

MANUFACTURING - MOTOR INDUSTRY

1998

Korean gold plan hammers SA stocks

Lukanyo Mnyanda

SA GOLD stocks dived almost 5% yesterday as news of South Korean gold sales renewed pressure on bullion, knocking it to an 18-year low

A strong dollar capped a gloomy day for SA's markets, pushing the rand to its weakest levels to date. The bond market ended slightly weaker despite receiving a boost from US bond yields hitting record low levels.

Bullion at one stage seemed set to test the \$280/oz level yesterday as news of a South Korean campaign to donate or sell personal gold holdings to shore up reserves hurt sentiment. South Korea plans to melt the gold into bars and export them.

The campaign sowed fear among investors — some of whom believed bullion had bottomed out at the \$281 levels reached early last month.

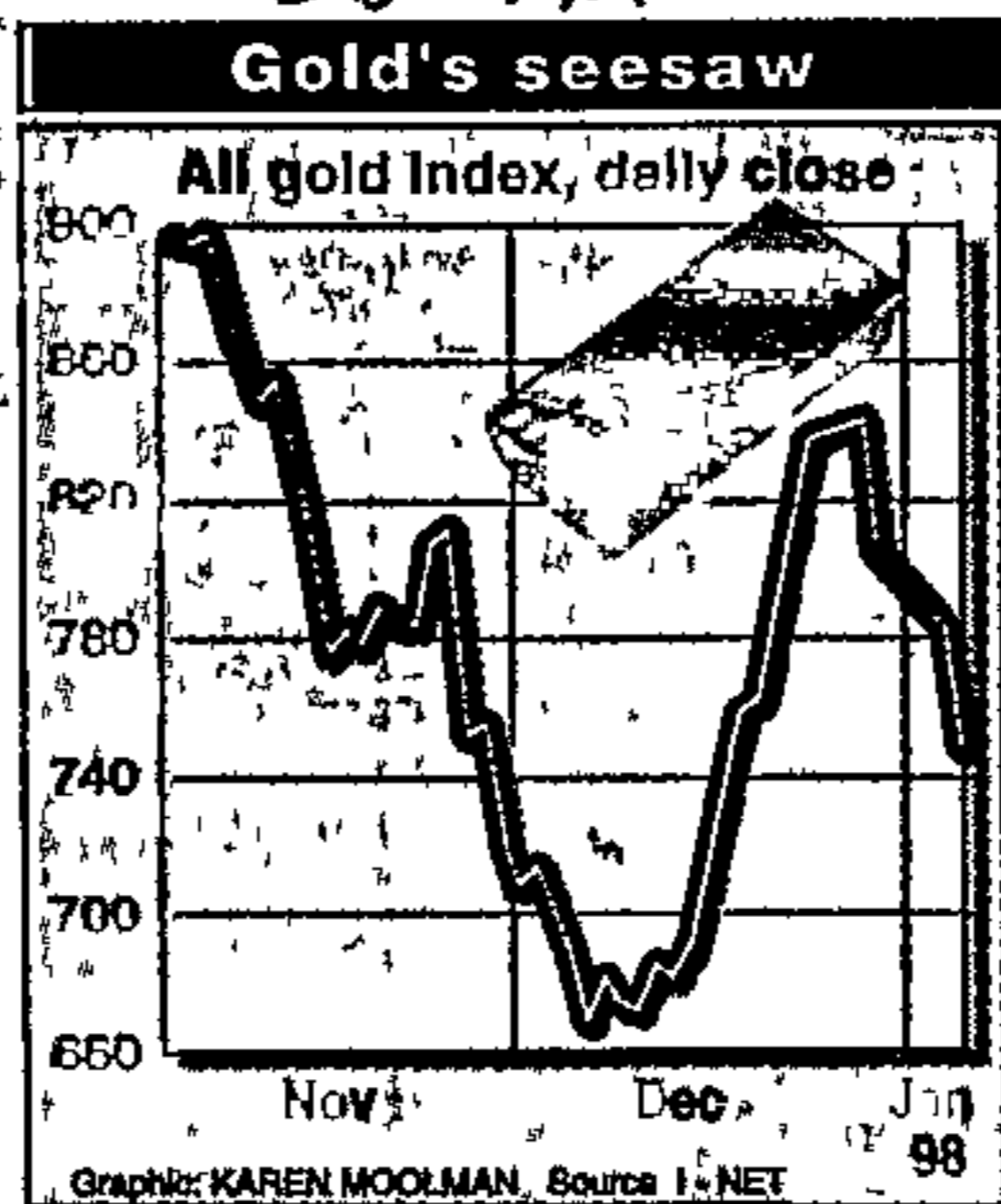
US Federal Reserve Bank governor Alan Greenspan's comments that deflation was emerging as a danger combined with a strong dollar to dent gold's prospects further, analysts said.

In London, gold lost more than \$5 to fix in the morning at \$281,80 — the lowest fix since July 1979. It recovered to an afternoon fix of \$282,80 and the metal closed \$1 weaker at \$282,25.

Investors in SA gold shares reacted almost immediately and took 5% off the Johannesburg Stock Exchange's (JSE's) gold index before the mild rally in the bullion helped to contain losses. The index lost 36 points or 4,5% to close at 749 points.

The financial index built on last year's gains to provide the only sign of strength on the JSE. The index ended 22 points firmer at 10 125, while industrial stocks gave up 43 points to 7 362 and the all share index finished 36 points weaker at 6 155.

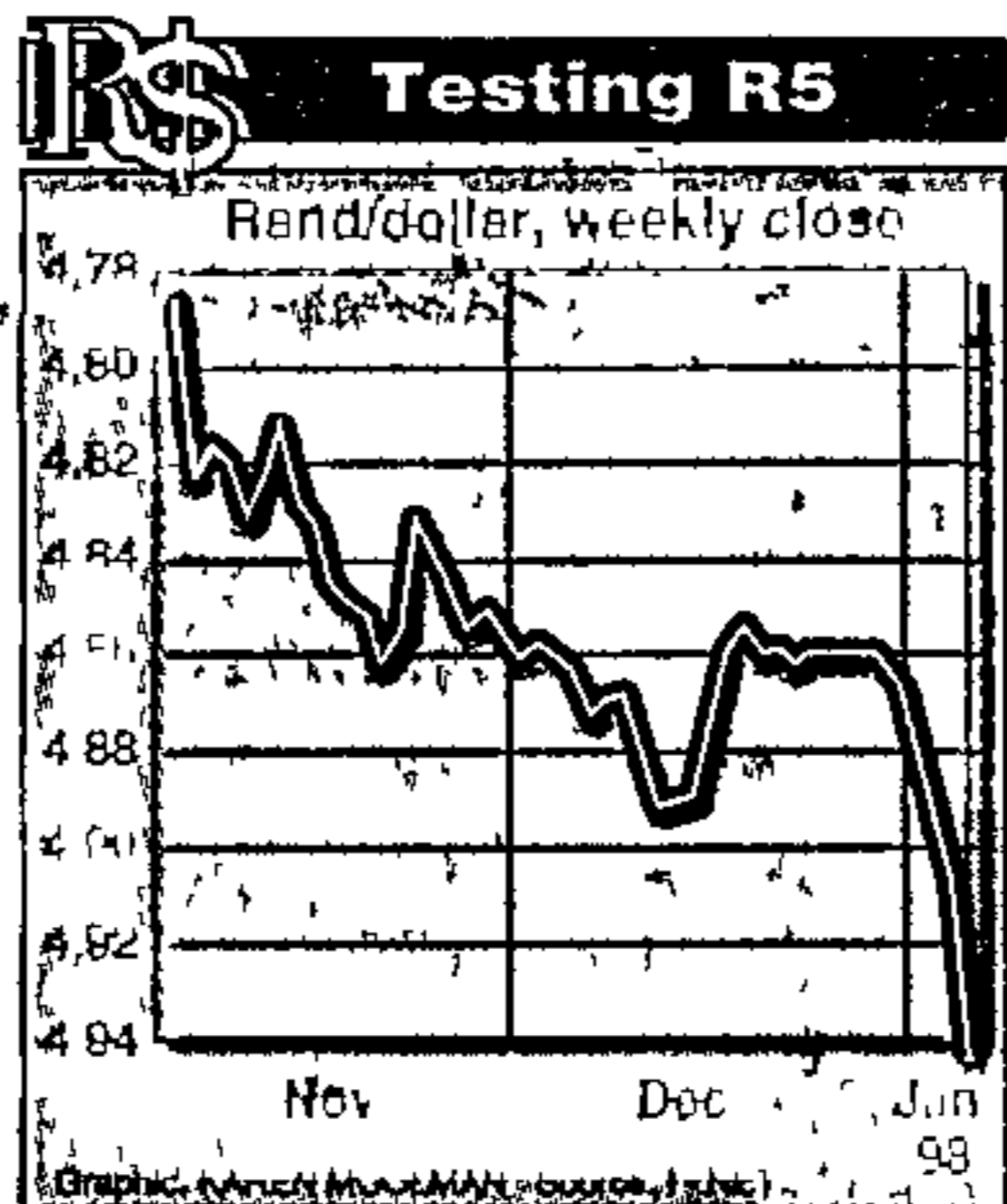
Roger Chaplin, a mining analyst with London-based T Hoare & Co, said the 10 tons of gold reported to have been collected from South Korean citizens was not a drastic amount, but would hurt sentiment by showing con-



tinued "willingness and need" to sell the metal.

He said the South Korean strategy could encourage other countries in the region to consider selling some of their holdings, whose value in some currencies had risen by up to 80%.

Chaplin said the renewed weakness was sentiment-driven and resulted



from fears of (increased supplies from Asian sales to raise funds to repay foreign debt

The bond market's bullish start to the year was set back slightly by the rand's weakness. This overshadowed bullish sentiment on the country's economic fundamentals and US bonds recording their lowest yields.

The government R150 long bond was slightly weaker after the close with a 13,58% yield compared with the previous day's 13,54% close. It had been buoyed towards 13,50% by the release of better-than-expected December provisional reserve figures on Monday and analysts expected it to hit 12,5% this year.

SA's currency also had a bumpy ride as the rand lost more than 3c under the weight of a strong dollar to close at its weakest level at R4,9425, against R4,9065 the previous day. The possibility of the rand hitting R5 against the US currency raised fears of a speculative attack on the currency.

Local dealers said equity and currency market weakness in Asia had added to the negative sentiment with the Japanese yen falling to its weakest level against the US currency in five-and-a-half years.

The Indonesian, Thai, Malaysian and Philippine currencies all hit new lows with South Korea's won proving to be the only one able to resist the rampant dollar.

A weak opening on Wall Street due to worries about upcoming company results and the continuing Asian crisis did not inspire confidence either with the Dow Jones industrial average losing about 71 points by 9pm SA time.

Worries about the turmoil in Asian markets also introduced nervousness in Europe's stock markets, but London's FTSE 100 index managed to claw back from a 10-point loss to a two-points gain to close at 5 264 points. Frankfurt's DAX index was less fortunate and lost 32 points to close at 4 353.

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Vehicle lights 'must make the grade'

Lucia Mutikani

MOTORISTS and vehicle manufacturers will have to fork out at least R300m to replace lights and bulbs with SA Bureau of Standards-approved products if they wish to sell their cars, industry sources estimate.

The Compulsory Motor Vehicle Specification Act, which took effect on January 1, bans the sale of non SABS-approved lights and bulbs for motor vehicles. The law affects cars and trucks manufactured since 1987.

According to AutoNews's latest issue, the legislation could push the cost of headlights, bulbs and secondary lights up as much as tenfold. Almost all lights not approved by the SABS are imported, mainly from the Far East.

Motor Industries' Federation president Oscar Taub said his members were unhappy with the law. "We spoke

to the SABS to try to get them to amend the legislation. They said lamps would have to be submitted for testing. We have a problem with this because the cost of testing is over R2 000 per lamp."

Taub said the requirements would also hit wholesalers, who typically held stocks of between 100 and 200 lamps. "Another worry is how the SABS intends to monitor 2 000 spare parts shops and 2 000 to 3 000 scrap yards when they have two to three people in the department to do the policing."

SABS chief standards technician Louwrens Rieckert said the law was based on research dating back two years. Compulsory specification was necessary to protect the consumer.

"Consumers are not aware that safety is a critical element in vehicle lights. Before coming up with this legislation, we carried out a study to see if it was necessary. The study found that

50% of the vehicle lights did not comply with SABS specifications."

Rieckert said the SABS gave dealers until December 31 last year to sell existing stock. Dealers failing to comply with the legislation had three options: to destroy unapproved lights, return imported products to their country of origin or apply for a special sales permit if the lights failed only to meet nonsafety criteria, such as markings.

Rieckert said policing would not be a problem because there were only about 80 importers of vehicle lights.

He predicted prices would remain static or go down. "There is not going to be a dramatic increase. At the moment noncomplying lights are undercutting complying lights. Once we remove those which do not meet the standards, there will be an increase in the supply of those which do, keeping prices at current levels or forcing them down."

German piston giant to make local comeback

Secret deal imminent. Amic to sell off majority shareholding in manufacturer Kolbenco

(192)
FM 9/1/98

German automotive components giant Kolbenschmidt is set to return to SA. The final details are being thrashed out in an estimated R60m agreement that will give Kolbenschmidt a stake of up to 75% in Kolbenco, the Alrode, Johannesburg-based piston division of Anglo American Industrial Corporation (Amic). As part of the deal, Kolbenschmidt will shoulder some of Kolbenco's debt.

Secret talks have been under way between Amic and the German corporation for several months. "We haven't quite finalised the deal, but it's pretty close," says a key negotiator. Amic has signed a confidentiality agreement and will not comment, but the *FM* understands an announcement will be made in the near future.

Kolbenschmidt formerly owned Kolbenco when it was called Karl Schmidt SA. But it sold the company to Amic when it pulled out of the country in 1989. No figure was ever announced for the sale, but Amic gave Kolbenco a book value of R23m in the year of purchase.

After the sale, Kolbenschmidt licensed Kolbenco to continue to make its pistons in SA.

Kolbenschmidt, second biggest player in the DM4,6bn global piston market, plans to increase its stake in Kolbenco to 100% over the next couple of years, as it integrates the acquisition into its global network.

The deal will sharpen the battle for piston exports from SA. So far Durban-based T&N Holdings is the clear winner, with contracts like 10 000 cylinder liners/month for Mercedes-Benz in Germany.

But Kolbenco is also chasing Mercedes-

Benz and BMW piston contracts in Germany, where Kolbenschmidt already supplies the two car manufacturers, as well as Volkswagen.

T&N's UK parent, which holds third place in world piston sales, was sold to US motor group Federal-Mogul last October, in a £1,5bn deal.

In SA, Kolbenco is ahead of T&N in the fight for the original equipment local market of 2,5m pistons/year, worth more than R300m. But T&N is closing the gap. Federal-Mogul's share is confined mainly to spare parts.

Kolbenschmidt, with more than 7 000 employees, achieved total sales of DM1,3bn in 1996, 73% for export. It is pushing global expansion further.

The Kolbenco takeover will intrigue but hardly surprise the local industry. Volkswagen, BMW and Mercedes-Benz have been encouraging their German suppliers to set up planting capacities in SA.

To their chagrin, Kolbenco executives have been excluded from Amic's negotiations with Kolbenschmidt. Says Kolbenco MD Barry Hallett: "Kolbenschmidt and Amic have been talking. We, the executive at Kolbenco, have had no talks whatsoever with Kolbenschmidt, so I'm not in a position to comment."

Says an insider: "We've got a willing buyer/willing seller situation. For a company like Kolbenco it will make a lot of sense for equity to become the guiding light, rather than just licensing."

"Kolbenschmidt coming back in will give Kolbenco access to exports, enabling it to plug into Kolbenschmidt's international business."

Jack Lundin

'Matching last year's poor sales is the best the industry can hope for'

Gloomy year ahead for SA car makers

ROY COKAYNE

Pretoria — South Africa's motor manufacturers were expecting a dismal 1998, and the best they could hope for were sales matching last year's, Nico Vermeulen, the director of the National Association of Automobile Manufacturers of South Africa (Naamsa), said yesterday

Matching last year's sales would still be gloomy for the country's largest manufacturing industry, which saw new vehicle sales decline 6,6 percent to 366 859 units last year, compared with 392 980 unit sales achieved in 1996

Vermeulen said the decline in total sales followed four years of successive growth in aggregate new vehicle sales

Trading revenues in the motor industry remained under pressure last year, falling from R31, billion in 1996 to an estimated R30,50 billion last year, he said

Vermeulen said trading revenues had been under pressure because of the decline in new vehicle sales volumes,

the buydown trend in the new car market and the below-inflation new vehicle price increases last year

"Given the economic realities facing South Africa and in the absence of interest rate relief in the short term, it is the general expectation by the industry that the best one can hope for during 1998 is for new vehicle sales to reach levels similar to those achieved during 1997," he said

Figures released by Naamsa revealed that new passenger car sales last year dropped 4 percent to 239 755 units compared with 249 838 unit sales in 1996

Light commercial vehicle sales slumped 11,8 percent, while medium commercial vehicle sales rose 3,3 percent and heavy commercial truck sales declined 12,2 percent

Vermeulen said trading conditions in the new vehicle market during the first six months of this year would remain extremely challenging and competitive because of the continuing slowdown in economic activity and particu-

larly the prevailing high interest rates

However, he said conditions should improve during the second half of the year in line with the projected reduction in interest rates

The competitive threat from far eastern countries was also likely to increase as a result of the sharp devaluation in Asian currencies, said Vermeulen

He said industry employment levels could come under further pressure during this year as vehicle manufacturers, component suppliers and the servicing and distribution trade rationalise operations and reduce costs in the face of continued intense competition

Tony Twine, a motor industry analyst and a director of Econometrix, said most industry watchers would have been somewhat disappointed that the total market last year had not finished over 240 000 units

He predicted that the low sales would continue during this year

□ Business Watch, Page 13

CT (BR) 15/1/98 (192)

New car duties 'will give importers the edge'

CT (202) 15/11/98 (192) (192)

ROY COKAYNE

Pretoria — The latest reduction in import duties on passenger vehicles to 54 percent would allow importers to hold vehicle prices at current levels for at least 6 months and place them in a more price-competitive position, Manny de Canha, the managing director of Associated Motor Holdings, said yesterday.

De Canha said it was doubtful local manufacturers would be able to maintain current prices as they were faced with cost pressures brought about by a weak rand and high labour costs.

He believed the latest duty reduction on imports and their more price-competitive position would "certainly lead to increased sales, as consumers shopped around for the best deals from a value-for-money point of view."

"The market will continue to

get more competitive as duties and tariffs decrease even further in line with the MIDP (Motor Industry Development Programme) strategy, enticing more world players to vie for a slice of the market.

"Developments locally also make South Africa a continually better proposition to use as a springboard for conducting business with the rest of Africa and the Indian Ocean territories," he said.

De Canha said the reduced or stagnant vehicle sales predicted for this year by local manufacturers were not a true reflection of the market situation.

"The market is still growing while changing substantially in structure with the importers of vehicles, who are ideally placed to take up any slack experienced by local manufacturers, accounting for an increasingly larger slice of the market," he said.

Depressed car industry awaits new Fiat models

Lucia Mutikani

BD 16/11/98

(192)

FIAT Auto's proposed R200m investment in facilities for assembling two new models would not result in further fragmentation of the depressed SA motor industry, but help the Italian company regain some share in the cheaper car market, analysts said yesterday.

Roberto Testore, the president and CEO of Fiat Auto Italy, is next Friday expected to announce the company's decision to assemble the Palio and Siena models at Automakers' Rosslyn plant.

The expected announcement follows General Motors' re-entry into SA through acquiring a 49% stake in Delta Motor Corporation for an undisclosed sum.

"It (Fiat Auto) is very different from other players coming into the SA market place and setting up from scratch. It does not really further fragment the market on the supply side because it already has an agreement with an existing manufacturer," said Econometrix senior economist Tony Twine "It allows the existing supply base in SA to offer a variety of products"

Other analysts said the R200m

investment was a calculated move by Fiat Auto to regain market share in the lower-range market lost to companies like Delta and SA Motor Corporation (Samcor).

The Fiat Uno, introduced a few years ago, had faced stiff competition from low-priced models put on the market by Delta and Samcor, one analyst said.

"I think they have realised that they need to do something to upgrade the Uno to compete with models such as the Opel Corsa. This will help them grab back some of the share lost in the entry level market."

Another analyst said, "A sum of R200m is not a huge amount for a motoring plant. It might just be a special niche at the bottom end of the market. It will mean more competition and further pain to be taken by the industry."

However, one analyst said it was not the right time for such an investment. "There are too many models in SA. There is going to be a lot of pressure from the Koreans exporting models to this country."

Preliminary studies have indicated that the share of imported vehicles is expected to rise to 15%.

likely to be reached by mid-year.

DAEWOO

(192)
FM 16/1/98

Car maker eyes Africa

Plans for SA subsidiary as Korean economy shrinks

Daewoo, the South Korean car maker, plans to establish a subsidiary company in SA. It is currently represented by a local company, Daewoo Motors SA, which imports and distributes Daewoo cars.

The Koreans have targeted southern Africa as one of about 20 regions with potential for strong foreign sales growth. With this in mind, Daewoo insiders say it is about to announce the creation of its own

SA subsidiary company to handle future activities.

Whether those activities will include building Daewoos in SA will also be known soon. Cars now arrive fully built from Korea.

However, Daewoo representatives have been considering local assembly.

This could be either in a new plant or by sharing the facilities or spare capacity of an existing assembler. The latter might make more sense in the short term, given the cost of establishing a new plant and the number of manufacturers already in the SA market. Despite ambitious projections for local and export sales growth, most have unused capacity.

Much of Daewoo's investigation has centred on the Eastern Cape, where there is already significant activity in vehicle and components manufacturing. Volkswagen, Delta Motor Corp and Ford all operate in and around Port Elizabeth, and East London is the manufacturing base for Mercedes-Benz.

Though Daewoo has given no signal yet of its intentions, it is notable that the Korean company has a close international association with General Motors, which recently bought 49% of Delta and has already set up components companies around PE.

Arguing against SA assembly would be the fact that import duties on built-up vehicles are coming down in line with the motor industry development plan.

Eventually, there could be no cost benefit in local manufacture compared with imports.

Daewoo's increasing concentration on markets outside Korea reflects the changing fortunes of that country's automotive industry.

After strong economic and market growth in recent years, the domestic market is overwhelmed by too many manufacturers. Hyundai, for instance, expects its Korean sales to fall by 50% in 1998 because of the country's economic crisis. On the other hand, says chairman Mong-Gyu Chung, the crisis, which has significantly weakened the local currency, will make exports cheaper.

Even so, he says some Korean companies may not survive.

"I think the Korean auto industry for 1998 will be streamlined," he says. "The competition will be reduced dramatically. I think there are too many car companies in Korea."

The streamlining has already begun. Daewoo has just bought control of Ssangyong Motor, which builds four-wheel-drive vehicles and minivans.

SA is among Ssangyong's export markets, and existing contracts with local agents may be reviewed. In the long term, say officials, Daewoo's new SA subsidiary company is likely to take over the import and distribution of Ssangyong vehicles.

David Furlonger

Fiat in R200m plan to build cars in SA

Stephen Laufer

BD 16 11 98

(192)

VEHICLE manufacturer Fiat Auto SpA is to announce a R200m plan next week to build cars in SA, in a move likely to increase pressure on the SA government to reconsider Italy's bid to supply corvettes to the SA Navy.

A newly registered wholly owned Fiat company — Fiat Auto SA Pty Ltd — will produce the Palio and Siena at Automakers' Rosslyn plant from 1999. Automakers produces Fiat's Uno under licence. The models are the Palio hatchback and Palio Weekend station wagon, described as being in the Opel Corsa class, and the Siena saloon, likened to Volkswagen's Jetta.

Components made in SA will be exported to some of Fiat's other factories making the Palio and Siena by then. They will be in Argentina, Brazil, Venezuela, Poland, Russia, Morocco, Turkey, India, and Egypt.

Fiat's Avio and Sepa divisions — which manufacture gas turbines and automation systems for ships — are partners with the Italian state ship

builder, Fincantieri, in the bid to supply four corvettes to SA.

Fincantieri included the R200m Fiat Auto investment as part of its civilian countertrade proposals in its response to the defence department's request for information on the corvettes late last year. Arms makers are required to offer 30% of the military investment in civilian countertrade.

Armcor informed Italy just after Christmas by Armcor that Fincantieri had not made the defence department's short list after an initial military evaluation of its ships.

Italian Foreign Minister Lamberto Dini said in Pretoria yesterday he had discussed the Italian arms package with Deputy President Thabo Mbeki. He expected SA to examine the package "in a reasonable manner".

The director-general for economic affairs in the Italian foreign ministry, Federico Di Roberto, said that as far as Italy was concerned, the entire package was "still on the table".

See Pages 4 and 11

Road ahead looking gloomy for car makers

MOTOR manufacturers require at least a glimmer of light in economic indicators to brighten hopes for market growth this year, but most manufacturers remain gloomy.

As a result, sales forecasts for the year range from 220 000 to 237 000 passenger cars compared with 239 755 last year. Light commercial sales are predicted at between 107 000 and 110 000 against 114 347, while medium and heavy truck and bus volumes are expected to reach about 13 000, down on the 13 567 sold last year.

Total vehicle sales are, therefore, estimated at between 345 000 and 358 000 compared with 366 859 last year.

Vehicle sales are generally regarded as a good barometer of economic activity, and forecasts by the industry suggest a tight year ahead.

GDP growth is expected at about 2%, with inflation at 6%. Private consumption expenditure

MOTOR INDUSTRY

By **DON ROBERTSON**

ture should rise about 1.5%

Brand Pretorius, chief executive of McCarthy Motor Holdings, which last year retained its position as the world's fourth-largest motor retailer, says private disposable income will be under severe pressure. This means that the impulse to buy cars will be restrained.

Pretorius says household debt represents 69% of average disposable income, with interest absorbing 11% of this. Gross domestic fixed investment is looking better with a growth rate of 4%, while the prime overdraft rate should close the year two percentage points lower at 17.25%.

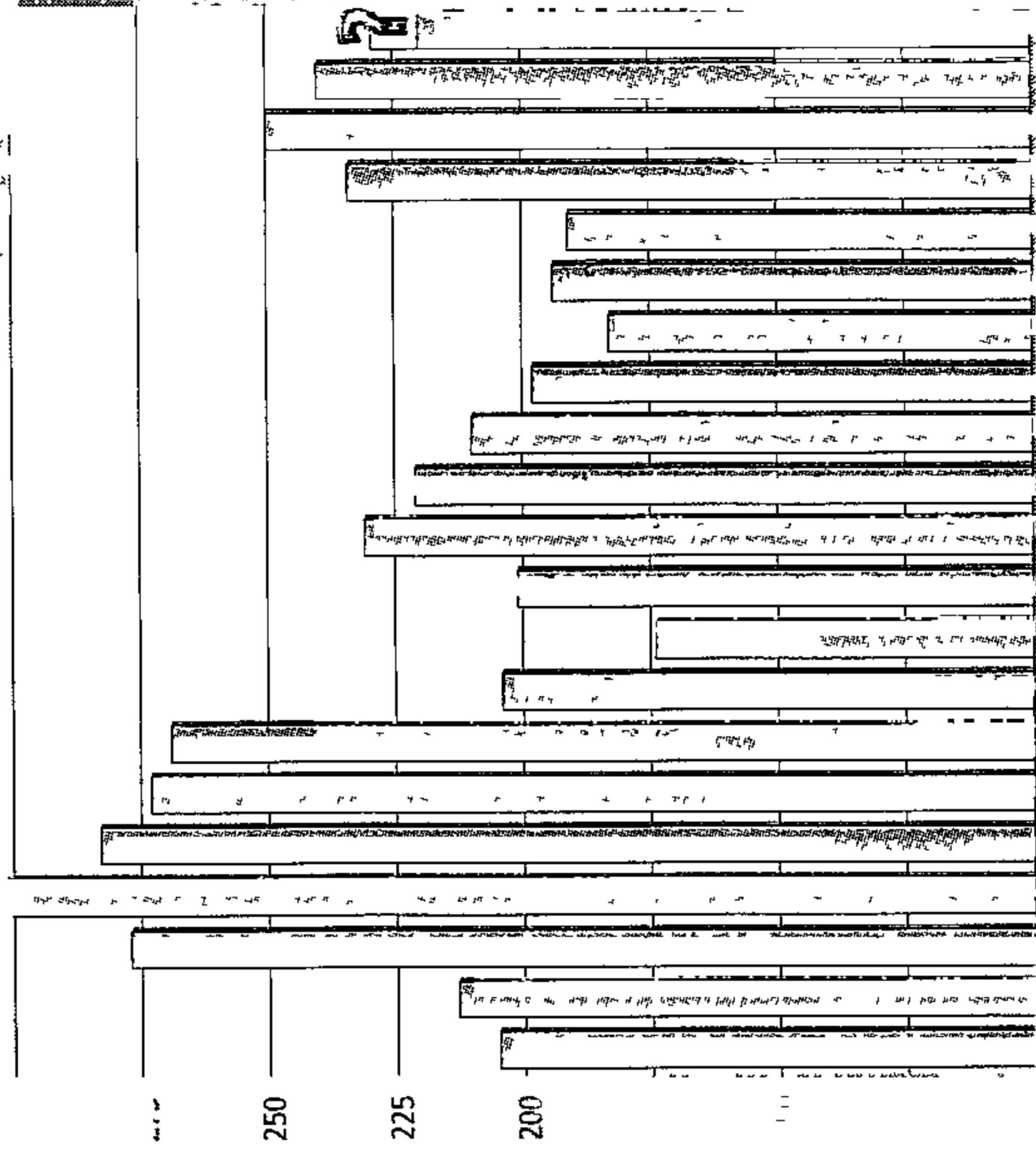
Johan van Zyl, managing director of vehicle marketing at Toyota, says a decrease in interest rates takes several months to filter through to the economy. The most recent one percentage point drop had little impact on

vehicle sales, Van Zyl says. "It will take at least another two to three percentage point declines for us to see any real impact. If the expectation of further cuts in the interest rate is met and if the cuts are achieved before mid-year, then we could see an impact on the market in the fourth quarter."

The National Association of Automobile Manufacturers of SA says international and macro-economic realities will prevail in the short to medium term, resulting in continued pressure on the current account, the exchange rate and short-term growth prospects.

The association predicts a challenging and competitive first six months, with an improvement in the second half in line with lower interest rates. The only winners in this scenario will be the consumer. Price increases will remain below inflation, at about 6%, following the 4.7% rise last year and 2% in 1996.

TOTAL ANNUAL PASSENGER CAR SALES



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Car makers (192) belt up for onslaught from Asia

Currency devaluations could spark a South-East Asian export surge, writes DON ROBERTSON

CAR manufacturers in SA will strongly defend any onslaught by Korean car makers intent on grabbing a bigger share of the SA market following financial turmoil in South-East Asia

Industry sources say the devaluation of the Korean currency by almost half in only two months could lead manufacturers such as Hyundai, Daewoo and SsangYong to reduce prices by as much as 10% in an effort to boost export sales

Prices of Korean cars have already been reduced in Australia and it is feared that dumping could become a reality, although regions such as the US and Europe would oppose this

But Renato Ruggiero, director-general of the World Trade Organisation, said in London on Friday that South-East Asian countries should not be shut out of world markets, despite protectionist temptations which may arise.

Ruggiero said exports from South-East Asia could rise significantly due to currency devaluations and the need to finance external debt. The region's imports should shrink because of reduced buying power and slower economic growth

At the beginning of October, the South Korean currency, the won, was quoted at 180 to the rand. By mid-December it had tumbled to 370

Hyundai was recently reported as saying it expected to lose about 50% of its home market. It is expected that strong efforts will be made to maintain reasonable production levels by boosting exports

Johan van Zyl, Toyota's MD for vehicle marketing, says it is to be expected that South Korea will push its export drive this year and sales could reach record levels. He believes, however, that the region's economic problems will continue and without funds for research and development, sales will suffer in later years.

Brand Pretorius, CE at McCarthy Motor Holdings, says South Korea will make additional efforts to boost exports

He concedes that the weak currency will make imports into

South Korea more expensive, since imports are paid for in dollars, but cites the example at Daewoo, where the workforce has accepted a 30% salary cut, sharply reducing production costs

He says imports from Korea, mainly Daewoo and Hyundai, could increase to about 15% of the total SA car market this year from 12.5% last year

Hyundai cars have been assembled in a semi-knocked down (SKD) state in Gaborone in Botswana by Hyundai Motor Distributors for two years. Hyundai will begin production of its vehicles in SA with a local component content in April

The new plant cost about R250-million and provision will

have to be made for amortisation, while duties to be paid on the imported completely knocked down kits, will be much higher than those on SKD vehicles

"These factors should ensure that current prices must, at least, be held," says Pretorius

"The Koreans are coming, but they won't take the market. The locals will defend themselves. The Koreans don't have sufficient credit, the capacity to import, or the number of dealer outlets to make much of an

impact," says Pretorius. Some local manufacturers believe that, instead, an export drive is likely from Japan, where the vehicle market has dwindled and the currency is weak



BRAND PRETORIUS

Competition forces car manufacturers to invest

BD 19/11/98

(192)

Lucia Mutikani

SA VEHICLE manufacturers faced with an almost stagnant new vehicle market have shifted into top gear, investing billions of rands to improve manufacturing at their plants

Industry sources said the introduction of the motor industry development plan in 1995 had seen a drastic reduction in tariffs from 115% to almost 57%, with further decreases likely

Toyota SA manufacturing MD Harry Coetzee said this meant a number of vehicle manufacturers whose products were previously not seen in SA were now either back or represented in the country for the first time.

"They are competitive at the lower duties off a foreign manufacturing base. This has forced local manufacturers to look keenly at whether they are able to produce at the right quality and cost in an SA manufacturing environment," Coetzee said. Toyota would invest R1,5bn over a 10-year period to upgrade its Prospecton plant near Durban. "Without upgrading our facilities we will not survive."

Delta Motor Corporation is to spend R1bn on its Port Elizabeth plant over the next five years. At least R665m of the amount will be channelled towards product investment, both new and replacements

A further R357m will be spent on facility upgrades, capacity expansion, export development and information technology

Nissan SA is to spend R990m by 2000 for a new model programme. Recently, Nissan of Japan announced it would invest more than R360m in SA through the acquisition of a 50% stake in Nissan SA

BMW's R1bn investment into complementing BMW SA's integration into the company's global manufacturing and sales network enters a new phase with work on the R210m paint shop

The paint shop is scheduled for completion in July this year. Dieter Lauterwasser, BMW SA engineering and project management manager, said. "Anticipating the reduction of trade and tariff barriers and the proliferation of imported competition into previously highly protected and limited SA market, BMW has long been convinced that allowing the Rosslyn plant to continue merely as a local manufacturer would ultimately lead to its demise and closure."

He said the company would also invest R12m this year in additional ABB robots for its Rosslyn body shop

Lauterwasser said a further component of the R1bn investment, announced in 1996, was a R13m new conveyor system at the Rosslyn plant

NEWS

Motor industry jobs 'sitting on a five-year timebomb'

ROY COKAYNE

Pretoria — Many jobs in the South African motor industry would be lost unless a more reasonable role was found for completely built up (CBU) imports, Bert Wessels, the executive chairman of Toyota South Africa, warned last week.

"South Africa is sitting on a three-to-five-year timebomb. We are concerned about it. A compromise needs to be found between job protection, affordability and the protection of foreign exchange," he said.

Wessels said the motor industry development programme had an impact on the motor industry, such as leading to increased competition and the reduction in the real price of vehicles.

But the envisaged rationalisation in the number of locally produced models had not occurred, he said.

He said this needed to be addressed during the mid-term review of the programme in June or July this year.

"If the South African motor industry cannot reduce the real costs of production through economies of scale (and) longer production runs, CBU imports will take a lot more of the market," he said.

