA

difficult during the months ahead

Some monetary policy relaxation, coupled with fiscal stimulatory measures in next year's Budget, were warranted, Naamsa said

Mercedes-Benz's manufacturing plant in East London will extend its annual closure over the Christmas period because of tooling-up requirements for the introduction of new Honda models and market conditions

THE transformation of Toyota from a war-ravaged, strike-crippled and technologically handicapped company in 1950 to world leader by the late '70s, is synonymous with the Japanese economic miracle

Quality circles, just-in-time production techniques and flexible specialisation were applied early in Toyota car plants. Toyota's stress on quality, elimination of waste, reducing inventories, quick die-changes, reprogrammable robots, the assembly of several models on the same line, and the use of worker-initiated productivity improvements is widely regarded as an ideal to be emulated in the '90s

The most striking difference between the production line in Durban and at Toyota City, Japan, is the degree of mechanisation. I asked a Japanese executive familiar with the SA set-up about the differences. "The quality is better here," he ventured cautiously, "but it is still cheaper in SA to use welders. But if labour in SA gets much more expensive, this might change."

Understanding the importance of cost factors explains why flexible automation technology can be applied in different ways in different countries. The protectionist nature of the local market and the existing system of industrial relations both play an important role.

Toyota, Japan, relies heavily on the "multi-skilling" of workers. The flexible use of workers within and between its shops and factories can succeed only if workers are able to handle several machines or stations and perform many jobs. These abilities are linked to promotion.

Durban seems to have a different approach. "Rotational training" is only an option. There is little incentive to move out of familiar routines. "Why move out of a job you know to one you don't?" one worker said. "You only expose yourself to being shouted at by a white supervisor."

Management had a different interpretation of why relatively few workers request rotational training. "Blacks like repetitive tasks," ex-

Toyota SA lacks

the drive of its

Japanese cousin

B/day 12/11/91

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UCT economist NICOLI NATTRASS recently visited the Toyota plant in Japan and its Durban counterpart, and compared their operations

plained the trainee manager who guided me around the plant.

Racist attitudes on the part of management are but one aspect of the difference between Durban and Japan. The nature of the bargain between labour and capital is the crucial factor. In Japan, employment is understood by labour and management to be a lifetime commitment to the company. The implicit bargain is almost impregnable: job security, high wages and production-related bonuses in return for worker loyalty, co-operation and dedication to productivity.

Further, introducing productivity-enhancing changes is far more feasible when the parties trust each other. When workers operate on the faith that the benefits will be fairly distributed, then productivity growth is much faster, smoother and draws more on the intimate knowledge of the production process accumulated by workers themselves.

Trust in Japanese industrial relations is encouraged in various ways. Regular consultation between management and workers is built into the labour process. Labour-management council meetings are held 10 times a year to discuss wages, bonuses, working hours and the company's performance. These are sup-

plemented by monthly plant and shop-level meetings, and weekly work group meetings. At Toyota City, more than 2-million suggestions (about 35 per worker) for improving productivity were handed to management in 1990. Of these, 97% were implemented.

Regular consultation has been prioritised by management ever since strikes crippled the company in 1950. It is a mistake to explain Japanese labour relations in cultural terms. Co-operation and consultation was a strategy born out of intense industrial conflict.

Industrial relations are very different in SA. In Durban in late July, Numsa was building up to a wage dispute. There was a palpable air of defiance in the plant, and the production line ground to a halt four times in an hour. There seemed to be problems with workers running out of parts and with the general speed at which tasks were being performed. The tour guide was becoming more irritated by the second.

"The blacks just think it's a big joke," he informed us testily

"They're supposed to call for more parts when they have less than 10 items in their bin. But not these guys. They wait for them to run out altogether, then they call for more."

"Can't they be disciplined?" asked a fellow visitor. "Phmp!" snorted the guide. "You complain about anything and you get the union on your back."

The "us versus them" mentality was clearly evident on both sides of the labour-management divide in Durban. Nevertheless, Toyota management in Durban has attempted to introduce some aspects of Japanese labour relations into the plant.

Pointing out one example of a recently introduced production line improvement, the guide became enthusiastic. "This improvement falls under our siyacabanga scheme. Siyacabanga means 'we think'. If a worker comes up with three of these kinds of improvements, he gets a keyring and a mug. If he does more than that, he gets a T-shirt."

The mind boggled. I couldn't think of anything that could be more insulting and less motivating.

In Japan the rewards are small. The best ideas are usually rewarded with prizes, generally of not much more than token size. However, in the Japanese social environment praise by superiors, recognition by

peers and improved promotional prospects are an important part of the reward. The material side can thus be downplayed.

But there is more to it than his Toyota workers in Japan are organised into teams which compete for productivity bonuses. There is this strong incentive for workers to cooperate in quality circle activities.

Different processes are at work in SA. Inspired, uninspiring slogans adorn the production line. It is difficult to imagine anyone being inspired by them. It is equally difficult imagining workers throwing themselves wholeheartedly into team efforts when (albeit puny) rewards exist for individual effort.

In SA, with production geared towards the oversupplied but protected domestic market, there is little incentive for management to fore the factory onto the cutting edge of technological advance, including multi-skilling of workers and seriously encouraging productivity improvements. If, on the other hand, the plant was exposed to international competition, the story might be different. For this reason, it may well be in the interests of the labour movement to include the gradual removal of protection in its demand for industrial restructuring.

Removing protection will drive some firms out of business. This would be in the interests of economic efficiency. That unfortunately means unemployment for those workers employed in those firms. But in the cut-throat world of motor vehicle production, there is a greater convergence of interest between workers and bosses in each particular company than there is between workers across the industry — raising questions about the future of centralised wage bargaining.

The industry needs to become less protected and more exposed to international competition. And labour and capital in each enterprise must enter into a more constructive relationship, as the fate of each company will hinge upon it.

□ This is an edited version of an article in the latest edition of the SA Labour Bulletin

FINALISING THE SAMCOR DEAL

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Samcor, which assembles Ford, Mazda and Mitsubishi vehicles, expects confirmation in two weeks that Mazda of Japan is ready to buy shares in the SA company.

Jennifer Kinghorn, one of the trustees who hold 24% of the shares for the benefit of Samcor employees, expects Mazda to make a preliminary offer at the end of the month. However, it could be well into next year before final agreement is reached on a price.

Mazda is likely to seek 12% of Samcor initially, with an option to buy the employees' remaining 12% later.

The Japanese company has been inter-

ested in a stake in Samcor for some time but it is only now, after Japan has lifted trade sanctions against SA, that the company is able to make a formal approach.

The employees' 24% stake in Samcor was given by Ford when it left SA in 1987. The trust was created to manage it on their behalf. The controlling interest in Samcor is held by the Anglo American Industrial Corp.

Kinghorn says trust members will consult employees' representatives before making a decision on any Mazda offer. However, there appears to be support in the company for selling at least a portion of the 24%.

When Ford initially negotiated the terms of the 24% stake with the National Union of Metalworkers of SA, the union recommended dividends should be used for community projects. However, workers demanded that the clause be changed so they could benefit directly from any earnings.

Today, too, worker representatives are keen that any income should be passed directly to the beneficiaries. For this reason employees seem to favour a deal with Mazda.

Samcor MD Spencer Stirling has no doubt a deal will benefit the SA company. He says Mazda is already an active partner in terms of product planning and support. A share of Samcor would increase its participation.

"We already have a very close relationship. Since board representation would go with the shareholding, it would increase

their interest in the company and in promoting its welfare."

Other SA motor companies see advantages in similar links with Japanese principals but say no approaches have yet been made for shareholdings in local companies.

Despite market talk that Nissan Japan is interested in buying into the SA company, Nissan SA CE John Newbury says he is unaware of any deal. "There is nothing on the table."

But he adds that if an approach is made, he likes the idea in principle. "I would welcome it. Through all the difficult times the Japanese have been invisibly very supportive. If their money were to come in, their commitment to us would increase still further."

To be sure, any Japanese motor company thinking of buying into SA could not expect an early return on investment based on the local market. As the latest vehicle sales figures show once again, the market remains a depressing prospect.

While sales of commercial vehicles during October were up on September, this was largely because of the introduction of VAT, which allowed buyers to claim back the tax as a capital input cost. Even then, the level of recovery was disappointing.

The National Association of Automobile Manufacturers of SA expects conditions to remain depressed for some months and says they will continue unless government introduces stimulatory measures in next year's Budget.

OCTOBER VEHICLE SALES

	1991	1990	% change
Cars			
October	15 590	17 640	-11.6
January-October	170 087	178 245	-4.6
Sep (17 029)-Oct			-8.5
Light commercials			
October	8 478	9 977	-15.0
January-October	85 127	95 998	-11.3
Sep (8 374)-Oct			+1.2
Medium commercials			
October	401	434	-7.6
January-October	3 560	4 135	-13.9
Sep (344)-Oct			+16.6
Heavy commercials			
October	608	733	-17.1
January-October	4 913	6 635	-26.0
Sep (475)-Oct			+28.0
Total sales			
October	25 077	28 784	-12.9
January-October	263 687	285 013	-7.5
Sep (26 222)-Oct			-4.4

Source Naamsa

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Tractors speed up

STIMES (BASS) 17/11/91
A RUSH to buy tractors after the introduction of VAT lifted sales to 484 in October from 393 in the same month last year.

The sharp improvement suggests that sales for the year could rise to about 3 000 units compared with forecasts of 2 500, according to the SA Agricultural Machinery Association (Saama).

Saama welcomes the decision to lift surcharges on all imported tractors of over 7 000kg retrospective to May 10, 1989. To speed up the refund, farmers should ask their dealers for relevant information.

Luxury car classifieds ^{18/11/91} ⁽¹⁹²⁾ outstrip ads for others

MARC HASENFUSS

CLASSIFIED adverts featuring luxury cars for sale in the PWV far outstrip the number published for small- to-medium vehicles, a survey by the Business Intelligence Consulting Group shows

The survey, which detailed the content of used car smalls in daily newspapers, showed Mercedes-Benz models mentioned more than 200 times and BMW models about 125 times in a random sample.

In comparison, other popular makes — Volkswagen, Ford, Toyota, Nissan and Mazda — ranged between 60 to 90 mentions in the classified sample

Motor industry analysts said the preponderance of classifieds for Mercedes-Benzs and BMWs indicated that this segment of the used vehicle market was overtraded

Economic restraints had steered most vehicle buyers away from the used luxury car segment which resulted in a drop in the

resale value of upmarket models

Subsequently sellers had been forced to place an increasing number of advertisements to secure the sale of a luxury vehicle

However, National Automobile Dealers' Association chairman Errol Richardson said he doubted the glut of luxury car classifieds reflected an oversupply of vehicles at Mercedes-Benz and BMW dealerships

He said the increase could be an attempt by car dealers to use the classifieds as a means to reach a new segment of luxury car buyers

This was confirmed by a number of dealerships on the Reef

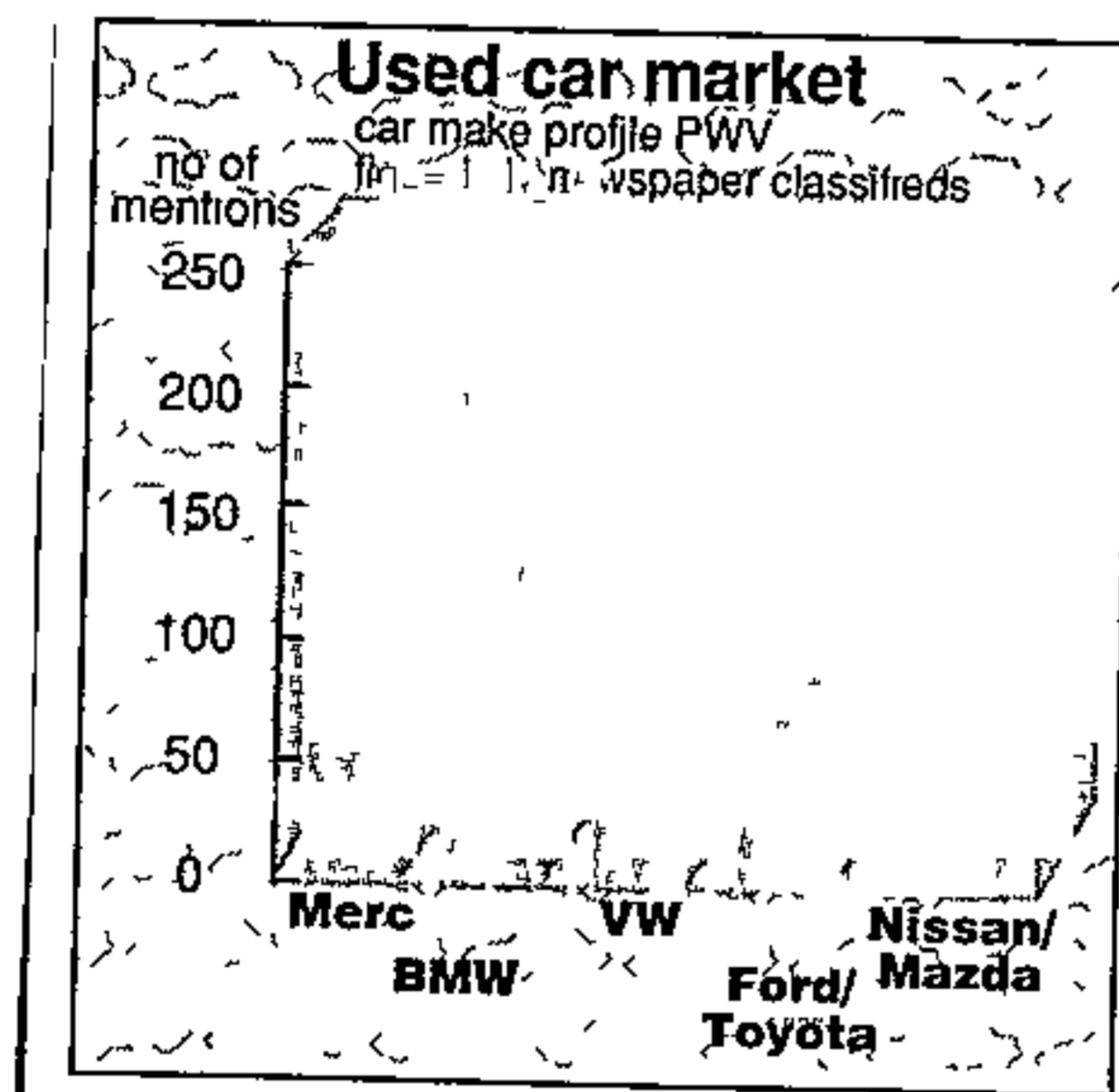
A BMW spokesman discounted claims that the resale value of luxury cars had dropped. He said the company's 3-series had one of the highest resale values.

He attributed the number of luxury car classifieds to sellers being prepared to take out a number of advertisements to ensure they obtained the best possible resale value

Econometrix's Tony Twine said that profit margin on most luxury car resales warranted considerable advertising expenditure

"The size of the luxury car seller's profit margin directly determines the frequency of a classified advertisement"

The turnover of basic small- to-medium used cars through dealerships and private sellers was still strong and repetitive advertising was not usually required to attract buyers, analysts said



Strong improvement in tractor sales

NEW tractor sales for October showed a marked year-on-year improvement as a result of the introduction of VAT at the end of September, figures released yesterday by the SA Agricultural Machinery Association (Saama) show

to 484 units from 393 units in the corresponding month a year ago

The year-to-date sales figure at 2 465 units is 28% down against the 3 419 units sold in the same period in 1990, according to Saama

(192) 5/10/91 13/11/91
MARC HASENFUSS

More export incentives mooted for components

B (124) 19/11/91
THE Department of Trade and Industry is considering additional export incentives for certain automotive components which benefit from Phase VI of the motor manufacturing industry's local content programme.

Trade and Industry Minister Org Marais indicated at the weekend that his department was considering extending the General Export Incentive Scheme (GEIS) to automotive components such as catalytic converters

The move follows strong lobbying in the motor industry for relief in the form of additional incentives to make up for the limitations which are to be imposed on the local content programme. From December, the local content target — which manufacturers have to meet to qualify for export incentives — will be capped at 75%.

Marais said the GEIS incentives, if applied, would focus on specific value-added components, such as catalytic converters.

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LESLEY LAMBERT

Their purpose would be to make the products more competitive on world markets.

Catalytic converters, a vital part of environment-friendly exhaust systems, have become an important example of the potential value to SA of the beneficiation of raw materials. However, their inclusion in export incentive schemes has also been the subject of heated debate and there is the possibility that their access to the local content programme may be curtailed, industry sources say

Most motor manufacturers have argued that the precious metal content of converters should not benefit from the local content export incentives, while others have said they should qualify in the way that other value-added products do

There are only two manufacturers of the catalysts in SA — Degussa and Johnson Matthey.

Car makers face radical shifts in labour relations

PARIS — The 22-day strike which crippled Renault last month cost the company an estimated Ff1,4bn

"We have a huge amount of change to make in our working systems, and we don't have much time," says union leader Bernard Espel, who heads the Mining and Metals Federation at the confederation Francaise Democratique du Travail

Renault is not the only company running out of time, and its strike offers some painful lessons for car manufacturers and other industries across Europe. To survive Japanese competition, many have begun radically changing production systems. What they have taken longer to understand is that the new systems will not work without an equally radical shift in labour relations

"This is the challenge of the 1990s," says Karl Ludvigsen, a London-based consultant. "It is the biggest, most difficult issue facing the motor industry in Europe."

But simply, the problem is that Japanese-style production systems — with gimmicky names like "just in time" and "total quality" — are highly complex and fragile. They can yield huge productivity and profit gains, but they demand close employee co-operation

A strike, or even a big dispute, threatens the whole system

One example. Just-in-time production dictates that parts be delivered

to a factory at the last minute, slashing inventories and finance costs. It can also help give a single assembly line the flexibility to produce different products, but it does away with stocks. If one plant stops producing an essential part, other plants in the manufacturing process must shut down

Prof Garel Rhys, of the Cardiff Business School in Wales, says that while France's performance on this score has been particularly bad, the problem is one that faces all of Europe, even Germany

Strategy

Since the Second World War union representatives have had seats on the boards of big German companies, fostering Germany's strong labour-management co-operation. But even companies such as Volkswagen have not gone far enough to change work practices, Rhys says, and Daimler-Benz is just starting to face the issue. VW, which in recent years has bought labour peace with 6% annual pay increases, is not boosting productivity fast enough to justify such steep wage increases, he maintains.

The labour-management changes being considered are profound. In the past, industrial employees were often trained to do monotonous jobs. Today, with so-called "lean manufacturing" and automation, workers need to learn many jobs, solving problems and working in less predictable ways

Japanese car makers in Britain have won virtual no-strike contracts from their unions, says academic Chris Brewster. In exchange, they offer unions far more access to financial and marketing information than other European countries. Industry sources say employee turnover in some Japanese factories has been higher than expected

To get co-operative employees, many companies, notably Japanese car makers, hire workers only after extensive qualifying programmes

Many countries have legal limits on weekly work hours, compulsory overtime or flexible schedules. That makes it harder to change labour practices in countries such as France and is one reason why Britain is blocking French proposals for EC-wide labour rules

Fiat has tried to deal with the labour issue by getting rid of labour. "Fiat more or less says they will never get the Italians to work like the Japanese," says Rhys. "So their strategy is to become even more automated than they are"

Of major European countries, Italy loses by far the most days to strikes — as much as 1 000 times the number of days lost in Germany, according to the ILO. But labour experts say that just as important is whether strikes lead to sit-ins and severe disruptions — as often is the case in France — and whether workers co-operate when working — AP-DJ

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LABOUR

By DREW FORREST

A UNIQUE dispute over production targets has erupted at the giant Volkswagen plant in Uitenhage

As part of their drive to expand worker control, black unions are increasingly seeking to push back management prerogatives in the area of production. The National Union of Mineworkers, for example, defends its shift to productivity bargaining as a bridgehead in a traditional management sphere.