Brand Pretorius, the chief executive of McCarthy Motor Holdings, believed that with import tariffs on imported vehicles dropping to 54 percent this year, imported vehicles would account for about 20 percent of the market by the end of this year.

He also said imported vehicles would comprise about 40 percent of South African vehicle sales by the year 2002.

"The combination of weak currencies and the reduction of import duties must result in a growth market share of



COMPETITION Brand Pretorius, chief executive of McCarthy Motor Holdings, expects a sharp increase in imports. PHOTO: JOHN WOODKOFF

imported vehicles," he said. Pretorius said he anticipated a more aggressive marketing drive by Japan and an onslaught on the South African market by South Korean motor producers.

because of the recent market turmoil in those countries and the depreciation of their currencies.

"The South Korean currency is very weak and its market is also weak. To save its economy, it will push exports. Imported raw material costs will rise but senior managers have taken a 30 percent salary cut.

"The export competitiveness of the South Korean motor manufacturers will be enhanced because of lower labour costs and the currency depreciation," Pretorius said.

He said the retail selling price of South Korean vehicles in South Africa would not increase this year and the South Koreans were strong competitors.

However, the Japanese might become the aggressors in the market. "They have the customer base and the power," Pretorius said.

(192) CT (PR) 20/1/98

Johan van Zyl, the managing director of vehicle marketing for Toyota SA, said the government's small vehicle incentive (SVI) would also be reviewed during the mid-term review of the programme this year.

"If the SVI is abolished, the price of entry-level vehicles will rise by up to R4 000," he said.

Wessels said the structure of the SVI formula was inappropriate. "It has a sharp cutoff. We don't believe in a cliff structure but in a straight-line rebate structure so that the cheaper the vehicle, the bigger the incentive. The SVI has distorted the overall industry setup," he said.

He said the local content of small vehicles was not very high and that had led to the component industry suffering.

It was appropriate that there was some assistance for cheaper vehicles but it must not be excessive and there must not be a sharp cutoff, Wessels said.

Car giant bids for 8% staff cut

ARG 22/1/98 (192)

East London – Mercedes-Benz of South Africa has offered its employees early retirement and ill-health packages in an effort to reduce its 3 800-strong workforce by 8% before the end of next month.

If too few workers accepted the offer, management would have to embark on a compulsory retrench-

ment programme, after negotiations with the National Union of Metalworkers of SA, said Johan Evertse, Mercedes-Benz board member responsible for human resources.

The offer is expected to attract about 300 monthly and hourly paid employees – Sapa.

Vehicle industry faces more job cuts

Reneé Grawitzky (192)

FURTHER retrenchments were likely to plague the vehicle manufacturing industry as nonperforming companies continued to face enormous pressures, an industry source said yesterday.

This follows an announcement by Mercedes Benz of SA that it plans to retrench 304 of its 3 800 workers. The company has offered workers voluntary retrenchment packages valid until the end of next month and has said it would consider forced retrenchments if too few volunteers came forward.

The National Union of Metalworkers of SA said yesterday vehicle mak-

ers were increasingly offering voluntary retrenchment in order to avoid compliance with the National Bargaining Forum agreement.

Mercedes said it had followed the "letter and law" of the agreement and had informed the union of its plans.

Other major vehicle manufacturers said they were not considering retrenchments at this point, but would see how the year unfolded. However, a National Association of Automobile Manufacturers of SA spokesman said employment levels could come under pressure as companies rationalised operations and reduced costs in the face of intense competition.

60 2/1/98

Fiat adds vroom to the local motor industry with a R250-million investment package

Star 24/1/98 (192)

STAFF REPORTER

Italian car manufacturer Fiat Auto will invest R250-million in South Africa over the next two years for the production of new models and form its own local company to import and distribute vehicles, the company said yesterday.

Roberto Testore, president and chief executive of Fiat Auto, said the investment would help to develop the capacity to export right-hand-drive vehicles to the United Kingdom and India.

"We are planning R250-million in direct industrial investment over two years for the production of new Fiat Auto models in South Africa," said Testore.

The bulk of the new investment would be for the tooling of the Nissan plant in Rosslyn, Pre-

toria, to produce the cars.

"Our interest in the South African market is not limited to the sales of vehicles. We also expect to fully play our part in the development of export opportunities, both for vehicles and for components," he said.

The new operations would have the capacity to produce 25 000 units a year by 1999.

Testore estimated that between 800 and 1 000 new jobs would be created at the Nissan plant. Last year, Fiat sold 8 000 units - about 8% of the local market - and expected to sell a similar number in 1998.

The Italian motor manufacturer would establish a new company - Fiat Auto South Africa - on July 1 1998 which would be responsible for the importation and distribution of

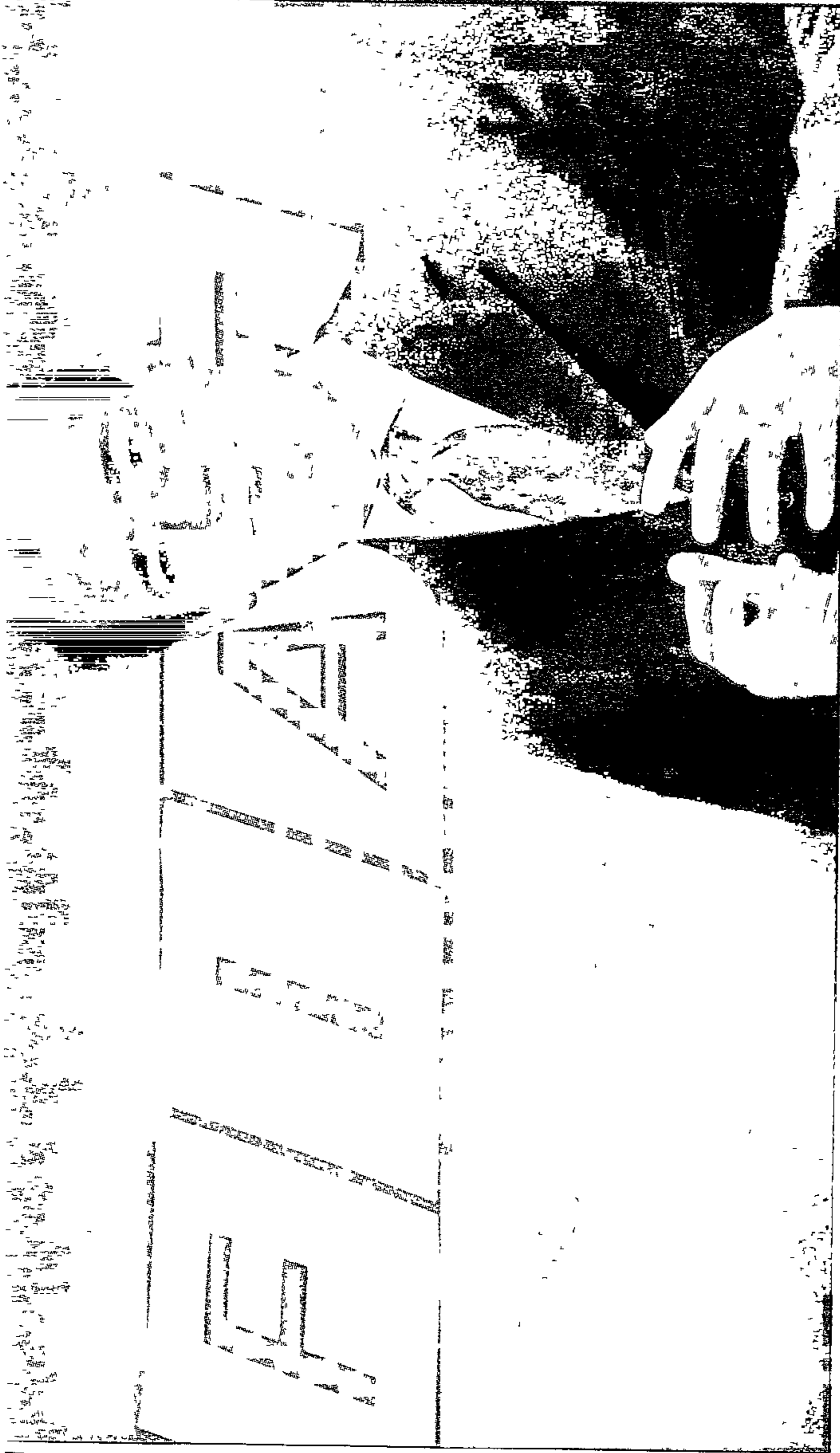
all Fiat vehicles and the Alfa-Romeo brand.

Over the past seven years, Fiat's products have been assembled and distributed by Nissan Automakers in South Africa. Under a new agreement with Automakers, Nissan will continue to assemble the Fiat cars on an assembly-fee-per-vehicle basis.

Fiat will also continue to market its vehicles through the Automakers dealership network. But Testore said the company would consider expanding its distribution network.

He expected the Palio pick-up to be especially popular in South Africa.

Last week, the National Association of Automobile Manufacturers of SA forecast a gloomy 1998 for the industry.



MORE THAN SMASH-AND-GRAB . . . Fiat president Roberto Testore says the giant motor group wants to use its muscle boost local industrial growth

Fiat brings its muscle to the SA car market

(197)
ST(OT) 25/1198

FIAT is to go it alone in the local car market by establishing its own marketing arm, but retaining its production agreement with Nissan SA.

Fiat's move, announced on Friday, is one of many new investments in a motor industry which is expected to show further sales declines after last year's 6.6% fall.

Next week, Volvo is expected to announce plans to assemble cars at the Hyundai plant in

EXPANSION PLANS By DON ROBERTSON

Gaberone, which is nearing completion South Korean Dae-woo has been involved in on-off discussions to produce locally, while Malaysian car maker Proton is said to be looking at local assembly.

Indian truck manufacturer Tata has formed a joint venture with ERF SA for local production, while Thai Motor Corpo-

ration plans to import a range of VMC bakkies.

The ultimate aim of Fiat in SA, says president and chief executive Roberto Testore, is to produce about 25 000 right-hand drive cars at Nissan's Rosslyn plant and increase exports of local components to Fiat's global operations.

The Fiat agreement involves an investment of more than R250-million over the next two years for the production of a

new range of Palio and Siena models, a new deal with Nissan based on an assembly fee, and the continued production of the Fiat Uno.

As part of the agreement, Fiat products will be sold through a network directly appointed by Fiat and based on existing Nissan dealerships.

The new company, Fiat Auto South Africa, which will come into being on July 1, will be responsible for the importation

and distribution of all Fiat products, whether they are completely knocked down or fully built up.

Testore says the company is not simply looking for temporary business opportunities in SA, but also wants to local industrial growth.

"Our interest in the SA market is not limited to the sale of vehicles. We also expect to play our part in developing export opportunities."

Fiat to produce full range in SA

(192)

Sowetan 26/1/98

By Isaac Moledi

THE local car manufacturing industry faces stiff competition following an announcement on Friday that giant Italian car manufacturer Fiat Auto SPA will invest more than R250 million in its South African operation

This is barely a week after French car manufacturer Renault made a similar announcement. Renault said last week that it would relocate its entire export operation centre for the East African and Indian Ocean regions to South Africa from March 1.

Other car manufacturers are expected to make similar announcements soon.

Although growth in the industry is currently stagnant, leading to thousands of workers losing their jobs, international car makers see South Africa as fertile ground for expanding their car sales into Africa,

International motor manufacturers relocating to Southern Africa

forcing local manufacturers to pump billions of rands in improving their plant in preparation for the competition.

Toyota recently announced an investment of R1.5 billion over a 10-year period to upgrade its Prospecton plant near Durban. Nissan SA, Delta Motor Corporation and BMW have announced similar plans to improve manufacturing in their plants.

Cheaper imports

There is also fear that the Asian crisis, which has led to the depreciation of currencies in those countries, may result in South Africa being flooded with cheap car imports.

Industry sources say the drastic reduction in tariffs from 115 percent

to almost 57 percent, may lead to a number of car manufacturers whose products were previously not seen in South Africa, setting up shop in the country for the first time.

Addressing a press conference in Johannesburg on Friday, Fiat Auto president and chief executive Roberto Testore said he was confident that his company would hold its own in 'a market bedevilled by subdued performance'.

Only 8 000 units were sold in Fiat's 1997 calendar year. Fiat expects a similarly dull performance this year.

The group expects to produce the whole "178 family range" which includes the Palio, the Siena, the Palio Weekend, the pickup and the van locally.

Numsa slates Mercedes on layoff plans

(192)
FRANK NXUMALO

CT (BR) 26/1/98
Johannesburg - The National

Union of Metalworkers of South Africa (Numsa) yesterday accused Mercedes-Benz of South Africa (MBSA) of stabbing it in the back by unilaterally implementing a workplace reorganisation exercise

All 3 800 workers at MBSA, most of them aligned with Numsa, were advised last week that they would either have to accept voluntary severance packages or face compulsory retrenchment

"We take strong exception to these unwarranted actions which are aimed at backstabbing the union and obviating bargaining council agreements," said Dumisa Ntuli, Numsa's national spokesman

"It is paramount that whenever they think of work reorganisation, they must negotiate with the union at least six months in advance

"We are not going to accept any forced retrenchments. We insist on employment security upfront, and the objective of the union is job creation and not the shedding of jobs. That is our bottom line."

Ntuli said voluntary retrenchment package programmes were a growing trend in the industry as the lowering of protective tariff barriers by the government began to be felt by local manufacturers

This was confirmed by company spokesman Annalise van der Laan, who said local manufacturers were under "severe pressure" and that "new entrants to the South African market were highly competitive and have taken a significant share of it, especially in the small car sector"

The workplace reorganisation would start on March 1, she said

MOTORING Top South Korean company joins host of new entrants to the market

Kia Motors gears up for SA ⁽¹⁹²⁾ Hyundai plant opens next month

ROY COKAYNE

Pretoria — Kia Motors, South Korea's second largest vehicle manufacturer, is to enter the South African market from the beginning of next month, Ray Levin, the managing director of Kia Motors South Africa, announced yesterday.

The announcement follows a host of new entrants to the South African market in the past two years.

Fiat Auto announced last week that it planned to invest more than R250 million over the next two years in the production of new models in South Africa, after the finalisation of a new agreement with Automakers, the holding company of Nissan South Africa.

This new agreement has led to the establishment of a new company, Fiat Auto South Africa, which from July 1 will be fully responsible for the importation and distribution of all Fiat Auto products in southern Africa.

This week, Volvo Car Corporation, the Swedish car company, also said it was to start the assembly of two of its models in its plant in Gaborone, Botswana, which is operated by Wheels Of Africa. This plant is also scheduled from April to assemble completely knocked down Hyundai models.

Levin, who worked for the McCarthy group for 11 years, said Kia Motors South Africa had obtained the sole franchise to import Kia vehicles to South Africa when the Imperial group agreed to relinquish it.

He said the entry of Kia to the South African market involved an investment of about R11 million by Kia Motors South Africa, the main portion of which was in stock.

Levin said other costs included the setting up of a head office in Kempton Park, which employs five people at present, but Kia would keep its structures as flat as possible to enable them to have a smaller

mark up and ensure the vehicles were competitively priced.

Levin said Kia Motors South Africa had the backing of a leading financial institution and was set to become a significant competitor in the South African market.

He said the sales targets set for Kia were an average of about 100 a month but building up to about 500 a month in the next 12 to 18 months.

The initial range of vehicles in South Africa will consist of two models — the Sportage, a mid-sized leisure orientated 4x4, and the Pride, a compact 1,323-litre sedan.

"Kia has an exciting range of passenger and commercial vehicles and we are already in an advanced stage of planning for the expansion of the model range in South Africa," said Levin.

Eleven franchised dealers would open in Gauteng, Cape Town, Stellenbosch, Port Elizabeth and Durban from February, he said.

ROY COKAYNE

Pretoria — Pilot production at the R250 million, completely knocked down assembly plant for Hyundai, the South Korean motor manufacturer, in Botswana was scheduled to start on February 17 this year, Brian Simms, the company's chief executive officer, said yesterday.

Pilot production was initially scheduled to begin this month, but Simms said construction had been delayed by the heavy rains early last year.

Simms said a total of 90 cars would be processed during the pilot production programme "Depending on how that goes, we will be able to finalise a date for full production for mid-April this year."

Simms said the plant would initially only produce the facelift Accent model.

Fiat Auto to invest R250m to produce new cars in SA

(1992) ET (1992) 26/1/198

ROY COKAYNE

Pretoria — Fiat Auto was to invest more than R250 million over the next two years to produce new models in South Africa, Robert Testore, the president and chief executive officer of the company said at the weekend.

The investment follows a new agreement with Automakers, the holding company of Nissan South Africa, and the establishment of a new company, Fiat Auto South Africa.

The company would be wholly responsible for the importation and distribution on the market of all Fiat Auto products — whether completely knocked down (CKD) or completely built up (CBU) — and therefore directly in charge of the development of Fiat and Alfa-Romeo in South Africa, Testore said.

The CKD products, which would immediately comprise the Uno range, would be assembled at the Nissan-Automakers factory in Rosslyn on a contract assembly basis. Testore said production volumes in South Africa could reach 25 000 vehicles a year.

Fiat Auto products would be sold to the public through a network directly appointed by Fiat Auto South Africa. Testore said this network would, in practice, be based on the dealer body already established through Automakers.

He convinced that it was through the maintenance of synergies with Nissan that Fiat Auto could best serve the interests of and develop its customer base in South Africa.

Testore said his company had signed a new co-operation agreement with Automakers on Friday because South Africa represented an integral part of Fiat Auto's globalisation strategy.

The new agreement with Automakers would change completely its way of doing business in South Africa, but would "build

on the successes and spirit of co-operation established with Automakers over the past seven years with the Fiat Uno model and Alfa-Romeo range."

He said the direct industrial investment of more than R250 million represented the specific tooling for the production in South Africa of the "178 family" of cars, including the tooling for all right-hand drive-specific components.

Testore said models of the 178

□ 47 Sauer Street, Page 18

MOTOR INDUSTRY

fm 30/1/98 (1997) fm 30/1/98

Newbury relinquishes driving post at Automakers

Japanese take management control from year-end

John Newbury, who has headed Nissan and Automakers in SA since 1983, is to retire. He will step down as Automakers CE on July 1 this year. He will remain Nissan chairman and co-manage Automakers with his Japanese successor, Toshio Tanaka, before leaving Automakers altogether in December.

Tanaka has been deputy CE since last July when Nissan Motor Co of Japan bought 51% of Automakers.

Newbury (56), has been involved in motor retailing and manufacturing for 35 years. A former BMW and Datsun car dealer, he was brought in to resurrect what was then a struggling Datsun SA in 1983. In the course of the next few years, the company was taken out of the Messina Holdings group and into Sankorp, and rechristened Nissan SA in line with the international name change. Later, the Automakers holding company was formed to manage Nissan's diverse manufacturing, import and marketing operations.

Though Nissan SA's market share and profits improved, it never managed to regain the market leadership it had once enjoyed. Still, with the aid of Newbury's inspired decision to bring the Fiat Uno into the Nissan stable, fortunes rose to the point where majority shareholder Sankorp was persuaded to list Automakers on the JSE at the end of 1995.

The decision proved a disaster. Automakers underestimated the effects of a new government-imposed motor industry development plan that changed most of the industry's rules. One result was a bitter and prolonged

price war that wrecked profit forecasts not only for Automakers but also for its competitors. Substantial losses led to Automakers being delisted from the JSE early in 1997, less than 18 months after its euphoric arrival. The rest of 1997 proved little more



John Newbury exit was a matter of time

rewarding, with Automakers' share of the year's new-vehicle market falling to below 10% — barely half what it achieved in 1995.

The good news was the arrival of Nissan Motor Co (NMC), which bought 51% of Automakers for R360m. NMC had delayed an SA investment because of recessionary problems at home but once those were resolved, a move on SA was inevitable — particularly as Automakers was already responsible for most Nissan markets and products in sub-Saharan Africa.

It was also inevitable that NMC would put many of its own men into senior positions at Automakers. Twenty-nine Japanese officials, mainly in technical and production areas, are based full-time at Automakers' assembly plant at Rosslyn, near Pretoria. Their arrival resulted in several senior SA di-



Roberto Testore new investment boost for Fiat

VOLVO

Swede smell of success

Swedish carmaker Volvo plans to build up to 10 000 cars a year at Hyundai's new assembly plant in Gaborone, Botswana. Production of Hyundai vehicles will start later this year. Volvo's S40 and V40 models,

rectors taking early retirement.

A third inevitability — Newbury's departure — has been consistently downplayed by Automakers. However, it was always a matter of time before NMC took management control of the company. Automakers' image is almost indivisible from that of Newbury, so NMC control was always going to be difficult as long as he remained with his intensely hands-on management style. In December, the Japanese will have had 18 months to learn the SA business.

After that, says Newbury, "I would not want to stay on in any capacity." He is not sure yet what he will do — particularly as he is selling a private venture, the SA franchise for Mizuna golf equipment. Interleisure is mentioned as a possible buyer.

Newbury's retirement is made easier, he says, by the fact that Automakers is in good hands. Not only has NMC committed itself to resuscitating the company, but last Friday Fiat Auto of Italy promised R250m to tool up for new Fiat models at the Rosslyn assembly plant.

Fiat has created a new company, Fiat Auto SA, responsible for the import and marketing of all Fiat products from July 1. Automakers will continue to build most Fiats at Rosslyn but others, and all Alfa Romeo cars, will be imported. Though Fiat will establish its own dealer network in SA, this will be centred on the existing Nissan set-up.

Automakers will continue to build the Uno. According to Fiat Auto president Roberto Testore, the R250m will be spent on the new Palio range, already popular overseas. Production will probably start in the middle of 1999. It will also enable Rosslyn to produce all specific righthand-drive components for Palio's international market.

Fiat's investment will continue to provide employment for about 800 people within Automakers, but new jobs will total less than 100.

David Furlonger

No relief for local vehicle makers

(192)
CT(BR) 2/2/98
ROY COKAYNE

Pretoria — Imported vehicles will account for more than 30 percent of the South African market in the not-too-distant future according to Manny de Canha, the managing director of Associated Motor Holdings, an imported vehicle distributor.

De Canha said vehicle sales in South Africa last year were probably very close to an all-time record if all sales of imports and exports by local manufacturers were added to official figures provided by the National Association of Automobile Manufacturers of South Africa.

He said the development of the motor industry in Australia was virtually a mirror reflection of its development locally and could help in putting together a strategy for the South African industry.

In Australia the local manufacturers "saw their market share diminish by 4 percent and gains being made by importers, who accounted for a record 61,5 percent of the market", he said "As in Australia, where imports are sourced from 19 countries, (South African) imports will also increase locally in the near and medium-term future, increasing the competitiveness of the market."

Sowetan 3/2/98 (192)

Numsa upset over trade tariffs

By Abdul Milazi

THE National Union of Metal Workers will meet Minister of Trade and Industry Alec Erwin next week to discuss the recent trade tariffs reduction which led to the loss of about 500 000 jobs in the motor industries

Numsa spokesman Dumisa Ntuli said the massive job loss was the result of the Government's 'over-ambitious tariff reduction programme' and the Growth, Employment and Redistribution

programme (Gear)

Car manufacturers and unions are already feeling the pinch, with Mercedes-Benz Toyota and Opel Delta expected to retrench over 700 workers this month

Mercedes-Benz South Africa says it was forced to retrench because of the growing crisis in the motor industry and the damaging results that have emerged since the scrapping of the old local content programme and the Motor Industry Development Programmes

Ntuli said the scrapping of the two programmes exposed local manufacturers to harsh international competition

'Numsa welcomes competition but we also believe that local companies should be protected by Government' Ntuli said

'Foreign companies work from countries like Botswana where they don't pay tariffs and use cheap labour which is why they can afford to sell their products at very low prices

'Local companies are in turn

forced to cut their spending and the first obvious area is manpower'

He said most of the about 500 000 retrenchments took place after South Africa became a signatory to the General Agreement on Trade and Tariffs (Gatt) Marakesh Agreement

The hasty Government tariff reduction programme coupled with the restrictive Gear policies, have gone over the top in slashing tariffs to zero percent instead of the 20 percent required in terms of Gatt, said Ntuli

Naamsa says timing and scale of interest rate cuts will be critical

Car makers put best face on losses

ET (MYR) 5/2/98 (192)

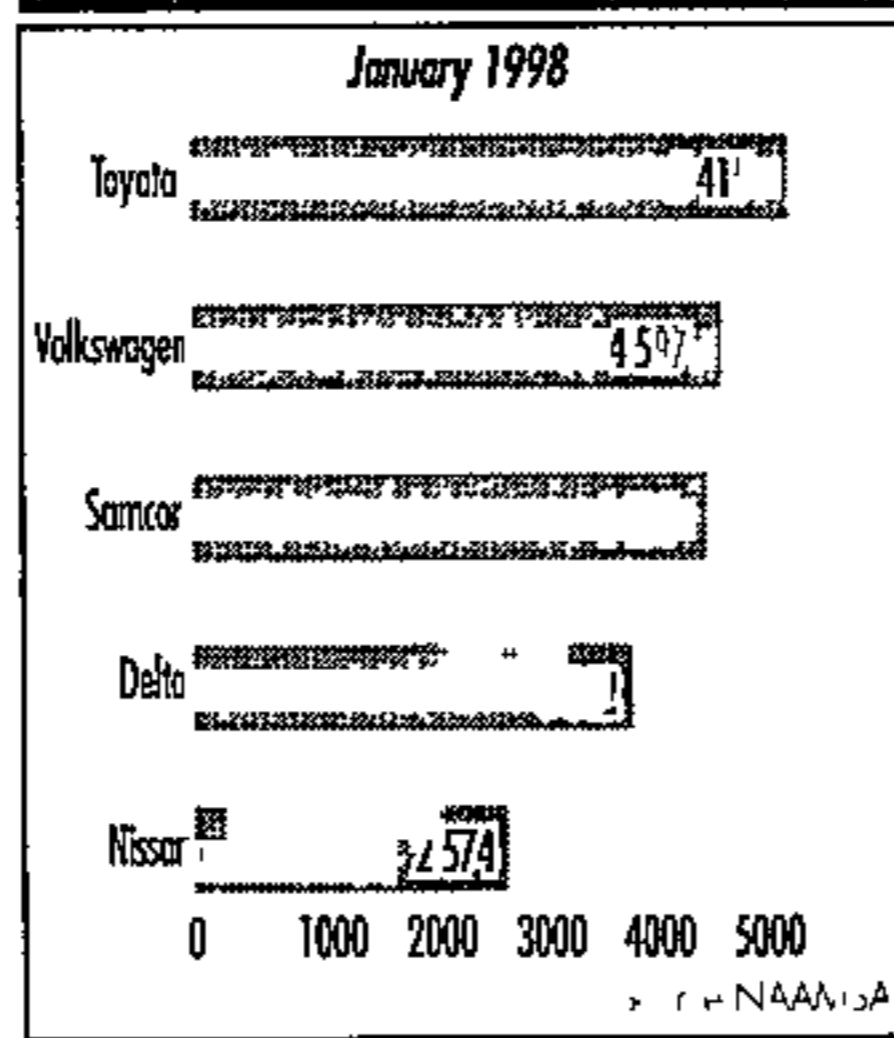
ROY COKAYNE

Pretoria — The timing and scale of interest rate reductions were the key factors determining the level of new vehicle sales during the year, Nico Vermeulen, the director of the National Association of Automobile Manufacturers of South Africa (Naamsa), said this week

“At this stage, the industry generally expects business conditions during the first six months of the year will remain difficult. But conditions may improve during the second half in line with projected reductions in interest rates,” he said

Graham Hardy, the marketing director of Volkswagen South

New vehicle sales



Africa (VWSA), said that on an annualised basis, new car sales performance in January was consistent with a forecast of 235 000 new car sales in the year. This

was 2 percent lower than the 239 755 sales achieved in 1997

Hardy said the January sales levels were consistent with the view that the sales cycle would begin improving during the second quarter of 1998, as the rate of decline in the cycle was clearly slowing down

“The projected improvement in vehicle sales during the second half of 1998 is based on several factors, including the expectation that exports will continue this year as they did in 1997, inflation will remain firmly under control, there will be some easing in interest rates, there will be ongoing real increases in wages and salaries, and there will be some recovery in the stock exchange

“Downward pressure on car prices coupled to some aggressive price competition is also expected to continue this year, mainly on the weakness of the southeast Asian currencies as well as the relative advantage gained by the South Korean motor companies,” said Hardy

Tony Twine, a motor industry analyst and director of Econometrix, said January was seasonally an extremely weak month for vehicle sales

The chief executive officer of McCarthy Motor Holdings, Brand Pretorius, said that last month's total passenger vehicle sales were the second highest recorded for the month of January in 13 years

fm 6/2/98
SA car makers start to listen

Soon, you could be able to order a car made to your specifications

Faced with increasing competition, Eastern Cape motor manufacturers are moving IT into the boardroom and on to showroom floors

Privately, IT specialists will tell you it's taken a long time for information to take its place in the box of strategic management tools in an industry where the traditional focus has been on productivity and quality on the production line

That strategy worked when companies were competing in a closed market with a captive buying public. But, with the fall of import tariffs and increasing competition from the rest of the world, motor manufacturers are being forced to find ways of getting closer to their customers — both at dealer and end-user level

They're not yet at the point where we can walk into a showroom and customise the chariot of our dreams on a computer screen, arrange the finance, order the car and have it delivered fresh off the production line three days later, but they're getting there fast

One even hears talk of "virtual motor companies" by 2004 — single manufac-

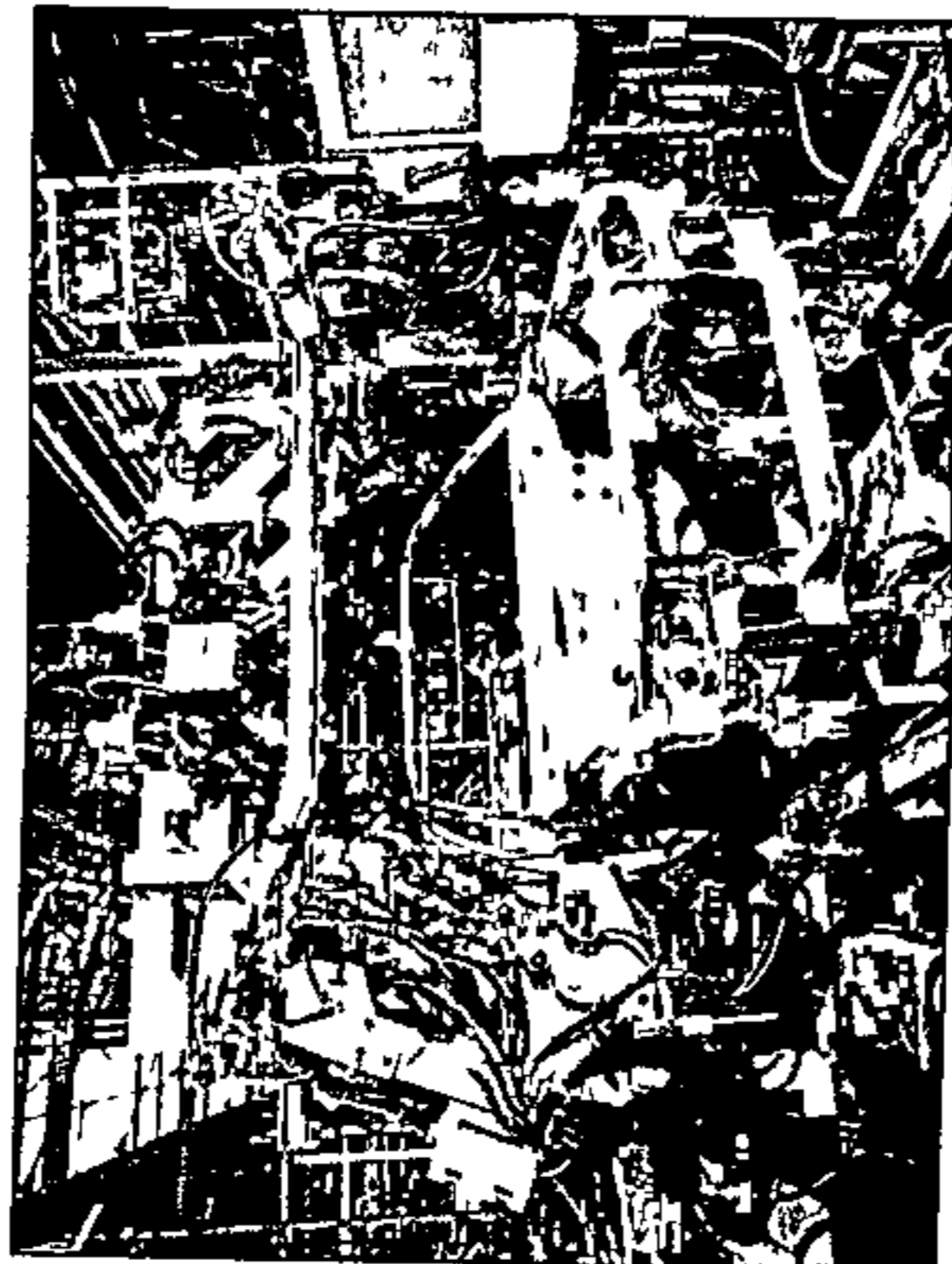
INFORMATION TECHNOLOGY
SPECIAL REPORT

turing plants which produce vehicles of various designs and badges to order. Volvos will soon be built at the Hyundai facility in Botswana and Nissan is making Fiats in Rosslyn. Perhaps the closest is Toyota's line outside Durban, which has been churning out different models for years

While these developments hold the promise of cheaper cars, greater choice and better service for the consumer, the alarm bells are ringing loud in the Eastern Cape where three motor manufacturers, Mercedes-Benz, Delta and Volkswagen, account for over 40% of all new vehicles sold in SA

Brutal competition and rapidly shrinking margins are forcing the vehicle manufacturers to re-assess their business and IT processes — and there is a new emphasis on export markets. MBSA, Delta and VWSA are enjoying the benefits of being close to a port and their exports are growing

Efficient communication holds the key to the development of the African market and the Internet is replacing telexes and fax machines for ordering and other applications as increasing numbers of African countries go on line. "The use of the Internet will grow particularly in low-volume applications and where the local telecoms utility can't provide a cost-effective infrastructure," says Mercedes-Benz chief in-



Vehicle assembly in future cars may be made to customers' specification

order. However, this is under investigation, says Otte

Delta is also one of the industry leaders in the field of EDI. Its Corsa plant, opened in November 1996, was the first in the country to interface a vehicle tracking system with SAP's R/2 enterprise resource planning software. The system links directly into Delta's supply network and has halved to nine days the lead time needed in the vehicle scheduling process. Delta and VWSA are now upgrading to SAP R/3

SA manufacturers' relative lack of automation compared with Japan, America and Germany, for example, could be an advantage in a way — instead of IT being used to get robots to communicate with each other, it could help people communicate better

"In general, motor manufacturers in the past spent a lot of effort to optimise manufacturing and processes," says Otte. "In the Eighties the focus was on computer-integrated manufacturing and you saw lots of robots being installed on the production lines. Today there are fewer robots and the emphasis is on empowering the worker on the shop floor"

Looking to the future, he says "IT will become more business process orientated. We will leave our offices to have discussions with users to understand their business processes"

Ed Richardson

BD 9/2/98
Car makers
face crisis
unprotected

Lucia Mutikani (192)

GOVERNMENT is not considering shifting trade policy for the motor industry to protect local manufacturers from the expected onslaught by Asian car and component manufacturers, the trade and industry department says.

But Johan Cloete, the head of the automotive assemblers and components manufacturers directorate within the department, said it would look at the situation if there was an influx of components from Asia.

"We are not making any policy changes. The motor industry development plan is relatively large and should afford protection."

Asia's currency turmoil, and the dramatic depreciation of the Korean won in particular, has prompted analysts to warn its components will become so competitive that the SA market is in danger of being swamped.

"The imported content of locally manufactured cars is likely to rise, while exports of SA components may fall as motor companies turn to Asia for supplies," an analyst said.