At VW, management has declared

Dispute over VW targets

a dispute with the National Union of Metalworkers (Numsa) over the refusal of workers in one street of the press shop to meet new production targets

Numsa national organiser Gavin Hartford said that after conducting time and motion studies, the company had raised the target from 160 to 211 parts an hour. Workers were adamant they could not meet the new

VW targets

requirements and Numsa had asked to bring in its own expert to conduct a time study

The company based its declaration of dispute on claims that the workers' refusal to meet the target constituted unprocedural industrial action. Two dispute meetings had been held

"Historically, management has unilaterally set production targets," Hartford said. "Insofar as these are

unrealisable, they clearly create a problem between the parties. "Increasingly, the union and its members are going to want to negotiate on this sort of issue."

The dispute has implications for workers' job security. In terms of this year's national settlement in the auto industry, employers conceded a moratorium on retrenchments. This can, however, be withdrawn if repeated unprocedural industrial action prevents production targets from being met.



TOYOTA'S VENTURE a R41 000 multi-purpose vehicle for the family at work and play

The Venture funmobile

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S/Time (BUSS)

24/11/91.

By DON ROBERTSON

TOYOTA SA has found a market niche with the Venture funmobile

The part-car, part-wagon, part-camper vehicle will sell for R41 630 in its family mode or R41 050 in its transport configuration. It will be cheap to maintain.

Comparable station wagons or minibuses cost between R53 600 and R62 500. Buses retail for between R53 800 and R60 200.

The Venture has the highest local content of any car produced by Toyota SA. All tooling and body pressings are sourced in SA.

The 1.8l 2Y engine and five-speed transmission fitted to the Hilux range are also virtually an all-SA product.

Toyota plans to make between 200 and 250 Ventures a month, lifting total production to about 480 a day.

Knock

Toyota Marketing managing director Brand Pretorius said at the launch of the Venture in Reunion this week that the sharp rise in vehicle prices had depressed sales, passenger volumes falling from 301 528 in 1981 to an expected 205 000 this year.

The price of cars had increased by a factor of 5.41 between 1981 and 1991. The consumer price index rose 3.91 in that time.

In 1981, the price of a new vehicle was equivalent to 65% of the average white household income, but was now 90%.

Small cars now accounted for 68.2% of total sales compared with 49% in 1980.

"These prices effectively knock the aspirations of a large number of buyers on the head," said Mr Pretorius. He believed Toyota had solved the cost problem with the Venture.

There were several reasons for the increase in vehicle prices. A decline in the rand's value from 210 yen

10 years ago to 46 now had made imported components more expensive and inflation had affected the price of local components.

The Phase Six local content programme with associated duties and taxes as well as higher wages and a decline in productivity also raised costs.

Tooling for the Venture amounted to R43-million compared with about R200-million for most other new models. This was made possible by using the new R52-million tooling facility at the Prospecton plant near Durban and the R6-million engineering centre, said Mr Pretorius.

Toyota has pegged the Venture price until April 1, a move which could prove costly if the rand weakens before then.

The car is powered by the 1.8l engine which produces 75kW at 5 200rpm and 136Nm of torque at 5 600rpm. Interior trim is standard Toyota cloth livery with ample instrumentation.

Options include air-conditioning and radio/tape.

Similar models are made in Indonesia and Taiwan, but they do not have the same power options. As a result, export options are being considered.

It could be possible to produce a left-hand drive Venture for sale abroad.

Car makers invest R1bn in tooling up

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B (Day) 25/11/91

MARC HASENFUSS

SA MOTOR vehicle assemblers are investing more than R1bn in tooling-up costs for new models in 1992, despite industry expectations of a slow recovery in new car sales in the next three years

The estimated R1bn in spending is in line with manufacturers' long-term plans to revamp and replace current model ranges during the next three to five years

New ranges are to be released next year by Samcor, Toyota, Delta, BMW and Mercedes-Benz

Volkswagen public affairs director Ronme Kruger said model variance was not dependent on strong sales but related to changes in model line-ups by parent or source companies

Econometrix's Tony Twine said certain local car manufacturers had "skipped" model updates to extend the life of popular ranges

However, eventual supply problems necessitated model changes to bring the local manufacturer in line with parent company standards

Twine said that when one manufacturer updated its range, consumers' perceptions of other cars changed, leaving manufacturers with little choice but to follow suit

Apart from the introduction of new models, scant attention is being paid to

luring the private buyer back into the new car market

Premiums on new models should see prices escalate above the rate of inflation, with the result that corporate buying will continue to buoy new vehicle sales

Analysts say it is unlikely the motor industry will launch an "affordable car" geared to lower income groups

"The danger of marketing such a vehicle is that the manufacturer is looking for growth outside its traditional sales market — the corporate sector"

Industry sources said at the weekend there was a limit to how much manufacturers could cut costs and still meet safety standards

They said "The so-called Third World car is an unachievable goal".

The slump in new vehicle sales in the past three years put the brakes on investment in new model ranges. Most spending was concentrated on upgrading ranges

The National Automobile Dealers' Association (Nada) predicts flat growth for new vehicle sales from 1991 through to 1994

It estimates that 320 000 passenger and commercial vehicles will be sold this year, increasing to 368 500 in 1994 — a compound growth of less than 5%

SA's vehicles are outward bound ⁽¹⁹²⁾

B/D Day 28/11/91

SHARON WOOD

PHASE VI of the local content programme was having a positive effect on motor vehicle exports, which rose by 20,3% in the year to October, SA Foreign Trade Organisation CE Wim Holtes said

This was also indicated by the rising ratio of motor vehicle exports to imports from 18% in the first 10 months of last year to 21% over the same period this year

Major motor manufacturers yesterday confirmed that exports to Africa, in particular, were doing well

They said they were waiting for the expected announcement of the new local content level on Friday before they could say how much they would benefit from the export incentives

Nissan vehicle exports director Robin Philips said there had been a

steady opening-up of sub-Saharan Africa to SA motor companies

"Nissan is doing particularly well in respect of meeting the pent-up demand in Zimbabwe," he said

Virtually all car manufacturers had enjoyed the increased demand which was continuing and there was also strong demand in Zambia

Sub-Saharan African countries were not a big market but their immediate proximity gave motor manufacturers some additional scope, he said

Philips would not comment on Nissan's export performance outside Africa

Mercedes-Benz SA public relations officer Rene Kilian said Mercedes

had been pursuing export opportunities as a result of the provisions made by Phase VI, in which export of components counted as local content, since 1990

Mercedes mainly exported original equipment components back to their plants in Germany, one of which was the auto catalyst

"The export of components to Africa is limited as there are no assembly plants, but opportunities exist in the spare parts market

"We regard future export opportunities as favourable. In Africa markets are opening up and we will be pursuing these opportunities with vigour," she said

Mercedes envisages an export programme worth several hundred million rands by 1996

Car rental spending revs up

MARC HASENFUSS

SLUGGISH new vehicle sales will receive a much-needed boost from increased spending by the big three car rental firms next year

Fleet replacement spending by Avis, Imperial Car Rental and Budget Rent-a-Car will top 15 000 units at a cost of about R600m next year, industry spokesmen say

Although rental volumes have dropped 20% in 1991 and are expected to drop a further 8% in 1992, a steady improvement in overseas tourism has prompted a more bullish outlook from the main rental firms

Imperial Car Rental MD Carol Scott was optimistic about prospects for the car rental sector. The group is set to spend R240m on 6 000 new vehicles next year. She said the group had seen tremendous overseas demand as well as a rapid recovery in domestic business in the past few months

Avis will buy 5 500 new vehicles, 7% up

on the previous year, while Budget expects to maintain spending at this year's levels and will buy 3 650 vehicles next year.

Budget MD Tony Langley said that overseas tourists were pouring in, pushing up rental levels. And Avis MD Grenville Wilson said business was picking up steadily with the group's overseas connections ensuring a strong inflow of business.

Generally business in the car rental industry, which traditionally leads the upturn in the economy, had been encouraging in the past few months, Wilson said

In the past two years rental companies have pruned their fleets and the national fleet now stands at 10 000 vehicles — 40% down against two years ago. Increased spending on new vehicles will see the fleet jump 50% to more than 15 000 in 1992

192
2/11/91
6 (Day)

Firm buys new furnace

Business Day Reporter

Monday 28/11/91

LEADING automotive glass manufacturer, Pilkington Shatterprufe Safety Glass (PSSG), has installed one of the most advanced press bending furnaces in the world at its Ga-Rankuwa factory near Pretoria

The R32-million furnace was supplied by Libbey Owens-Ford Technologies of Ohio in the US. It will enable PSSG to produce high volumes of complex, tong-mark-free glasses for the automotive industry.

The furnace will double the factory's tempering capacity to 2,7-million car windows a year.

Amendments to Phase VI

197
MARC HASENFUSS

AMENDMENTS to Phase VI of the motor industry's local content programme, due to be gazetted today, were unlikely to benefit the struggling local component industry, analysts said yesterday

The revised programme is expected to emphasise a "material" definition of local content, rather than local content by value achieved through overheads, margins and exports

Biday 29/11/91
National Association of Automobile Component and Allied Manufacturers (Naacam) president John Brandtner believed material local content levels (excluding exports) would be gazetted at 50%

However, the amendments would not replace the value-based programme and vehicle manufacturers would still have the option of reducing their import bill by exporting components

The local component industry would

provide only 25% of original equipment manufacturers' (OEM) local content requirements under this scheme, the remainder stemming from OEMs' value-adding processes Brandtner said this would result in a R1,2bn drop in annual turnover

Furthermore, analysts said with the array of new models to be introduced in the next three years, original equipment manufacturers would no longer be compelled to source components locally

Component makers would start feeling the pinch as new models were introduced

There was still a real possibility of mass shutdowns

Associated Information Technologies MD Malcolm Perrie believed government would also limit export incentives by placing a ceiling on OEMs' exports

A SEVEN-month slump in vehicles sales has sent the motor industry back to where it was in the mid-1970s.