National Association of Automotive Component and Allied Manufacturers executive director Clive Williams said that although the industry had not yet started feeling the effects of an aggressive export drive from Asian manufacturers, the local industry needed some protection to survive.

Motor industry uncertainty 'hampering growth'

Lucia Mutikani

(1992)

UNCERTAINTY over government's plans once the motor industry development plan came to an end, was hampering automotive component export growth, the National Association of Automotive Component and Allied Manufacturers (Naacam) said.

The development plan, which was launched in 1995 to remove protection barriers within the industry, ends in 2002.

It is now in midterm review.

Naacam executive director Clive Williams said that although growth in components had been good, lack of clarity over the direction the industry would take after 2002 was hampering further growth. Exports in 1994 were worth R2bn, rising to R3,5bn in 1995 and R4bn in 1996.

"Exports are expected to show further growth in 1997. We are working with Naamsa (the National Association of Automobile

Manufacturers of SA), Numsa (the National Union of Metal Workers of SA), the Motor Industries Federation and government towards saying what should be in place after 2002."

While the development plan was meeting objectives in some areas, it was not in others, Williams said. Shortcomings were rationalisation, employment and the trade balance.

The trade deficit for the industry had grown from R5bn five

years ago to R15bn. Rationalisation had not taken off effectively and there was the need to reduce the number of models to between 15 and 20 by 2002 to make manufacturers more viable.

"While accepting that total protection is not good, it is not feasible to live without some protection because of our small volumes. We need some form of support from government. The questions are how much and what sort of support," Williams said.

Numsa meets over Toyota lay-off plans

ROY COKAYNE

ET (MR) 12/2/98 (192)

Pretoria — The National Union of Metalworkers of South Africa (Numsa) held a mass meeting at Toyota South Africa's manufacturing plant in Durban to obtain a mandate on "appropriate action" about retrenchments at the plant, Dumisa Ntuli, a Numsa spokesman, said yesterday

By last night Ntuli had not received a report on the meeting

Ntuli said that, as a first option, Numsa would "engage with management on alternatives to the retrenchments" This could include new skills training for workers and a reduction in production hours, he said

Toyota confirmed earlier this week that about 500 workers at its manufacturing plants in Durban would be retrenched this year

Harry Gazendam, Toyota's group human resources director, said yesterday the retrenchments would not affect only lower paid, unskilled workers

"It is a focused retrenchment programme affecting employees from senior management level downwards," he said

Gazendam said there would also be rationalisation in the Stamping Division and the marketing and head office operations

He said the process of staff reduction had at all times been the subject of consultations with unions and affected employees

Gazendam said Toyota had been reducing its total staff over the past two years He said this process was initiated to ensure that the company remained able to meet the challenges of an increasingly competitive market

Toyota plan to retrench 800 slammed

(192)
Business Day Reporter

BD 10/2/98

THE National Union of Metalworkers of SA (Numsa) has vowed to fight Toyota SA's move to retrench at least 800 workers at its KwaZulu-Natal plant as part of the company's plans to grapple with deteriorating market conditions.

Numsa spokesman Dumisa Ntuli said Toyota was reneging on a promise made late last year to hold off retrenchments and to give the union ample time to inform workers about the company's intentions, as well as to come up with a solution.

Toyota had also committed itself to sending workers to Japan for training, but now they were "backstabbing workers by employing Japanese workers", Ntuli said.

The decision was taken unilaterally without informing the workers, despite the fact that the measures to be implemented would have an adverse effect on jobs, Ntuli said.

The union had also learnt from news reports that the company was to invest R1,5bn on expansion by introducing a new car model to their range.

A meeting is scheduled for later this month to inform workers of the developments and to get a mandate from them on how to resolve the issue.

Toyota management could not be reached for comment.

Numsa claim 'mischievous and incorrect'

Pearl Sebolao

(192)

20/12/198

STAFF cuts at Toyota SA had been the subject of consultations with trade unions over the past two years, and for the National Union of Metalworkers of SA (Numsa) to say they were not consulted was "mischievous and incorrect", Toyota SA group human resources director Harry Gazendam said yesterday.

He was responding to an announcement by Numsa that it would fight the retrenchment of workers at the company's KwaZulu-Natal plant. Gazendam said Toyota had held more than 10 meetings with Numsa since August last year to discuss matters pertaining to the rationalisation process. The company had followed the correct procedure on staff reductions, laid out in the motor industry's national bargaining structure.

It was inaccurate that more

than 800 workers would be laid off because of rationalisation. About 500 people would be retrenched.

The largest number of retrenchments would be at the Toyota Automotive Component A plant, which supplies components to the KwaZulu-Natal plant.

A total of 380 people would be affected "from top to bottom and not just junior workers or Numsa members", he said.

Gazendam said it was unfortunate that workers would be affected by this, but it was a business decision. The plant was too expensive to manage as it was very old and most of its equipment was obsolete. It was also too far from the main plant, which it supplied.

The plant's activities would be shifted to a different component plant and some of the people would be accommodated elsewhere, he said.

"It is unfortunate that some workers will have to be re-

trenched, but we are doing all we can to make sure as few people as possible are retrenched."

He denied that Toyota had reneged on a commitment to send workers to Japan for a three-week specialised training course, saying that about 50 manufacturing workers, including two Numsa shop stewards, had been sent to Japan for training last year.

"As recently as October or November last year, two Numsa shop stewards were in Japan for training, and to say that the company is replacing the workers with Japanese workers makes no sense at all," he said.

Gazendam said that as a result of Toyota SA's close ties with the Toyota in Japan, seven "very senior" Japanese employees, mainly engineering and quality experts, had been sent to SA to assist with training programmes. They would also help improve Toyota SA's technology.

Numsa slams car manufacturers

(192)
Sweetan
11/2/98

By Abdul Milazi and Shadrack Mashalaba

THE National Union of Metalworkers of South Africa (Numsa) has accused car manufacturers of taking advantage of the confusion created by the reduction of tariffs to carry out mass retrenchments

Numsa's accusation comes after the planned retrenchment of 500 people at Toyota South Africa's Durban plant. Toyota laid off 240 workers late last year.

Mercedes Benz and Opel Delta are expected to retrench more than 700 workers between them this month.

All three companies have argued that they were forced to retrench because of the growing crisis in the motor industry and the damaging results that have emerged since the

Many workers face retrenchment in the motor industry this year

scrapping of the old local content programme and the Motor Industry Development Programmes.

Numsa spokesman Dumisa Ntuli said workers who face retrenchment at Toyota are those employed at the Toyota Automatic Components, Toyota Stamps Division and Toyota South Africa Manufacturing plants in Durban.

Ntuli, however, said this was no excuse for car manufacturers to retrench indiscriminately.

He argued that about 500 000 workers were retrenched in the motor industry after South Africa became a signatory to the General Agreement on Trade and Tariffs (Gatt) Agreement in 1994.

Toyota South Africa spokesman Joe Thompson confirmed that he company would be retrenching 500 workers later in the year.

Ntuli said Toyota never consulted workers on the retrenchment but informed Numsa last month that it intended retrenching 500 workers.

'Despite agreements in the past that strategic decisions dealing with company issues were to be discussed with workers, management still believes it is its prerogative to plan without workers,' said Ntuli.

Toyota is to invest R1.5 billion on an expansion programme which includes the introduction of a new vehicle, expected to cost R1.5 million.

MOTOR VEHICLE SALES

FM 13/2/98

Exports are roaring ahead

Industry development plan spurs manufacturers on

The domestic market may be idling, but exports of SA-made vehicles are accelerating at a spectacular rate. SA manufacturers exported 19 569 vehicles in 1997 — a 69% increase on the previous year. Analysts expect a further sharp rise this year.

Of the 1997 total, 10 458 were cars, 800 light commercial vehicles, and 1 111 trucks. The biggest market remains Africa, but Asia, Australia and the UK are among other regions being targeted.

Much of this activity is the result of incentives in the two-year-old motor industry development plan, which offers import duty rebates to companies which also export. Annual exports by the industry as a whole are already approaching the equivalent of a full month's domestic production. This year they may exceed that level.

Exports are already the lifeblood of some companies. BMW shipped nearly 4 000 cars overseas last year — adding more than 25% to its domestic sales. Toyota, a slow starter in the export race, was snapping at BMW's heels with well over 3 500 foreign sales of cars and commercials. Nissan, Delta and Volkswagen each exported about 2 500.

It's good news for those companies at a time when the domestic market shows few signs of strengthening.

McCarthy Motor Holdings chairman Brand Pretorius takes the positive view that last month's vehicle sales were the second highest January figure in 13 years. But the fact is the market as a whole was more than 10% down on the previous January.

Marketers and analysts expect little improvement in the near future and the consensus is that the total market for 1998 will be down for the second year in a row.

Part of January's market problem, it must be said, was of manufacturers' own making. Some companies extended their Christmas factory shutdown in order to run down excess vehicle stocks.

In some cases, this worked too well and customers couldn't get the vehicles they wanted. Some manufacturers also blame extended school holidays in certain provinces, notably the Free State and Western Cape, which affected commercial activity in those areas.

David Furlonger

JANUARY VEHICLE SALES

Manufacturer	Cars	Number of sales	Total sales	% of total car market
VW	CitiGolf	1 297	4 218	24,1
	Polo	1 197		
	Golf/Jetta	1 079		
	Audi A4	500		
	A6	136		
	A8	9		
Toyota	Corolla	1 783	3 637	20,8
	Conquest	1 515		
	Camry	219		
	RAV4	33		
	Lexus	10		
	Landcruiser	4		
	Prado	71		
	Previa	2		
Samcor	Tracer/Midge	1 043	2 643	15,1
	Fiesta/Soho	674		
	Telstar/626	143		
	Ford Escort	301		
	Falcon	99		
	Mondeo	32		
	Explorer	5		
	Mazda Etude	194		
	Pajero	103		
	Spacegear	9		
	Jaguar	40		
	Delta	Astra/Kadett		
Corsa		1 188		
Saab		8		
M-Benz	Suzuki	15	1 540	8,8
	C-Class	552		
	E-Class	201		
	S-Class	9		
	SLS	10		
	SLK	39		
BMW	Honda Ballade	638	1 459	8,3
	Odyssey	6		
	Prelude	20		
	CR-V	65		
Nissan	3-Series	1 252	1 224	7,0
	5-Series	197		
	7-Series	10		
	Sentra/Sabre	631		
	Maxima	98		
	Fiat Uno	379		
Daewoo	Alfa Romeo	42	713	4,1
	Sani/Patrol	73		
	Other	1		
	Cielo	292		
Chrysler	Espero	21	161	0,9
	Lanos	243		
	Nubira	157		
Land Rover	Jeep	94	153	0,9
	Neon	12		
	Voyager	55		
Peugeot	Discovery	69	49	0,3
	Defender	79		
	Range Rover	5		
Subaru	306	11	18	0,1
	406	34		
	806	4		
January	Impreza	9	17 496	-11,8
	Legacy	9		
Dec (16 453) to Jan				+6,3

Source: NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SA

LIGHT COMMERCIALS

	Number of sales	% of market
Delta	2 101	28,4
Samcor	1 772	23,9
Toyota	1 636	22,1
Nissan	1 266	17,1
VW	379	5,1
M-Benz	206	2,8
Land Rover	50	0,7

	1998	1997	% change
Jan	7 410	7 967	-7
Dec (7 363) to Jan			+0,6

MEDIUM COMMERCIALS

	Number of sales	% of market
M-Benz	82	27,5
Toyota	77	25,8
Nissan	51	17,1
Delta	40	13,4
Iveco	22	7,4
Samcor	21	7,0
AAD	5	1,7

	1998	1997	% change
Jan	298	352	-22
Dec (255) to Jan			+16,9

HEAVY COMMERCIALS

	Number of sales	% of market
M-Benz	92	24,2
Toyota	65	17,1
Tyco	53	13,9
Delta	40	10,5
MAN	39	10,3
Nissan	33	8,7
Iveco	21	5,5
ERF	11	2,9
Freightliner	10	2,6
Scania	10	2,6
AAD	6	1,6

	1998	1997	% change
Jan	380	413	-8,0
Dec (385) to Jan			-1,3

TOTAL VEHICLE SALES

	Number of sales	% of market
Toyota	5 415	21,2
VW	4 597	18,0
Samcor	4 436	17,3
Delta	3 862	15,1
Nissan	2 574	10,1
M-Benz	1 920	7,5
BMW	1 459	5,7
Other	1 321	5,2

	1998	1997	% change
Jan	25 584	28 597	-10,5
Dec (24 456) to Jan			+4,6

ADE's export order to Cuba 'on schedule'

(192) CT(MR) 18/2/98

ROY COKAYNE

Pretoria — A R400 million export contract secured by ADE, the Cape-based diesel engine manufacturer, to supply 10 000 engines to Unecamoto in Cuba was on schedule and due to be completed by October this year, Ron Shires, the managing director of ADE, said yesterday

Shires also said ADE was in discussions with Cuban authori-

ties about the possibility of supplying the Cuban market with additional products and parts

He said no contract had been concluded yet but it depended on the capacity of the Cuban authorities to support such a contract financially

"But our product has been very well accepted, and we have a wonderful relationship with the Cubans. We have several thousand engines in service in Cuba,

and they are giving good service

From a business perspective, things could not look better there' Shires said

The engine contract secured by ADE at the beginning of last year is for the supply of diesel engines for the repowering of various machines for commercial use in the Cuban sugar and transport industries

There was speculation when ADE first announced the contract

that the deal could lead to deterioration in US-South African relations because it ran foul of US foreign policy

Shires said ADE had "not heard a whisper" in this regard

A US Embassy spokesman said last year that US policy saw any transaction with Cuba that supported the government of Fidel Castro as slowing down Cuba's transformation to a democratic country

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Y NEWS

REI and CB in property merger

ADELE SHEVEL

Johannesburg — REI shareholders had committed over 75 percent of REI shares to accept CB Commercial's merger offer and would sell their shares to CB Commercial, the two property companies announced yesterday.

The offer values REI, which operates as Richard Ellis outside the UK, at £57.25 million, subject to attainment of certain financial targets for 1997.

The new firm will be called CB Commercial-Richard Ellis.

David Read, the joint managing director of Richard Ellis Africa, said he was confident this development would boost the local office's foreign currency earnings.

"This past year has seen a very significant increase in international projects handled by our local offices," including recent valuation projects in the Netherlands, Kenya, Malawi, Mozambique, Swaziland and Namibia, among others, he said.

High noon for illegal vehicles

ROY COKAYNE

Pretoria — Final consensus on measures to fight illegal vehicle imports, including the possible confiscation and scrapping of illegally imported vehicles and some form of amnesty for owners who had unwittingly acquired them, would be reached later this month, Gary McCraw, the director of the National Automobile Dealers' Association (Nada), said yesterday.

He said consensus would have to be reached on a blueprint document for the government.

"All the interested parties must subscribe to the document so there is no doubt about the way forward."

Nada is heading an action committee that has been considering possible measures to fight the influx of used vehicle imports into South Africa.

Representatives on the action committee include government departments (such as transport and trade and industry), customs and excise, border police and the South African Revenue Service (SARS). Private sector representatives include Business

Against Crime, the National Association of Automobile Manufacturers of South Africa, the Motor Industries' Federation, Nada, the insurance industry, banks and the transport consultative committee.

It is estimated that between 27 000 and 37 000 cars, bakkies, leisure vehicles and luxury models and between 8 000 and 10 000 trucks are illegally imported into South Africa each year, resulting in lost customs and excise duties, VAT and motor industry revenue.

McCraw said a lot of discussion had taken place at a meeting of the action committee last week but consensus could not be reached, particularly on the issue of an amnesty.

He said all the interested parties had gone back to their constituents and the final document to be presented to the government would be thrashed out on February 27.

McCraw said the main issues

to be agreed upon included what to do about the importation problem and how to handle and police problems of illegal used vehicle imports in the future.

There are mixed feelings about both the confiscation and amnesty plan. Some banks were unwittingly involved in funding illegal vehicle imports while

some consumers had unknowingly bought them. Both would suffer loss if these vehicles were confiscated and scrapped.

McCraw said the National Traffic Information System, which was scheduled to be in operation from last month but had been delayed by a

few months, was regarded as a possible solution to illegal vehicle imports.

He said once all the manufacturers and vehicle importers were on the system, it would prevent illegally imported vehicles or incorrect records being put onto the system and would prevent the registration of these vehicles.

**Some banks
are unwittingly
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vehicle imports**



Spending by motor industry 'to rise 63%'

CT(MR) 27/2/98 (192)

ROY COKAYNE

Pretoria — Total capital expenditure by the motor industry was expected to rise by 63 percent, or almost R802 million, to R2,067 billion for this year, Nico Vermeulen, the director of the National Association of Automobile Manufacturers of South Africa (Naamsa), said yesterday

The total capital expenditure by the motor industry last year was R1,265 billion. In 1996 it was R1,171 billion

In an industry review for the three months to December 31 last year, Vermeulen said this year's capital expenditure on plant, machinery and production facilities was expected to increase by a total of 217,7 percent, or R640,4 million, to reach R935,3 million compared to last year's R294,9 million

A total of R409,6 million was spent on plant, machinery and production facilities in 1996

He said a further R907,3 million was earmarked for product, local content and export investments compared to R729,7 million last year

and R586,1 million in 1996

Vermeulen said the balance of the projected capital expenditure this year comprised a total of R153,6 million on original equipment infrastructure, including research and development, engineering and technical facilities, and R70,8 million on land and buildings

Turning to employment levels and trends, he said the number of people employed by the motor industry had declined by 2,9 percent, or 1 084 jobs, from 36 939 at the end of the third quarter last year to 35 855 at the end of the fourth quarter.

However, Vermeulen said the industry's monthly average employment complement during 1997 was 37 082, only 1,8 percent lower than the motor industry's average monthly employment of 37 764 in 1996

Employment in the industry is related to the state of the market, which saw difficult domestic trading conditions last year because of the general pressure on consumers' disposable income, the further slowdown in economic activity and high interest rates.

Toyota earnings (1992) expected to drop

BB 4/3/98

DURBAN — Vehicle and component manufacturer Toyota SA is expected to post lower earnings in the year to end-December compared with 1996, amid continued tough retail conditions in the automotive industry.

Toyota SA, which is 27,8%-owned by Japan's Toyota Motor Corporation, is scheduled to report its results later today. Analysts forecast earnings per share in a range of 420c-485c with consensus at 457,6c, a dip of 5% from the 482,4c posted in 1996. They expect a dividend of between 85c and 88c a share, averaging 87c versus 88c the year before.

"They are operating with a profit margin squeeze," one motor sector analyst said. "Toyota is moving towards selling a whole mix of cheaper vehicles and they are a lot less profitable."

SA's motor sector has been characterised by fierce competition as manufacturers cut prices to win market share in an environment of sluggish economic growth, coupled with rising cheap vehicle imports.

According to manufacturer's association Naamsa, total new vehicle sales fell 6,6% last year to 366 859 units. Toyota, however, said in January it had sold a record 101 111 vehicles during the 12-month period.

Although analysts praised Toyota's strong brand, dealer network and efficient manufacturing they forecast another tough year ahead. "Trading conditions are probably at the worst they have ever been in terms of margins in the motor industry," one said. — Reuter



UNDER PRESSURE Bert Wessels, executive chairman of Toyota SA, who says demand for entry-level cars will grow PHOTO JOHN WOODROOF

Toyota's income hit by competitive car market

CT (MR) 5/3/98 (192)

ROY COKAYNE

Pretoria — Extremely competitive new vehicle market conditions and an ever-increasing market share of low-margin, entry-level vehicles contributed to Toyota South Africa, the motor maker, yesterday reporting an 18,3 percent decrease in operating income to R251,90 million in the year to December 31 from R308,39 million in 1996

This was reflected in operating income as a percentage of turnover falling from 5 percent to 3,8 percent, despite turnover rising 5,7 percent to R6,58 billion from R6,21 billion

Earnings a share, which equated to headline earnings a share, were 420,2c a share compared to 482,4c a share last year

Bert Wessels, the executive chairman, said profit margins of motor vehicle manufacturers were likely to remain under pressure. He said competition was expected to remain fierce and there would be further demand for entry-level vehicles

Net income attributable to ordinary shareholders fell 12,9 percent to R170,908 million from R196,170 million in 1996

A final dividend of 73c a share, compared with 64c a share last year, boosted the total dividend for the year to 97c a share, compared with 88c in the previous year. The total dividend was covered 4,3 times compared with 5,5 times last year.

Wessels said every effort was taken to reduce costs and improve efficiencies and the balance sheet reflected a further improvement in the financial health of the group

He said the lower level of current assets — R1,43 billion compared to R1,60 billion in the previous year — was a result of effective management of inventory levels and receivables

"Some R306 million was spent on plant and equipment," he said

Wessels said the group was in discussions with Toyota Motor Corporation of Japan, as the substantial shareholder, "to establish consensus on acceptable medium-to-longer-term objectives for the group regarding factory utilisation, market share, exports, new ventures and financial matters"

□ Business Watch, Page 16

Sales of new cars down 23%

ROY COKAYNE

Pretoria — New car sales plunged 23,3 percent, or 5 290 units, to 17 437 units last month, compared with 22 727 unit sales in February last year, according to figures released yesterday by the National Association of Automobile Manufacturers of South Africa (Naamsa).

But Nico Vermeulen, the executive director of Naamsa, said February last year "had been a particularly strong month for new car sales"

New vehicle sales in each of the four segments — cars and light, medium and heavy commercial vehicles — had registered further declines compared with the corresponding month a year ago

Sales of new light commercial vehicles, bakkies and minibuses fell 11,1 percent, or 1 047 units, to 8 354 units last month.

This compared with 9 396 unit sales in February last year

Medium truck sales of 434 units last month were 12 percent, or 59 units, lower than in February last year, while heavy truck sales at 518 units were down 21,1 percent, or 139 units, in the same period

Manufacturers have expressed concern about the long-awaited interest rate cuts, saying their timing and scale would be vital in determining the direction new vehicle sales would take this year.

February is a month which traditionally does substantially better than January

The results will probably cause an industry revision of forecasts and put at risk earlier predictions of 235 000 passenger car sales for the year

BUS INDUSTRY

Export contract raises storm

Queries over government guarantees

A contract awarded to Hammanskraal-based Durabuild to build 1 200 semiluxury commuter buses for a Peruvian transport company has created a storm of protest in the industry

Durabuild is 100% owned by the North-West (Province) Development Corp

The Industrial Development Corp will finance the deal with an interest-bearing loan, and the Trade & Industry Department will oversee the inter-country and inter-company regulatory financial procedures. Credit Guarantee Insurance Corp will provide insurance and a foreign company will be the reinsurer

Busaf MD Rob Duff is concerned at the "uncommercial trading" of this State-owned company. "I am concerned that a government-controlled organisation gets an order of this magnitude. If the order was secured by a government guarantee, why

was a similar facility not extended to private-sector companies?"

Busaf, SA's major bus builder, has been savaged by recent trends in the industry and has had to close manufacturing facilities because of the fall-off in local demand for buses

The Dorbyl-owned company had to close its Port Elizabeth factory recently, cutting 200 jobs. In 1989 the plant employed 1 200 people

Last year 432 buses with a gross vehicle mass of 7 500 kg and more were sold locally. This was up on the 288 sold in 1993, the industry's worst year in the past 12 years, but well below the 723 sold in 1986

Worse news may be ahead. Mauro Bellini, SA director of Marcopolo of Brazil, the biggest builders of bus bodies in South America, says his company has its sights trained on SA. It exported 50 luxury coaches to SA last year. They sold here for between R1,2m and R2m. "We'll sell more this year," he predicts

Durabuild financing and marketing GM Chris Oelofse says production of the first 250 buses, worth US\$48m, will start in May

The last of the initial order must be delivered by February 1999, when production of the remaining 950 can start

Oelofse says Durabuild won the order not because it could build buses cheaper than other manufacturers, "but because the package pleased the transport company, Transportes Urbanos Lima (TUL)

"It includes a prototype, spares and technical support by our people in Lima"

The bodies will be built on chassis imported from the US, complete with Cummins 130 kW engines, four-speed automatic gearboxes, final drives and axles. They will be fitted with SA tyres, which will bring the local content to 62%, and the body to chassis pricing ratio to 46:54

Oelofse says TUL operates a scheme similar to SA's driver-owner schemes. It buys buses and leases them to operators

Durabuild will employ an additional 240 people, and is creating a dedicated production line to service the contract

Mercedes-Benz commercial vehicles GM Geoff du Plessis says the deal is a big step forward for the SA bus body industry. However, he asks "how bodies can be built in SA that can compete, even roughly, as far as price is concerned, with bodies built in South America, which are among the cheapest in the world". He also warns "it will be a challenge for Durabuild to deliver on time, and to the quality specified"

David Pincus

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SAMCOR

Ford attempts to shrug off that 'Tin Lizzie' image

Car of the year award could do much to alter perceptions

When Ford's little Fiesta was voted 1997 Car of the Year last month by the SA Guild of Motoring Journalists, the car's name was matched by celebrations within the SA Motor Corp (Samcor), which builds Ford products in SA

Not only was this the first time a Samcor product has won the annual award, it also suggests long-awaited recognition that Ford is once again a name to be reckoned with in the local market

After the US auto giant disinvested from SA in 1987, Ford's reputation plunged. Though the name remained, local Ford products were no more than disguised Mazdas, which are also built and distributed by Samcor. With little Ford identity and no direct Ford management involvement, controlling shareholder Anglo American Industrial Corp (Amic) seemed at a loss how to reverse the slide.

Only with Ford's reinvestment in 1994 did the picture change. When American executive Jim Miller took charge in January 1995, he found Ford market share and morale in a sorry state. The challenge was to rebuild Ford credibility without damaging Samcor's other marques — Mazda and Mitsubishi — which were in better shape.

By the time Miller left in mid-1997 to become deputy president of Mazda in Japan, he had turned Samcor, and Ford, on their heads. He had also been blamed by competitors for a bitter, drawn-out price

war that caused several SA manufacturers, including Samcor, to lose millions of rand

Of course, it takes more than one side to wage a price war, and other companies were just as willing to fight. It should also be remembered that Miller didn't fire the opening salvos. In any case, changed industry legislation, including reduced protection against imports, made a scrap inevitable.

Under Miller, Samcor's cut-price tactics sent market share soaring. Mazda and Mitsubishi both gained but the main beneficiary was Ford. Reintroduction of "genuine" Ford products, such as the Escort, Falcon and Fiesta, have returned a sense of identity to the brand.

But Escort and Falcon sales have been disappointing. Even the Fiesta hasn't met expectations. It's too early to gauge reaction to the new medium-sized Mondeo. The Laser — a bargain-basement, re-badged Mazda — remains Ford's biggest seller.

Miller pledged to turn Ford into a byword for value-for-money motoring. He also said it would take five years to achieve. He stayed only half that time, and achieved only half his goal so far. Ford is best known for the low price of its products. But there is more to value than selling

price, and it's up to current MD Lewis Booth to carry the revamp to its conclusion.

It won't be easy. The CEOs of two of SA's biggest fleet management companies say their policy is to avoid Ford cars. Their reasons are identical: "Residual values are lousy, spare parts expensive, and dealer service is not the best," says one.

Booth says poor residuals are a hangover from the price wars, when reduced prices on new vehicles immediately knocked those on used vehicles. As prices stabilise, so should residuals.

He adds the parts issue is being "seriously addressed". The same is true of dealer service. Dealers are slowly clawing their way up the Customer Satisfaction Index.

Dealers themselves have not always been satisfied with Samcor's pursuit of market share. Volumes may have risen during the price wars, but profit margins often went the other way.

Under Booth, the relationship is already better. Instead of rapid growth at any cost, the aim now is the steady, profitable kind. Dealer margins, though low by historic standards, are improving.

Naturally, Booth wants to see profitability return to Samcor, which has experienced long periods of financial difficulty. Though not stating openly that the company lost money last year, he says that "1997 was a difficult year. I'm not happy with results."

With most analysts expecting the SA domestic vehicle market to improve only in the second half of 1998, profits throughout the industry will be hard to come by.

Increased export earnings should help relieve the pressure. Components exports, mainly to Ford plants in Europe, are going well, says Booth. Exports of built-up vehicles to Africa have started slowly but he hopes they will gain pace.

Sales are only part of the overall profit equation. Booth must also take out costs at Samcor. "I want to bring our cost base down to international levels," he says. Vehicle stock levels should be in balance with demand by the end of the month, he says. Last year's unexpected market dip left nearly every company to finance expensive excess stocks. And the workforce is down to about 3 500 from a peak of more than 5 000.

Booth acknowledges that Samcor, and Ford specifically, must still win back lost ground. "Ford's image is not where we want it to be. A lot of that is due to the earlier disinvestment. It takes time to rebuild. You can't expect to do it in two or three years."

David Furlonger



Russell Roberts

Lewis Booth bringing cost base down to international levels

Toyota gets squeezed into narrow profit lane

(1998) ST(BT) 8/3/98

INCREASED competition and the demand for less profitable entry-level cars severely restricted profit margins at Toyota SA in the year to December

On a theoretical accounting calculation, the record 97 311 cars sold by the group in the domestic market during the past year earned only R2 588 each at the operating level, compared with the 93 907 sold in the previous year at R3 284 each. At the taxed level, each car generated

MOTOR INDUSTRY
By DON ROBERTSON

only R1 756 per unit against R2 088 previously. An additional 3 800 cars were exported.

At R252-million, operating income fell by 18.3% from the R308.4-million of the previous year, a fall to 3.8% of turnover against 5% in 1996.

In spite of difficult trading conditions, the company was able to increase its market share

to 26.5% from 23.9% in the previous year. Sales revenue increased from R6.2-billion to R6.57-billion. Tax was down sharply from R115.7-million to R87.8-million, leaving attributable profit 12.9% lower at R170.9-million against R196.1-million.

Earnings totalled 420.2c (482.4c), but an increased final dividend of 73c has been declared, taking the total to 97c (88c), covered 4.3 times (5.5).

The directors say the vehicle market is not expected to grow this year. Despite an expected two to three percentage points cut in interest rates, sales will remain depressed because disposable incomes are limited.

Profit margins will remain under pressure and competition fierce. Toyota is in discussions with Toyota Japan on factory utilisation, market share, exports, new ventures and financial issues.

Samancor could become main player

David McKay

BD 10/3/98 (192)

SAMANCOR shortly could be the only large ferrochrome player on the Johannesburg Stock Exchange (JSE) available to investors if Sudelektra decided to buy JCI's stake in Consolidated Metallurgical Industries (CMI)

Sudelektra has been tipped as the leading contender to buy CMI despite the presence of at least four other potential suitors, including Mitsui, Elkem and possibly Samancor itself

If Sudelektra does buy CMI, the Swiss group almost certainly will delist the company, a move it is currently planning with Chromecorp

This will leave Samancor as the only major ferrochrome player listed on the JSE, although The Associated Manganese Mines of

SA (Assmang) is another ferroalloys option. There has been speculation that the relative newcomer Herculite could list in future

A Billiton spokesman downplayed the possibility that the London-listed group would take out Samancor's minorities

But Deutsche Morgan Grenfell analyst John Loewen said Billiton would "dearly like to buy out" Samancor's minorities. Billiton owns about 52,6% of Samancor's share capital

Samancor is a world-class operation and a big cash earner when ferroalloy prices are high. Given this background, it is the kind of asset in which Billiton would like further exposure, Loewen said. However, he believed Billiton was not close to doing the transaction

Another market source said

notwithstanding the cash flow benefits derived from a 100% ownership of Samancor, Billiton's \$3,2bn cash pile was destined for other targets, including new projects and acquisitions

Moreover, he said Anglo American was a 27% stakeholder in Samancor through nominee companies. At Samancor's currently depressed market capitalisation, this stake would cost Billiton about R1,2bn to buy, assuming Anglo American wanted to sell in the first place

Investec's Hennie Vermeulen said investors would probably seek better options offshore should their ferroalloy options dry up on the JSE

Analysts do not expect Samancor will receive a rating even if it becomes the only significant ferroalloy player on the JSE

VW 'not responsible' for buses

THE importing of between 40 and 50 Volkswagen T4 buses earlier this month has proved a big headache for the Uitenhage-based VWSA

Matt Gennrich, head of communications for VWSA, said the vehicles had arrived in Durban from Dubai earlier this month

He said they were intended for India but the original buyers failed to take delivery and a South African company "with no affiliation with VWSA" bought the vehicles

"We have a commitment to our customers which includes providing a quality product compatible with South African conditions, as well as

all the necessary after-sales service that ensures peace of mind."

"Unless we can make such a commitment, VWSA cannot support any imports"

Company not involved

Michael Lange, public relations manager of VWSA, said as his company was not involved "at all" with any of the imports and neither they nor their dealers could take responsibility for them.

Lange said no warranty will apply to these vehicles because the normal pre-delivery inspection cannot be done by local VW dealers

who "do not have the necessary equipment" to do this and have not been technically trained to service any of the vehicles

Lange said VWSA was "researching and testing" imports from the VW group to ensure that they are technically suitable for South African conditions and that proper infrastructure can be provided regarding parts and accessories

He said they also had to ensure that VWSA and its franchise dealerships' technicians are trained to service the vehicles and have the necessary tools and equipment to do so -
ECN Business

Southern 23/3/98

Four SA carmakers 'run at a loss'

ROY COKAYNE

Pretoria — At least four of the seven motor manufacturers in South Africa are operating at a loss because of lower profit margins, according to a recent motor industry report by Standard Bank's economic division

But the report said motor manufacturers were likely to seek to improve margins in the course of the year "and so reduce their losses, return to profit or improve their profitability"

"Toyota's financial results were a sobering reminder of the ferocity of the competition and the difficult environment in which the motor manufacturers operate Toyota sacrificed its margin as it sought to capture market share initially in the light commercial vehicle segment and, later, to surpass the 100 000 sales barrier"

The report said margins could

be restored by increasing revenues or cutting costs

"The manufacturers will seek to achieve both measures But, in seeking to increase revenues, they are unlikely to simply increase sticker prices Rather, sticker prices will remain fairly constant, while sales incentives are removed

"In terms of costs, manufacturers are set to benefit from another reduction in tariffs, a stable rand and competitive pressures within the component sector Manufacturers are likely to experience strong demands for increased wages, though," it said

The report said manufacturers' margins had been severely eroded over the past two years because of the price war Initially car prices were cut and later the cost of ownership was reduced as a result of the introduction of free maintenance packages and zero percent finance However,

these incentives increased manufacturers' costs and the reduction or elimination of sales incentives would serve to reduce the cost of the car to the manufacturer

"Should the manufacturer then maintain the sticker price or reduce the sticker price by a smaller amount than the equivalent value of the sales incentive, then their revenue will increase as well," it said

The report said BMW reduced its three-year maintenance plan from 100 000km to 40 000km and at the same time reduced its sticker price, but the drop in the sticker price was less than the value of the maintenance plan foregone

Customers had failed to realise that the implicit costs of cars had increased, which could be seen most clearly in BMW's case where the company's sales jumped from the 1 000 range to 1 200 following the sticker price reduction

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Plan to be prepared for illegally imported cars

CT (PDR) 24/9/98 (192)

ROY COKAYNE

Pretoria — A plan to deal with illegal vehicle imports would be submitted to the national inter-departmental structure by early next month, said Dave Peddle, the convener of an action committee that has been considering the problem, yesterday

Peddle said the structure involved three line departments in the South African Revenue Service, the border police and home affairs, together with

other interested departments such as national intelligence

“The plan will consolidate the views of the various stakeholders. An amazing degree of consensus has been reached on what could be done. But two issues have to be resolved: what to do about the illegal importation of vehicles and what to do about illegally imported vehicles that are already in the country,” he said

The action committee has been headed by the National Automobile

Dealers' Association and includes representatives of the taxi industry, the department of trade and industry, the National Association of Automobile Manufacturers of South Africa, and the banking and insurance industries

Peddle said a document containing the viewpoints of the role players had been circulated to delegates. A consolidated report would be forwarded to the national inter-departmental structure once all the role players had submitted their comments

Black company gets Delta car deal

Patrick Wadula *BO 6/4/98*

DELTA Motor Corporation has chosen a newly established black empowerment company, Yenza Manufacturing, to supply components for Isuzu and Opel vehicles for the next five years

The Yenza plant, based in Port Elizabeth at the Community Self Employment Centre (Comsec), was granted a five-year contract worth R35m to produce 129 small and medium pressings and projection weld assemblies for use in the vehicles

Comsec director Errol Heynes said at the weekend the resourcing of non-core business formed part of a growing global trend within the automotive industry as the focus shifted towards core assembly operations

Delta MD Wilhe van Wyk said setting up Yenza underlined Delta's commitment towards economic empowerment of previously disadvantaged peo-

ple within the industry

Van Wyk said a critical task was the selection of two entrepreneurs who could spearhead the initiative to succeed. Yenza is headed by Themba Mtati, a former director of finance at Western District Council, and Glynn Potgieter, a former production superintendent at a local catalytic converter manufacturer

The project is being privately funded by Yenza's directors through Future Bank Corporation

"We expect Yenza to break even before the end of its first full year of operation," Van Wyk said

He said although Delta was assisting in the incubation period, Yenza would eventually operate as a normal supplier to Delta which should create more jobs for the Eastern Cape region

"We expect Yenza to be ISO 9002 accredited within the next 12 months," Van Wyk said

(192)

□ EXPORTS

ET (PR) 23/4/98 (192)
BMW exports cars worth R78m to the UK

The largest export consignment of South African-built BMW vehicles and the first ever order for the UK will leave Durban this week en route to Southampton. BMW said yesterday that more than 700 3-Series vehicles worth about R78 million have been transported to Durban for export. Last year almost 4 000 3-Series vehicles were exported, mainly to Australia. By 2000, production will be up 250 percent and two-thirds of the 200 3-Series vehicles produced by BMW SA will be exported.

BMW said its internal employment would increase by about 25 percent, investment by suppliers to support the BMW export programme could amount to an additional R1 billion and their employment would rise significantly in many instances by up to 100 percent. Other benefits at macro level included infrastructure development to upgrade transport and harbour facilities to cope with BMW's export programme. — *Staff Reporter, Johannesburg*

Tiwheel seals deal with German firm

(192) Sowetan 29/4/98

Sowetan Business Reporter

SOUTH AFRICAN and German interests are to be merged in a far-reaching deal that will create a global automotive aluminium wheel business under the control of JSE-listed Tiger Wheels Limited (Tiwheel) worth R1 billion a year

After a year of intensive negotiation, Tiwheel has announced that it will acquire 70,7 percent of leading German alloy wheel manufacturer ATS with effect from January 1 1998

The German company currently produces some 2,5 million wheels a year as original equipment for major European motor manufacturers including Volvo, Porsche, Mercedes-Benz, Audi and Opel as well as for the aftermarket under the ATS and other brand names

The purchase will be settled by issuing about 6 700 000 ordinary shares to

institutions and existing ATS shareholders at a price of 2 600 cents a share which will raise R175 million and also give the existing ATS shareholders a stake in Tiwheel

"The vendor placement of the South African tranche of the issue has been heavily oversubscribed by existing Tiwheel institutional shareholders, while the foreign leg has been similarly well received by new offshore institutional shareholders," says Tiwheel joint chairman Martin Glatt

A second phase of the deal gives the ATS owners the right to sell all or part of their remaining 29,3 percent shareholding in ATS to Tiwheel between November 1998 and December 2005 for R95 million (at current exchange rates) of which they will swap at least one half into Tiwheel shares

Tiger Wheels Holdings (Tihold), the JSE-listed investment holding company of Tiwheel, will be unbundled to enable

shareholders to directly take part in Tiwheel – a move that will have no impact on Tiwheel or on its business operations

The acquisition fuses together the highest level of German alloy wheel production technology with Tiwheel's acknowledged talent for design in the wheel aftermarket

It also brings together a network of production facilities in Germany, South Africa and Poland, which between them currently roll out around 3,4 million alloy wheels a year

Plants currently under construction here and in Poland will take production to over five million wheels by 2000

"The deal was born out of the firm understanding – both at ATS and Tiwheel – that the automotive industry is globalised and that they expect their component suppliers to follow them," says Tiwheel joint chairman and chief executive Eddie Keizan

Tiger Wheels reports German tie-up

SHIRLEY JONES

Durban — Tiger Wheel (Tiwheel), the wheel manufacturer, and ATS Wheel, the leading German alloy wheel maker, announced yesterday a R175 million merger which would create a global automotive aluminium wheel business with sales of over R1 billion a year.

Tiwheel has acquired 70,7 per cent of ATS, which produces 2,5 million wheels a year as an original equipment supplier for European motor manufacturers. It also has a significant aftersales market. Tiwheel has an aftermarket distribution network in 40 countries and supplies local and international car manufacturers.

Eddie Keizan, Tiwheel's chief executive, said the purchase would be settled in Tiwheel paper through an issue of 6,7 million ordinary shares to institutions and existing ATS shareholders at R26,00 each.

Martin Glatt, Tiwheel's joint chairman, said the vendor placement of the South African

(192) CT(MR) 29/4/98
tranche of the issue had been heavily oversubscribed by existing Tiwheel institutional shareholders, while the offshore offer had been well received by new offshore institutional investors.

He said a second phase of the deal gave ATS owners the right to sell all or part of their remaining 29,3 per cent shareholding in ATS to Tiwheel between November this year and December 2005 for R95 million at current exchange rates. They would swap at least a half into Tiwheel shares.

Tiger Wheel Holdings, the listed investment holding company of Tiwheel, would be unbundled to enable shareholders to participate directly in Tiwheel, he said.

Had the acquisition been concluded at the beginning of Tiwheel's last financial year to June last year, and taking into account ATS's results for its financial year to December last year, Tiwheel's turnover would have accelerated by 133 per cent from R428 million to R1 billion.

Earnings a share would have

been 24 per cent higher, while net asset value a share would have risen by 31 per cent.

During each of its past three financial years, Tiwheel lifted attributable earnings by over 50 per cent.

During the year to June 30 last year, Tiwheel's headline earnings were up 36 per cent, while income after tax increased by 53 per cent to R31,8 million.

Glatt said the acquisition fused together state-of-the-art production technology and design capacity, and brought together a network of production facilities in Germany, South Africa and Poland which had a combined output of 3,4 million alloy wheels a year.

Plants under construction in Poland and South Africa would take production to over 5 million wheels by 2000.

ATS had also provided know-how to wheel producers in countries such as the US, Brazil, India and China, which would generate royalty income.

THE medium and heavy truck industries are in disrepair, with at least 26 distributors and manufacturers chasing expected sales this year of only 13 000 units.

In the first three months of the year, National Association of Automobile Manufacturers of SA (Naamsa) figures show sales of medium-sized trucks fell 5.9% compared with last year. Heavy truck and bus sales tumbled 11.6%.

The 13 000 sales forecast for the current year is a Naamsa estimation and does not include sales by smaller importers.

However, in line with the Motor Industry Development Programme (MIDP), import duties on trucks have been radically reduced, allowing for a rise in the number of trucks available on the market.

Research conducted by the Standard Bank economics division shows obscure Asia-based companies such as Afinita Motor Corporation (AMC), Delfos Motor Assembly (DMA), and First Automotive Works (FAW) have entered the market. AMC is a wholly owned SA company but is thought to have

A tough ride for the truck sector

The reduction of import duties means too many companies are chasing sales, writes DON ROBERTSON

(198)
ST/MT/26/4/98

links with DCM, an Indian company and Dong Seng, a Chinese group. DMA and FAW are Chinese Asian groups import trucks which are older versions of existing Japanese models and after buying the tooling from the original Japanese manufacturers at minimal cost, they are able to undercut locally produced Japanese vehicles, Standard Bank says.

In terms of the sale of tooling facilities, these trucks are not to be exported. They generally tend to sell to smaller, private enterprises as finance is difficult to arrange through traditional institutions. The end result, though, is these sales affect local producers.

The industry therefore remains extremely competitive, as shown by the fact that truck prices have barely increased over the past three years.

As a result of these difficulties, the industry's structure has changed radically. US brands such

'To survive in this fiercely contested market we will just have to become leaner and meaner'

as Freightliner, distributed by Mercedes-Benz, Toyota's Peterbilt trucks, Western Star through ERF and International trucks through Tyco have been introduced to the heavy truck market. US trucks are built to customers' requirements, using a modular approach, unlike Japanese and European models, which differ only in terms of comfort.

Standard Bank says from the 13 basic Freightliner ranges, thousands of different models can be

produced, using 120 engine variants, 140 different transmissions, 80 axles and 60 suspension options. These trucks have had a major effect on the local market.

In spite of these problems, many international groups have increased their investments and expanded their marketing efforts in the local market.

Scanla SA MD Jan Jarhage says the heavy truck industry of over 20 tons has been overtraded since 1994 with 12 competitors and sales

reaching only 2 500 last year. He expects it to begin stabilising by the end of the year and to reach between 3 500 and 4 000 in the next few years.

The company recently invested a further R45-million, bringing its total investment to R80-million, aimed mainly at increasing the number of dealer outlets and boosting its marketing programme. Last year the company sold about 170 trucks and 35 buses and will introduce a new range of lighter trucks this year.

Marthin Flint, managing director of ERF SA, confirms that the medium and heavy truck sectors are "very overcrowded" but concedes that this market will be "the fighting ground for many models and it is unlikely to change."

"To survive in this fiercely contested market we will have to offer full maintenance leasing, 24-hour service and just become leaner and meaner," he says.

Earlier this year, ERF SA, through its holding company Dorbyl, negotiated a joint venture with Indian group Tata Trucks, involving an estimated R6-million investment. The vehicles will be assembled at the ERF plant in Athode and between 200 and 400 trucks of three to five tons will be produced in the first year. Last year, ERF produced 137 heavy trucks.

Iveco recently announced an expanded investment plan. Malcolm Perrie, managing director of The Marketing Shop, says the bus industry faces an even grimmer outlook and is in a state of decline so rapid that it is unlikely to recover soon.

The continued decline in demand, coupled with the MIDP, will make it more economical to import buses from India, China or Brazil than to manufacture them locally. Despite this, industry sources believe there will be few casualties. "The industry will rely on imported components to an even greater degree than in the past, but final assembly, for the large part, is set to continue in South Africa," Standard Bank says.

□ MOTOR VEHICLES

Chrysler boosts quarterly sales in SA (190)

Chrysler South Africa had improved sales by 62 percent to 518 units in the first quarter of this year, said Tom Ford, the general manager of Chrysler South Africa, earlier this week. Ford said the South African market was very competitive, but with sales of Chrysler and Jeep vehicles increasing across the board, it was confident the company's projected sales for 1998 of between 2 400 and 3 000 units would be achieved.

"Chrysler South Africa is working steadily on increasing its dealer network. We will be opening our ninth dealership soon and expect to have countrywide representation through 14 to 16 dealers by year-end," Ford said. Chrysler's new Jeep Cherokees, Jeep Grand Cherokees and Chrysler Voyager MPV (multi-purpose vehicle) models had largely been responsible for the increase in sales in the first quarter of this year.

— Roy Cokayne, Pretoria

CT(BR) 1/5/98

R50m in motor duty claims still to be settled

(192)
ROY COKAYNE

Pretoria — Claims worth about R50 million by the department of trade and industry (DTI) against Delta Motor Corporation, Samcor and Associated Automotive Distributors (AAD) related to the use of the now-defunct export duty rebate scheme had not yet been settled, said a spokesman for DTI yesterday

The DTI last year reached out-of-court agreements with Toyota South Africa on a R57 million claim and Nissan South Africa on a R30 million claim related to the export duty rebate programme.

The DTI spokesman said yesterday the same terms of agreement reached with Toyota and Nissan would be offered to all the other motor companies

The spokesman said the state attorney had approached Delta Motor Corporation, but the DTI had not received any notification that a settlement had been reached

He said the initial amount claimed in the summons issued against Delta Motor Corporation was about R34 million, but the claim had ended up much lower "after qualification"

The spokesman said the claim against AAD was for about R14 million and that against Samcor for about R5 million. The claim against Samcor is understood to involve export credits it acquired from Toyota SA

The claims date back to the early 1990s and relate to a ceded export scam involving alleged fraudulent practices by a component manufacturer, which sold export credits to motor manufacturers that were obtained for automotive bolt exports

The automotive bolts were later apparently found to be only suitable for building and construction purposes

These motor manufacturers used the credits to claim export rebates under the now-defunct export duty rebate programme of the old motor industry Phase VI local content programme

ENVIRONMENTAL MANAGEMENT

ET (SA) 5/5/98

Nissan SA receives first SABS certification

Nissan South Africa has become the first local motor company to receive the ISO 14001 environmental management certification in one of its plants from the South African Bureau of Standards (SABS). Charles Wiggill, the managing director of Nissan SA Manufacturing, said yesterday Wiggill said Nissan received the compliance certificate from the SABS for its trim plant in Rosslyn near Pretoria. He added that Nissan was one of only a handful of manufacturing companies in South Africa which had received the environmental management certification. - Roy Coakley, Pretoria

SA NEWS DIGEST

LIVE VEHICLES

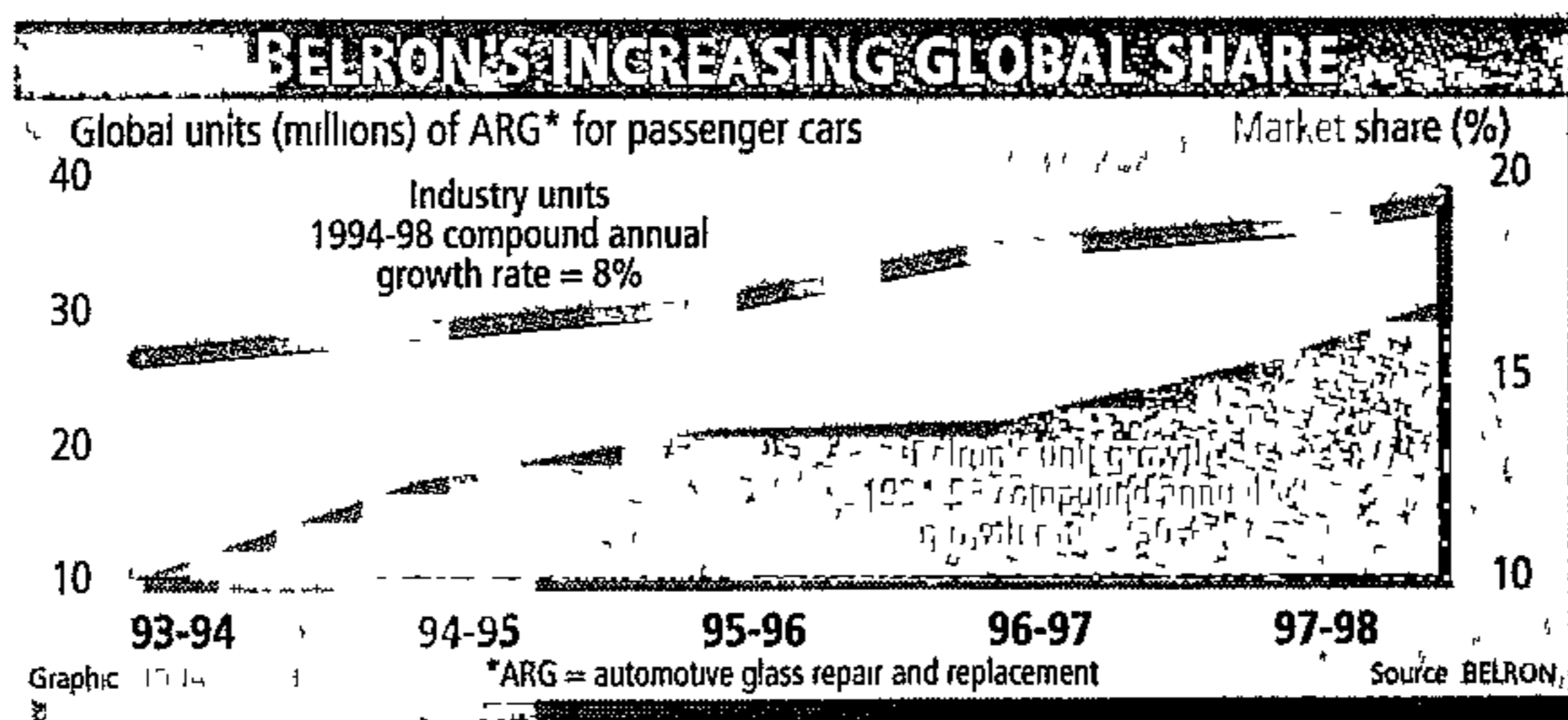
CT (BR) 8/5/98

Exports of SA-produced vehicles increased 76%, says Naamsa (193)

Exports of South African produced vehicles were 76 percent or 2954 units, higher in the first quarter of this year against the year earlier period according to figures released by the National Association of Automobile Manufacturers of South Africa (Naamsa). This was despite a slump in exports of light, medium and heavy commercial vehicles in the first three months of this year.

Figures released by Naamsa this week showed vehicle exports rose from 3870 units in the first quarter last year to 6824 units this year. The increase resulted from a 133.4 percent or 3293 unit, increase in exports of all South African produced cars in the first quarter of this year. Car exports in this period rose to 5099 units from 1805 last year.

Exports of light commercial vehicle exports declined by 16.4 percent, or 240 units to 1460 units in the first quarter. Exports of medium and heavy truck exports slumped by 25 percent or 50 units to 161 units from 216 units. Exports of South African produced vehicles overall rose 69 units last year compared to 1999 units in the first quarter of this year.



PG's got 18% of the world's cars covered

PLATE Glass & Shatterprufe Industries, which celebrated its centenary last year, has built up an estimated 18% share of the world's automotive glass repair and replacement market through its 78%-held subsidiary, Belron

Belron operates 1 700 branches in 16 countries, housing 68% of the world's vehicles PGSI chair Ronnie Lubner says Belron made up two thirds of PGSI's R6.9-billion turnover and R255-million profit in the year to March 1998

While headline earnings retreated by 11% on 1997 at 624c a share and are expected only to be maintained in the current financial year, Lubner is confident that planned consistent earnings are barely a year away. He refers to the balanced nature of the Belron portfolio, mature investments complemented by recently entered growth markets and the potential offered by Eastern Europe, Asia and South America

Expansion in America has been the most important development during the past year. In 1990, Belron had no market share and opened Windshields America as a greenfields company with 25 branches. During 1996, it merged with Vistar Inc, which lifted combined market share to 12% with 285 branches. Belron owns 51% of Vistar.

This year, Belron chased hard to secure a partnership with Safelite. "The two businesses were of more or less equal size, the biggest difference between the two companies was that Safelite had more debt than did Vistar. Vistar got 62.5% of the equity of the merged company, and Belron increased its effective stake to 44.6%, which is equity-

AUTOMOTIVE GLASS

By JULIE WALKER
ST (BT) 10/5/98

accounted in PGSI. Belron's partner in Vistar, Kellman, bought 17.9% and Belron has a two-year option to acquire it for \$84-million.

The deal looks attractive: a p/e ratio of 8.7 was applied based on earnings before tax, interest, depreciation and amortisation (ebitda) in valuing Safelite. Safelite now commands a 25% share of the American market — twice as much as the closest competitor. Sales approach \$1-billion a year.

"If the merger had been effective for the full year, ebitda would have been \$81-million, not taking into account the estimated merger synergies of some \$35-million. We have done this with no shareholder investment. The growth has been debt-funded and stands at \$480-million," says Lubner. "However, when we refinanced the debt, it was 100% oversubscribed by the banks."

Belron also bought two leading Canadian automotive glass repair and replacement companies for US\$98-million, and acquisitions in Spain and New Zealand cost another \$71-million. Lubner says he is unconcerned by PGSI's debt of R1.4-billion — gearing of 185%. "More than enough cash is generated to service it. For the time being, PGSI has all the carrying cost of these acquisitions and for the next six months there will be expenses associated with rationalising the businesses. It's a case of long-term offshore opportunities being pursued at the expense of short-term earnings."

Wage talks kick off today

(192)
Pearl Sebola

MOTOR sector trade unions at the weekend vowed to draw on all their resources to obtain guaranteed inflation rate increases when they meet the SA Motor Industry Employers' Association in the first round of wage negotiations today.

The National Union of Metalworkers of SA (Numsa), which is one of three unions in the sector, is demanding that all wage increases, ranging from 12%-18%, depending on the grades, must be on the actual rates of pay instead of minimums. Numsa also demands a night shift allowance of 15% on the actual rate of pay for petrol attendants and a R350 weekly night-shift allowance for night-watchmen.

Issues also to be tabled during negotiations with employers would be outsourcing, the use of independent labour brokers, as well as matters around training and the procedures to be taken when introducing new technology at companies.

BD 11/5/98

R5-bn export order for VW

MOTORING REPORTER

(1972) (AUG)

Volkswagen South Africa has been awarded a R5-billion contract to export 68 000 South African-built Golfs to Britain.

The contract has been awarded to VWSA by its German parent company

VWSA plans to double its production output immediately to service the order

Managing-director Hans-Christian Maergner says the company will produce about 65 000 vehicles this year, of which 8 000 will be exported as part of the new contract. A further 4 000 will be exported in terms of existing contracts and the rest made available for the South African market.

Next year, in addition to 56 000 vehicles for the local market, VWSA will manufacture 60 000 vehicles for export, bringing total production in Uitenhage to 116 000 vehicles

The R5-billion export order is made up entirely of new, fourth generation Volkswagen Golfs

ART 11 / 5 / 98

Car manufacturers, unions start talks

Reneé Grawitzky

(192)
MD 12/5/98

NEGOTIATIONS between the seven main vehicle manufacturers, the National Union of Metalworkers of SA (Numsa) and the SA Workers' Union are under way, with union wage demands ranging from 8% for artisans to 10% for lower-paid workers

Besides union demands relating to education and training, outsourcing, closing the wage gap and job security, the major focus will be on negotiating another three-year wage deal

The deal, which was signed in 1995 and links wages to skills progression, has faced some stresses and strains during its lifespan. At different times both parties expressed their reservations about continuing with such an arrangement. However, it appeared that for both sides the positive

aspects outweighed the negatives

Employers said yesterday that from their perspective, an agreement of longer duration provided a higher degree of certainty and made planning easier

Numsa negotiator Tony Kgoe said the union's support for a three-year wage deal was dependent on certain objectives being met. Some objectives set in 1995 — such as closing the wage gap between the artisan rate and that of the lowest paid workers — had still not been attained

The emphasis during negotiations would be to agree on an artisan rate

Other union demands related to extending the scope of the agreement to salaried staff, ensuring that outsourcing was the subject of negotiations and making contract workers subject to the same conditions as those covered by the main agreement.

VWSA wins R5bn UK export contract

80 12/5/98
Stan Maphologela

VOLKSWAGEN of SA has won a R5bn contract to export 68 000 vehicles to the UK in the next two years, a deal which will double its production and make it the largest vehicle exporter and manufacturer in Africa.

VWSA will service the order on behalf of German parent Volkswagen AG, which is unable to meet the demand for the new Golf through factories already producing the vehicle.

VWSA MD Hans-Christian Maergner said 65 000 vehicles would be produced in total this year, of which 8 000 would be exported as part of the new contract and 4 000 would be exported in terms of existing contracts. The rest were for SA.

"Next year, in addition to 56 000 vehicles for the local market, VWSA will produce 60 000 vehicles for export, bringing total production in Uitenhage to 116 000 vehicles.

"This order will have a substantial impact on our economy in the Eastern

Cape and thus the country as a whole."
The R5bn export order was for new, fourth-generation Golfs.

Maergner said SA-built Volkswagens had been well-received in Britain. VWSA had completed a British export order of 5 000 third-generation Golfs.

The new order would allow VWSA to create more than 1 000 jobs in the Uitenhage factory. "An additional monthly wage bill of about R4m will be injected into the regional economy; Capex totalling R150m will be undertaken to expand infrastructure to facilitate completion of the order. VWSA will also invest R10m in training for employees working on the export programme," he said. Production of the export vehicles would start in July.

The company has started talks with the National Union of Metalworkers of SA to allow workers to take their annual leave over a two-month period, rather than during the traditional three-week motor industry shutdown.

Comment: Page 13

VW's export contract a massive boost to the economy

ROY COKAYNE

Pretoria — Volkswagen South Africa (VWSA) had been awarded a R5 billion contract by Volkswagen in Germany to build 68 000 fourth generation Golfs for the British market over the next 18 months, Hans-Christhan Maergner, the managing director of VWSA, said yesterday.

As a result VWSA was expected to double its production output and become the biggest vehicle

maker in Africa. Maergner said 8 000 of these cars would be manufactured this year, with production starting in July, and the balance shipped next year. "Even more potential exists for us in the year 2000 and beyond," he said.

Maergner said VWSA would become a significant foreign exchange earner for South Africa as a result of the contract, which would have a substantial effect on the Eastern Cape economy and

on the country as a whole.

David Powels, the financial director of VWSA, said the contract would create more than 1 000 direct and indirect jobs at VWSA's Uitenhage plant.

A training programme that would cost more than R10 million had been set up.

Powels said the export project required a capital investment programme of R160 million, with R104 million spent on manufacturing and assembly tooling and

facilities, R31 million on a paint shop upgrade, and R25 million on new information systems in logistics and production planning.

More than 70 percent of the cash flow from the capital investment programme would be to South African suppliers.

Powels said export turnover of R5 billion was equivalent to 12 percent of South Africa's total manufacturing goods exports and 20 percent of total gold exports last year.

Maergner said VWSA would produce 65 000 vehicles this year. In total, 12 000 would be exported and the rest would be made available for the local market. He said VWSA would produce 56 000 vehicles for the local market next year and 60 000 for export, bringing total production in Uitenhage to 116 000 vehicles.

VWSA would have to move to three shifts a day on a 24-hour basis, six days a week, to meet the export volume.

CT (BR) 12/5/98

(192) (192)

Volkswagen SA in R5-bn export deal

(192) (370)

By Shadrack Mashalaba

VOLKSWAGEN South Africa (VWSA) said yesterday it had been awarded a contract to produce 68 000 cars for export to the United Kingdom in a deal valued at R5 billion

The venture will make Volkswagen the biggest exporter in South Africa. Volkswagen South Africa is expected to deliver the cars in 18 months

About 8 000 cars of the total number will be manufactured in production that will start in July. The balance will be manufactured and shipped in 1999. The company said part of the total production will include local content

Addressing the media in Midrand yesterday VWSA's managing director Hans-Christian Maergner said the project will not only benefit the Eastern Cape, but the whole of South Africa in expected foreign exchange and the jobs to be created

Maergner said the project will also generate revenue for the company's long term strategy

Maergner said a total of 1 000 jobs will be created in a recruitment drive that is expected to start in the coming weeks. The workers will undergo an intensive training programme

The company will be sending about 15 of the workers to Germany to acquaint themselves with the manufacturing processes

Maergner said that the group's bullish performance could result in further export opportunities during 2000 and beyond

However if capacity at other plants became available, VWSA would also

have to make sure that it remained a preferred supplier within the group

"Reliability has to be guaranteed. We cannot tolerate unprocedural labour disruptions

"The rest of the world is not waiting for South Africa to catch up but are improving in leaps and bounds

We will need to make quantum leaps to catch up and stay competitive," said Maergner

Cooperation

At the same announcement yesterday the National Union of Metalworkers of South Africa (Numsa) general secretary Mbuyiselo Ngwenda said cooperation was critical to the project's success

"We welcome the project and hope that it will open the eyes of other investors that investment is not about bidding on the Johannesburg Stock Exchange only," said Ngwenda

He said the investment would ensure that the upcoming Job Summit would not turn out into a 'posturing forum'

The Department of Trade and Industry has also welcomed the investment

VWSA has also called for the retention of the Motor Industry Development Programme (MIDP), a strategy developed by the Government in 1994 to



VWSA managing director Hans-Christian Maergner announced in Midrand yesterday that the company had secured an export order for 68 000 cars valued at R5 billion for shipment to the United Kingdom CLEMENT LEKANYANE

make the industry competitive. The programme is expected to expire after 2002

Maergner said they will continue engaging the government on the programme. The company was also planning to import some of its models to South Africa such as VW Passat, VW Sharan, VW Golf and VW Caravelle

In the previous year the company increased its production by 7.9 percent to 4 290,875. Sales rose by 6.4 percent, total workforce increased by 7.3 percent to 279,892

South African 12/15/98

MOTOR INDUSTRY EXPORTS

Brave new world if peace prevails (192)

PM 15/5/98

Labour holds key to VWSA's contract

If ever there was an incentive for management and unions to overcome traditional shopfloor enmity, it lies in Volkswagen SA's R5bn UK export programme

The company, based at Uitenhage, Eastern Cape, has won an 18-month contract to supply 68 000 new-generation Golfs to the UK. The initial contract runs from July this year to the end of 1999. If extended, VWSA will become the sole manufacturer of right-hand-drive Golfs for the European market.

The benefits of a long-term deal are enormous, says MD Hans-Christian Maergner. The initial R5bn contract will create 1 000 new jobs at Uitenhage and rescue another 400 which were about to be lost. It will pump an extra R60m a year in wages into the local economy.

Under industry rules allowing export earnings to offset import duties, the deal will allow VWSA to import several new models to SA. These include the Passat, the Sharan minibus and the Golf Cabriolet.

VWSA is investing R160m in the project, which more than doubles current annual production of about 56 000 vehicles.

The first 8 000 Golfs will be delivered to the UK this year, the other 60 000 in 1999.

Another German-owned car company, BMW SA, has just completed a R920m expansion programme, and hopes to export up to 25 000 vehicles worth R4,2bn a year,

says MD Peter Foster

Uitenhage is the only VW plant in the world not operating at full capacity. For the order, it will move to a three-shift cycle, working 24 hours a day, six days a week, producing 240 new Golfs a day. Each week, 400 containers with parts will arrive at Port Elizabeth's harbour. They will carry the built-up Golfs back to Europe. Later, SA suppliers could provide local components.

That, at least, is the theory. Success of the project depends on labour co-operation.

Previous export programmes by several companies have been disrupted by labour disputes — often unofficial. But, as VWSA financial director David Powels says "Europe won't wait for us to deliver." If orders aren't met, other VW plants will take over and the contract won't be renewed.

Mbuyiselo Ngwenda, general secretary of the industry's main union, the National Union of Metalworkers of SA (Numsa), hopes the VWSA order will encourage investors to put their money into "the productive sectors of our economy, not in the JSE." But that depends in part on Numsa members.

Though employers say Numsa is committed to building SA's export integrity, the same can't always be said of its members.

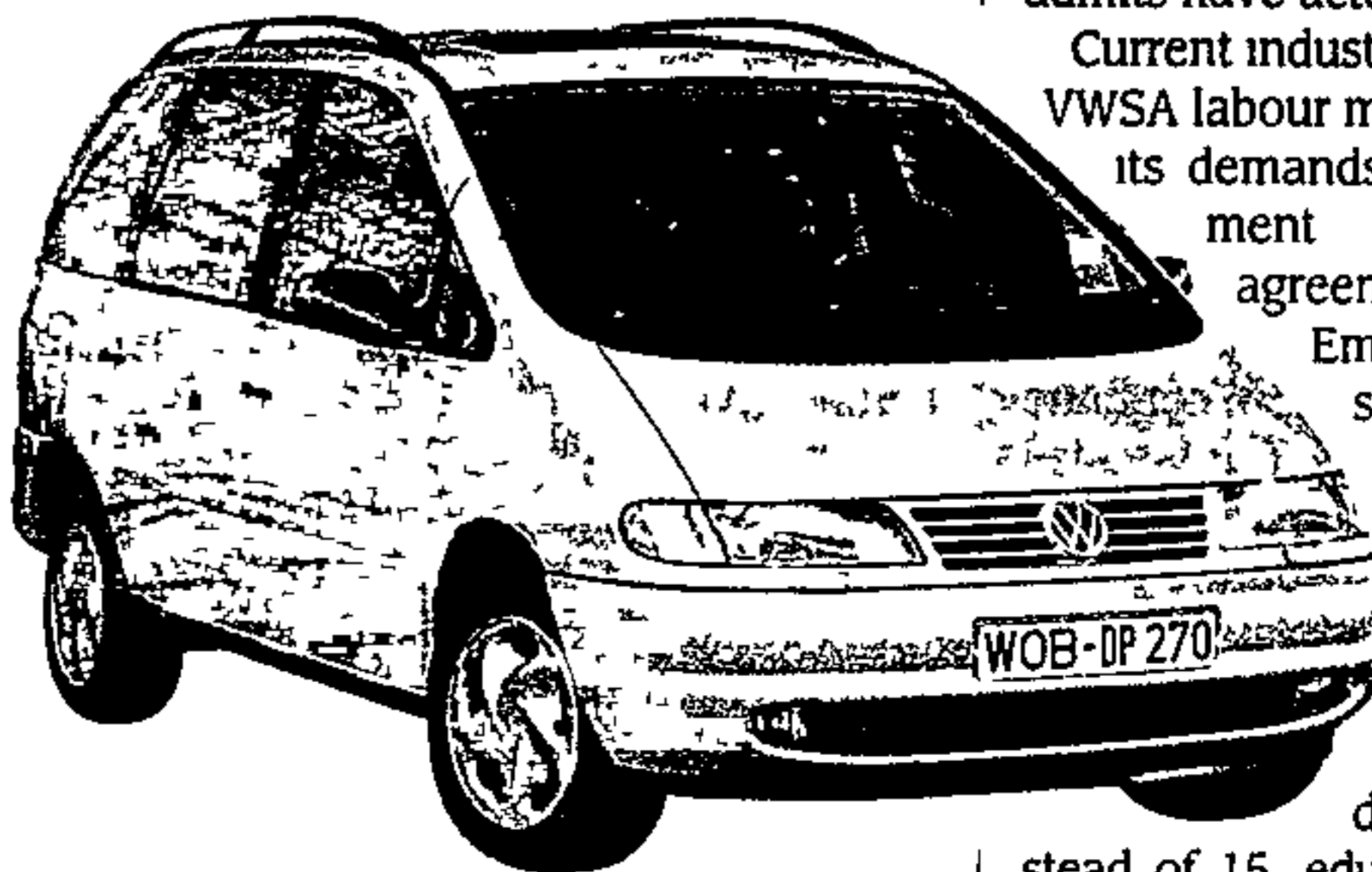
"I have never seen a strike without a reason," Ngwenda says. But the union has often been slow to act against groups that it admits have acted illegally.

Current industry talks will help dictate the VWSA labour mood. Numsa has just tabled its demands for a new annual agreement. The existing three-year agreement expires on June 30.

Employers and Numsa both say they want another long-term agreement, but Numsa's initial demands are for next year only.

They include a 10% pay rise for semiskilled workers and 8% for artisans, 20 days' paid annual leave instead of 15, education and training on full pay in company time, and doubling of re-trenchment packages.