There is unlikely to be any significant improvement until the economy begins to turn around

The motor industry, the second-largest in SA, has thrown its weight behind a call for stimulatory measures in next year's Budget to give the economy a push start

Nico Vermeulen, executive director of the National Association of Automobile Manufacturers of SA (Naamsa), says revival of the economy is of paramount importance for efforts to underpin the socio-political transitional process

It will require a relaxation of monetary policy and stimulatory fiscal measures

Reduction

In general terms, it will be necessary to reduce the rate of corporate tax, which is high by world standards

The Department of Finance should consider a gradual reduction in the tax rate from 48% to 40%. This is essential to encourage foreign investment.

A reduction in personal tax should also be tackled and the authorities could consider reducing the marginal rate from 43% to 40%, but on a higher income figure of R100 000

From an industry point of view, employment growth is essential, say motor executives

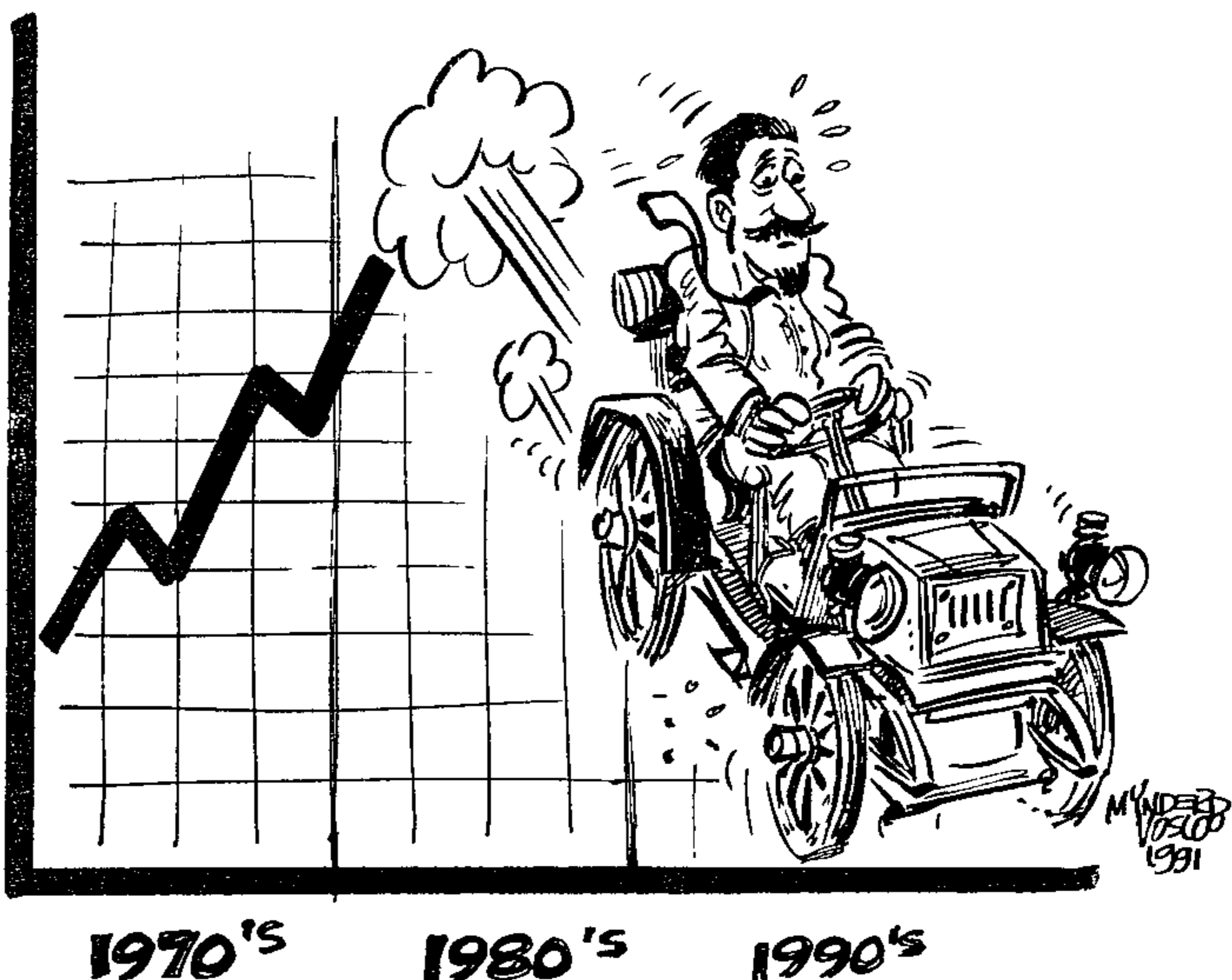
Jobs

Manufacturers employ about 36 500 people, the component sector offering jobs to another 65 000. Garage and associated divisions employ 100 000

To boost these levels, the reintroduction of training allowances should be considered, they say

To give the industry a fillip and foster the transfer of technology, remaining import surcharges on plant and machinery as well as other capital goods should be removed. This is possible because of the improving balance of payments.

SALES



MOTORS ROLL BACK TO 1970s

(192 (Time) (13455) 1/12/91)

By **DON ROBERTSON**

For obvious reasons, the industry would like the Government to review its position on input tax on company cars which are used to generate business. The Government should also look at fringe benefits on company cars

An estimated 70% to 75% of new cars are sold to companies. What is held to be overtaxing has hit the industry, say sources

Latest estimates for the current fiscal year suggest that the motor industry will contribute about R3,8-billion to the Treasury in various forms of tax and duty, excluding fuel levies of about R3,7-billion

The component industry also views the coming year with some pessimism. In a vehicle market which is expected to remain static,

component supplies will be less than promising

Denzyl Vermooten, executive director of the National Association of Automotive Component and Allied Manufacturers (Naacam), says exports should increase by about 20% in 1991, particularly as the sale of autocatalysts moves into top gear

Details

They should increase exports by between R200-million and R250-million, adding to this year's figure of about R1-billion.

Although sales to original equipment manufacturers are expected to continue at present levels, the after-market should improve moderately as the vehicle park ages

TOP

100 COMPANIES

At the time of writing details on the minimum local content in terms of Phase Six had not been published. Naamsa asked for a minimum of 45% by value and sought a minimum 55%

Mr Vermooten says the current local content level is about 62% and a "concession" in allowing it to decline to 55% would cost the industry about R900-million in lost sales

Should the figure be reduced to 45%, the industry would lose sales of about R2-billion

He says that in real

terms, the component industry supplies only about 35% of each vehicle, the rest being made up of assembly costs, overheads and manufacturers' profits

Mr Vermooten also believes that the launch of new models next year, such as the BMW 3 Series, a Honda and plans by Sarncor to spend R1-billion on a model revamp, will have little impact on sales volumes

He says that in terms of Phase Six and its export incentives, it will probably be cheaper for vehicle manufacturers to import most of their components and make up the excise duties they would have to pay by exporting and gaining rebates

This would reduce their tooling-up costs and do away with the need to amortise equipment

COMPANIES

Growing demand for car parts predicted

SEAN VAN ZYL

192

THE growth potential of the SA car parts market is unequalled compared with other Western countries, Autoquip chairman George Santana said in his 1991 annual review

Santana expected SA's changing political and socio-economic environment to double black vehicle ownership within the next eight years

Most purchases were expected in the second-hand vehicle market which would create new demand for replacement parts

Autoquip is a holding company for two main subsidiaries in the motor component and accessory markets

Santana said the replacement parts

market had suffered an 18-month "drought" period. The car accessory market suffered similar conditions because of the decline in personal disposable income. However, Santana felt these markets were on the verge of a new growth phase. Coupled with increased black vehicle ownership, he noted the average age of the SA car pool had increased to about 10 years from 7,5 years in 1985 which would create additional demand for replacement parts. He said record new vehicle sales in 1985 would stimulate demand for spare parts as vehicles reached six-year maturity

Rand Mines in joint scheme to explore mineral rights

MATTHEW CURTIN

RAND Mines Properties (RM Props) is set to join Rand Mines in a new long-term exploration drive to evaluate the mineral rights the companies hold south of Rand Mines current east Rand and west Rand gold mines, says RM Props chairman Dammy Watt

In his annual review, Watt said Rand Mines would review its exploration strategy on mineral rights holdings when the results of two boreholes completed in the current programme had been studied

Further exploration would be required before an economic evaluation could be undertaken, and Rand Mines had not budgeted for the exploration work in the current financial year

Watt said RM Props was not directly involved in this exploration, but in turning the group's mineral rights to account, the company, Rand Mines and other parties would have to combine their property interests and mining title

He said the results from RM Props' gold

operations — the group manages gold recovery operations at Crown Mines and City Deep and a small mine at Pilgrim's Rest — would depend on the rand gold price received and the containment of costs

Watt predicted the company's earnings and dividend payments would be lower next year despite better prospects from its property division. In 1991 RM Props beat gloomy forecasts of a large drop in profits at the interim stage to post after-tax profits of R19m. Although the year's dividend was cut from 140c to 120c, RM Props paid out a special 100c dividend because of an unexpectedly high cash balance

RM Props had won an agreement to lease a warehouse on land owned in an Aeroton township which would boost the company's rental income in 1992

But he said revenue from township land sales and interest received were likely to fall and lower profits for the property operations were expected

Anglo chief has hopes for economic forum

FEMCOTEC

Disappointing record

Activities: Manufactures electric motors and wiring harnesses for the motor industry

Control: Directors (62,5%)

Chairman: J P Kearney, Joint CEs N van Zyl, G Zammit

Capital structure: 24 6m ords Market capitalisation R22m

Share market: Price 90c Yields 5,6% on dividend, 23,6% on earnings, p e ratio, 4,2, cover, 4,2 12-month high, 200c, low, 90c Trading volume last quarter, 281 000 shares