Employers will respond soon. David Furlonger



The Sharan VW's multi-purpose vehicle is on its way

RESEARCH

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Big Golf export deal puts VWSA into overdrive

ST(BT) 17/5/98.
(192)

CAR PRODUCTION
By DON ROBERTSON

VOLKSWAGEN SA is pinning its hopes on an uninterrupted labour supply for the next 18 months if it is to complete its R5-billion order for 68 000 new, fourth-generation Golfs for the UK market

Announcing the deal this week, managing director Hans-Christian Maergner said reliability of supply has to be guaranteed "We cannot tolerate unprocedural labour disruptions"

As if on cue, the National Union of Metalworkers (Numsa), the main union in the motor industry, declared a dispute on Wednesday, saying the Motor Industry Employers' Association had failed to table a wage offer

However, VW human resource director Brian Smith warned "A one-week strike would be critical to the operation — two weeks would be disastrous"

The deal requires the production of 8 000 new Golfs between July and December and 60 000 in 1999. It will double the current production of 116 000 units next year, making VWSA the largest vehicle manufacturer and exporter in Africa

Sounding a note of caution regarding labour stability, however, is Numsa's Mbuyiselo Ngwenda

He says both employers and unions must communicate properly at all times to avoid crisis situations. He did not, however, rule out the possibility of a strike at some stage during the 18-month period "If it is necessary, it is our constitutional right"

This week, the unions and employers started negotiations to replace a three-year agreement signed in 1995 and due to end in June. Issues such as wages, training, outsourcing and job security will be among matters discussed

A condition of the previous agreement was that no unlawful strikes take place — but they did

Maergner says the deal is a "window of opportunity" for VWSA and he hopes a second order can be won

He says, however, that by world standards VWSA is still a high-cost producer and wages are higher than in

eastern bloc countries. Logistics costs are higher, productivity lags far behind and the country is a long way from international markets. "We (therefore) need to make quantum leaps to catch up and stay competitive," he says

The spin-off for the company and the poverty-stricken Eastern Cape will be significant. The jobs of about 400 employees who were facing retrenchment will be secured, while 1 000 new people will be employed and trained at a cost of R10-million. It will be necessary to work three shifts, six days a week to meet targets. New staff will earn about R60-million a year in wages

The vital point, however, is the extremely tight production schedule. The first group of new employees will have to be trained by August to open the second shift, with the third shift starting in November

The total investment for the project is R160-million, of which R104-million will be for tooling, R31-million for an upgrade of the paint shop and R25-million for logistics and planning. Most of this will be spent locally. This capital expenditure will be committed within three to six months

To fulfil the order in 18 months, it will be necessary to manufacture 10 cars each hour, 24 hours a day, or one car every six minutes

Trade and Industry Minister Alec Erwin and Portnet have given their wholehearted support to the project

The order initially requires the use of imported completely knocked down components. This will require the landing of an additional 80 containers a day and the use of these containers to ship the cars back to Europe. The cost of offloading, wharfage and road transport costs is R300-million

Rebates earned from exports will allow VWSA to import products from Germany, including the Passat, the Sharan multi-purpose vehicle, the Caravelle and the Golf cabriolet.

Massive windfall for Coega zone

NCABA HLOPHE

Johannesburg — The Coega industrial development zone is expected to expand to accommodate a R5 billion deal for Volkswagen South Africa (VWSA) to supply 68 000 vehicles to the UK

Kevin Wakerford, the chief executive officer of the Port Elizabeth regional chamber of commerce and industry, said yesterday the deal lent weight to calls for the formal development of an automotive cluster in the Coega zone. This zone had centred around the R2,7 billion Billiton zinc refinery and the development of a deep-water harbour

(192) "Port Elizabeth feels like the beginning of a gold rush," Wakerford said "If we harness the opportunities correctly, a whole lot of new money is going to pour into this area"

He said production in the western part of the province could rise between 12 and 13 per cent in real terms with the VW and Coega developments

Mbuyiselo Ngwenda, the general secretary of the National Union of Metalworkers of South Africa, said the union supported the deal for its potential to create new jobs

The deal would also be a shot in the arm for the Fish River

CT(BR) 19/5/98 spatial development initiative, which had been based on automotive investment in Port Elizabeth and the East London industrial zone

VWSA had been contracted by its parent company in Germany to produce fourth-generation VW Golfs for export to Britain over the next 18 months

This will double the VWSA plant's current production of 58 000 cars a year to 116 000, making it the biggest car manufacturer in Africa

VWSA will create 1 000 jobs and spend R150 million on expansion and improvements to its production line to meet the order

Motor industry employment⁽¹⁹²⁾ takes 3,7% cut

ROY COKAYNE *CT (192) 19/5/98*

Pretoria — Employment in South Africa's motor manufacturing industry declined 3,7 percent to 34 647 jobs in the first quarter of this year, against 35 855 at the end of last year, according to the latest National Association of Automobile Manufacturers of South Africa (Naamsa) quarterly survey

Naamsa said the industry's monthly average employment complement during last year was 37 082. This is 6,6 percent higher than the average employment complement for the first quarter of this year.

Figures released in the report, which is based on figures supplied by the seven leading original equipment manufacturers and seven specialist commercial vehicle manufacturers, also showed that the monthly employment trend was downwards.

Naamsa said a single production shift remained the norm in the industry, although various manufacturers operated double shifts in selected areas, such as machining areas, press shops, paint shop operations and body shop.

However, the R5 billion contract awarded to Volkswagen South Africa (VWSA) last week would have a big effect both on employment levels and the number of shifts operated.

This contract is to build 68 000 fourth-generation Golfs for the British market over the next 18 months.

To meet the vehicle export volume, VWSA said it would have to employ an additional 1 000 workers and would go to three shifts a day on a 24-hour basis, six days a week.

Naamsa said the utilisation of production capacity in the first quarter of this year ranged between 43 and 100 percent for cars, 23,4 and 97,1 percent for light commercial vehicles, 50 and 105 percent for medium commercial vehicles, and 50 and 90 percent for heavy trucks.

"With the exception of the medium commercial vehicle manufacturing segment, average capacity utilisation levels during the first quarter in 1998 continued to trend lower," Naamsa said.

It said capital expenditure by the motor manufacturing industry last year totalled R1,265 billion, R94 million higher than the R1,171 billion capital expenditure in 1996.

Of the total capital expenditure by the industry in 1997, R729,7 million was spent on product, local content and export investments.

VWSA grasps the export lifeline

ET (MR) 19/5/98 (192)



ROY COKAYNE

The award to Volkswagen South Africa (VWSA) of a R5 billion contract to build 68 000 Golfs for the British market over the next 18 months will result in a host of spinoffs to the local motor industry, automotive suppliers, the Eastern Cape and South African economies and the labour market.

The contract, awarded to VWSA by Volkswagen in Germany, resulted from Volkswagen plants worldwide — apart from VWSA's Uitenhage plant — operating at 100 percent capacity.

Hans-Christian Maergner, the managing director of VWSA, said the company had been given a window of opportunity while the VW group struggled with undercapacity.

"We need to make sure that if the cycle turns, VWSA remains a preferred supplier. We need to be seen as a respected international partner in the group, perhaps even producing a unique product for world consumption in the future."

David Powels, the financial director of VWSA, said the long-term prospects of the order were an opportunity to prove ability to meet quality and delivery reliability as a major fully built up vehicle exporter.

The contract is the biggest in the history of the South African motor industry. It was described by Johan Cloete, the director for motor assembly and components in the trade and industry department, as "evidence of a company that had embraced the reality of globalisation".

Cloete said the project indicated how trade liberalisation steered companies towards global competitiveness, which would mean enhanced investment,

turnover and salaries and wages associated with the contract, the Western District Council, which serves the Port Elizabeth and Uitenhage area, would receive an additional R8 million in respect of services and levies.

The way the plant operates is also set to change. Maergner said that to meet the export volume, VWSA would have to move to three shifts a day on a 24-hour basis, six days a week. VWSA would be implementing new production processes and was negotiating with the National Union of Metalworkers of South Africa (Numsa) on some innovative labour practices.

"This agreement, once signed, will be a benchmark in the industry and enable VWSA to improve productivity while improving quality."

Mbuyiselo Ngwenda, the general secretary of Numsa, said the union hoped Volkswagen's strategy to invest in new jobs would open the eyes of other industries "to begin to invest in the productive sectors of our economy and not in the JSE".

Maergner said VWSA was well on the way to becoming internationally competitive but a number of factors adversely affected this aim. The logistical costs were higher because South Africa was far from all volume markets, and VWSA's productivity lagged that of the best or even average plants in the world.

He said VWSA had to compete with the best the world had to offer. "Reliability of supply has to be guaranteed. We cannot tolerate unprocedural labour disruptions. The rest of the world is not waiting for South Africa to catch up but is improving in leaps and bounds. We will need to make quantum leaps to catch up and stay competitive."

out of component manufacturer's planning.

"Component manufacturers are in a position to plan with a view to amortising their development costs as opposed to a contract that may happen some time, somewhere."

The perceived risk was also reduced because of the size of VWSA's investment in the project, which would make the company strive to ensure the contract was renewed or to obtain a replacement contract, he said.

On the labour front, the contract would result in the creation of more than 1 000 direct and indirect jobs within the next four to eight weeks at the Uitenhage plant. In addition, it had secured 400 direct heads due for recruitment as a result of the completion of the 5 000 A3 Golf export contract to Britain.

Powels said salaries, wages and benefits to the new employees would be about R60 million a year, which would provide some relief to a region with extremely high unemployment and poverty. Because of the incremental

However, he said the contract was still very encouraging even if it was not renewed. "At least there will be trained manpower in place to allow VWSA to look for other contracts."

Twine did not believe the non-renewal of the contract would signal the death knell of the local motor industry.

"Volkswagen worldwide will get a knock if things go wrong, but because of this Volkswagen will put a lot into ensuring the quality is right."

The contract reflected what had to happen to the South African motor manufacturing industry. "Local manufacturers have to produce for the global market, and the local market has to be a part of but not the main focus of their production."

Another positive feature was that the contract was a step into the global vehicle market and not just an order for Africa, he said.

Twine said the order would be attractive to component suppliers because supplying into a definite order of 68 000 units of a single model "takes a lot of risk

exports and job creation. Tony Twine, a motor industry analyst and director of Econometrix, said the contract had all the components the authors of the motor industry development programme (MIDP) would have liked to have seen.

The MIDP aims for progressive tariff reduction on imported vehicles and components, rationalisation of the assembly industry, enabling economic vehicle and component production for domestic and export markets, vehicle and component export promotion to generate economies of scale, and vehicle and component imports where local production is uneconomic.

"The more vehicles are exported, the more automotive companies will be interested in South African assemblers supplying into their world mix," Twine said.

The greatest danger of the contract was in VWSA doubling its production at the Uitenhage facility but with nothing to replace the contract at the end of next year, said Twine.

VW deal welcomed, but there are gripes

BY ZOLILE NQAYI

THE National Union of Metal workers (Numsa) has welcomed the Volkswagen South Africa (VWSA) vehicle export deal worth R5 billion but cautioned that the issue of components needs to be clarified

Numsa's gripe with the deal which will see the Eastern Cape-based company build and export 168 000 fourth generation Golfs, revolves around the sourcing of components for the vehicles

"Although the VWSA deal is to create thousands of jobs, we need to examine it closely. Sourcing of components is vital to the deal," said Elias Monage, co-ordinator of Numsa's engineering sector

According to Monage, if components are going to be sourced abroad, Numsa will engage the Department of Trade and Industry, VWSA and local manufacturers of components as a matter of urgency to discuss its implications

"Our campaign is not only about job creation but also about the preservation of existing jobs. While job opportunities will be created, the impact of the deal on local component manufacturers is likely to have disastrous consequences and could lead to job loss-

es," said Monage

Clive Williams, the Executive Director of the National Association of Automotive Components and Allied Manufacturers, said because the current deal was only for 18 months - with no guarantee that the contract will be renewed - local content was likely to be very small

"There is little opportunity for local parts manufacturers in the deal, the people who will benefit are the assemblers. However, we should not hasten to criticise the deal as there are lots of maybes as we do not know whether the contract will be renewed," he said.

Whatever the content of local components, the deal hinges on an uninterrupted labour supply

Hardly a month before the deal is to be implemented, negotiations between the South African Motor Industry Employers' Association and Numsa - on wages and other demands of employees - are still deadlocked

Numsa has also indicated that the possibility of a strike cannot be ruled out

"To realise our demands, our battle will be won not around the negotiating table but through our members taking to the streets," said motor sector co-ordinator

Hosea Morapedi after negotiations broke down last week

VWSA's public relations manager Michael Lange confirmed that during the initial phase of the deal, components for the Golfs will be imported, but said this was only an interim arrangement

"We are working with identified local suppliers to ensure that we start utilising local components as soon as possible

"There is a particular benchmark that suppliers have to attain, but we are confident it is a benchmark within reach of local suppliers"

Announcing the deal last week for the export of Golfs, managing director Christian Maergner indicated that to meet the order the company would need an uninterrupted labour supply

"We cannot tolerate unprocedural labour disruptions"

VWSA is expected to produce 8 000 fourth generation Golfs between July and December and 60 000 more next year

The order is expected to curtail job losses in the motor industry and to come as a much needed investment in the economy of the Eastern Cape with the creation of 1 000 new jobs

Wage negotiations in major sectors end in disputes

Reneé Grawitzky

WAGE negotiations in some of the major sectors of the economy have ended with disputes being declared at relatively early stages in the negotiation process.

Disputes exist in metal and engineering, motor, petroleum, glass, industrial chemicals, pharmaceuticals and the fast-moving consumable goods sectors.

In general, disputes have been declared with employer offers ranging between 4.75% and 6.5% and union demands fluctuating between 13.5% and 15%.

Industrial relations analysts warned that parties were not exhausting internal remedies before referring wage disputes to the Commission for Conciliation Mediation and Arbitration. The commission said it was be-

PD 26/5/98

ing used as a springboard to determine the parties' different positions and should be used as a measure of last resort once internal procedures were exhausted.

Andrew Levy & Associates consultant Brian Allen said it was extremely difficult to expect labour negotiators to consider settlements in the region of 5% when average settlements last year were more than 9%.

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"There is almost a convention in SA labour relations that what parties settled on last year becomes the benchmark for this year. Settlements have been dropping slowly in recent years but to expect a quantum leap downwards is optimistic and will be difficult for union negotiators to sell to members," Allen said.

Wage negotiations in the vehicle manufacturing sector are pro-

(199)

gressing, with parties investigating options based on a wage model. Negotiations in the motor and metal sectors have, however, ended in dispute between employers and unions, including the National Union of Metalworkers of SA.

The parties involved in the dispute in the metal industry meet today, in terms of the industry's bargaining council dispute resolution procedure, to determine

(192)

which dispute settlement option should be followed. Parties could either consider reverting back to negotiations, going to conciliation, arbitration or advising the council's general secretary that the dispute remained unresolved.

The Chemical Workers Industrial Union indicated yesterday that disputes existed in five of the seven sectors in which negotiations were taking place.

NEWS

Closure of engine assembly operation will cost jobs, but component exports should grow

Atlantis Diesel's monopoly winds down

CF (MR) 11/6/98 (19A)

SHERLEE BRIDGE

Johannesburg — Atlantis Diesel Engines (ADE), which has held a diesel engine monopoly in South Africa, is to close down its engine assembly operations by the end of the year, the company said yesterday.

The discontinued supply of engines to the South African market was the final step towards becoming an international manufacturer and supplier of automotive components.

Ron Shires, the managing director of ADE, said demand in 1999 would be

supplied from stock through its licensor, Mercedes-Benz.

Employment levels are expected to drop in the short term.

However, growth opportunities were available for the component export business, which was operating close to full production and in projects which would lead to new investment and increased capacity.

ADE has export contracts with Mercedes-Benz of Germany, Perkins Engines of the UK, Daewoo and Ssang Yong of South Korea and Detroit Diesel Corporation of the US.

ADE was unbundled into five business units in December last year after the Industrial Development Corporation said it would be reducing its holding in several subsidiaries, one of which was the engine manufacturer.

The restructuring move was intended to attract third-party investors and encourage black empowerment.

ADE planned to reposition itself in the face of intense international competition following the government's motor industry development programme to lift protective tariffs on diesel engines.

Thus reduced protection, combined with growing truck imports, was expected to reduce engine assembly from 8 680 to 5 818 this year.

Industry sources said ADE was pressured to pull out because of the entrance of foreign diesel engine companies offering cheaper products to original equipment manufacturers who previously could only buy ADE parts.

ADE said its product support, back-up, replacement parts and service would continue for the engines in service despite the closure of its assembly operations.

MOTOR INDUSTRY

BEING DRIVEN OFF THE ROAD

Exports fail to plug the hole

Imported cars will eventually account for 40% of SA's market for new cars, predicts Manny de Canha, MD of motor vehicles importers Associated Motor Holdings. Some SA-based companies will be forced to abandon local manufacture.

De Canha is not the first to predict the downfall of local manufacturers. It's been accepted for years that seven is too many for the size of the local market. Now Hyundai is about to make it eight with a new plant in Botswana.

The arrival of the Motor Industry Development Programme (MIDP), which is hacking away at import tariffs, has placed extreme cost pressures on companies. Most have been bleeding cash as a result.

Manufacturers insist that with the help of overseas principals to develop exports, they can achieve the volumes that will make them competitive. But when? Though export volumes are increasing, in most cases they are still well short of the numbers required for long-term survival.

VW recently announced an export order for 68 000 cars to the UK, and BMW hopes to export 25 000 a year. But VW's contract is for 18 months only and there is no set time frame for BMW. It is this lack of long-term commitment to SA companies that worries De Canha. The two German producers may well become long-term global suppliers, but the industry as a whole is living a hand-to-mouth export existence. It needs many more orders like the eight-year, R1,6bn engine export contract just won by the SA Motor Corp (Samcor).

If it doesn't get them, De Canha expects some companies to halt assembly and become full-scale importers. SA manufacturers are already importing more as they cut production of uneconomic low-volume models. That process will accelerate as some remaining SA-built models come up for replacement. "I'm not saying any of the existing companies will leave SA, only that they will find it more economic to import all their needs," he says.

De Canha is also MD of AMH's Imperial Car Imports division. Imperial already imports Renault and Daihatsu cars, and from July will add Korean company Kia to its stable.

David Furlonger

MAY VEHICLE SALES

Manufacturer	Cars	Number of sales	Total sales	% of total car market	
Toyota	Corolla	1 587			
	Conquest	1 786			
	Camry	218			
	RAV4	64			
	Lexus	24			
	Landcruiser	49			
	Prado	143	3 871	22,5	
VW	CitiGolf	1 332			
	Polo	747			
	Golf/Jetta	831			
	Audi A4	404			
	A6	91			
Samcor	A8	2	3 407	19,8	
	Tracer/Midge	1 081			
Nissan	Fiesta/Soho	534			
	Telstar/626	17			
	Ford Escort	238			
	Falcon	90			
	Mondeo	211			
	Explorer	13			
	Mazda Etude	162			
	Pajero	136			
	Spacegear	5			
	Jaguar	23	2 510	14,6	
Delta	Sentra/Sabre	1 085			
	Maxima	101			
	Fiat Uno	651			
	Alfa Romeo	37			
	Sani/Patrol	82	1 956	11,4	
M-Benz	Astra/Kadett	761			
	Corsa	926			
	Saab	20			
	Suzuki	13			
	Frontier	184	1 904	11,1	
	C-Class	544			
	E-Class	207			
	S-Class	6			
	SLS	2			
	SLK	18			
CLK	22				
BMW	Honda Ballade	713			
	Odyssey	17			
	Prelude	7			
	CR-V	87			
	Other	3	1 626	9,4	
	3-Series	518			
	5-Series	161			
	7-Series	13	692	4,0	
	Daewoo	Cielo	243		
	Espero	24			
Lanos	218				
Land Rover	Nubira	181	666	3,9	
	Discovery	123			
	Defender	79			
Chrysler	Range Rover	9			
	Freelander	131	342	2,0	
Peugeot	Jeep	91			
	Neon	9			
	Voyager	70	170	1,0	
Subaru	306	25			
	406	33			
	806	5	63	0,4	
Other	Impreza	10			
	Legacy	4			
	Forester	5			
	SVX Sport	1	20	0,1	

	1998	1997	% change
May	17 227	19 382	-11,1
Jan-May	90 063	102 286	-11,9
Apr (16 473) to May			+4,6

LIGHT COMMERCIALS

	Number of sales	% of market
Delta	2 228	26,8
Toyota	2 193	26,3
Samcor	1 809	21,7
Nissan	1 392	16,7
M-Benz	305	3,7
VW	305	3,7
Land Rover	96	1,2

	1998	1997	% change
May	8 328	10 240	-18,7
Jan-May	42 168	46 921	-10,1
Apr (8 091) to May			+2,9

MEDIUM COMMERCIALS

	Number of sales	% of market
M-Benz	137	33,3
Toyota	134	32,6
Nissan	57	13,9
Delta	41	10,0
Iveco	23	5,6
Samcor	17	4,1
AAD	2	0,5

	1998	1997	% change
May	411	506	-18,8
Jan-May	2 148	2 353	-8,7
Apr (447) to May			-8,1

HEAVY COMMERCIALS

	Number of sales	% of market
Nissan	116	20,0
M-Benz	105	18,1
Toyota	80	13,8
MAN	71	12,3
Delta	65	11,2
Tyco	51	8,8
Freightliner	37	6,4
Iveco	29	5,0
Scania	16	2,8
ERF	5	0,9
AAD	4	0,7

	1998	1997	% change
May	579	607	-4,6
Jan-May	2 667	2 925	-8,8
Apr (538) to May			-1,5

TOTAL VEHICLE SALES

	Number of sales	% of market
Toyota	6 278	23,7
Samcor	4 336	16,3
Delta	4 238	16,0
VW	3 712	14,0
Nissan	3 521	13,3
M-Benz	2 173	8,2
BMW	692	2,6
Other	1 595	6,0

	1998	1997	% change
May	26 545	30 735	-13,6
Jan-May	137 046	154 485	-11,3
Apr (25 599) to May			+3,7

Source: NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SA

No motor plan, no car makers, says Kopke

(192) ET (MR) 15/6/98
ROY COKAYNE

Pretoria — South Africa's motor vehicle industry would crumble without the export incentives of the motor industries development programme, Christoph Kopke, who is the president of the National Association of Automobile Manufacturers of South Africa (Naamsa) and the chief executive of Mercedes-Benz South Africa, said last week.

Kopke's statement comes weeks after the award of an export contract worth over R5 billion to South African motor vehicle manufacturers.

The export incentives allowed motor manufacturers to offset import duties with credits earned from exports, a practice which Kopke said was not compatible with the World Trade Organisation (WTO).

But Kopke said Alec Erwin, the trade and industry minister, had stated that motor vehicle industry export incentives would continue after 2002. The motor industries development programme was scheduled to end then.

"Some inventive ways will be found to obtain WTO compatibility so there aren't any distortions on the export market. I'm confident the auto industry will have export incentives after 2002.

"The auto industry is a huge economic driver in this country, and government cannot afford to do something that affects the status quo in the short term. It needs to give the industry time to integrate itself into the world auto industry."

Kopke said Naamsa's position in terms of the mid-term review of the programme, which was currently taking place, was that the programme was generally achieving what government set out to achieve and radical changes should not be made.

"The major problem with dramatic changes is that the programme would lose total credibility with source countries."

VW in major recruitment drive

(192)

PD 25/6/98

PORT ELIZABETH — Uitenhage-based car maker Volkswagen SA (VWSA) has gone on a massive recruiting spree to ensure it will be able to meet its R5bn export order for 68 000 fourth-generation A4 Golfs

The company's communications head, Matt Gennrich, said in Uitenhage yesterday that the plant would be ready to go into production early next month. To do this it would need to employ about 1 000 new workers

VWSA GM of education and training Leon de Klerk said the training programme would cost about R3,3m, including the cost of six Golfs to be taken apart and reassembled by trainees

VWSA will spend more than R10m in total on training employees for the export programme

VWSA, registered with the labour department as a training provider for unemployed people, will train the new employees with the Eastern Cape labour department which has contributed R2,8m towards the cost

There are three dimensions to the training of the recruits.

- Training initiative would focus on the car itself,
- Success would depend on matching the right people and skills, and

□ As the car has to be world-class, the production process should reflect a new way of doing things

Time available for the training process was severely constrained because the first production cars had to come off the production line by July 1.

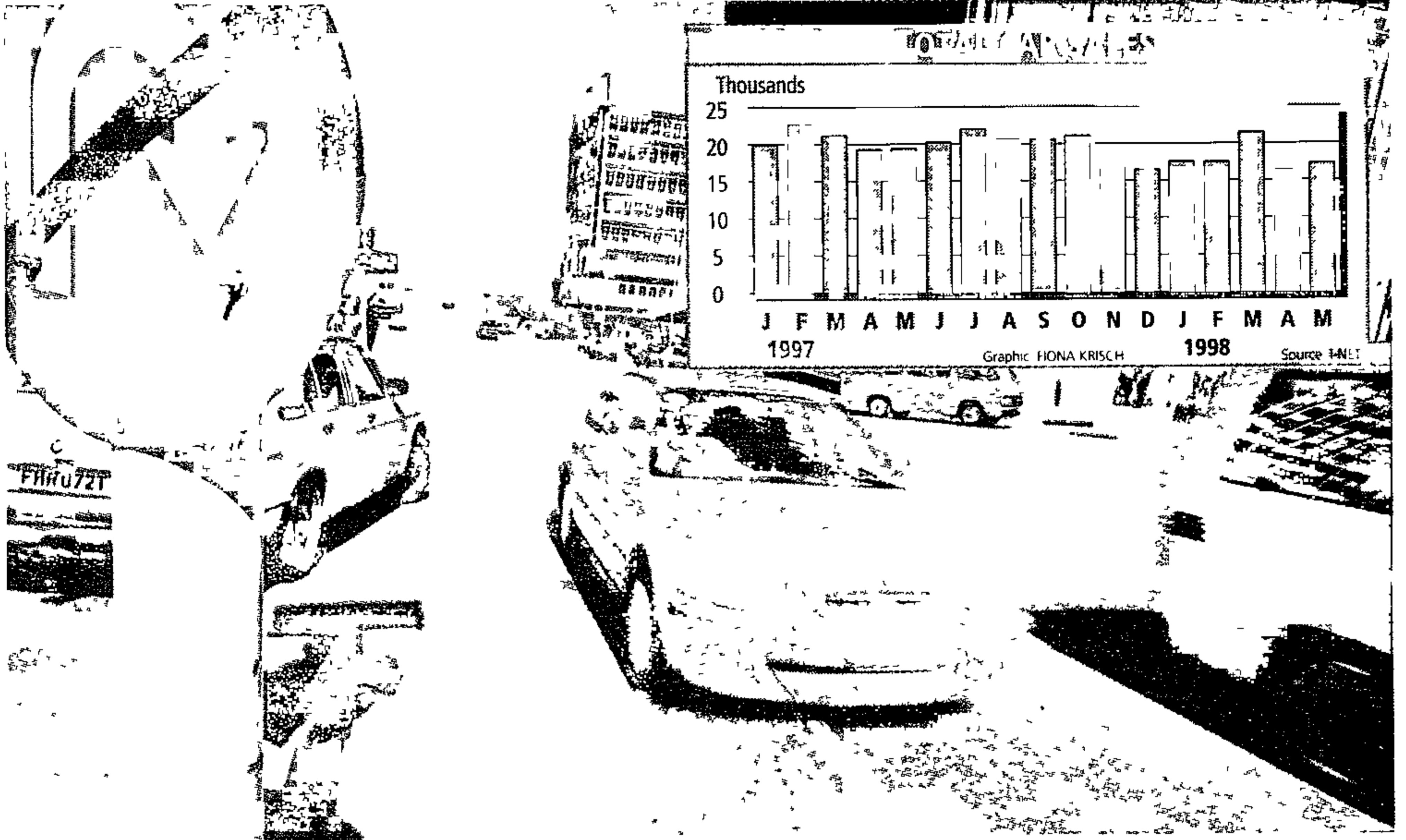
To increase production to required levels the plant would move to a three-shift 24-hour-a-day pattern

De Klerk said training would be done in several phases. After an intensive selection and screening process new recruits would be taught about production processes and given basic technical and handwork skills

They would then be given job-specific production training and have the VWSA corporate structure and rules explained to them. Only then would they be on the A4 line

De Klerk said to date 1 365 applications had been processed of which 778 were found acceptable. About 7% of acceptable applications were from women — a first at the plant.

VWSA had recalled some of its retired employees to help train recruits. Some of the ex-employees had come in over a weekend to strip down and rebuild one of the new Golfs to familiarise themselves with it. — ECN.



Manufacturers buy own cars to boost sales

(192)

ST(BT) 28/6/98

INDUSTRY TRENDS
By DON ROBERTSON

CAR manufacturers are increasingly buying their own vehicles to maintain reasonable sales levels and reduce stock amid gloomy industry prospects

New car sales have tumbled by 11.9% to 90,063 in the first five months of the year from 102,286 in same period last year. The purchase of single unit sales, as they are called, for use by staff, has increased commensurately.

Sales prospects for the rest of the year are equally grim.

The National Association of Automobile Manufacturers of SA

(Naamsa) has warned that industry expectations of a recovery in new vehicles sales in the second half of the year might be delayed because of the uncertain economic outlook.

Difficult trading conditions experienced by manufacturers have left many with little or no profit, and profit-sharing bonuses are likely to have been trimmed or dropped. Many companies are thus offering employ-

ees new vehicles as an additional perk, say industry sources.

During May, when industry sales fell 13.6% year-on-year, BMW managed sales of only 692, about half the usual monthly figure. The figure would have been substantially lower had BMW not bought 110 or 15.9% of its own vehicles. But the group was helped by substantial exports of 809 units.

Also in May, Delta bought 11.5% of its total sales, Nissan 11.6% and Volkswagen 11%.

These purchases are well

ahead of the normal trend.

In 1997, BMW bought 9.9% of its reported sales numbers, Delta 10.1%, Mercedes-Benz 6.4%, Nissan 10.5%, Samcor 4.1%, Toyota 4.3% and Volkswagen 6.5%. This represented 15,226 single units sales during the year or 6.3% of the total sold.

In the five months to end-May, BMW bought 9.7% of its own cars, Delta 10.1%, Mercedes-Benz 5.1%, Nissan 11.9%, Samcor 6.8%, Toyota 3.7% and Volkswagen 10.3%. In all, single unit sales represent 7.2% of total sales.

ECONOMIC COLLAPSE FEARED

Atlantis workers face 600 job cuts

(198) CT 29/6/98

PEOPLE LIVING in the West Coast suburb of Atlantis have long had to contend with the shortage of local employment. Now, as the core industry prepares to shed 30% of its workforce, they fear the onset of total stagnation. Senior Writer **YAZIED FAKIER** reports.

THE troubled economy of the apartheid-created town of Atlantis has taken another body blow with the announcement that at least 600 jobs in its industrial area will be shed by the end of the year.

Half the estimated 100 000 residents of Atlantis and immediate surroundings areas are unemployed.

The town was established 26 years ago to accommodate what was regarded as an "overflow" of "coloured" Capetonians. It has lost 15 of its life-blood factories over the last 18 months, reducing the number to around 80 — of which 20 are considering moving if conditions do not improve dramatically.

About 60% of the working residents are employed by industries in Atlantis, and 40% have to commute daily to as far as Cape Town to work.

Announcing its retrenchments, Atlantis Diesel Engines (ADE), the company that is the business anchor of the West Coast town, said the supply of engines to the local market would be discontinued as it changes its focus to becoming an international manufacturer and supplier of automotive components.

"The local demand for the engines has dropped to the point where it is no longer economical," ADE managing director Ron Shires told the *Cape Times*.

If production was continued under present conditions, the company would lose money and ultimately go out of business.

Shires estimates that the company will eventually retrench around 30% of its total workforce of 2 250.

He said the company had sustained the engines business by

exporting engines.

"We had a big export contract of 10 000 engines to Cuba that increased the level of assembly to the point where it was economical. But that ends in October and at that point the demand for engines drops tremendously. Local demand is quite low and will below the point where we can sustain the business."

With the R450-million Cuban contract running out, the acquisition of additional contracts was still being explored, but Shires felt this was unlikely to materialise.

He ascribed the drop in local demand to the change in import tariff charges and said there was good reason to establish ADE in Atlantis in 1980 since it was intended to be a cornerstone industry that would serve as a "big employer."

"The sad part about it is that 18 years on, ADE is still the big employer, whereas, in theory, by now Atlantis should have had half-a-million people and we should have been one of a number of big employers."

"That's a problem to us because it means that when ADE has problems and has to downsize, as we are going to now, it has a much bigger impact on the community than it should have."

While ADE's labour force has been informed of the jobs crunch well in advance, it has still not softened the blow for individual workers facing retrenchment.

"I'm very worried about the future," said 23-year-old ADE operator Gavin Adams, who is hoping to reclaim his old job at a winery co-operative in Stellenbosch.

"Nobody is looking for alternatives in Atlantis because there is no work here. Most of the companies are closing."

Fifty-two-year-old senior operator Moses Biggs is concerned at how he will be able to provide for his wife and five children.

"It's hard to get a job at my age, there's no work here. We'll have to see," he says.

Fellow operator Ralph Beukes, 32, is in the same boat. After working at ADE for four years, he says, with an air of defeat, that he has no idea where to look for a job.

Warnings have been sounded that if jobs continue to be lost at the present rate, the suburb is in danger of "collapsing" and of being "turned into a ghost town."

The local demand for the engines is no longer economical

There will also be more pressure on its over-burdened social welfare and crime-prevention services.

Superintendent Arthur Roman, a policeman in Atlantis for more than 20 years, says "Unemployment is the order of the day because of the many factories closing down, and, as we have seen, unemployment has a direct influence on crime levels."

He said most of the crimes were "survival crimes."

"People tend to open shebeens, buying five to 10 cases of beer, which they then sell at a profit to be able to buy food."

He said there were about 260 shebeens in Atlantis, of which only 23 were what he called "hardcore."

"The rest is all for the pot." The fact that women were increasingly better able to secure work often led to conflict in the



CUBAN CONTRACT: Production line operator Pieter Samuëls assembles one of the consignment of Cuban engines, seen in the background, that will keep Atlantis Diesel Engines' engine production section alive until October, after which the company is to concentrate on becoming an international supplier — with the loss of about 600 jobs

PICTURE: GARTH STEAD

home, where men felt their traditional role as breadwinner was being threatened.

There is consequently an increase in the demand for hospital services.

Atlantis' Westfleur Hospital is hopelessly understaffed and underfunded for the pressing need of the suburb, which was originally

intended to have a 400-bed hospital, whereas Westfleur has only 25.

Even these are not in use because the hospital has a serious staff shortage. It has only one electro-cardiograph machine for the 300 patients in casualty and 6 000 who visit outpatients every month.

The operating theatre has not been functioning for two years. Des Stumpf, the doctor in charge of outpatients, says "This place (Atlantis) is definitely starting to crumble now. It never was good, but if you are losing your only source of income, which is the industry here, where else are people going to earn money?"

A member of the Westfleur hospital board, Catholic priest Father Mark Potthier, says most of the cases he deals with concern alcohol abuse, infidelity, wife-battery and drug abuse.

"The social fabric, family values have broken down here because parents leave early in the morning to go and work outside Atlantis and the kids are left on their own

They get involved with all kinds of crime because there's no parental guidance for them. The result is that there is no respect for authority here."

He said that as much as there were cries for help for other underprivileged areas, "so is the cry here that we also get the necessary funding."

□ Turn to Page 3

Car makers to expand vehicle finance share

(192) CT(MR) 7/7/98

ROY COKAYNE

Pretoria — South African motor manufacturers were likely to increase their share of the financing business over the medium term, Brand Pretorius, the chief executive officer of McCarthy Motor Holdings, said yesterday.

He said this prediction was based on the American experience and the fact that vehicle financing in South Africa had changed dramatically over the past three years, resulting in structural transformation in the industry.

McCarthy Motor Holdings and Imperial Motor Holdings, South Africa's two leading motor retailers, had both started their financial services divisions to reduce their reliance on new vehicle profits, Pretorius said.

He said between the two companies they controlled more than 20 percent of the total new and used vehicle markets. "This significant captive platform will ensure they develop into formidable players in the vehicle finance market over the longer term."

Pretorius said under the previous order, vehicle financing was almost the exclusive domain of the traditional "wheels banks." In the new environment, however, a number of additional competitors had joined the fray.

"Major new players had emerged in the form of the manufacturers' captive finance companies as well as major retailers starting their own banks."

"Manufacturers are using their own finance companies primarily as a marketing tool, and also to generate additional profits. Their third objective is to retain ownership of their customer base."

Pretorius said McCarthy Motor Holdings regarded the creation of its own bank as an important strategic initiative.

"We believe our financing operation will develop into one of our most important revenue streams. It also puts us in a position to offer our customers the best value and service in the vehicle financing field. In addition, by providing our clients with a one-stop service, we stand a greater chance of retaining them."

He said apart from manufacturers' captive finance companies and the banks of leading retailers, the traditional wheels banks had also been challenged by many smaller banks, which regarded vehicle financing as a lucrative arena.

"The winners will be those players who succeed in delivering the best value and service to their customers," Pretorius said.

Car makers hit by action apply for court

(19a)

Reneé Grawitzky

SA's seven leading vehicle manufacturers are applying for an interdict in the Labour Court today ordering workers to return to normal working after operations were disrupted yesterday by various forms of protest action.

The industrial action follows the declaration of a wage dispute by the National Union of Metalworkers of SA (Numsa) last week. An Automobile Manufacturing

Employers' Organisation (Ameo) spokesman said all plants were affected by illegal industrial action in the form of extended lunch breaks and overtime bans.

The application for an interdict seeks to order workers to return to normal working and to prevent unlawful action in the future.

Industry sources claimed that workers planned to embark on similar action every Thursday until a settlement was reached. Numsa denied such claims and

said workers were beginning to become impatient about what appeared to be insufficient progress in the negotiations. If a settlement could not be reached, a strike was a possibility, Numsa negotiator Tony Kgobe said.

The union declared a dispute after the parties had been in negotiations for more than two months. The dispute has been referred to the Commission for Conciliation, Mediation and Arbitration (CCMA).

The union is demanding a 9,5% increase while employers have offered a 6,5% package deal.

Ameo indicated that it was still open to negotiations on its offer, which was above the inflation rate of 5,1%. "At some point there must be some sense in the process," an Ameo representative said.

The National Association of Automobile Manufacturers of SA (Naamsa) said production disruptions came at a time when the industry was going through a par-

ticularly difficult phase. It was being buffeted by sharply lower demand as a result of a weak economy and increasing inflationary pressures resulting from the weakness of the rand.

Overall vehicle sales had declined by between 11% and 12% year on year while the industry had shed over 5 000 jobs to bring the total hourly labour force to 20 000 over the past three years.

Kgobe said that members were concerned about their own finan-

cial pressures, while the union was concerned about the state of the industry.

However, he said, that did not mean that there should not be improvements in wages and employment conditions.

He said employers were prepared to grant a 6,5% increase if the union dropped all other cost items. Workers were not prepared to tie themselves to a three-year deal which did not ensure further improvements to benefits.

interdict

BO 10/7/98

Carmakers win first round in Numsa war

(192)

ROY COKAYNE

ET(BR) 13/7/98

Pretoria — The Automobile Manufacturers Employers' Organisation (Ameo) was granted an interdict on Friday stopping the National Union of Metalworkers of South Africa (Numsa) from engaging in an illegal strike at its seven car plants, said Brian Smith, the chairman of Ameo.

Smith said the order, granted by the Johannesburg Labour Court, was necessary as Numsa members at all Ameo member plants had staged protests which had disrupted production.

At certain plants Numsa members were also refusing to work overtime, he said. Ameo represents BMW, Delta Motor Corporation, Nissan, Samcor, Toyota and Volkswagen.

Smith said Ameo could not allow the union to "use the Labour Relations Act when it suited them but to ignore the law at plant level and engage in illegal and unprocedural industrial action which cost the industry millions of rand and threatened export contracts".

Dumisa Ntuli, a Numsa spokesman, said the interdict was regarded as a serious onslaught by the manufacturers against Numsa members.

"We are heading for a major battle with employers who don't want to meet our demands," he said. "The interdict will intensify the frustration and anger among our members over the intransigence of the employers."

Ntuli said Numsa had not opposed Ameo's application, but he stressed the interdict was an interim order and Numsa had until July 31 to oppose it.

He said the interdict did not restrict Numsa from protesting. Its members would continue their lunch time demonstrations at the various plants. In terms of the interim interdict, their overtime ban was suspended, he said.

Numsa formally declared a dispute with Ameo last week.

Car makers face tough times

(192) CT(MR) 20/7/98

ROY COKAYNE

Pretoria — Vehicle sales and motor manufacturers' profitability — neither of which could be described as robust even before the start of the rand's depreciation in May — would suffer in the months ahead, the latest motor industry report by Standard Bank's economic division predicted last week.

The report said the depreciation of the currency by 20,4 per cent between May 22 and July 14 this year had "cast a heavy pall over the South African motor industry"

It said the increase in the

prime rate in the wake of the rand's depreciation would reduce demand for vehicles, while the rand's depreciation would increase the cost of importing complete units as well as components in the medium term.

"This will lead to increased car prices, which will further dampen demand," it said.

The report said that, unlike the 1996 depreciation, car prices could rise in real terms while sales would be adversely affected as a result of the rand's weakness and high interest rates.

In 1996, car price increases were limited and sales robust in the wake of depreciation of the

rand. Car sales were stimulated because of increased competition brought about by the significant lowering of tariffs on completely built-up imported cars.

This manifested in a wider range of models and marques as well as a price war, which resulted in the real price of cars falling.

However, the report said car prices were unlikely to rise as sharply this year as they did in 1984, primarily because the market was more open and more competitive than it was then.

However, according to the report, higher car prices were likely to feed through to the public only from the end of this year.

Strong pound may mean more Land Rovers are made in SA

ROY COKAYNE

Pretoria — BMW, the executive car producer, would not increase the production of Land Rovers in South Africa in the short term, although the strong pound was threatening profitability at its British plant, Conrad Schmidt, the manager corporate planning of BMW South Africa, said yesterday

He said the possibility of raising production "may be true

(192) CT (MR) 24/7/98
in the medium to long term"
BMW SA makes 14 Land Rover Defenders a day in Pretoria for South Africa and Africa

Schmidt said a study had recently been conducted into Defender exports for 1998-99 but this had "not come to fruition"

He said this decision was based on where to allocate capacity. It was decided there was sufficient capacity at BMW's British plant, but "it would be possible to introduce a

second shift (in South Africa), thereby doubling capacity"

Rover, the BMW unit, said in Britain yesterday it would lose at least 1 500 jobs and put some workers on a four-day week as it fought to undo the damage caused by the strong pound

About 56 percent of Rover's production goes overseas and a senior Rover executive was quoted as saying the shifting of production had become a real possibility

CAPE ARGUS, WEDNESDAY

Walkout ARG 14/1/98 over (192) loans halts VW

East London - Production was disrupted at the Volkswagen SA plant at Uitenhage when a group of about 1 000 workers walked out in support of a demand for a R1 500 school uniform loan across the board.

A statement from VWSA spokesman Raymond Hartle yesterday said that National Union of Metalworkers of SA (Numsa) shop stewards informed management that workers were unhappy with an agreed R1 500 revolving loan scheme for workers who could afford it. They had demanded instead a R1 500 school uniform loan for all employees.

Mr Hartle said the demand would create further financial problems for workers and management would not agree to it.

A Numsa spokesman said the union would reserve comment until today - ECN

Uitenhage strike 'may affect VW's exports'

Own Correspondent

PORT ELIZABETH — Volkswagen's R400m export order for Britain, as well as exports to Australia, could be hit by a work stoppage at the Uitenhage plant

Although the plant still has stock in hand for the local market, the strike could affect the delivery of 5 000 Golfs to the UK by April

Confirming that workers on both shifts had downed tools yesterday, Volkswagen spokesman Raymond

Hartle said "if the stoppage continues it could affect Volkswagen's export initiatives"

According to Hartle the strike, which started at 8 45am yesterday, related to a company loan scheme

"National Union of Metalworkers of SA (Numsa) shop stewards informed the company that their members were unhappy with a R1 500 revolving loan scheme agreed with the company, and are now demanding a R1 500 school uniform loan, to be made available to all employees, re-

gard less of take-home pay"

Volkswagen said it had reached agreement with the union last November to implement a R1 500 revolving loan scheme through Standard Bank

About 4 400 Numsa members met the agreed requirements for the loan, but about 1 000 were not eligible because repayments would reduce their take-home pay to less than 35% of their gross earnings

Numsa was not available for comment last night

BD 14/1/98

(192) (192)

Row over school uniform loans threatens R400m exports

VW to seek order on Uitenhage strikers

(192)
CT (PR) 15/1/98

FRANK NXUMALO

LABOUR CORRESPONDENT

Johannesburg — Volkswagen South Africa (VWSA) would apply for an urgent court interdict this morning if the National Union of Metalworkers of South Africa (Numsa) was unable to persuade its striking members at the Uitenhage plant to return to work, Matt Gennrich, the VWSA spokesman, said yesterday

"The company has also warned Numsa that the strike seriously threatens to undermine the current export order of 5 000 Golf vehicles (valued at R400 million) to Britain. This order must be fulfilled by April this year and tight shipping deadlines are being compromised by the strike," Gennrich said

"In the current economic climate and in the face of very

tough competition in the local motor industry, it is imperative that all parties work together to ensure a viable industry and protect jobs," he said

Gennrich said Numsa shop stewards had informed the company that their members were unhappy with a R1 500 revolving loan scheme conditionally agreed with VW, and were instead demanding "a R1 500 school uniform loan to be made available to all workers" regardless of whether they met company conditions

He said more than 1 700 workers had already applied for the revolving loan scheme and would get it by Friday

Gennrich said it would appear the problem revolved around a group of about 1 000 workers who did not qualify for the loan scheme as they "were already

heavily in debt"

"The company is not prepared to deviate from this agreement as it would create further socio-economic problems for employees who are already experiencing financial difficulties as a result of previous loans and other financial commitments incurred," Gennrich said

"By not working today, the average employee will have lost R250 in wages, which certainly does not make sense if employees claim to be short of money"

However, the union said, whether the strike would continue would only be known after a mass meeting scheduled for this morning. "Workers have agreed to an urgent meeting to determine whether or not they will continue with the strike," said Dumisa Ntuli, Numsa's spokesman

Volkswagen, workers strike loan deal

BD 16/11/98 (198) (192)

Vuyo Mvoko

VOLKSWAGEN workers started returning to work yesterday, bringing an end to a dispute that started on Tuesday when they downed tools at the company's Uitenhage plant after some workers were refused loans for their dependants' school needs.

National Union of Metalworkers of SA (Numsa) spokesman Dumisa Ntuh said the workers agreed to return on the basis that their cases would be handled individually by the company. Workers dissatisfied with the compa-

ny's handling of their cases would be attended to by the union's shop stewards, it was agreed.

Volkswagen spokesman Raymond Hartle said the illegal strike, if prolonged, would have affected the company's scheduled R400m export of cars to Britain.

Sapa reports the strike cost the company almost R48m in turnover, Volkswagen communications GM Matt Gennrich said.

He said Numsa representatives had accepted the company's offer of assistance for those workers who did not qualify for the revolving loan scheme at a meeting

with management yesterday. Numsa had given an undertaking that striking members would return to work immediately.

Volkswagen, in turn, would not proceed with its planned application for a court interdict if strikers complied with this undertaking and returned to work.

The agreement states that workers who do not qualify for the company's R1 500 revolving loan scheme can, under certain conditions, borrow up to R400 to buy school uniforms for their children.

Repayment terms will be based on each worker's circumstances.

VW workers call off their strike

ROY COKAYNE

Pretoria — Striking workers at Volkswagen South Africa (VWSA) in Uitenhage returned to work for the afternoon shift yesterday after production at the plant was disrupted for three days, a company spokesman said.

The strike resulted in a loss in production of 300 cars a day and cost R48 million in turnover, Raymond Hartle, the corporate relations manager for VWSA, said yesterday. Each worker also lost an average of R120 a day.

The strike was the result of unhappiness among members of the National Union of Metalworkers of South Africa (Numsa) over a R1 500 revolving loan

CT(BR)16/1/98
scheme conditionally agreed upon by VWSA. The workers were instead demanding a R1 500 school uniform loan for all workers, regardless of whether they met company conditions.

Hartle said the return to work followed an undertaking given to VWSA's management by Numsa that all employees would resume normal duties from 2pm yesterday.

He said VWSA accepted this undertaking in good faith and on the strength of this undertaking had not proceeded to the Labour Court yesterday in an interdict application. No disciplinary action was currently planned against any employees.

However, Hartle said that if it

(192)
appeared that employees were not complying with Numsa's undertaking, the company would proceed with the interdict application as soon as it could be heard in court.

"Numsa has also accepted the company's offer of assistance for those employees who do not qualify for the revolving loan scheme," he said.

"In terms of the offer, if an individual employee can prove that his or her child will be excluded from school for not having a school uniform, the company will provide up to R400 for each employee.

"The repayment terms of this loan will be based on each individual's circumstances," he said.

Volkswagen threatens interdict on 'illegal' strike

PORT ELIZABETH — Volkswagen yesterday warned the National Union of Metalworkers of SA (Numsa) that a strike at Volkswagen's Uitenhage plant was illegal.

If workers were not on the job by 9am today the company would apply for an interdict forcing them to return, it said.

Workers downed tools on Tuesday morning after a loan scheme dispute. Numsa said members were unhappy with a R1 500 revolving loan scheme. They were demanding a R1 500 school uniform loan for workers regardless

of their take home pay.

A spokesman for Volkswagen said that in terms of the agreement with Numsa signed on December 5 last year, the loan applied only to workers earning above a specified minimum. About 1 000 employees did not qualify.

Volkswagen said that more than 1 700 employees would receive loans under the agreement. "The company is not prepared to deviate from this agreement as it would create further socio-economic problems for employees who are already experiencing financial dif-

iculties as a result of previous loans and financial commitments incurred," the spokesman said.

Volkswagen warned Numsa the strike threatened to undermine an export order of 5 000 VW Golfs to Britain. The order must be fulfilled by April and tight shipping deadlines could be compromised, the company said.

Numsa general secretary Mauyi Ngwenda said yesterday the union understood the competitive nature of the motor industry and would try to resolve the issue as quickly as possible. — Sapa.

BD 15 1198

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MOTOR INDUSTRY

DOMESTIC PROBLEMS COULD COST SA DEAR

Crime and labour disputes could drive investors away

Foreign motor companies are reassessing their long-term manufacturing plans in SA

Recent major investment and export contracts have tied companies to this country for the immediate future. However, they say it is becoming more difficult to do business in SA. They cite crime, inconsistent industry policy and an expensive and strike-prone labour force as their main worries.

German car maker BMW, which has just spent nearly R1bn on turning its SA subsidiary into an international export operation, says it is monitoring its future here. French manufacturer Renault, which would like to use SA as a production base for Africa, Australia and South America, says the time is "not right" for local assembly.

Most SA motor companies admit privately that indefinite local assembly cannot be guaranteed. As Ford US economist Marty Zimmermann points out, massive over-capacity in the global auto industry is likely to grow from its current 18m units a year to 25m by 2002. Zimmermann, in SA last week to brief Trade & Industry Minister Alec Erwin on the state of the world motor industry, says SA must adapt quickly if it is to survive.

Other economists say many SA investments are still made for social reasons, rather than economic ones. In the Eastern Cape, particularly, the departure of motor and components companies would be disastrous. But billions of rand can't be com-

mitted to charity indefinitely. Global manufacturers, which have acquired greater control of SA companies, are likely to be far more ruthless than their "country cousins".

SA motor manufacturers have been generally unprofitable in recent years. Among the exceptions is Toyota. But even the market leader hasn't found it easy. Reduced tariff protection against imports, shrinking profit margins, and a rand in danger of disappearing up its own decimal point, have all hit companies. So have economic slowdown, low business confidence and galloping interest rates.

Vehicle sales in 1998 are more than 11% down on last year. Toyota chairman Bert Wessels expects no improvement for the rest of this year, and predicts the company's profitability will be lower than in 1997. Brand Pretorius, chairman of SA's biggest vehicle retail group, McCarthy Motor Holdings, also expects continued domestic market strain.

Industry cost pressures have been worsened by the three-year-old motor industry development programme



>> You can't ignore foreign investors, but why should we postpone transformation because of them? <<
Mbuyi Nkwenda



>> Either people don't understand the message they are sending overseas, or they don't care <<
Peter Foster

(MIDP). The programme, which runs until 2002, is designed to make the industry globally competitive. The Department of Trade & Industry (DTI), which administers it, is about to publish a mid-term review, recommending changes for the remaining four years.

A preliminary DTI study suggests these changes may be significant. The chief MIDP tool has been reduction of import duties on built-up cars. From 115% in 1995, this protection is already down to 54% and will shrink to 40% by 2002. The DTI wants it to settle at 20% in 2007. The intention is that this exposure to competition will encourage SA companies to concentrate on high-volume, cost-effective manufacture, and augment this with exports. Mercedes-Benz SA chairman Christoph Kopke says companies will need a domestic market three times its present size to match the reduced protection.

Though the DTI says the MIDP has achieved progress, it hasn't done so quickly enough, and has created some unforeseen complications.

For instance, it says that though export earnings have soared since 1995, so has the industry's trade deficit. The abandonment of former requirements for minimum local content, an export-complementation process that allowed manufacturers duty-free imports of vehicles to the same value as exports, and a further

DAEWOO

RUNNING ON EMPTY

The vanishing rand is playing havoc with Korean car maker Daewoo. Not only has it forced the company to abandon plans for an SA assembly plant, but it is also pushing the local subsidiary and its dealers into the red.

Daewoo Motors, which imports fully built cars into SA, is a wholly owned subsidiary of its Korean parent. Its problems are symptomatic of those faced by other importers attracted to SA since import duties on pre-built cars began tumbling in 1995.

Many of the advantages have been negated by the rand's freefall. Daewoo has limited the damage through an aggressive export programme allowing it to claim rebates on import duty.

When Daewoo came to SA in 1996, it planned sales of 1 000 cars a month, and briefly touched that level. Marketing GM Marus de Waal says dealers need 800 a month to break even. Thanks to price increases caused by weakness against the US dollar, in which the local company pays for imports, current sales are sometimes half that.

Earlier this month, when Korea stopped producing the Cielo, the entry-level car which accounted for most SA

27% duty-free allowance on imported components mean manufacturers are importing more than before. And though exports of built-up vehicles are rising, the DTI is worried that most export earnings come from components not used on SA vehicles and therefore "do not contribute directly to bringing down the costs of domestically assembled vehicles"

The answer, says the DTI, is to reduce the duty-rebate value of component exports. One proposal is to reduce the rebate on all exports, another is to penalise only some. The department says such changes would not be phased in before 2000 for fear of harming existing contracts and creating investor uncertainty. Even that is too soon, say local companies, who argue the existing framework should remain intact until the MIDP expires in 2002.

"We don't like it," says BMW SA MD Peter Foster. "It prolongs the payback on investments. Any manufacturer that has made decisions based on the MIDP will be hurt. And it raises the question of how much confidence investors may have in the stability of future government programmes."

Land Rover SA MD Piet Rademeyer agrees. "We have invested and planned for consistency until 2002." He adds that Land Rover and its suppliers need certainty if they are to bid for billions of rand in components that the Rover Group plans to source from outside the UK.

The effect of crime is less easy to evaluate. Berndt Pischetsrieder, chairman of BMW in Germany, threatened two years ago to scale down SA investment if government failed to address the issue. He must have been persuaded because the finishing touches are being put to a R920m investment programme at the plant outside Pretoria that will allow BMW SA to export 25 000 cars a year worth R4.2bn, from 2000. Foster, however, says crime

remains serious enough to make outsiders "wonder if SA is safe enough to invest in".

The biggest concern for foreign investors and export customers is labour. A recent six-day national strike at assembly plants has been followed by secondary strikes in support of workers at components companies. The industry has a history of disputes. "Either people don't understand the message they are sending overseas, or they don't care," laments Foster.

Mbuyi Ngwenda, general secretary of the industry's main union, the National Union of Metalworkers (Numsa), says he is fully aware of the message. "We care about creation of jobs and we care about attracting foreign investment. We're not trying to be destructive. But this industry has a history of inequality and low wages which must be addressed. You can't ignore foreign investors, but why should we postpone transformation because of them?"

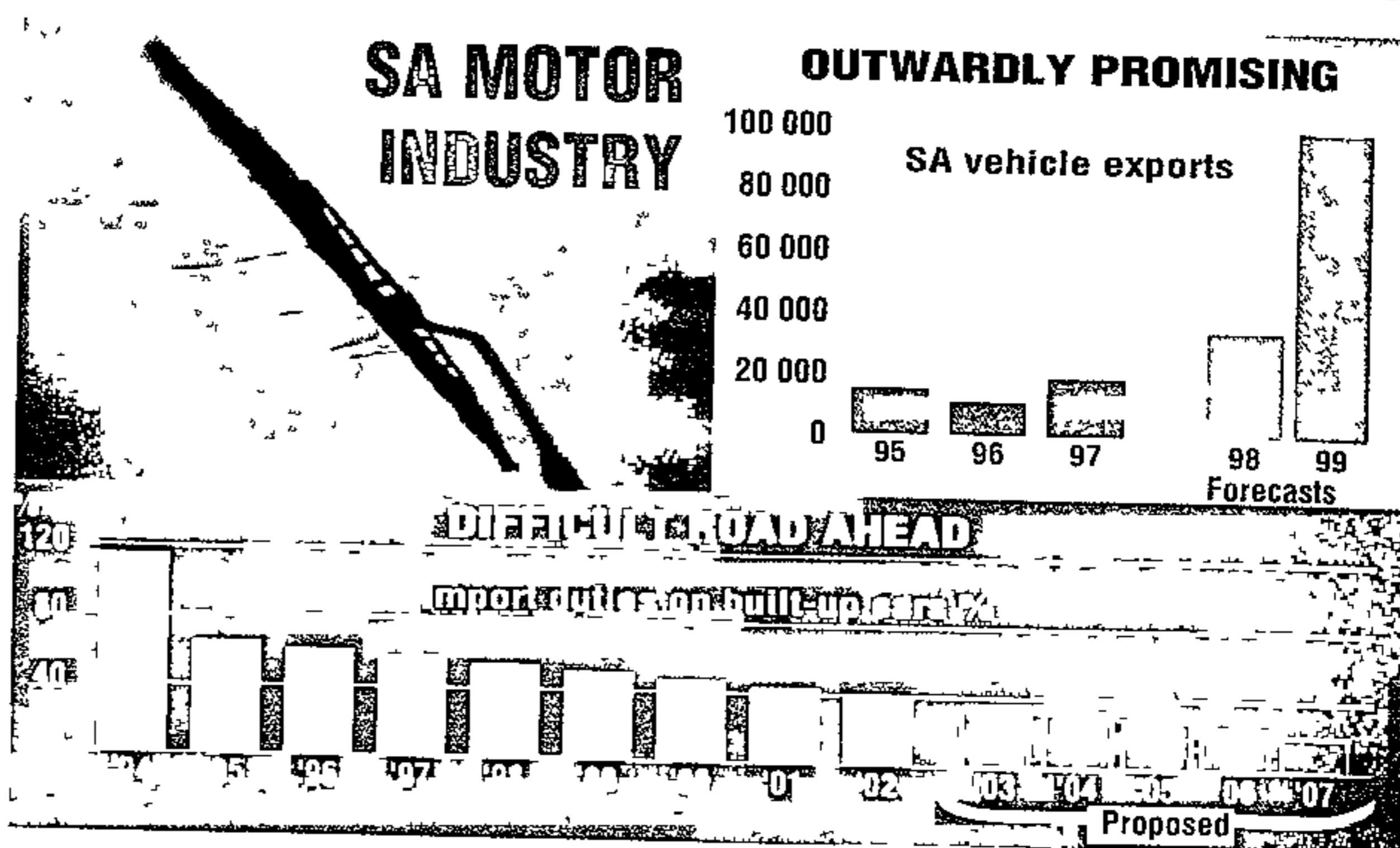
Ngwenda discounts the idea that SA should turn itself into a source of cheap labour. "I agree that capital will always

follow cheap labour costs. But why should we be cheap? We don't think people should have to exist on poverty wages."

BMW depends on guaranteed production to achieve its projected R4.2bn in annual car exports, plus R900m/year in leather seats. So does VW if it hopes to extend an 18-month, R5bn contract to build 68 000 Golfs for export to Europe. The same applies to Samcor if it wants to fulfil a R1.6bn European order for Ford engines. Other vehicle and components manufacturers are also frightened that continued labour problems could cost them dear — not just in exports, but also in parent companies' confidence.

Foster says "We are all asking ourselves: is SA the right place to build and export in the long term? We need an economic upswing to offer a sound local demand base. We need competitive costs and supply for exports. We need affordable wages and stability. We all feel SA is at a crossroads. I think the answers will start to become clear in the next two or three years."

David Furlonger



Daewoo sales, the local company offered dealers an alternative. But before the arrival of the first consignment, the rand fell 23% against the dollar. Daewoo was forced to increase prices by 8%-10% a model, against local manufacturers' average of 2%-3%.

To remain price competitive, Daewoo and its dealers have slashed profit margins. De Waal says Daewoo itself is losing money on every sale. He confirms that McCarthy Motor Holdings,

SA's biggest motor distributor, is re-considering its Daewoo business. McCarthy confirms it is losing money on the franchise.

SA executives are trying to persuade the Koreans to reduce prices to SA. The other solution is local manufacture. Korea gave approval last year for the SA company to build its own plant. "When we got the go-ahead, the exchange rate was R3,64/US\$," says De Waal. "The decision is now on hold."

He stresses that, come what may, Daewoo will remain in SA. If international co-operation talks between Daewoo and US giant General Motors are successful, the SA company may turn to Port Elizabeth-based Delta Motor Corp, which is 49% owned by GM. "That is an obvious route for us," says De Waal. "We would probably ask them to build for us on contract, in the same way as Nissan builds Fiat cars at its SA factory."

David Furlonger

NUM calls strike to back motor workers

Reneé Grawitzky (192) (193)

THE National Union of Metalworkers (NUM) announced that employers in metal and engineering, vehicle and tyre manufacturing will be subjected to a 24-hour sympathy strike tomorrow.

The union has called out its members in these sectors in sympathy with thousands of their counterparts in the motor sector who will begin an "indefinite" wage strike tomorrow.

The decision to embark on a one-day sympathy strike was taken at a union national executive committee meeting late last week and follows threats by employers in metal, engineering and vehicle manufacturing to take legal action. The Automobile Manufacturing Employers Organisation (Ameo) applied for an interdict on Friday with the ruling being handed down today.

The national strike in the motor sector will affect petrol attendants, panel beating shops and auto-component manufacturers.

The dispute centres around a union demand that employers agree to negotiate increases based on the actual rates in the motor industry bargaining council man

agreement, rather than the minimum rates. This has been a long-standing union demand.

The SA Motor Employers Association said it was practically impossible to negotiate actual rates for more than 18 000 employers country-wide. Despite this they remained open to continue negotiations.

To heighten its campaign, the union placed a full-page advertisement in the largest weekend newspaper explaining the nature of the dispute, which also involves the Motor Industry Employees' Union of SA and the Motor Industry Staff Association.

The unions said wages paid in the retail motor industry were below the poverty datum line, with a minimum wage of R559 a month.

NUM strike

DD 31/8/98
Meanwhile, a week-long strike by the National Union of Mineworkers at Alexkor, a state-owned diamond mine in the Northern Cape, continues today.

The strike centres on a number of demands relating to government's role in the restructuring process and the daily operation of the mine.

Numsa strike tests new labour laws

(1997) (1998) (1999) (1992)
FRANK NXUMALO

ET (NR) 31/8/98 LABOUR EDITOR

Johannesburg — More than 220 000 workers allied to the National Union of Metalworkers of South Africa (Numsa) are due to down tools tomorrow morning in a countrywide combined sympathy and primary strike against the car and steel industries

Marchers will assemble at designated points in Johannesburg, Pietersburg, Pretoria, Bloemfontein, Durban and Witbank at about 10am.

The union has already settled with the Steel and Engineering Industry Federation of South Africa and the Automobile Manufacturers Employers' Organisation (Ameo)

However, it is targeting these associations in a sympathy strike for allegedly colluding with the South African Motor Industry Employers' Association (Samea), the target of the primary strike

This will be the first time under the new Labour Relations Act that workers in one industry exercise their right to embark on a solidarity strike in support of aggrieved comrades in another industry

"We believe that the national secondary strike is going to be the first of its kind under the new Labour Relations Act 1995," said Dumisa Ntuli, the Numsa spokesman

"It shall also be a test of the act to allow workers in one trade union to strike in sympathy and solidarity with members in other oppressed companies and sectors"

Employers' organisations, including Ameo, will challenge the legality of the strike today in the Johannesburg Labour Court. Ameo has said the strike would be a disaster for the industry, with major consequences for jobs and billion-rand export contracts. It said it had no influence over the Samea talks and questioned whether Numsa's decision to target other sectors was "reasonable"

Numsa said "The employer organisation will seek to convince the Labour Court to adopt a conservative approach; that a secondary notice cannot be given until a primary strike has actually begun."

"Ameo will also attempt to convince the court that the sympathy strike in the auto sector would not have a significant impact upon the motor employers"

The union said its legal department had indicated that "Ameo will not succeed in drawing the court into technicalities with the intention of unreasonably limiting the constitutional right to strike"

The union accused Samea of "tabling a miserable minimum wage offer of 4,5 percent and of rejecting all Numsa demands"

Ntuli said "Numsa is demanding that all wage increases should be on a guaranteed inflation rate increase. All wage increases ranging from 12 percent to 18 percent, depending on the grade, should be on the actual rates of pay."

First blow in motor industry wage fight

(1977)



By Mzwakhe Hlangani

An estimated 220 000 members of the National Union of Metalworkers of South Africa (Numsa) will embark on a one-day solidarity strike nationwide tomorrow to put pressure on employers in the motor industry for increases that take the inflation rate into account.

Numsa spokesman Dumisa Ntuli said yesterday that the planned action was the start of a major fight with the industry's employers in an effort to bring wages and working conditions in line with the rest of the metal industry.

The strike action in the motor sector involves 65 000 workers at filling stations, panelbeating shops, car dealers and major motor compo-

nents firms such as Doryl, Bossal and Gabriel. It will start tomorrow and continue indefinitely.

The national solidarity strike by 155 000 Numsa members in the automobile, engineering and tyre sectors will be characterised by pickets and marches on the offices of the South African Motor Industry Employers' Association (Samiea) in Johannesburg, Pretoria, Durban, Bloemfontein, Peterburg and Wit-

bank. "We believe the national secondary strike is going to be the first of its kind under the new Labour Relations Act 1995 and will also be a test of the ability of the Act to allow workers in one trade union to strike in sympathy with members in other oppressed sectors," Ntuli said. Numsa will today oppose an applica-

tion for an interdict by the automobile employers' organisation regarding the solidarity strike by its 155 000 members in the tyre and automobile sector.

Ntuli charged that the employer organisations sought to convince the Labour Court to adopt a conservative approach that the notice for a solidarity strike could not be given until a primary strike had begun.

He said the employer organisations would also attempt to limit the constitutional rights of workers and to convince the court that the sympathy strike in the auto sector would not have a significant impact on employers.

Samiea has offered a minimum wage of 4.5 percent and rejected all Numsa demands of 12 to 18 percent wage increases for lower grades,

training and that job outsourcing should be negotiated with the union.

Also high on the list of Numsa demands is an end to plant-level negotiations so that every company can be brought into mainstream industry negotiations.

Samiea spokesman Mr Vic Fourie said they were aware of the planned strike action and were not prepared to make any comment.

Ntuli also claimed that the motor employers had always negotiated in bad faith and the workers could not accept "wage-traps" when the industry was making huge profits.

Most marches will start at 10am in Johannesburg; it will start from the Camerewer shopping centre in Randburg to Surrey Avenue, in Pretoria from Paul Kruger Square and proceed to the Samiea offices in Beatrix Street

● Negotiations between South African Airways, the SA Railways, Harbours and Allied Workers Union and other unions in dispute with SAA have in principle reached an agreement at the weekend.

A joint statement issued by SAA chief executive Mr Coleman Andrews said the agreement, which had the unanimous endorsement of all the negotiating teams, would be submitted for discussion by the represented employees.

On reaching agreement in principle with SAA, the negotiating team of one of the unions withdrew its previously filed notice of industrial action.

The unions also committed themselves to ensuring that SAA's operation ran smoothly during discussions and the ratification period.

Soveren 3/18/98

Sibon, the Khumalo was there to see... wearing extremely

UNDER THE AGE OF 18

(192) ST 30/8/98

Sunday Times, August 1998

Joint announcement of a strike in the retail motor industry



NATIONAL UNION OF METALWORKERS OF SOUTH AFRICA



MOTOR INDUSTRY EMPLOYEES' UNION OF SOUTH AFRICA



MOTOR INDUSTRY STAFF ASSOCIATION

A NATIONAL STRIKE OF ALL WORKERS

1 SEPTEMBER 1998

Dear Reader,

Dear Sir,
The National Union of Metalworkers of South Africa

We, the Union leadership did not want a national strike in our Industry. Our Bargaining Council Constitution provides for **ARBITRATION AS AN ALTERNATIVE TO INDUSTRIAL ACTION WAS SA MOTOR INDUSTRY EMPLOYERS' ASSOCIATION (SAMIEA)** to resolve disputes in the Industry.

It is therefore fair to conclude that the EMPLOYERS in the Industry have provoked this strike, through their unwillingness to exhaust the alternative dispute resolution mechanisms available to the Industry. **BLUNTLY REJECTED BY THE**

We the Trade Union leaders are not opposed to profits, wealth or the opulence of the lifestyles of many of the employers in our Industry. However this should not be achieved at the cost of wage levels which are below the **POVERTY DATUM LINE**.

The lowest wages prescribed in a few related sectors in the economy.

RETAIL MOTOR INDUSTRY

A few related sectors in the economy are as follows-

- RETAIL MOTOR INDUSTRY R559 per month
- ENGINEERING INDUSTRY R1 682 per month
- TYRE MANUFACTURING R1 883 per month
- PETROLEUM INDUSTRY R2 000 per month
- AUTO ASSEMBLY PLANTS R2 424 per month

NOTE Of all the non-agricultural sectors in the economy the **RETAIL MOTOR INDUSTRY** has the dubious distinction of paying the **LOWEST WAGES** of all.

Many workers and their families have to survive on starvation wages. We have been tolerant throughout the entire history of the organized Motor Industry (going back some 65 years) In all this time we have **NEVER BEFORE CALLED A NATIONAL STRIKE.**

The POVERTY DATUM LINE as researched by different Universities is-

R1600 per month plus the cost of accommodation for a small family.

R2200 per month plus the cost of accommodation for a large family.

Measured against these **MINIMUM** requirements, the Retail Motor Industry's lowest wage is between **65%-75% BELOW the POVERTY DATUM LINE.**

Don't you think that the **REJECTION OF ARBITRATION PROCEEDINGS** by the **EMPLOYERS** to resolve the wage dispute in our Industry **JUSTIFIES STRIKE ACTION** as the **ONLY REMEDY** left to the unions?

Sincerely,

Presidents of-

- National Union of Metalworkers of South Africa (NUMSA) - M Tom
- Motor Industry Staff Association (MISA) - LA Coetzer
- Motor Industry Employees' Union of South Africa (MIEU of SA) - GJ Havenga

INDUSTRIAL ACTION FOR MAINTENANCE

This is a Protected Strike

Employers may not take disciplinary action against or dismiss striking workers

Employers may not use force to prevent the work of a striking worker

Motor industry

ST (PT) 2/8/88

LABOUR DISPUTES

By DON ROBERTSON

strikes the wall

(192)

(192)

THE R30-billion-a-year motor industry could come to a standstill this week in a full-blown strike arising from an unresolved dispute between employers and workers.

The strike, starting on Thursday or Friday, will affect more than 21 000 workers at seven plants in Rosslyn, Durban, East London and Port Elizabeth — and could upset billions of rands worth of exports orders recently won by Volkswagen, Samcor and other manufacturers.

The major contracts involve the production of 68 000 fourth-generation Volkswagen Golfs for the UK market over an 18-month period worth R5-billion and an order for 55 000 Ford engines a year over eight years which would earn more than R200-million a year in foreign currency.

Both contracts have extremely tight delivery schedules. To fulfil the VW order, it will be necessary to manufacture 10 cars an hour, on a three-shift basis, or one every six minutes.

When this contract was announced, human resource director Brian Smith said "A one-week strike would be critical to the operation, two weeks would be disastrous."