Year to Dec 30	'88	'89	'90
ST debt (Rm)	1,7	6,4	10,4
LT debt (Rm)	7,1	19,4	11,1
Debt equity ratio	0,21	0,69	0,45
Shareholders interest	0,52	0,47	0,55
Int & leasing cover	12,6	3,9	1,9
Return on cap (%)	27,2	12,5	9,0
Turnover (Rm)	79	110,1	107,2
Pre-int profit (Rm)	15,8	9,8	7,8
Pre-int margin (%)	20,0	8,9	7,2
Earnings (c)	37,5	30,9	21,2
Dividends (c)	17	12	5
Net worth (c)	130	152	194

Concurrently with Femcotec's listing in 1988, sponsoring broker Ed Hern, Rudolph put out an investment report on the company, titled *Femcotec — A Strategic Group With Exceptional Growth Potential*, incorporating a summary of the group's expectations for the three financial years to 1990

Comparing these expectations with what was achieved makes interesting (if depressing) reading After beating its prospectus forecasts for 1988, the group went into a tailspin from which it has yet to emerge

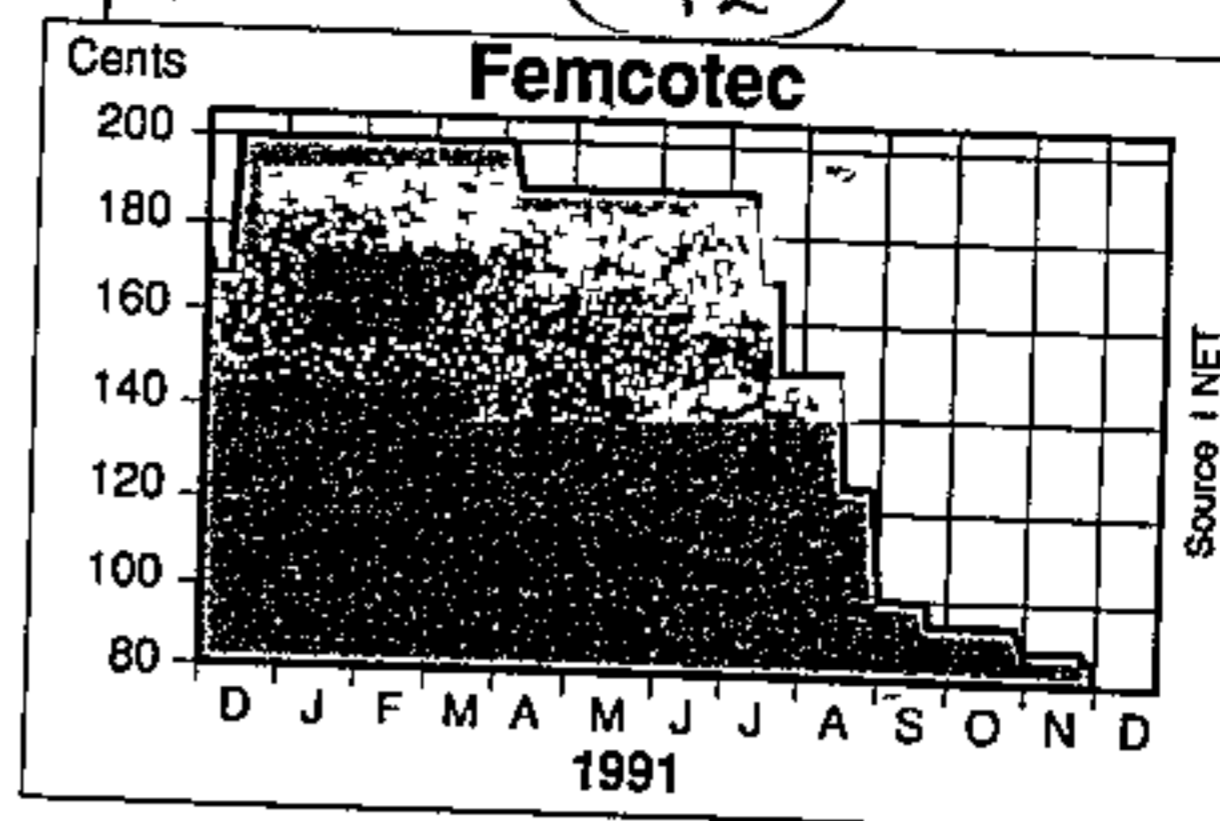
Taking the 1990 forecast, the only aspect to have withstood the test of time was the projection that sales would climb to R112,7m This was 5% more than the R107,3m achieved but acceptably close to the mark given that nobody three years ago could reasonably have foreseen the duration and depth of the recession

However, the same cannot be said for the rest of the forecast The envisaged sales were supposed to generate an operating profit of R22,2m (R7,8m actually achieved), net financing costs were estimated at R579 000 (R11,1m actual), EPS were projected at 50c (21,2c actual), and dividends, based on the stated distribution policy, were predicted at 22,7c (5c actual)

While the report did not look beyond 1990, it is safe to assume that its authors would not have predicted the continued slide which, in the six months to June 1991, wiped a further 68% off pre-tax profit and reduced EPS by 64%

Reasons for this dismal record fall into three broad categories One aspect was that expansion of the group after the listing, particularly in the electric motor division, led to a loss of management control both as regards production and accounting This necessitated extensive management changes including, as noted in the 1989 annual report, the replacement of the previous CE

A second aspect, also affecting mainly the



electric motor division, was a need to upgrade product quality, to be able to compete effectively with imports and to enhance prospects for exports The third aspect stemmed from a number of acquisitions made as part of an expansion drive after the listing Few lived up to expectations and these satellite operations have since been either rationalised into existing divisions or resold

On a more positive note, rationalisation and restructuring so far have not involved any costly write-offs The asset base, and therefore the group's income-producing ability, remains intact, from which it follows that profit can recover if costs are brought under control

The market, however, seems to have lost patience The share price has plunged from the 1990 high of 325c to 90c, the lowest level since the listing That suggests investors are not looking for any quick recovery

Brian Thompson

FM 6/12/91

unit prices remain constant and the crop size increases by more than 10%, earnings are expected to rise by a similar percentage

In this season, Unifruco exported 35m cartons of fruit for gross earnings of R1,4bn, which was 8% up on the R1,3bn earned last year. The most lucrative deciduous fruit crop is apples, which earned R700m on export markets this year.

Kriel says the reopening of overseas markets is unlikely to cause a domestic shortage of fruit or push up local prices. The anticipated increase in the size of the crop will satisfy higher demand. About 60% of the deciduous fruit crop is exported and 40% is sold locally as fresh fruit or for processing.

Doug Stanton, chief executive of the SA Co-operative Citrus Exchange, says that though the next citrus season does not begin until May, he is optimistic it will be as good as this year's. Gross export earnings exceeded R1bn for the first time this season.

He says that though the exchange is looking to open new markets in eastern Europe and the Far East, a domestic shortage is not likely. Last season, the exchange exported 31m 15 kg cartons — the highest figure ever achieved and 1m cartons more than the 1990 figure. The export crop is expected to grow to around 45m cartons over the next few years.

Last month, Unifruco and the exchange announced the rationalisation of their interests in Europe, including the establishment of a joint European head office at Farnham Royal, west of London, and the joint management of financial, data processing, quality control, technical and logistical services. Marketing will remain independent under the trade names Cape and Outspan.

The two organisations say the joint arrangement will result in optimal use of the existing infrastructure and expertise, reduced costs and greater productivity.

Unifruco and the exchange jointly export 68m cartons of fruit a year and the figure is expected to rise to 100m by 1995.

□ In Stellenbosch this week, Unifruco launched a new company, Vinfruco, to handle overseas marketing for six Cape wine co-ops and four independent estates.

The wine will be sold under a new label, Oak Village. Participants in the venture include Overgaauw, Rustenberg, Vriesenhof and Niel Ellis estates and De Helderberg, Bottelary, Eersterivier-Vallei, Koelenhof, Vlottenburg and Welmoed co-ops.

Vinfruco will target the mid-price range market with high-quality wines. Its competitors will include other "new world" wines from Australia and California.

ATLANTIS DIESEL ENGINES

No easy ride

The effort by Atlantis Diesel Engines to get the motor industry to make diesel-powered, 25-seat midibuses, in addition to the 16-seat minibuses used largely as black taxis, is running into roadblocks.

FM 6/12/91

Midibuses would ease congestion on the roads, be more economical for many taxi operators and, best of all for ADE, use diesel engines.

But motor vehicle manufacturers see no reason to change a winning formula. A Delta Motor Corp spokesman says the proposal has not yet been considered and both Toyota and Ford announced they have developed new versions of their minibuses to cope specifically with the demands of black taxi operators.

State-owned ADE has supplied only 160 000 engines to local truck and tractor makers in the 11 years since it was started. MD Fritz Korte believes that if the company can convince only a portion of the taxi operators who serve long routes of 15 km or more, he will reap a big boost in business (*Business & Technology* May 31).

There are an estimated 100 000 black taxis on the road and many of them are used on

long routes

Toyota has not shelved the idea entirely. Director Des Gush says it is still investigating the possibility of making midibuses. One obstacle is that the law must be changed. Fare-paying passenger vehicles with more than 16 seats now have to operate on a schedule approved by the Transport Department.

Dave Scott of Nissan and Sean Bownes of the SA Motor Corp see price as the problem. "We're already building midibuses but aren't selling them to taxi operators," Scott says.

He adds "They're used for shuttling corporate staff around. Taxi operators would like to see them come in at around R100 000, but that won't happen, particularly because most operators want performance as well, which means fitting the vehicles with turbo-charged engines and increasing the price.

continued

BUSINESS & TECHNOLOGY

FM 6/12/91

even more. Another problem is that operators have not been putting anything aside for replacement. Now that many have to replace their vehicles they find that, because of the taxi wars, banks are asking for higher deposits and insurance companies are asking for premiums to be paid upfront.

"Operators can service minibuses at the kerbside but, being diesel-powered, midibuses will have to be serviced by qualified people."