If the strike spreads to allied industries, including the components sector, BMW will feel the impact as its Babalegi factory produces 85% of leather seats delivered to Germany each week. This order is worth more than R900-million a year. The dispute between the Au-

tomobile Manufacturers' Employers Organisation (Ameo) and workers, represented mainly by the National Union of Metals Workers of SA (Numsa), was declared at the beginning of last month, and referred to the Commission for Consolidation, Mediation and Arbitration (CCMA). If the deadlock is not resolved within 30 days, a legal strike can be called.

In an earlier effort to resolve the dispute, Ameo increased its wage offer in the middle of last month from the 6.5% previously offered to 8% for hourly paid production workers and to 7.5% for artisans in an effort to reach a three-year labour settlement. Ameo's offer included a wage increase linked to the CPI in the second and third years, but in a surprise move Numsa demanded the CPI increase plus 2% in second and third years. Ameo's increase would mean an average basic wage for production employees of R3 065 a month before benefits and overtime.

Ameo asked Numsa for another meeting on Tuesday, but the union said the possibility of resolution was not encouraging. Smith, who is also Ameo chairman, said a national strike would have dramatic consequences for the industry and the economy. "All seven (manufacturers) have or are currently negotiating extensive export contracts. Strike action will impact on over-

seas plants, and certain parts that are produced locally (and exported) could even stop production overseas," he said. "Many thousands of jobs in the industry are now dependent on export orders, and these could be placed at risk."

Describing motor manufacturers as "intransigent" and lacking in management skills, Tony Kgobe, Numsa's national sector co-ordinator, said the mandate from the National Shop Stewards Council after two days of intense discussion was that "workers should embark on full-blown industrial strike action as soon as we receive the certificate from the commissioner."

The union will approach the CCMA on Tuesday for the certificate (for a legal strike) and give employers 48 hours' notice. "We will be on strike on either Thursday or Friday," said Kgobe. The right to strike was entrenched in the Labour Relations Act and the constitution.

In other developments on the labour front, all but two unions in the metal and electrical industries accepted the final settlement negotiated with the Steel and Engineering Industries Federation of SA (Seisa).

Seisa's executive director, Brian Angus, said that the Metal and Electrical Workers Union of SA and the Chemical Workers Industrial Union had yet to accept the terms.

The National Union of Metal Workers' of SA (Numsa), the Steel, Engineering and Allied

workers' Union of SA and the Radio, Television, Electronics and Allied Workers' Union representing about 270 000 workers accepted an increased offer of 7.2% from Seisa.

On Friday, the SA Footplate Staff Association went on strike after its wage negotiations with Metrorail deadlocked. More than a million rail commuters were affected. The matter has been referred to the CCMA.

On Thursday, the dispute between the National Union of Mineworkers and De Beers was resolved, but the SA Commercial, Catering and Allied Workers' Union was threatening a strike at retail group Edgars.

According to industrial relations group Andrew Levy & Associates, in 91.6% of wage negotiations surveyed in the first half of the year no industrial action was taken, and it took 84 days on average to reach agreement.

The survey showed that the average wage settlement in the first half of the year was 9.2% compared with 9.7% in the previous year, with increases ranging from 6% in the municipal sector to 18% in transport.

Initial union demands ranged from 9% to 150%, while employers offers range from zero to 10%. The average minimum wage in the first six months was R1 884.

Andrew Levy said that in the first half of the year, 310 000 man-days were lost to strikes, compared with 260 000 in the same period last year.

Planned motor industry strike could harm

Reneé Grawitzky

A VEHICLE manufacturing sector strike planned for this week by 21 000 members of the National Union of Metalworkers of SA (Numsa) has raised concern that it could jeopardise vehicle export contracts worth billions of rands.

Government and industry leaders warned that export contracts depended on SA manufacturers meeting standards of quality, price and supply reliability. To the extent that the planned strike interrupted export contracts, "it will reflect negatively", the National Association of Automobile Manufacturers of SA said.

Numsa did not believe that the strike would lead to the cancellation of export contracts recently won by Volkswagen (VW) and BMW.

Numsa negotiator Tony Kgohe said the strike — arising out of a wage dispute with the Automobile Manufacturers Employers' Organ-

isation (Ameo) — would affect the seven major manufacturers countrywide from either Thursday or Friday. Whether the strike went ahead, he said, depended on the outcome of a meeting with employers tomorrow.

However, industry sources said the ball was in Numsa's court as employers intended to stand firm on their final offer. The parties have agreed to an 8% increase this year. The dispute centres on the increases for the second and third year of the three-year wage agreement. Numsa is demanding inflation plus 2% — as tyre employers agreed to — while employers are offering an increase equal to inflation.

Ameo said the offer had to be seen against economic conditions. The devaluation of the rand had increased industry costs more than 20% and high interest rates would negatively affect vehicle sales. The industry also faced a tough future with the continued reduction in

tariffs and increased influx of cheaper imports. Numsa said the industry, which made more than R500m profit last year, could afford to meet the union's demand, especially as overall wage costs were less than 8% of total costs.

Kgohe said a strike was intended to hurt manufacturers, whether they were supplying locally or exporting. He did not believe a legitimate industrial relations dispute would lead to the cancellation of the VW contract.

VW said the consequences of a strike would not be as serious now as it would be next year when the company had to produce 60 000 additional cars as part of a R5bn export contract to the UK.

VW human resource director Brian Smith said with any export order suppliers did not want to miss any deadlines. However, "what is more serious is the message we are sending at a time when we are trying to persuade the

international community that SA is a reliable partner".

Johan Cloete, department of trade and industry director for the car assembly and components sector, said strike action was always highly disruptive but especially so with "our international focus in the industry which has no other choice but to look for markets elsewhere in view of the declining domestic market".

Meanwhile, the three-week-old chemical industry strike intensifies today as more than 20 000 members of the Chemical Workers' Industrial Union (CWIU) join the strike.

CWIU, which claimed to have been forced to go on strike by employers' attitudes, said it would call off the strike if employers agreed to a 10.5% wage increase. However, no meetings have been held to avert the strike.

As the strike begins, employers and the union have still not agreed on picketing and

strike rules, with the union claiming that the guidelines proposed by management were aimed at suppressing the strike.

However, the union was optimistic that today's meeting in the plastics and rubber sectors would yield positive results, with employers meeting the workers' demands.

Employers said the intensification of the strike would not have an immediate effect on the supply of critical goods such as petrol, explosives and pharmaceuticals. However, there might be a problem in the delivery of fuel to petrol stations and with the supply of jet fuel.

Meanwhile, Numsa said 2 000 workers planned a wage strike at Samancor's chrome and manganese divisions today.

The union is demanding 10% and the company has offered 8%.

Comment: Page 11

exports

(192)

AD 3/8/98

Car export deals under threat

FRANK NXUMALO
AND ROY COKAYNE

Johannesburg — Major export contracts worth billions of rands could be jeopardised this week if a wage dispute meeting between the National Union of Metalworkers of South Africa (Numsa) and the Automobile Manufacturers Employers' Organisation (Ameo) tomorrow fails to reach a settlement.

More than 21 000 Ameo workers allied to Numsa will go on a national strike on Thursday if the dispute is not resolved. This could upset Volkswagen's R5 billion contract to the UK, Samcor's export order of 55 000 Ford engines and BMW's R900 million leather seats export to Germany.

Strikes are also looming in the motor sector, where Numsa represents 60 000 workers at components plants, vehicle dealerships, fitment centres, panel-

beaters and service stations.

Hosea Morapedi, the motor sector co-ordinator for Numsa, said a stalemate had been reached with the South African Motor Industry Employers' Association (Samiea) last week. The union would be embarking on a 24-hour strike on September 1 this year.

Morapedi said this could become "rolling strike action if there was no change in attitude of employers".

The Motor Industries Staff Association (Misa) and Motor Industries Employers' Union (Mieu), which represented a further 40 000 workers, were also likely to participate in the planned strike action, he said.

Brian Smith, the Ameo chairman, said "National strike action will have dramatic consequences for the industry and the South African economy".

"Unlike in 1994, when we had the first national auto industry

CT (MR) 3/8/98 (192)
strike, all seven OEMs (original equipment manufacturers) now already have or are negotiating extensive export contracts.

"Strike action in South Africa will impact on overseas plants and certain parts produced locally could even stop production overseas.

"Strike action will further strengthen overseas perceptions that South Africa has an inflexible and unstable labour market. Many thousands of jobs in the industry are now dependent on export orders, and these could be placed at risk by strike action," Smith said.

Tony Kgobe, the Numsa auto and tyre sector co-ordinator, said Ameo had requested the meeting with Numsa after a meeting of the chief executives of the motor companies.

Ameo represents BMW, Delta, Mercedes-Benz, Nissan, Samcor, Toyota and Volkswagen.

Motor strike could have interim benefit for trade

ROY COKAYNE

Pretoria — The weakening rand could benefit motor manufacturing workers, who are threatening to go on strike because of a wage dispute, Tony Twine, a motor industry analyst and director of Econometrix, said yesterday.

Thus was because it would make it "horrendously expensive" to displace local assembly with increased completely built up imports, he said.

However, Twine said, the motor industry may also to some extent be relieved if there was a strike because

there had been a build-up of stock during the second quarter of this year.

"But inevitably the manufacturers will run out of fast-moving model lines and be left with a highly unbalanced built-up stock if the strike was to last for any length of time," he said.

Twine was commenting on the impact of more than 21 000 workers at South Africa's seven vehicle manufacturing plants embarking on a strike.

Tony Kgobe, the auto and tyre sector co-ordinator for the National Union of Metalworkers of South Africa (Numsa), said last week workers in the motor

manufacturing industry would embark on "full-blown industrial action" if a meeting today with the Automobile Manufacturing Employers' Organisation (Ameo), which represents the seven local motor manufacturers, did not settle their wage dispute.

Twine said the impact of industrial action depended on how long it lasted.

"In 1994, there was a very extended strike of five weeks as the gap between wage demands and employer offers closed. The strike this year is expected to affect 21 000 workers, or about 60 per cent of the manufacturers' employment,

which means running even small portions of the assembly and distribution operation will be rather difficult."

Twine said the perception of South Africa as a source for exports to other countries would be negatively affected if anything happened to slow down motor manufacturers' export deliveries.

Volkswagen South Africa, for instance, has just started a fourth-generation Golf export programme, worth R5 billion, to the British market.

"It will be kind of difficult to do that when, one month into the programme, you have a strike," he said.

ST (MR) 4/8/98 (192) (192)

Pre-strike talks are intended to negotiate rules for picketing

(192) RD 6/8/98
Renee Grawitzky

VEHICLE manufacturing employers and the National Union of Metalworkers of SA (Numsa) meet at the Commission for Conciliation, Mediation and Arbitration (CCMA) today to try to negotiate picketing rules ahead of the start of Numsa's strike tomorrow.

Employers said the strike was highly irresponsible and would have major implications for the economy. This was acknowledged by the union which said the strike would be costly to the economy, given the industry's strategic position.

The union reacted yesterday to claims there was little popular support for the strike. Numsa negotiator Tony Kgobe said workers were angry with such "dirty tricks aimed at dividing workers. We are united." To illustrate this he said workers at Volkswagen were demanding to know why the strike had not yet started.

Automobile Manufacturers Employers' Organisation chairman Brian Smith said the strike would cost the industry R130m in lost turnover a day and workers would lose R4,2m in wages and benefits.

The strike stems from differences over increases for the second and third year of a three-year wage agreement: Numsa is demanding inflation plus 2% and employers are offering an inflation increase.

Employers said at a meeting on Tuesday they would consider an inflation increase plus an improvement factor if inflation fell below 7%. Smith said "In less than one week of the strike, workers will have lost more than inflation plus 2%."

The strike by Numsa members at Samancor's chrome alloy division enters its fourth day today, with parties negotiating to resolve the wage dispute.

The union is demanding 10% while the company has offered 8%, but there were indications that parties were moving closer to a settlement.

Meanwhile, the SA Commercial Catering and Allied Workers' Union (Saccawu) announced yesterday that it faced major disputes in the retail and catering sector over wages and retrenchments.

Saccawu assistant general secretary Herbert Mkhize said disputes existed over wages with Nando's Chicken and Edgars.

The union was also in dispute with Shoprite Checkers over store closures and unilateral changes in conditions of employment.

Mkhize said: "The labour movement seems to be under attack from employers this year, not only in the retail sector but across the board."

Employers had embarked on a well orchestrated strategy to take an adversarial approach during collective bargaining this year, he said.

Motor industry strike may harm exporting

By Mzwakhe Hlangani
Labour Reporter

SOUTH Africa's seven car manufacturers could suffer heavy losses in sales and export deals if the planned strike by about 21 000 members of the National Union of Metalworkers of SA goes ahead tomorrow

Talks between Numsa and the Automobile Manufacturers Employers Organisation (Ameo) hit another snag yesterday when the employers failed to influence the union to accept its final offer, Numsa spokesman Mr Dumisa Ntuli said

Numsa is demanding a guaranteed consumer price index plus a two per cent improvement factor on wages for

(192) ~~192~~
next year and the year 2000. The union gave employers 48 hours notice in terms of the Labour Relations Act to embark on a legal strike

"The length of the strike will be determined by the employers' seriousness to give an offer that will end the apartheid dominated labour market," said Tony Kgobe, coordinator for the auto and tyre sector

"The employers have the opportunistic behaviour of wanting to impose the terms of negotiations. We are playing a constructive role in reaching agreement and it seems to us that they don't want to find a solution

"They can afford to give better wages because the industry is making a turnover of R30 billion a year and the

issue is not the lack of affordability," Kgobe said

BMW, Nissan, Volkswagen, Delta, Toyota, Mercedes Benz and Samcor automobile assembly plants would be affected by the strike, which could hurt both their R50 billion export deals and car sales, Ntuli said

An agreement had already been reached on an eight percent across-the-board increase and 7,5 percent for artisans

Ameo chairman Mr Brian Smith said the national strike would have dramatic consequences for the industry and the SA economy

It would impact on overseas plants. He said thousands of jobs in the industry were dependent on export orders

Numsa warns on scab jobs

CT (PR) 7/18/98 (192)

FRANK NXUMALO & ROY COKAYNE

Johannesburg — The National Union of Metalworkers of South Africa (Numsa) yesterday warned the Automobile Manufacturing Employers' Organisation (Ameo) against the use of scab labour to alleviate the effects of a national strike, beginning this morning, by more than 21 000 of its members

Employers were concerned that the strike could jeopardise export deals to overseas markets worth more than R5 billion

Dumisa Ntuli, Numsa's national spokesman, said the use of scab labour could only "escalate the situation into a violent conflict"

Numsa said it seriously viewed BMW's "dirty tricks" of issuing individual letters to workers, warning them against

participating in the strike

Ntuli said the Commission for Conciliation, Arbitration and Mediation certificate on the legal status of the strike protected all Numsa members

Brian Smith, the chairman of Ameo, said striking workers would lose R4,2 million a day in wages and other benefits

Smith labelled Tuesday's walk-out of a dispute hearing by Numsa negotiators, despite Ameo tabling a revised wage offer, as "highly irresponsible" He said the strike would have "major social consequences" and serious implications for the economy

"The auto industry draws parts and material from more than 200 local suppliers across a wide variety of industries and generates a turnover of about R130 million per day, or

R31 billion per year," Smith said

"The South African motor manufacturing industry has high turnover but generates very low profits In fact, the industry incurred a loss of R550 million in 1997 and, since then, trading conditions have worsened in 1998 "

Smith said the effect of the strike would be intense in the Eastern Cape, which was highly dependent on the auto industry If the strike became protracted, 10 000 employees at Delta, Volkswagen, Mercedes-Benz and the Samcor engine plant would be affected and at least double this number at Eastern Cape component plants

Smith said it was strange that Numsa was prepared to risk the future of the industry for wage increases 2 percent above the inflation rate in 1999 and 2000

SA vehicle exports accelerate 78%

ROY COKAYNE

Pretoria — Exports of South African-produced vehicles have risen 77,7 percent, or 5 705 units, to 13 048 units in the first six months of this year compared with the same time last year. This is according to figures released by the National Association of Automobile Manufacturers of South Africa (Naamsa).

Nico Vermeulen, the director of Naamsa, said the dramatic depreciation in the rand since the end of April this year would further boost the industry's exports of components and built-up vehicles.

New South African-produced

~~(192)~~ (192)
car exports were the biggest contributor to the increase, rising 183 percent, or 5 580 units, to 8 578 units in the six-month period against 3 048 car units exported in the same period last year.

Light commercial vehicle exports registered a 4,08 percent, or 158 unit, increase from 3 873 in the first-half of last year compared with 4 031 this year. But medium and heavy truck exports dropped 7,8 percent, or 33 units, from 422 units last year to 389 units this year.

Volkswagen SA (VWSA), which last year had the lowest market share for total exports of the seven local manufacturers at 3,2 percent, as jumped into top spot overall.

VWSA, which announced in May this year that it had been awarded a R5 billion contract by Volkswagen in Germany to build 68 000 fourth-generation Golfs for the British market over the next 18 months, exported 3 431 units in the first half of this year.

BMW South Africa, which has also secured major export orders for right-hand drive markets, also increased its exports dramatically from 606 units in the first half of last year to 3 276 units this year, raising its market share from 8,3 percent to 25,1 percent.

Nissan exported a total 1 758 units for a market share of 13,5 percent and was in third place overall.

CT(MR) 7/8/98

Auto industry wage strike costs millions of rands every day

By QUENTIN WRAY

CP 9/8/98

THE AUTO industry strike that started on Friday will cost the industry about R130 million and workers R4,2 million each day it continues.

The problem lies with wage increases in years two and three of the agreement being negotiated.

The Auto Manufacturers Employers' Organisations (Ameo) has offered an eight percent increase this year and increases equal to inflation as determined by the consumer price index (CPI) in 1999 and 2000.

The National Union of Metalworkers of South Africa (Numsa) has accepted this year's increase but wants two percent above CPI in each of the next two years.

Ameo backed down partially in later meetings by offering a deal which would see wage increases higher than inflation being given as long as it fell below seven percent.

Ameo's Brian Smith said Numsa had rejected this "out of hand"

Smith said it was "strange" and "highly irresponsible" of Numsa to "risk the future of the industry and export contracts" for a wage increase of two percent above inflation which would only be enjoyed in two years' time.

He said workers had to "break the culture of expecting wage and salary increases well above the official inflation" if the country was to get its inflation levels under control.

Smith said other benefits would accrue to workers in addition to the guaranteed inflation-linked increases offered by Ameo.

The offer tabled by Ameo also gave workers the opportunity to increase their earning power through skills obtained through multi-skilling

He said the industry had spent "millions of rands on education and training programmes to increase the skills and education levels of

production workers".

Smith said at least 30 000 workers in the Eastern Cape alone would suffer because of the strike

He also criticised the strike decision because "it will have dramatic consequences for the SA motor industry and the South African economy in general".

He said although industry turnovers seemed enormous it had very low profit margins and, in 1997, industry-wide losses had amounted to about R550 million.

Smith said 1998 looked set to worsen. He said the industry was already being squeezed by increasing costs and falling sales.

He said industry costs had been increased by more than 20 percent because of the rand's devaluation

Escalating interest rates had hit motorists' pockets - which would reduce new car sales over the next few months

Smith said given the high profile enjoyed by the seven car manufacturers, the strike would strengthen "overseas perceptions" that South Africa had an inflexible and unstable labour market

Smith said the strike was putting thousands of jobs on the line because the industry was increasingly dependent on export orders.

"This certainly is not a good omen for the planned job summit".

□ Numsa spokesperson Dumisa Ntuli denied reports in the local press this week that workers in the Eastern Cape were against striking

He said "the most militant shop stewards" were from the province and they fully supported the strike

Ntuli has maintained that the union's position is a legitimate one and that employers earned massive profits - none of which have accrued to workers.

He said Numsa would not be swayed by the "employers' propaganda language" and that it was the employer's intransigence that had brought the industry to its knees.

Numsa National
Auto and Tyre

sector's Tony Kgobe said Ameo members had failed to develop human resources in an industry that was "sustainable"

He said training had to offer economic equity in the workplace by improving workers' real incomes and buying power

He said it was a "fallacy" that strike action would scare away investors and said the right to strike was "entrenched in the Constitution and the LRA".

Commenting on the fact that a "no work, no pay" policy would be applied, Kgobe said workers were willing to make a short-term wage sacrifice for a long-term improvement in wages.

He claimed Numsa had tried to settle the dispute with employers but employers had behaved opportunistically and "did not want to find a solution".

Ntuli said Numsa had complied with the Labour Relations Act before striking.

It waited for the go-ahead from the CCMA before it went on strike and had given employers the required 48 hours notice - ECN Weekend Service.

NEWS

Vehicle manufacturers set to lose R650m by Friday

21 000 car workers may end strike soon

CT(PR)13/8/98

(192) (192)

ROY COKAYNE

Pretoria — The strike by more than 21 000 workers at South Africa's seven vehicle manufacturing plants, which started last Friday, had so far cost the industry R390 million in lost turnover, Brian Smith, the chairman of the Automobile Manufacturing Employers' Organisation (Ameo), said yesterday.

The strike is set to continue at least until Friday, which means it will have cost the industry about R650 million in lost turnover.

Smith said the strike was expected to continue for the rest of this week, but it was hoped that a final settlement could be reached on Friday.

"If some finality is reached on Friday, Ameo would hope

that the strike can be ended on Monday," he said.

A meeting between Ameo and the National Union of Metalworkers of South Africa (Numsa), which was being chaired by the Commission for Conciliation, Mediation and Arbitration (CCMA), reconvenes on Friday. The meeting started on Tuesday but was adjourned. Smith said certain proposals had been put forward at the meeting, mainly by the CCMA, on how to resolve the dispute.

"The parties undertook to go away and look at these proposals and come back on Friday fully mandated to discuss them. The parties agreed that they wouldn't publicise these proposals until they had a mandate on them," he said.

Smith added that there had not been any violent incidents

at any of the plants since the start of the strike.

Tony Kgobe, the auto and tyre sector co-ordinator for Numsa, said that the strike was an attempt by the workers to seek dignity in the workplace and to secure workplace democracy.

"There is a lot of hullabaloo about the strike action. The sad truth is that there was no strike action after 1994, but the automobile employers have retrenched 5 000 workers in the past five years."

Agreement has been reached between Numsa and Ameo on an 8 percent across-the-board wage increase this year and 7,5 percent for artisans. But the two sides have deadlocked in trying to set increases for the second and third year of the agreement.

Chemical, car industries and unions resume talks at CCMA

Reneé Grawitzky

SD 14/8/98

EMPLOYERS and trade unions involved in strike action in the chemical and vehicle manufacturing industries are to attend crucial meetings hosted by the Commission for Conciliation, Mediation and Arbitration (CCMA) today.

Chemical employers and the Chemical Workers' Industrial Union (CWIU) agreed to meet today at the CCMA's request.

Sapa reports Stembele Tshwete from the CCMA said yesterday that negotiators from both parties would meet under the guidance of Kaizer Tbedi, whom Tshwete described as one of the CCMA's "most seasoned commissioners". About 47 000 CWIU employees have been on strike since last Monday.

However, the meeting will coincide with a picket by thousands of Sasol employees from Secunda outside the company's head office in Rosebank.

Today's meeting comes after a settlement of 8,5% to 9%, depending on the sector, was reached between employers and the SA Chemical Workers' Union recently.

The CWIU is demanding between 10% and 10,5%, while employers' offers range between 7% and 8,5%.

The National Union of Metalworkers of SA and the Automobile Manufacturers Employers' Organisation resume talks today at the commission.

They are expected to report back on whether a settlement offer proposed by senior commissioner Gavin Hartford earlier this week is acceptable to their constituencies.

Their dispute centres on increases for years two and three of a three-year wage deal.

Meanwhile, the Entertainment, Catering, Commercial and Allied Workers' Union of SA said 1 000 of its members had started a wage strike at CNA stores yesterday. The union wants a R250 across the board increase a month while the company is believed to be offering R190 a month.



ALL PUMPED UP ... petroleum workers on Friday showing their feelings about who gets how much in the industry

ST (BT) 16/8/98 (192)

Deal puts car production back on road

STRIKE MEDIATION
By DON ROBERTSON

MOTOR manufacturers and employee unions reached agreement in principle after an all-day bargaining session on Friday. Normal vehicle production at seven plants is expected to resume on Tuesday.

The agreement was struck at the Commission for Consolidation and Arbitration between unions and the Automobile Manufacturers Employers Organisation (Ameo).

Shop stewards of the National Union of Metalworkers' of SA (Numsa) and the SA Workers Union (Sawu) will take the various resolutions back to mem-

bers for ratification.

A further meeting is scheduled for tomorrow afternoon, which is expected to confirm a new three-year agreement between employers and workers.

The strike, which began Friday a week ago, has cost manufacturers about R650-million in lost production, while workers have forfeited about R21-million in wages.

The strike was sparked by union demands for wages over the three-year period to be

linked to the inflation rate plus two percent in the second and third years.

Motor manufacturers, which are enduring a sharply declining market, initially refused this demand. Brian Smith, chairman of Ameo, was unable to offer any more detail on the agreement.

It was feared that if the strike continued into another week, multi-billion rand export orders, particularly the R5-billion Volkswagen order to supply 68 000 Golfs to the UK, would have been affected. BMW has secured orders for its right-hand drive 3-series cars, and these were in

jeopardy if the strike went on. Petroleum industry talks were expected to go on through the weekend in a strike by some 47 000 workers seeking an increase of 10%, cut from 10.5%. Employers are offering 8.5%.

Union leaders say the wave of strike action across the country shows that workers are running out of patience.

They say there are strong links between the preparedness of workers to strike and the perception that little has changed on the shopfloor since 1994.

● See Business Times
Appointments

Vehicle industry strike resolved

Reneé Grawitzky

~~(192)~~
MORE than 20 000 vehicle manufacturing workers return to work tomorrow following a week-long strike as the chemical industry strike enters its third week

Tony Kgobe, the National Union of Metalworkers of SA's (Numsa's) chief negotiator, said yesterday the union was satisfied that it had achieved what it wanted

Numsa and employers reached an agreement at a meeting with the Commission for Conciliation, Mediation and Arbitration (CCMA) on Friday. They are expected to sign a deal addressing some of the concerns that led

to the strike today

(192)
Chemical employers and the Chemical Workers Industrial Union resume talks tomorrow after the CCMA intervened on Friday to try resolve the strike. Employer spokesman Fanie Ernst said the parties had moved closer and had explored settlement positions, which they had taken back to their constituencies. The commission said it hoped the parties would settle their dispute by the end of the week

Meanwhile, Numsa members are expected to march on Nampak offices in Johannesburg today to highlight their wage demands after disputes were declared during plant level negotiations throughout the organisation

SD 17/8/98

Numsa, car makers reach agreement

By Mzwakhe Hlangani
Labour Reporter

(192)

MOTOR manufacturers and the National Union of Metalworkers of South Africa have finally reached an agreement in the wage dispute which culminated in last week's costly nationwide strike.

Numsa negotiator Tony Kgobe said yesterday both parties had reached agreement in principle in the 11th-hour of negotiations to resolve the strike that is reported to have cost the industry more than R650 million.

A final agreement will be signed today after it has been ratified with union members.

The union had proposed a conditions of employment package that includes innovation in terms of human resources development in narrowing what the union referred to as the "apartheid wage gap" by bringing up the earnings of the workers, said Kgobe.

Workers will resume work tomorrow if finality is reached.

● Progress was reported after a protracted meeting between the National Petroleum Employers' Association and

the Chemical Workers Industrial Union and other unions involved in the chemical industry strike by 47 000 workers, chaired by the Commission for Conciliation, Mediation and Arbitration (CCMA).

Industry spokesman Lutz Kranz said proposals were offered to both parties by the CCMA for consideration.

The terms of the proposals were still confidential. The parties have been allowed to consider their options and will report back to the talks tomorrow.

● A settlement is expected this week in the long-standing public service salary increase dispute between the National Education, Health and Allied Workers Union (Nehawu) and the Government negotiating team.

Nehawu's executive committee has granted its negotiators a mandate to reach a settlement with the Government at their meeting on Wednesday on the R3,475 billion agreed upon by the Government and set aside for salary increases in the public sector, union president Mr Vusi Nhlapo said yesterday.

The Government had agreed to allocate the amount after more than three months of negotiations.

Prices up as motor giants face strike bill

ARG 18/8/98 (192) (192)

ARGUS CORRESPONDENT

Johannesburg - The 11-day motor vehicle workers strike has cost nearly R1-billion in lost turnover, and has been greeted by a flurry of increased prices.

So far new price lists have been issued for Opel, Isuzu, Volvo, Ford, Mazda, Honda and Colt, adding from a few hundred to a few thousand rands to each model

Examples of increased prices are Opel Corsa up from R41 815 to R44 357, Honda Encore from R67 300 to R69 800, Ford Laser from R37 215 to R38 190, Volvo S40 from R135 995 to R139 995 Isuzu KB200 SWB from R68 992 to R72 482 and Colt 2000 SWB from R61 500 to R62 500

Motor vehicle sources forecast that further increases this year were possible to make up for the falling rand

Meanwhile the 21 000 striking motor vehicle workers yesterday agreed to return to work today after signing an agreement fixing wages for three years

The agreement gives an 8% increase for workers and 7,5% for artisans while in the second and third year, workers will get increases based on the consumer price index increase

The strike cast a shadow over export contracts for billions of rands from the seven plants

VW's Matt Gennrich said the company lost turnover of R17-million a day during the

strike, but the industrial action had not greatly affected a R5-billion export deal to supply 68 000 right-hand drive vehicles over the next 18 months

Mr Gennrich said South Africa was known internationally to have a volatile labour force and this strike would further damage the industry's image overseas

BMW's Richard Carter said its overseas markets, such as Australia, Britain and Taiwan, were "terribly sensitive" to the timing of delivery orders and the question of reliability

BMW's factory near Pretoria has secured orders for its right-hand drive 3-series cars. Other main exporters include Toyota and Nissan

Deal will give workers cushioning if inflation reaches low

Reneé Grawitzky

A THREE-year wage deal signed yesterday between the National Union of Metalworkers of SA (Numsa) and the Automobile Manufacturers Employers Organisation (Ameo) will provide workers with some cushioning if inflation falls to very low levels.

The agreement, signed after the intervention of the Commission for Conciliation, Mediation and Arbitration (CCMA), facilitates the full return to work of more

than 20 000 workers today

The dispute, which led to the week-long strike, revolved around differences about increases for the second and third year of the agreement.

Numsa demanded that increases be based on inflation plus 2% while employers offered an inflation increase.

There was speculation that, prior to the strike, some employers explored the possibility of granting some form of guaranteed increase if inflation fell to low levels but this was rejected by the union, in-

dusty sources said

The deal says if inflation is less than or equal to 3,9%, increases will be 5%.

In the event that inflation falls between 4% and 5%, increases will be set at inflation plus 2%. If inflation falls between 5,1% and 6,9%, increases will be 7%. Increases will equal inflation if it is equal to or above 7%.

Numsa chief negotiator Tony Kgobe said "We could have achieved this deal without a strike if only employers would stop being obstinate." The union was sat-

isfied with the deal and would in fact get more than it bargained for if inflation fell below 3,9%, Kgobe said.

Ameo chairman Brian Smith welcomed the agreement and said he hoped that it would provide stability and predictability in wage and employment costs in the industry.

CCMA senior commissioner Gavin Hartford said the agreement was part of a trend of three-year agreements established in 1995. It would provide the basis for a stable industrial relations environ-

ment in which parties could bargain at a plant level for higher skills and greater performance rewards to enhance productivity and job security.

Meanwhile, the chemical industry strike by thousands of members of the Chemical Workers Industrial Union has entered its third week, with uncertainty about whether the strike will be resolved by the end of the week.

The parties are expected to resume today negotiations which were convened by the commission.



National Union of Metalworkers of SA's chief negotiator Tony Kgobe, left, together with Commission for Conciliation, Mediation and Arbitration senior commissioner Gavin Hartford and Automobile Manufacturers Employers' Organisation chairman Brian Smith at the signing of the wage agreement yesterday. Picture ROBERT BOTHA

Levels

NEWS BRIEFING

Car makers warm up their motors as (192) Numsa members call off their strike (192)

Pretoria — More than 20 000 members of the National Union of Metalworkers of South Africa (Numsa) would return to work at all seven South African vehicle manufacturing plants today, Brian Smith, the chairman of the Automobile Manufacturers Employers Organisation (Ameo), said yesterday.

The Ameo's auto and tyre sector co-ordinator for Numsa, confirmed that another three-year agreement had been signed and workers would return to work. The agreement is an integrated package which aims to overcome the legacy of apartheid wage differentials and improve pay for workers," he said.

The 1988 strike which cost the industry R780 million in turnover, follows an agreement in principle reached between Ameo and Numsa at a meeting convened last week by the Commission for Conciliation, Mediation and Arbitration — Roy Cokayne

Car industry faces new strike

(197) (~~197~~) ARG 21/8/98

Johannesburg - Just two days after ending a six-day strike at South Africa's seven car factories, the industry's main union said it plans to down tools again on September 1.

The National Union of Metal Workers of SA (Numsa) yesterday said the new strike by about 60 000 workers would be in the motor sector, which groups workers from spares shops, car dealerships, component manufacturers, service workshops and filling stations

The new action will exempt the seven motor manufacturers, who settled their dispute with Numsa earlier this week. During that dispute, 21 000 workers downed tools.

"We are planning another strike on September 1 which will be like the one we've just had recently. The strike will involve the motor sector and the issue is

about wages," Dumisa Ntuli, a Numsa spokesman, said.

Industry sources said Numsa's wage agreements in the motor sector expired on September 1, making another crippling strike a possibility.

Employers in the motor sector are represented by the Motor Industries Federation, which was not immediately available for comment.

The previous strike had cost the vehicle manufacturing industry an estimated R780-million in lost turnover, industry spokesman Brian Smith said.

The strike also cast a shadow over vehicle export contracts for billions of rands, but Mr Smith said the contracts were "still in line".