The Southern African Black Taxi Association (Sabta), however, still likes the midibus concept. Spokesman Fanyana Shiburi predicts that it will take off with black operators catering for white patrons.

"Sabta has been asked to take over some white routes that are being operated at an horrendous loss." He forecasts that blacks will be operating midibuses on routes such as the one between Sandton City and Johannesburg city centre within a year.

However, he warns "Those buses will have to be fitted out to please the upmarket people who will use them. To do anything less would be suicidal and place their operators in the same position Putco was in when it refused to move away from its uncomfortable plank seats. That opened the door for black taxis to take over the market."

Korte remains optimistic about the midibus issue. "The Argentinian passenger transport system mirrored that of SA's 30 years ago. Since then it has moved to a non-subsidised *colectivo* midibus system that works very well."

JOHANNESBURG LIMITED
20th Floor, 37 Sauer Street
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27 November 1991

a Mining

(Public) (South Africa)

Dividend no 98

In any event, breaking into the black taxi market is not as vital for ADE now as it was six months ago because business is improving.

Last year ADE laid off workers because of declining orders but rehired 40 of them last month and plans to recall another 50 next month. Export orders are picking up and Korte predicts a 10% growth in the truck and tractor market next year. ADE will make 12 700 engines next year compared with 10 000 this year.

He says ADE is sitting on new export orders worth R35m from Britain, Germany and Brazil next year. These include 40 000 cylinder blocks, 25 000 cylinder heads and 10 000 crankshafts, as well as connecting rods, gear housings and brake drums.

South Africa (Pty) Limited

Registered office:
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Sandton 2199

continued

Delta to spend ⁽¹⁹⁷⁾ R250m ^{SI (FIM&S) (BMS)}

DELTA Motor Corporation will spend R250-million in the next two years on tooling-plant expansion and improvements to facilities, all of which will be financed internally

Chief executive Keith Butler-Wheelhouse says that in the past five years, sufficient profits and cash have been generated to finance the project without recourse to borrowings — an unusual position in today's competitive industry

About R110-million will be spent on upgrading the two production facilities in Port Elizabeth. The rest will cover tooling for new models

Another facility is the R9-million electro-coat paint shop for treating body components, a truck plant costing R7-million near Port Elizabeth and a R16-million mechanical press which has increased capacity by 60%

November figures 'disastrous'

Bleak year predicted for car industry

Monday 9/12/91

192

THE motor industry was facing its worst year since 1986 this year as hopes of a buoyant fourth quarter had all but disappeared, analysts and industry members said at the weekend.

With new car sales figures for November due out today, motor industry analysts are predicting a disastrous 14 500 units sold, indicating that 1991 could be one of the worst years on record for the sector.

One top analyst said the industry would be lucky to realise 199 000 sales for the year. Figures up to and including October showed sales of 170 146 for 1991.

"We have gone from the sublime to the ridiculous considering that in 1977 only 166 700 units were sold. Then came the resurgence in the early '80s (1981: 301 500 units), the plunge in 1986 (174 500 units) and now the belly-flop into the '90s," he said.

Sales over the past three months have been steadily declining with 17 000 units sold in September and only 15 500 in October.

One leading vehicle manufacturer warned that adverse political and economic conditions could make 1991 the second worst year on record in the past 14 years.

Toyota SA marketing MD Brand Pretorius said with October sales declared, it seemed certain that even conservative projections would not be achieved.

Manufacturers who had banked on a post-VAT mini-boom pulling sales up would be disappointed.

"The position as the year draws to a close is that the industry will be fortunate to realise 199 000 sales and we will be delighted if it tops 200 000. This is a very weak market," Pretorius said.

MICK COLLINS

ANDREW GILL reports Volkswagen public affairs director Ronnie Kruger expected a figure of about 200 000 for 1991, followed by a meagre 5% increase to 210 000 in 1992.

With only November and December figures still to be released, and with December being a seasonally low month, there was little hope of a figure higher than 200 000, he said.

If the trend continued, he warned, some manufacturers might fall by the wayside.

"Our parent company (VW in Germany) won't even consider launching a new model unless it can get 250 000 sales a year from it, and we have seven manufacturers selling 200 000 units to the whole market," he said.

Pretorius said current trends were forcing Toyota to take another look at projections for the coming year.

Political uncertainty was undermining confidence, retrenchments were continuing, unemployment was growing and there was little chance yet of early relief in the form of lower interest rates, he said.

"In the light of these underlying factors we believe that the market for passenger vehicles will be in the region of 205 000 units for 1992. We believe that the year will get off to a slow start with some acceleration in demand perhaps from the third quarter onwards."

Pretorius said the past year had seen the market battered by adverse economic trends and political instability.

"At the beginning of the year Toyota's

□ To Page 2

Car industry

Monday 9/12/91

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□ From Page 1

forecast for passenger car sales for 1990 was 210 000 units which was conservative compared with other manufacturers' forecasts, some of which went as high as 215 000.

"At Toyota we had hoped for a buoyant fourth quarter. Earlier in the year we believed that the last quarter of this year would mark the beginning of a modest upturn in the economy which would allow us to be a little more bullish about the

prospects for 1992."

He said the industry needed stimulation and vehicles needed to be brought back within reach of the pockets of private buyers.

"Unfortunately the factors that most affect vehicle pricing at manufacturer level are beyond our control. Exchange rate deterioration is still evident and productivity is on the decline in the face of ever increasing wage demands."

Gloom ahead for motor industry

(192) 279/12/91

Own Correspondents

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"Unfortunately the factors that most affect vehicle pricing at manufacturer level are beyond our control. Exchange rate deterioration is still evident and productivity is on the decline in the face of ever increasing wage demands."

With reference to light commercial vehicles, he said his projection for 1991 was that the market would realise about 100 000 sales — down from the original forecast of 105 000 units. For 1992 the target was 105 000 units, he said.

Phase VI 'could cost firms R1,6bn'

192

BIDAN

10/12/91

SEAN VAN ZYL

LOCAL motor component manufacturers could lose up to R1,6bn in earnings over the next two years as a result of new models coming to the market under amended Phase VI requirements.

National Association of Automotive Component and Allied Manufacturers (Naacam) president John Brandtner said yesterday that massive retrenchments — early estimates showed the loss of more than 20 000 jobs — could also result from the amendments.

He said the new Phase VI ceiling of 75% on local content to achieve the maximum rebate on the excise duty charged on manufacturers' sales would discourage motor manufacturers from extending their local content usage beyond the maximum rebate level.

National Association of Automobile Manufacturers of SA (Naamsa) director Nico Vermeulen agreed that the use of local components could drop with the introduction of new models.

Vermeulen said even with a weak rand it would be cheaper to source components offshore as overseas manufacturers had longer runs and therefore cheaper tooling up costs.

However, he said importing components would result in a drop in new car prices in the long term.

A leading industry analyst confirmed Naacam's fears and said more than 12 new models were expected to be introduced by the five manufacturers during 1992. The analyst said the new vehicles would replace existing models and ranges in which locally manufactured components mainly had been used.

The Phase VI programme applying to local content was amended by

the Board of Trade and Industry last week. The changes include a dual local content system based on export earnings at 55% and non-export earnings at 50%, which manufacturers have to exceed to avoid penalties.

In turn, manufacturers exceeding the minimum targets will qualify for rebates against an excise duty of 40% charged on motor sales.

Naacam estimates pegged the present value of manufacturers' local content at about 72% including exports. Brandtner expected that, combined with growing export sales, the industry would begin scaling down its true local content possibly to the statutory minimum level of 50%, excluding exports.

The local content level is based on a combination of manufacturers' operating costs, export sales and "true" local content use. Naacam estimates show a breakdown of the overall local content at 27% costs, 7,8% exports and 37,4% true local content. Brandtner expected the true local content to drop to about 23% over the next two years.

Motor manufacturers' export earnings climbed to R1bn this year from about R50m five years ago. Naamsa figures also showed a projected 20% increase in export revenue to R1,2bn for 1992.

Toyota SA chairman Bert Wessels said the changes to Phase VI would allow manufacturers to improve forward planning under a firm set of rules.

Wessels said stability was essential in an industry that had lead times in excess of two years in component or new model localisation programmes.

Motor unions agree on pay

GERALD REILL 192

PRETORIA — Three motor industry unions representing 150 000 workers in the sector (which includes retail outlets and garages) agreed with employers at the weekend to minimum wage increases of between 8% and 10%.

The unions were the Motor Industries Staff Association (representing white collar workers), the Motor Industries Employees Union (representing artisans) and Numsa.

Motor Industries Staff Association president Johan du Plessis said the settlement was one of the lowest in recent years but the dire straits in which the industry found itself had to be taken into account.

"The union representatives took a realistic stand. They could not ignore declining vehicle sales and the threat of unemployment in the industry."

Motor Industries Federation director Vic Fourie said agreement was reached only after protracted negotiations and a third mediation session.

"Conditions in the industry are depressed and there is little prospect of a significant improvement in the short term."

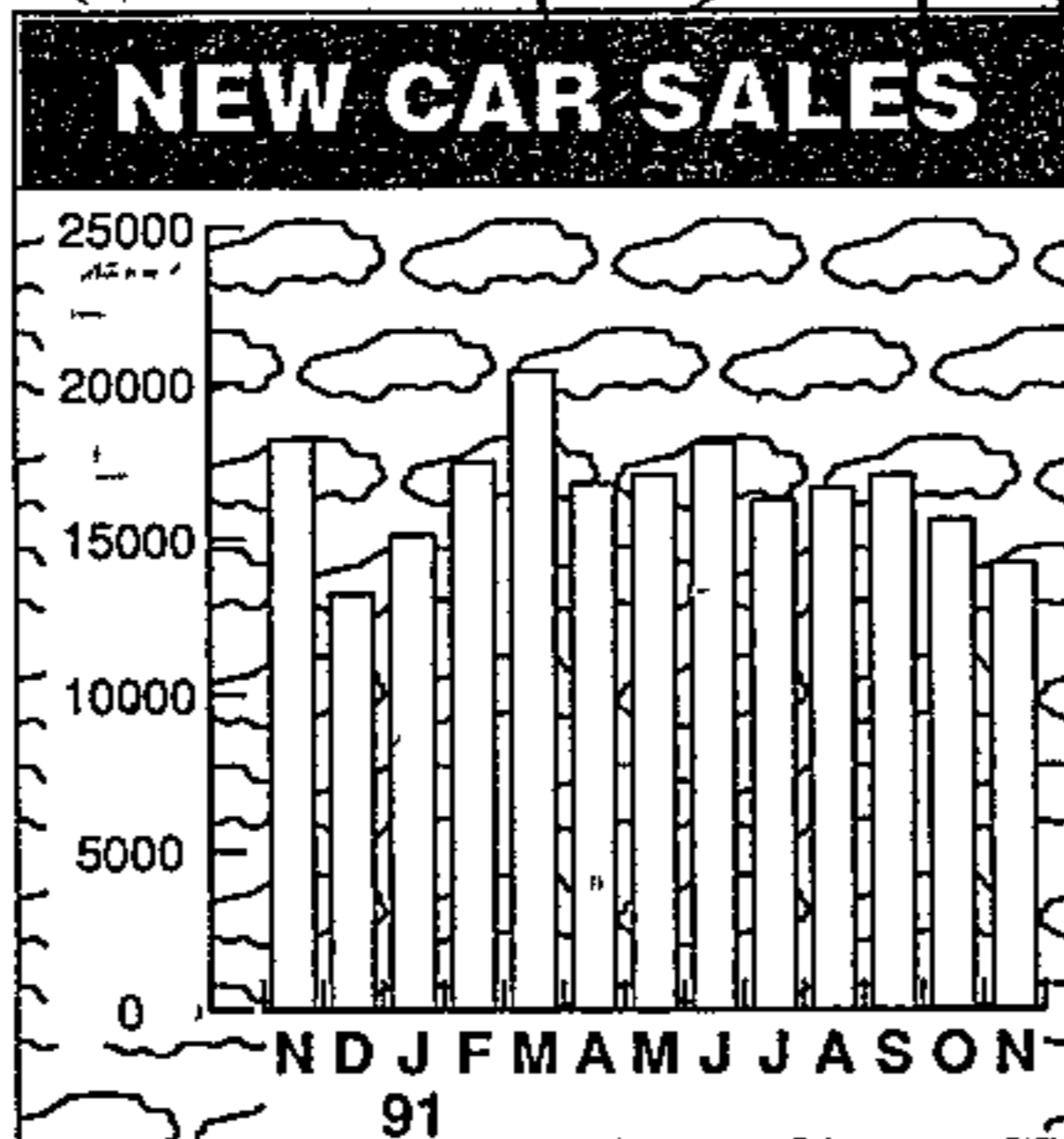
He said the small wage increases should be seen against last year's 25% hike 6/12/91.

Huge drop in new car sales

B/Dewy 11/12/91

192

SEAN VAN ZYL



Graphic LEE EMERTON Source NAAMSA

TOTAL new-vehicle sales for November plunged 20% on 1990's corresponding period to 22 971 units, with car sales reflecting one of the highest drops, latest National Association of Automobile Manufacturers of SA (Naamsa) figures show

Naamsa director Nico Vermeulen yesterday described the slump in November — normally a strong sales month — as nothing short of disastrous

New-car sales dropped 22% on the corresponding month last year to 14 200 units (1990 18 165 units), which came in 300 units below the worst predictions of the industry. Sales declined 20% compared with October's figures

Light commercial vehicle (LCV) sales

□ To Page 2

Vehicle sales

B/Dewy 11/12/91

192

□ From Page 1

for November dropped 18% on last year to 7 854 units (9 572 units), while medium (MCV) and heavy commercial vehicle (HCV) sales fell by 4% to 353 units (369 units) and 23% to 564 units (735 units) respectively

HCV sales for the month showed the largest drop when compared with the previous month, and November last year. Vermeulen said the expected surge in demand for MCVs and HCVs — as a result of the new VAT capital input rebates — had not materialised, suggesting demand would remain low.

He said all sectors in the new-vehicle

market had reflected declines for the seventh consecutive month, compared with last year's sales

The close relation between new-vehicle sales and general movements in the local economy indicated the recession was more serious than reflected in official economic statistics

Nissan marketing MD Stephanus Loubser said he expected the new models coming on to the market would be the last for some time as manufacturers extended the life span of products to cut tooling costs

New car sales enter a 'disastrous trend'

By Sven Lunsche (192) 

Car sales plunged by almost 22 percent in November in what the National Association of Automobile Manufacturers (Naamsa) described as a "disastrous trend". According to monthly statistics released by Naamsa yesterday new car sales slumped by 21.8 percent to 14 200 units in November compared with sales of 18 165 units in November last year.

On a monthly basis — from October to November this year — sales were 8.9 percent down from October's 15 593 units.

In its comment accompanying

the sales figures Naamsa said the weaker trend over the past few months had gained momentum with trading conditions in all sectors of the industry declining sharply.

New vehicle sales in all four sectors, passenger, light commercial, medium commercial and heavy commercial had for the seventh consecutive month recorded declines compared with the corresponding period last year.

For the year so far car sales have totalled a meagre 184 346 units and it is highly unlikely that the 200 000 level will be reached. This is well short of industry forecasts for the year of 210 000 unit

sales and substantially weaker than last year's already low level of just over 209 000.

Naamsa said given the close correlation between vehicles sales and the level of domestic economic activity the figures gave reason to believe the recession had assumed far more serious proportions than reflected by official statistics.

Naamsa's outlook for the months ahead is also pessimistic expecting "trading conditions to be extremely difficult".

Sales of new light commercial vehicles — bakkies and minibuses — declined by 17.9 percent from the 9 572 units sold in No-

vember last year. The month-on-month decline was 8.9 percent or 624 units.

The expected increase in demand for medium and heavy commercial vehicles, which are classified as capital items for purposes of Value Added Tax, failed to materialise with current sales volumes remaining at historically low levels.

Medium commercial vehicle sales dropped by 16 units to 353 units compared to the same period last year while 48 fewer units were sold than in October this year.

Heavy commercial vehicle sales dropped by 171 units

New Fords are recalled

THE Samcor motor manufacturing company is to recall several hundred new models following the discovery of faulty welds in steering assemblies

The cars concerned are the recently introduced Ford Laser/Meteor, Mazda 323 and 626 2.0i SLi (Executive Option) models, most of which were delivered to owners during October and November this year

A statement from Samcor says that four cases of faulty welding have been discovered and that the remaining models are now being checked out as a precautionary measure

Own Correspondent

Samcor says that MMI and Ford dealers have been getting in touch with the owners of the recently purchased vehicles, requesting them to return the cars to the dealers for a checkup

Holidays 1992

As some customers have already left for the Christmas holidays, however, the company has appealed to those owners who have not been contacted directly to get in touch with their nearest dealer for the steering wheels to be checked

Probe into motor incentives

THE Department of Trade and Industry has launched an official probe into the motor industry export incentive scheme following allegations of fraudulent claims worth millions of rands

The department's deputy director-general Gerrie Breyl confirmed yesterday the department was investigating export incentive claims under Phase VI of the local content programme.

Asked whether this implied abuse of the system, Breyl said "Before we pay, we must ensure that claims are genuine and we must verify that there is no misuse or abuse of the scheme" He added it was not possible to predict when the investigations would be completed

However, a source said recent findings by the department suggested the motor export scheme had been misused under the old Phase VI requirements by "devious" operators who had exaggerated sales and claimed incentives for goods not classified

SEAN VAN ZYL

under the scheme

A number of exporters were also suspected of "round tripping" export consignments, thereby earning incentives on the same goods. Also, some were thought to have inflated the value of export deals and "fixed" invoices to move goods and money offshore in contravention of the Exchange Control Act

The source said the investigation had focused on the "nuts and bolts industry" and agents involved with export deals. Local manufacturers and suppliers of these products automatically qualified for the motor export incentive under the old Phase VI requirements

Component manufacturers and industries qualifying for the motor export incentive scheme had to work through regis-

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Incentives

tered motor manufacturers to receive the incentive

The source noted, however, that the recent changes to Phase VI had tightened up a number of loopholes in the incentive scheme. Manufacturers of goods not rated as local motor components now had to apply for a special permit from the DTI to qualify for the export incentive

The new rulings also placed a cap on the maximum rebate motor manufacturers, and therefore component and allied manu-

facturers, could earn through the rebate on exports and local content

National Association of Automotive Component and Allied Manufacturers (Naacam) director Denzyl Vermooten said he had not been officially notified of the investigation. He was unaware of any delays or queries of export incentive payments to Naacam members

The source said motor manufacturers were not thought to be involved in any of the alleged fraudulent claims and were not believed to be under investigation

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... next year with completion scheduled
have already been sold off plan.

Naamsa sees 5% rise in car sales

CT 19/12/92 By MAGGIE ROWLEY (192)
Deputy Business Editor

A 5% increase in car sales is forecast for 1992 by the National Association of Automobile Manufacturers

However Naamsa director Nico Vermeulen said this would only be possible if a real economic growth rate of 1.5% to 2% was achieved.

He said following the "disastrous" drop off in all vehicle categories in the past two months, industry sales forecasts for 1991 had been revised downwards.

Car sales, expected to have topped between 206 000 and 207 000 were now not expected to exceed 197 000 for the year to end December. Light commercial vehicles sales are expected to total 4 200, medium commercial vehicles 4 500 and heavy commercial vehicles 5 700.

Car sales for next year are expected to rise to about 206 000, light commercial vehicles to 108 000, medium commercial vehicles to 4 500 and heavy commercial units to 6 500.

Vermeulen said except for 1986, this year had been the worst in the motor industry's history.

Hopes for a buoyant fourth quarter had been dashed when the expected post VAT mini boom did not materialise.

"It is pretty serious out there and unless a real growth rate of between 1.5% and 2% is achieved next year the industry cannot expect much relief

"The current slump in vehicle sales will continue until interest rates come off their highs hopefully in the first quarter of next year.

"But we anticipate a very slow recovery process," he said.

Naamsa to fight catalysts

THE issue of the introduction of unleaded petrol took an unexpected turn yesterday when the National Association of Automobile Manufacturers (Naamsa) said it would lobby against the compulsory fitting of autocatalysts to new vehicles

A Naamsa spokesman said new vehicles were already "unaffordable" and the move would raise car prices by about R1 500

Autocatalysts have been a legal requirement in most countries since the introduction of unleaded petrol

Autocatalysts cut the level of toxic nitric oxide given off by exhaust fumes and can be used only with unleaded petrol. Older cars need lead in fuel to stop pre-ignition knocking and to lubricate valves

In last week's announcement that unleaded petrol would be introduced in SA as soon as possible, Mineral and Energy Affairs Minister George Bartlett said "Catalytic exhaust systems for reducing other potential harmful emissions can be utilised in vehicles designed for unleaded petrol. It is expected that once unleaded petrol is

ROBERT LAING

generally available, these systems will be introduced by the motor industry as optional equipment." (192)

Roger Pitot, chairman of Naamsa's local content programme, said manufacturers would lobby against the mandatory fitting of autocatalysts "New cars are unaffordable as it is"

BMW spokesman Johan Kleynhans said all BMW models manufactured for the past five years could run on leaded or unleaded petrol. The company fitted autocatalysts on the cars it exported and once the new fuel was available, cars fitted with autocatalysts would be offered on the domestic market for about R1 500 extra.

Spokesman for other manufacturers were not available for comment because of the industry's end-of-year shutdown but analysts said an anti-catalyst lobby was gaining momentum.

National Association of Automotive

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Naamsa (192) 19/12/91

Component and Allied Manufacturers (Naacam) director Denzyl Vermooten said government's generosity to autocatalyst makers had made other component manufacturers bitter

"A large part of government's incentive fund is going to two manufacturers whose components are not used in SA cars. Car

(192) □ From Page 1

manufacturers may try to use autocatalysts as replacements for other locally manufactured components to meet Phase VI requirements," Vermooten said

Autocatalysts are made locally by Johnson Matthey and Algorax, assisted by government's 50c in the rand export incentive which is part of the Phase VI local content programme

MOTOR INDUSTRY

FM 20/12/91 (192)

Upturn for truck sales?

By its own admission, the motor industry's sales in November, traditionally a strong sales month, were "nothing short of disastrous" It was the seventh consecutive month that vehicles sales had declined when compared with the same month last year

But there are still optimists in the industry who believe that the medium- and heavy-truck markets have bottomed out and will start growing again next year

Atlantis Diesel Engines (ADE) is one of them Based on feedback from manufacturers (*Business & Technology* December 6), it sees a 10% growth in the truck market and plans to make 12 700 engines next year

This is a 27% increase on the 10 000 it made this year and obviously not all will go into trucks It also caters for the industrial and agricultural markets and, if all goes reasonably well, those markets will also grow To make all those engines and cater for the R35m improvement in export sales, it has rehired 90 of the workers it retrenched some months ago

Nissan is optimistic

Dave Scott, a director of Nissan Diesel, estimates that by year-end, 5 800 heavy trucks will have been sold this year and 6 500 will be sold next year, an increase of 700 trucks or 12% In the medium commercial vehicle market he foresees an increase of 500, or 11%, on the 4 300 he believes will be sold this year

Toyota is looking at a 6% increase in both sectors, with the bulk of those sales coming in the second half of the year, says Des Gush, director of its truck division He is looking at 6 100 heavy commercial vehicles and 4 600 medium commercial vehicles being sold next year

"We aren't out of our troubles, but at least it's a positive prognosis and we're not banking on a decrease," says Gush, who adds there could easily be a 10% increase in sales "if something positive happens to kickstart the economy, we need government to help us"

He says it can do that by dropping interest rates by 1 or 2 percentage points It can also spend more money on housing and construction, that will build confidence and make it necessary for contractors to start buying trucks again

Gush feels that Finance Minister Barend du Plessis "owes the motor industry one" He adds "He cost us a lot of business by announcing that VAT would be introduced six months before it was, which dried up sales Then we didn't get anything near the upswing we were hoping for after it was introduced People who held back and planned to buy trucks in October or November, after the introduction of VAT made trucks cheaper, no longer needed them because the economy had dropped further"

Scott warns that there are no guarantees the market will improve "If Codesa proves to be a flop, we'll continue bottoming and with Russia imploding, there's every chance of the world economy deteriorating This is all very disturbing" ■

NOVEMBER VEHICLE SALES

	1991	1990	% change
Cars			
November	14 200	18 165	-21,8
January-November	184 290	196 410	-6,1
Oct (15 593)-Nov			-8,9
Light commercials			
November	7 854	9 572	-17,9
January-November	92 981	105 570	-11,92
Oct (8 478)-Nov			-7 3
Medium commercials			
November	353	369	-4,3
January-November	3 913	4 504	-15
Oct (401)-Nov			-11 97
Heavy commercials			
November	564	735	-23 2
January-November	5 477	7 370	-25 68
Oct (608)-Nov			-7,2
Total sales			
November	22 971	28 841	-20,35
January-November	286 661	313 854	-8,6
Oct (25 080)-Nov			-8,4

Source Naamsa

Interest rise 'will not affect Urquhart profit'

LESLEY LAMBERT

THE taxed profits of Urquhart Motor Group are likely to be similar to those achieved during the 1991 financial year in spite of a significant increase in the interest bill, chairman Gavin Urquhart forecasts in the annual report

His prediction of a dividend of 12c a share is based on the assumption that there will be no material improvement in economic conditions during the 1992 financial year

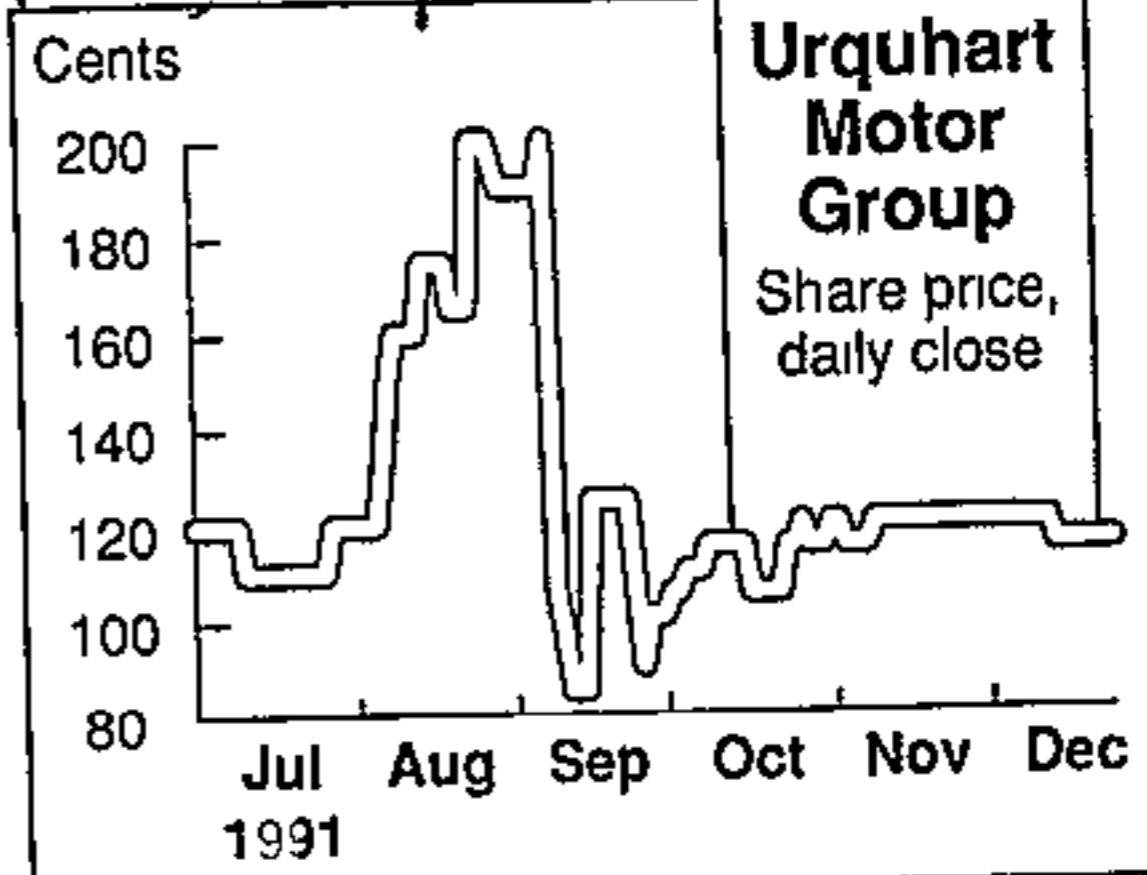
Urquhart Motor Group, formerly Sinclair Holdings, underwent a major financial restructuring in September last year, resulting in a significant change to the group's gearing

A debt to equity ratio of up to one to one has been implemented and management appears fairly confident that the returns generated by the business will exceed those of the increased interest cost

The nature of the group's business has undergone other significant changes in recent years, including a change of control

The change, which became effective on July 2 1990, resulted in Urquhart & Co (Pty) Limited becoming the ultimate holding company

The group's pool cleaner division was disposed of and the company focused solely on motor retailing



Graphic FIONA KRISCH Source I NET

The motor division was in turn restructured to comprise 16 operations with manufacturers representing Ford, Mercedes-Benz, Nissan, Toyota and Volkswagen.

The proceeds of the pool cleaner disposal were distributed to shareholders by way of a special dividend in September last year and certain properties were acquired to house the group's trading operations

Urquhart says shareholder wealth should be increased by the use of borrowed funds to acquire income-producing assets, "provided that a sufficient margin exists on interest cover to ensure that neither shareholders nor providers of bank finance can be unduly jeopardised by economic factors beyond the control of management"