Volkswagen SA has secured a R5-billion UK order over the next 18 months, and BMW South Africa has signed export deals for its 3-series cars - Reuters

Mediation gets motor trade back on the road

(192) ST(BT) 23/8/98

Commission for Conciliation, Mediation and Arbitration official SITHEMBELE TSHWETE explains how a deal was forged between workers and employers in the motor industry

THE Commission for Conciliation, Mediation and Arbitration, set up in 1996 to resolve industrial disputes and limit strikes, plays a role hidden from the public eye

Often the public mind is crafted by media stories which focus on the issues in dispute and the costs to the employee and employer of industrial action. The reports often include emotive statements in defence of one or other position

Seldom is the public made aware of the intricate processes that preceded the declaration of the dispute, the process employed during the course of the dispute and the effect of these on the final outcome of the dispute. This article aims to fill in the gaps

In bringing together what are often highly antagonistic parties in an emotionally charged public battle, a long and protracted process is involved — often one in which the CCMA is required to intervene to end disputes quickly

In settling the automobile manufacturing industry dispute this week, the CCMA used the full ambit of the Labour Relations Act (LRA)

The commission's intervention began when Thandi Or-

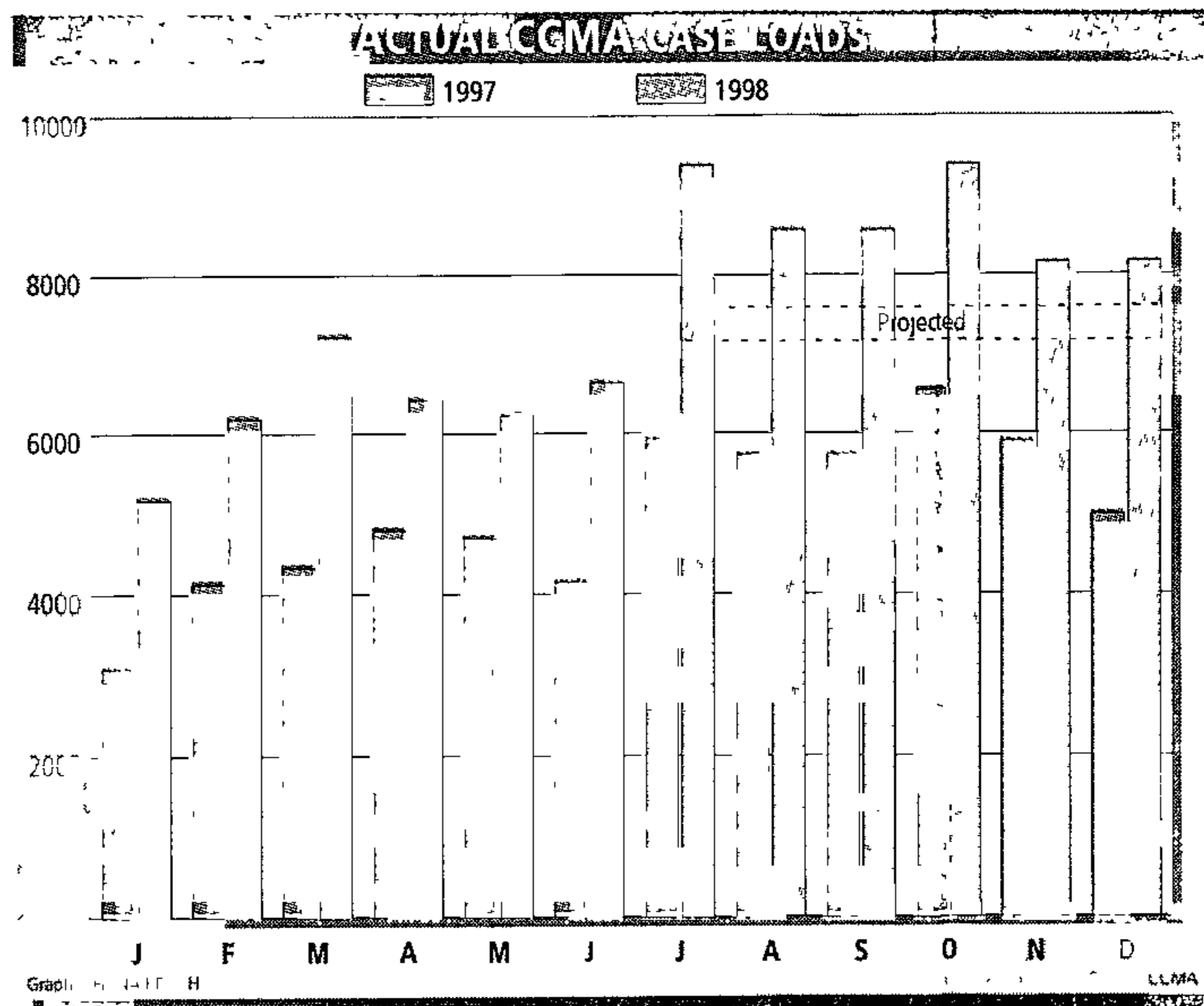
leyn, director of the CCMA, was approached to ask senior commissioner Gavin Hartford to act as chairman and facilitate negotiations in the plenary meetings of the industry's national bargaining forum, long before any dispute was declared

Hartford and fellow commissioner Humphrey Ndaba chaired the national bargaining forum and subcommittee negotiations to help identify the core issues and facilitate an agreement where possible

Until a formal dispute is declared, parties may struggle to understand each other's needs

Facilitating negotiations is not a passive process of setting and running the order of the meeting. It involves identifying issues in dispute, clarifying issues in agreement, solving dispute areas by proposing a range of solutions, and creating and sustaining a climate in which the real needs of the parties are brought to the fore

During this facilitated process, a number of key substantive disagreements between the parties were resolved. These include how to populate the various skill levels above artisan, and the benchmark rate for a qualified artisan, which sets the framework for



the qualified rates at all levels in the wage model for the industry

Despite the progress made, the parties remained in dispute on a range of issues. This led to the formal declaration of a statutory dispute and the start of a conciliation process under the LRA

Conciliation is a compulsory process, arising from the formal declaration of a dispute by either party, through which the parties engage a commissioner to resolve the dispute

During this process the commissioner may shuttle between the parties, explaining their various positions, and the needs and interests which inform these positions, seeking to find common ground on which to build an agreement

While the statutory conciliation resulted in the settlement of the benchmark rate and pay adjustment for the first year of the agreement, the parties failed to agree on the adjustment for years two and three of the agreement

Accordingly, the unions gave notice of an intention to

strike while employers gave notice of their requirement to have agreed picketing rules

Within 48 hours of these formal notifications being given to the CCMA, the commissioners started talks between the parties on picketing rules. These were successful and by day two of what turned out to be a six-day strike, picketing rules were in place to ensure orderly conduct

Even if the parties had not agreed on the substantive issues of the dispute, they did agree it would be conducted in an orderly manner

While the industrial action was under way, the commissioners began to assess whether the time was ripe for an intervention to restart the conciliation process. Both employers and the unions willingly agreed to this and conciliation recommenced a mere three days into the strike

After a hard day of bargaining, where neither of the principal parties were prepared to budge from their final positions, the CCMA took the initiative and proposed a settle-

ment deal covering all the substantive issues in dispute

The parties agreed to take the settlement proposal of the CCMA back to their constituencies for mandates and return to the negotiating table two days later. Upon their return, it became clear that the broad architecture of the CCMA-proposed settlement had been accepted. However, two substantive issues remained in dispute

After a further day of hard bargaining, the parties resolved the outstanding issues and reached a point where a settlement agreement was endorsed by the negotiators

All that remained was for the principals to endorse the agreement before a final signing ceremony. By the close of business on the next ordinary working day, the parties had been authorised to sign a deal. The strike was settled

Innovative thinking from the commissioners guided the process through to a settlement

This exercise is a very good precedent in the world of dispute resolution

Motor industry faces crippling national strike

(197)
Pearl Sebolag

BD 24/8/98
THE motor industry faces a crippling action that could cost the sector millions and possibly jeopardise export contracts when the National Union of Metalworkers of SA (Numsa) launches a protected national strike on September 1.

The union said at the weekend the strike would involve about 220 000 workers and include not only the motor sector, but also the engineering and car sectors, which recently suffered a week-long strike.

Numsa spokesman Dumisa Ntuli said his union expected a flood of interdicts from companies with which it had no customer relations and opposition from the motor sector. The union was prepared for this eventuality and would deal with it, he said.

The decision to launch the strike followed a breakdown in wage negotiations with employer organisations on August 17 when the union rejected the employers' offer of a 4,5% wage increase based on minimum wages. Numsa is demanding inflation rate-related increases ranging from 12% to 18%.

Motor Industries Federation spokesman Vic Fourie said it was impossible to negotiate with unions on actual wage increases because of the diversity and size of the industry. There were 18 300 different employer establishments who employed 170 000 workers. Fourie criticised the union for failing to engage employers on the 4,5% increase on minimums, which he said was an opening bid.

He said the federation would do everything in its power to persuade Numsa not to pursue the strike, which could lead to job losses, but go back to the negotiating table.

Numsa deputy general secretary Peter Dantjie criticised employers for refusing to submit to voluntary arbitration. Most affected, he said, would be the motor sector with about 60 000 workers participating.

"If there is progress in negotiations, Numsa will be in a position to respond favourably and suspend the secondary industrial action in the engineering, tyre and automobile sectors," Numsa motor sector co-ordinator Hosea Morapedi said.

Numsa's other demands include an end to plant-level negotiations, the scrapping of area differentials and an end to the use of labour brokers without prior consultations.

LABOUR 220 000 Numsa members threaten to down tools in sympathy strike

Billion-rand exports in jeopardy

(192) CT(MR) 24/8/98

FRANK NXUMALO
AND ROY COKAYNE

Johannesburg — Car and steel export contracts worth billions of rands are again in jeopardy following a weekend threat by the National Union of Metal workers of South Africa (Numsa) to take its entire 220 000-strong membership out on a sympathy strike

Peter Dantjie, Numsa's deputy general secretary, said the strike in support of the union's demands in the motor components sector would be protracted

He said all legal groundwork had been prepared for the sympathy strike, the first of its kind under new labour legislation. It would take "at least three weeks" before a settlement could be found, he said

If the action goes ahead, the effects will be felt in all related fields in which Numsa is organised — car and tool making, steel manufacturing and die casting

It will again jeopardise car export contracts such as Volkswagen's R5 billion deal with the UK and the R7.9 billion Saldanha Steel project, which has been disrupted severely by previous industrial action

The car and steel sectors have already settled their wage negotiations with Numsa for this year. Ameo lost an estimated R780 million in turnover during a six-day strike this month

Numsa is targeting the company again because it believes it is encouraging the motor component sector to be "intransigent" in its talks with Numsa

"The automobile sector is not clean, they are putting pressure on the component sector to keep prices low and that is why the sector is arrogant in keeping wages and conditions of employment low," said Mthuzeli Tom, Numsa's president



IN DISPUTE Peter Dantjie, Numsa's deputy general secretary (left), and Vic Fourie, Samuea's spokesman. Numsa wants to negotiate at a central bargaining level on actual wages only, while Samuea insists on a minimum wage model for the diversified sector

PHOTO JOHN WOODROOF

"The auto sector is responsible for their intransigence"

Ameo was consulting its members over the weekend and was not available for comment

The component sector's dispute with the South African Motor Industry Employers' Association (Samuea) dates back to last year and relates to a disagreement on a wage model for the sector

The strike will be the first in the sector in 51 years

Numsa wanted to negotiate at central bargaining level and on actual wages only. But

Samuea insisted on a wage model of minimum wage negotiations at central bargaining level and actual wage negotiations at plant level

The current bargaining council agreement expires on August 31, the eve of the strike deadline

Vic Fourie, Samuea's spokesman, said the association was "standing fast on the present (minimum wages) negotiation structures" because of the diversified nature of the industry in terms of its composition, size and location

"It is impossible to negotiate actual wages that will suit all establishments," Fourie said

"That is why we negotiate with trade unions on minimum wages and allow employees to negotiate actual wage levels around and above the minimum wages determined at the central level

"But the industry is the same as the engineering industry, where the size of companies range from large to small. We're not buying into the motor industry employers' argument"

Hosea Morapedi, Numsa's

motor-sector co-ordinator, said "Most employers paid far above the minimum wage level (R129 a week) and a wage increase on minimums simply meant a wage freeze for these employees"

Numsa rejected the employers' wage increase offer of 4.5 percent on minimums and accused them of refusing to participate in an advisory arbitration meeting aimed at resolving the impasse

The strike will affect 18 300 companies that jointly employ 175 000 people in the motor component sector



Post Office chairman and acting managing director Max Malsela (centre) shows off the art-work of the new self-adhesive South African postal stamp at the Kruger National Park last week. These stamps, with pressure-sensitive gum, are pulled off a waxed strip and do not have to be licked.

PIC PAT SEBOKO

Numsa taking aim at the local motor industry

By Mzwakhe Hlangani
Labour Reporter

THE National Union of Metalworkers of SA (Numsa) is bracing itself for another major battle with motor manufacturers this week as an estimated 220 000 workers prepare to down tools in support of wage increase demands.

Numsa's chief negotiator, Hosea Morapedi, said this weekend the planned action on September 1 would affect companies like Gabriel, Dorbyl, Bosal, petrol stations and service workshops.

SA Motor Industry Employers Association (Sameia) and Numsa have so far failed to resolve the dispute with

employers reportedly rejecting an arbitration meeting to try and resolve the impasse.

Morapedi said all avenues had been exhausted in a bid to improve the wages and conditions of workers and bring them in line with the rest of the metal industry.

Numsa's demands range from 12 to 18 percent increases in actual rates of pay.

These include a guaranteed inflation rate increase in respect to higher paid workers.

The employer body refuses to move from its final 4,5 percent offer.

Numsa president Mthuthuzeli Tom said the union had tried to play a con-

structive role in changing the minds of the motor employers, but to no avail.

"Instead, they use legal manoeuvres to postpone our fight for real wage increases," he said.

High on the list of Numsa demands is an end to plant-level negotiations and for every company to join the main industry negotiations.

The demands also stipulate that petrol tenants should receive a nightshift allowance of 15 percent and that job outsourcing must be negotiated with the union beforehand.

A Sameia spokesperson said that the management teams of the targeted companies were aware of the planned strike action.

(192)
Sowetan 24/8/98

Sympathy strike threat shocks bosses

Pearl Sebolao and Reneé Grawitzky

THE National Association of Automobile Manufacturers (Naamsa) is considering asking government to intervene in the planned strike by 220 000 National Union of Metalworkers of SA (Numsa) members in sympathy with motor industry strikers

Numsa said at the weekend it would pull out members in all its sectors in support of the strike in the motor sector, due to start on September 1. The

sector includes filling stations, panel-beating and spares shops, car dealers and component manufacturers.

Naamsa said it was shocked at Numsa's decision to target sectors which had no control over negotiations in the motor sector.

Naamsa would consider approaching government to discuss the issue, as such a strike would lead to job losses and undermine investor confidence

Employers have offered a 4,5% increase on minimum levels.

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BO 25/8/98

Ameo questions legality of new strike

ROY COKAYNE AND
FRANK NXUMALO

Pretoria — The Automobile Manufacturing Employers' Organisation (Ameo), which represents the seven local vehicle manufacturers, was investigating the legality of the threatened secondary strike by the National Union of Metalworkers of South Africa (Numsa), Brian Smith, Ameo's chairman, said yesterday

"The strike will be an absolute disaster for the motor manufacturing industry, coming on top of our own six-day strike, and will result in major consequences for the industry in terms of jobs and exports," Smith said

"We feel we can bring no influence to bear on negotiations between the South African Motor Industry Employers' As-

et (BR) 15/8/98
society (Samiea) and Numsa "

Numsa called the strike from September 1 after the breakdown of wage talks with Samiea

The Steel and Engineering Industry Federation of South Africa (Seifsa) said yesterday it too was considering its options

While it thought the planned national strike in the steel and car industry by more than 220 000 Numsa workers was "generally a protected strike", it had advised its membership to examine whether it was "reasonable"

David Carsons, Seifsa's industrial relations director, said this meant members had to examine their relations with the motor component sector to determine whether there was a need to challenge the Numsa action

Dumisa Ntuli, Numsa's spokesman, said the union was

(192) (192)
expecting "a flood of court interdicts" following the procedural notification

Smith said "While a secondary strike can be permitted in terms of the Labour Relations Act, it is absolutely ridiculous because we don't believe we can exert any pressure on Samiea, who have over 18 000 individual members"

Mark Roberts, the chapter three representative in Samiea, said it had complied with the issue that was in dispute with Numsa. It had been negotiating with Numsa on actual wages at plant level and there was recognition and a willingness from Numsa and the chapter to negotiate on actual wages at national level from next year

But he said this was subject to the terms of such a dispensation being worked out between the two

Average employment in car sector drops 9%

(192) CT (MR) 25/8/98
ROY GOKAYNE

Pretoria — Average monthly employment in the motor manufacturing industry declined by 9,3 percent in the second quarter of this year compared with the monthly average last year, according to the latest quarterly review by the National Association of Automobile Manufacturers of South Africa (Naamsa) released yesterday

Nico Vermeulen, director of Naamsa, said employment declined by 3 percent during the second quarter of this year against the first quarter

The lower employment was in line with the lower utilisation of production capacity and decline in sales, he said

Vermeulen said with the exception of the medium and heavy commercial vehicle manufacturing segment, average capacity utilisation during the second

quarter of this year "continued to move sharply lower"

He said combined commercial vehicle sales during the second quarter of this year showed a decline of 17,9 percent compared to the corresponding quarter last year

"Trading conditions remained depressed as a result of a further slowdown in economic activity levels, continued pressure on disposable income and lower (confidence) levels," Vermeulen said

However, he added "the depressed conditions in the domestic market continued to be counterbalanced by the industry's growing export business of built-up vehicles and components"

Vermeulen said total new vehicle exports last year reached 19 569 units but aggregate exports this year should total 32 500 vehicles

Metalworkers' union is urged to abandon

Reneé Grawitzky and Pearl Sebolao

THE Automobile Manufacturers Employers Organisation (Ameo) put pressure yesterday on the National Union of Metalworkers of SA (Numsa) to either withdraw its threatened secondary strike in the vehicle manufacturing industry or face court action.

The union has been given until this morning to withdraw plans for such action — which could affect employers in metal, tyre and vehicle manufacturing — or face an interdict from Ameo.

Numsa called for the action, set to start on Monday, in support of a primary strike in the motor sector which will affect filling stations, panelbeating shops and auto-component manufacturers.

It is unclear whether the action will extend beyond one day as the union said last month it would be a one-day strike on September 1 but later implied that it could be indefinite.

Ameo said the secondary strike would be unprocedural and unlawful in terms of the Labour Relations Act.

The union's notice was premature as the primary strike had not started. It

would be impossible for the secondary strike not to directly or indirectly affect thousands of employers in the motor industry bargaining council by forcing them to comply with union demands.

Numsa spokesman Dumisa Ntshu confirmed that Ameo had threatened to interdict the union.

Employers had to prove, in line with the act, no customer relationship existed between vehicle manufacturing and the motor sector before the union could consider withdrawing the secondary action.

Meanwhile, there is still no official end in sight to the four-week old strike by

thousands of Chemical Worker Industrial Union members in the petroleum and industrial chemicals sectors.

Although workers have returned to work in the remaining five sectors, industry sources indicated that workers had also begun to return to work in the two sectors where final agreements have not been reached. This was partly due to some confusion about the return to work date.

The SA Municipal Workers' Union blocked the entrances to the Johannesburg Fresh Produce Market yesterday in protest against the alleged assault of one of its members.

26/8/98

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strike

At the same time, the SA Commercial Catering and Allied Workers' Union (Saccawu) will today challenge a lock-out in-H

stituted by Stuttafords against its members in the Labour Court.

The lockout, instituted by the company last Thursday, followed a wage dispute between management and the union.

Saccawu spokesman Siphwe Nikiwe said the union was challenging the lockout on the grounds that the company did not follow proper procedures. Management had failed to serve the required 48-hour notice to the union. Instead notices were given to shopstewards, Nikiwe said.

Ameo in court bid to halt strike

(192) (152)

ROY. COKAYNE

ETC (BE) 27/8/98
Pretoria — The Automobile Manufacturing Employers' Organisation (Ameo) would apply to the labour court on Monday for an interdict to prevent the sympathy strike by the National Union of Metalworkers of South Africa (Numsa), Brian Smith, the chairman of Ameo, said yesterday

Dumisa Ntuli, a spokesman for Numsa, said the union would "definitely defend the application for an interdict" against Numsa

Smith said Ameo's urgent application followed Numsa's failure to withdraw its notice of a secondary strike by yesterday morning, as demanded by the vehicle manufacturers.

"Ameo contends that the secondary strike threatened by Numsa is unreasonable and unlawful in terms of the Labour Relations Act," he said.

Numsa notified Ameo on Friday that the union planned to embark on a secondary strike from September 1 this year

Ntuli said Numsa's defence was based on the fact that it wanted Ameo to prove there was no customer relationship with the motor sector

"Some motor sector companies supply components to the auto sector," he said.

"Ameo also wrote a letter to Numsa stating that in terms of the Labour Relations Act, Numsa was not supposed to issue notice of a secondary strike prior to the commencement of the primary strike. Ameo must also prove that."

He said there had been no negotiations with the South African Motor Industry Employers' Association (Samiea)

MOTOR INDUSTRY

ATLANTIS' LAST REV

Sees a future in components

Atlantis Diesel Engines (ADE), which plans to stop building truck engines, is preparing to go out with a flourish

Toyota Trucks has awarded ADE a R70m order for more than 2 000 new engines Mercedes-Benz of SA and Bell Equipment want another 1 500 In all, ADE has engine orders worth about R122m

The engines will be fitted into manufacturers' new vehicles for up to another two years In order to run the engine assembly plant at economic levels, however, ADE will build all the engines before the end of 1998 MD Ron Shires says the plant needs at least 800 a month

Once the last engines are built, Shires says, the engine plant will be mothballed until mid-1999 in case of unexpected demand If it remains unused, the equipment will be scrapped He says ADE's future lies in motor components, particularly those built in the foundry "We are going great guns there If I could find another 50% capacity, I could sell the product tomorrow"

By the end of next year, protection against imported engines will be down to 20% — far below the level at which ADE, with limited local demand, can compete with mass-produced imports Some truck manufacturers have already switched to engines produced by overseas principals

After fulfilling its final orders for Toyota, Mercedes and Bell, ADE will store the engines at Atlantis Up to the end of 1999, the truck companies will draw on this stock to meet market demand At the end of next year, they will collect the remaining engines and store them on their own premises

Henk Maree, director of Toyota Trucks, says ADE has guaranteed to continue supplying parts for its engines until at least 2010 He says many transport companies want to continue using ADE engines because they are familiar with the product

Other manufacturers report similar regret among their customers that the ADE product is disappearing

Shires welcomes the sentiment but adds that the SA truck market doesn't offer the volumes needed for ADE to continue economic engine assembly

David Furlonger

JULY VEHICLE SALES

Manufacturer	Cars	Number of sales	Total sales	% of total car market	
VW	CitiGolf	1 743	5 335	25,3	
	Polo Classic	1 207			
	Playa	845			
	Golf/Jetta	936			
	Audi A4	541			
	A6	61			
	A8	2			
	Corolla	2 112			5 207
Conquest	2 324				
Camry	361				
RAV4	54				
Lexus	49				
Landcruiser	109				
Prado	198				
Tracer/Midge	1 547	3 031	14,4		
Fiesta/Soho	455				
Telstar/626	16				
Ford Escort	337				
Falcon	87				
Mondeo	230				
Explorer	7				
Mazda Etude	159				
Pajero	169	1 836	8,7		
Spacegear	4				
Jaguar	20				
C-Class	590				
E-Class	189				
S-Class	4				
SLS	5				
SLK	12				
CLK	2	1 817	8,6		
Honda Ballade	883				
Odyssey	19				
Prelude	14				
CR-V	118				
Astra/Kadett	670				
Corsa	963				
Saab	25				
Suzuki	25	1 328	6,3		
Frontier	134				
3-Series	1 046				
5 Series	231				
7-Series	51				
Sentra/Sabre	681				
Maxima	70				
Sani	79				
Patrol	25	855	4,1		
Cielo	83				
Espero	150				
Lanos	196				
Nubira	151				
Uno	466				
Alfa	19				
Discovery	123			384	1,8
Defender	69				
Range Rover	11				
Freelander	181				
Jeep	92				
Neon	9				
Voyager	49				
306	27	150	0,7		
406	26				
806	2				
Impreza	13				
Legacy	6				
Forester	16				
				35	0,2
July		1998	1997	% change	
Jan-July		21 098	21 994	-4,1	
June (18 474) to July		129 635	144 446	-10,3	
				+14,2	

LIGHT COMMERCIALS

	Number of sales	% of market	
Toyota	3 037	31,2	
Delta	2 214	22,8	
Samcor	1 866	19,2	
Nissan	1 547	15,9	
VW	509	5,2	
M-Benz	337	3,5	
Land Rover	132	1,4	
Fiat	83	0,9	
AAAD	3	0,0	
	1998	1997	% change
July	9 728	12 260	-20,7
Jan-Jul	60 354	69 336	-12,9
Jun (8 489) to Jul			+14,6

MEDIUM COMMERCIALS

	Number of sales	% of market	
M-Benz	145	30,2	
Toyota	140	29,2	
Delta	71	14,8	
Nissan	61	12,7	
Iveco	37	7,7	
Samcor	26	5,4	
	1998	1997	% change
July	450	532	-9,8
Jan-Jul	3 156	3 313	-4,7
Jun (524) to Jul			-8,4

HEAVY COMMERCIALS

	Number of sales	% of market	
M-Benz	195	33,0	
Tyco	93	15,7	
Delta	66	11,2	
MAN	61	10,3	
Toyota	52	8,8	
Nissan	50	8,5	
Freightliner	30	5,1	
Scania	28	4,7	
ERF	8	1,4	
Iveco	8	1,4	
	1998	1997	% change
July	591	646	-8,5
Jan-Jul	3 836	4 149	-7,5
Jun (589) to Jul			+0,3

TOTAL VEHICLE SALES

	Number of sales	% of market	
Toyota	8 436	26,4	
VW	5 844	18,3	
Samcor	4 923	15,4	
Delta	4 168	13,1	
Nissan	2 513	7,9	
M-Benz	2 513	7,9	
BMW	1 328	4,2	
Other	2 172	6,8	
	1998	1997	% change
July	31 897	35 423	-10,0
Jan-Jul	197 011	211 244	-6,7
Jun (28 076) to Jul			+13,6

SOURCE NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SA

Sympathy strike goes ahead today

Labour court rules for Numsa

ET (MR) 1/9/98

(192) (192)

**FRANK NXUMALO AND
ROY COKAYNE**

Johannesburg — The National Union of Metalworkers of South Africa (Numsa) is set to take its 220 000 members out on the country's first one-day, sympathy strike today after the labour court yesterday rejected employers' urgent interdicts opposing the action.

Workers from the automobile and engineering sectors will be striking in sympathy with their colleagues in the motor components sector, who will be embarking on an concurrent primary strike over wage demands and an acceptable wage model.

The court rejected the interdicts by the Tyre Manufacturers Employers' Association and the Automobile Manufacturers Employers' Organisation (Ameo) against the sympathy strike, saying Numsa had not been given time to respond.

Dumisa Ntuli, the Numsa spokesman, said the union "viewed it (the court's ruling) as a major victory for Numsa on a major battle tomorrow with the South African Motor Industry Employers' Association (Samea)

"We believe the unsuccessful attempt by Ameo is the first of its kind under the new Labour Relations Act, and was a good precedent for the ability of the law to allow workers in one trade union to strike in sympathy with members in other oppressed companies or sectors," Ntuli said.

However, the nationwide strike could be a crippling blow to the car industry, which has just emerged from a six-day strike with the same union.

This cost an estimated R780 million in lost production and threatened to hobble vehicle export contracts valued at billions of rands to the UK and Germany markets.

South Africa's seven vehicle manufacturing plants were planning normal production today despite the secondary strike, Brian Smith, the chairperson of Ameo, said yesterday.

Smith said indications from the seven plants were that support for Numsa's one-day strike would be limited.

He said the labour court indicated it was not prepared to entertain the application by Ameo as Numsa had not had sufficient time to consider its position regarding Ameo's application.

"However, the court held that Ameo could bring the application on the same papers on September 2, which would give Numsa sufficient time to consider the matter.

"The labour court did not consider the question as to whether or not the secondary strike was lawful," he said.

Smith said Ameo would make a final decision on whether it planned to bring the application on Wednesday depending on developing events at the seven plants today.

Ameo believed the secondary strike was unreasonable and unlawful, Smith said.

Reuters reports Matthys Strauss, an economist at the South African Chamber of Commerce, said investor confidence in emerging markets was already shaken and the sympathy strike was like "adding salt to the wound".

200 000 strike claim – but car production ‘normal’

(192) ARG 11/9/98
Johannesburg – More than 200 000 motor vehicle workers have gone on strike today, the National Union of Metal Workers of SA has claimed.

But this has been denied by the Automobile Manufacturers' Employers' Organisation, which says production is normal today.

Union members in the motor vehicle industry had ignored Numsa's call for secondary strike action, Ameo said.

Production had begun as usual at all seven vehicle plants today, said Ameo chairman Brian Smith.

He said Ameo had advised Numsa that should the union plan further secondary strike action beyond the one-day action planned for today, it would be required to give renewal notice of seven days,

as required by the Labour Relations Act.

Meanwhile, Numsa spokesman Dumisa Ntuli said 90% of motor vehicle industry workers were staging a 24-hour strike, in support of wage demands by about 60 000 workers in motor spares shops, car dealerships, component makers, service workshops and filling stations.

Meanwhile 3 000 SA Airways ground workers have walked out on an indefinite strike after rejecting an 8,5% wage offer.

The striking members of the SA Railways and Harbours Workers' Union, who want a 12% increase, comprise about a third of the airline's unionised staff. But all flights were reportedly running as scheduled – Staff Reporter and Reuters

Unions rally in motor sector strike

BD1/9/98

(192)

René Grawitzky

THOUSANDS of workers in metal and engineering, vehicle manufacturing and tyre sectors embark on a one-day sympathy strike today to coincide with an "indefinite" wage strike in the motor sector that could hamper service at filling stations.

The wage strike by thousands of workers in the motor sector will involve petrol attendants, panel beaters, and workers in spare parts shops and auto-component manufacturers.

The National Union of Metalworkers of SA's (Numsa's) call for the first national sympathy, or secondary, strike in terms of the new Labour Relations Act has led to fierce employer opposition. There has also been speculation that workers in some sectors might ignore the call.

The Automobile Manufacturing Employers' Organisation (Ameo) and the Tyre Manufacturers Employers' Association failed in their attempts to interdict the sympathy strike in the Labour Court yesterday.

The Labour Court rejected the

interdict applications lodged by Ameo and the tyre employers on the grounds that both parties had failed to give Numsa proper notice in terms of the Labour Relations Act

The act provides that if an employer is given 10 days' notice of an impending strike, the union should be granted five days' notice of the employer's intention to apply for an interdict.

The court found that the organisations had failed to comply with the provision and rejected the applications without considering the cases' merits.

Ameo argued in its affidavit that manufacturers had direct dealings with only a small number of the 18 000 employers covered by the Motor Industry Bargaining Council.

It was wrong to suggest that the organisation could influence these employers and, therefore, the secondary strike was unreasonable.

The counter-argument was that it was unnecessary to establish a relationship with every employer as the primary strike was against all motor sector employers covered by the council.

Call on Numsa to 'stop power play'

(192)
sowetan 2/9/98

By Mzwakhe Hlangani
Labour Reporter

THE strife-torn motor industry yesterday offered an olive branch to the 220 000-strong National Union of Metalworkers of SA to come back to the negotiating forum and settle as workers took to the streets nationwide in support of a one-day Numsa solidarity strike.

After addressing a large crowd outside the employers' offices in Surrey Avenue, Randburg, Johannesburg, SA Motor Industries Employers Association (Samiea) chief executive officer Vic Fourie appealed to Numsa members to stop 'the power play' and come back to the negotiating table so that employers could make a move in a bid to resolve the wage dispute.

"We do not believe we will settle the dispute on the streets. I have asked Numsa in person in correspondence, through the media and during this march outside our offices to come back so that we can consider various models to try and settle this dispute," he said.

Other Numsa marches were held in KwaZulu Natal, Withank, Bloemfontein, Pretoria and Pietersburg where memorandums supporting wage demands in the industry were presented at the regional offices of Samiea.

Numsa spokesman Dumisa Ntuli said the strike was almost 100 percent supported in Cape Town, Bloemfontein, Gauteng western regions, the Vaal Triangle and Mpumalanga despite minor confusion as to whether the strike was protected or not in Port Elizabeth.

This came after Numsa successfully challenged the automobile manufacturers' employers organisation's court interdict contesting the legality of the union's secondary strike in the Labour Court on Monday.

Solidarity strike

The union decided to embark on a solidarity strike to demand that the motor industry reconsider its minimum wage offer of 4,5 percent and raise it to be in line with the metal industry.

Numsa motor sector negotiator Hosea Morapedi described Fourie's negotiating style as "paternalistic and reflecting the views of the minority" instead of the industry as a whole against both domestic and global socio-economic challenges.

The union's key demands include wage minimum increases ranging from 12 to 18 percent and that petrol pump attendants receive a night-shift allowance of 15 percent.

● A strike by 3 500 members of the SA Transport and Allied Workers' Union (Satawu) yesterday caused minor delays to five SA Airways flights, reports Sapa.

SAA chief executive Coleman Andrews said last night that services were running smoothly and disruptions had been kept to a minimum. He said workers not on strike were working hard to ensure there was minimum inconvenience to passengers.

"On Tuesday, five flights were delayed the longest for 20 minutes.

"The remainder of our 129 flights operated without delay," he said.

He said over 1 000 Satawu members returned to work yesterday.

Effect of motor sector strike not serious —

René Grawitzky

MOTOR industry employers claimed it was "business as usual" yesterday as thousands of National Union of Metalworkers of SA (Numsa) members embarked on a wage strike to force employers to agree to negotiate on actual rather than minimum rates of pay.

At the same time, it seemed there was a mixed response to the one-day sympathy strike by workers in metal and engineering, ve-

hicle and tyre-making sectors

Production at Volkswagen, Nissan and Mercedes Benz was affected by the strike while a number of tyre and auto component manufacturers were affected.

Brian Smith, chairman of the Automobile Manufacturing Employers' Organisation, said work at Volkswagen's plant in the Eastern Cape started normally, but a large group of workers stopped working after shop stewards advised them workers at all other

plants were not at work

An industry source said sections of the plants at Nissan and Mercedes Benz were also affected.

The minimal disruption to the vehicle manufacturing sector follows a failed bid earlier this week by the employers' organisation to interdict the union. The Labour Court rejected the attempt after finding that employers had not complied with the Labour Relations Act, which requires them to give the union sufficient notice of

their intention to apply for an interdict. The same ruling was given to the tyre manufacturers.

The union said the limited action in the vehicle manufacturing sector was caused by confusion over whether the interdict had been granted or not.

Numsa spokesman Dumisa Ntuli said, though, that thousands of workers in the motor sector heeded the strike call. This was shown by the large numbers present at nationwide marches

yesterday, the union said

The motor industry strike involves petrol attendants, panel beaters and workers in spare parts shops and auto component manufacturers.

SA Motor Industry Employers Association (Samnea) spokesman Vic Fourie said employers did not believe the effect of the strike had been dramatic at this stage. But employers would continue watching developments.

Fourie said a countrywide sur-

vey of filling stations had found that it was "business as usual".

More than 7 000 workers marched on Samnea's offices in Randburg where a memorandum was handed over to the association to highlight union demands.

The dispute centres on a union demand, repeated in the past, that Samnea agree to negotiate increases based on actual rates of pay. Numsa is demanding increases ranging between 12% and 18% while employers are offering 4.5%.

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employers

Numsa considers more sympathy strikes

(192) CT(MA) 3/9/98
FRANK NXUMALO

LABOUR EDITOR

Johannesburg — The National Union of Metalworkers of South Africa (Numsa) said yesterday that its national executive committee (NEC) would meet today to assess the progress of the national strike in the motor components sector that entered its second day yesterday

The union said the NEC would consider calling a sympathy strike in other sectors it organises and warned that it should not be seen as a "once-off" event

But Brian Smith, the chairman of the Automobile Manufacturers Employers' Organisation (Ameo), said yesterday it would apply for an interdict to prevent further secondary strikes

Ameo had advised Numsa that if it planned further secondary strikes beyond the one-day action on Tuesday this week, it was required in terms of the Labour Relations Act to give a renewal notice of seven days

To date Ameo had not received any renewal notice from Numsa, he said, adding that Ameo failed in its interdict bid against the sympathy strike this

week on a technicality

Hosea Morapedi, the union motor sector co-ordinator, said: "In the last NEC, a suggestion for grasshopper strikes was made" The union proposed that if there was no breakthrough in the dispute, it would "call for a series of solidarity strikes by Numsa members in metal, auto-assembly, tyre and rubber sectors of the union"

Nissan SA wins tax appeal case

CT (PR) 7/9/98

(192)

FROM SAPA

Bloemfontein — Nissan South Africa successfully appealed yesterday against a decision of the Commissioner for Inland Revenue to include excise duty rebates and Item 535 drawback claims in respect of exports in its taxable income

The appeal court set aside revised assessments made by the commissioner in respect of the tax years of 1990 to 1994. The commissioner was ordered to regard amounts totalling R116,9 million claimed by Nissan to be exempt from tax.

An appeal to the Transvaal

Income Tax Special Court had been dismissed in 1996. That court found that Nissan could not rely on the exemption created in the Income Tax Act.

The basis of the case was the General Export Incentive Scheme (Geis) and the promotion of local content in the manufacture of motor vehicles and components.

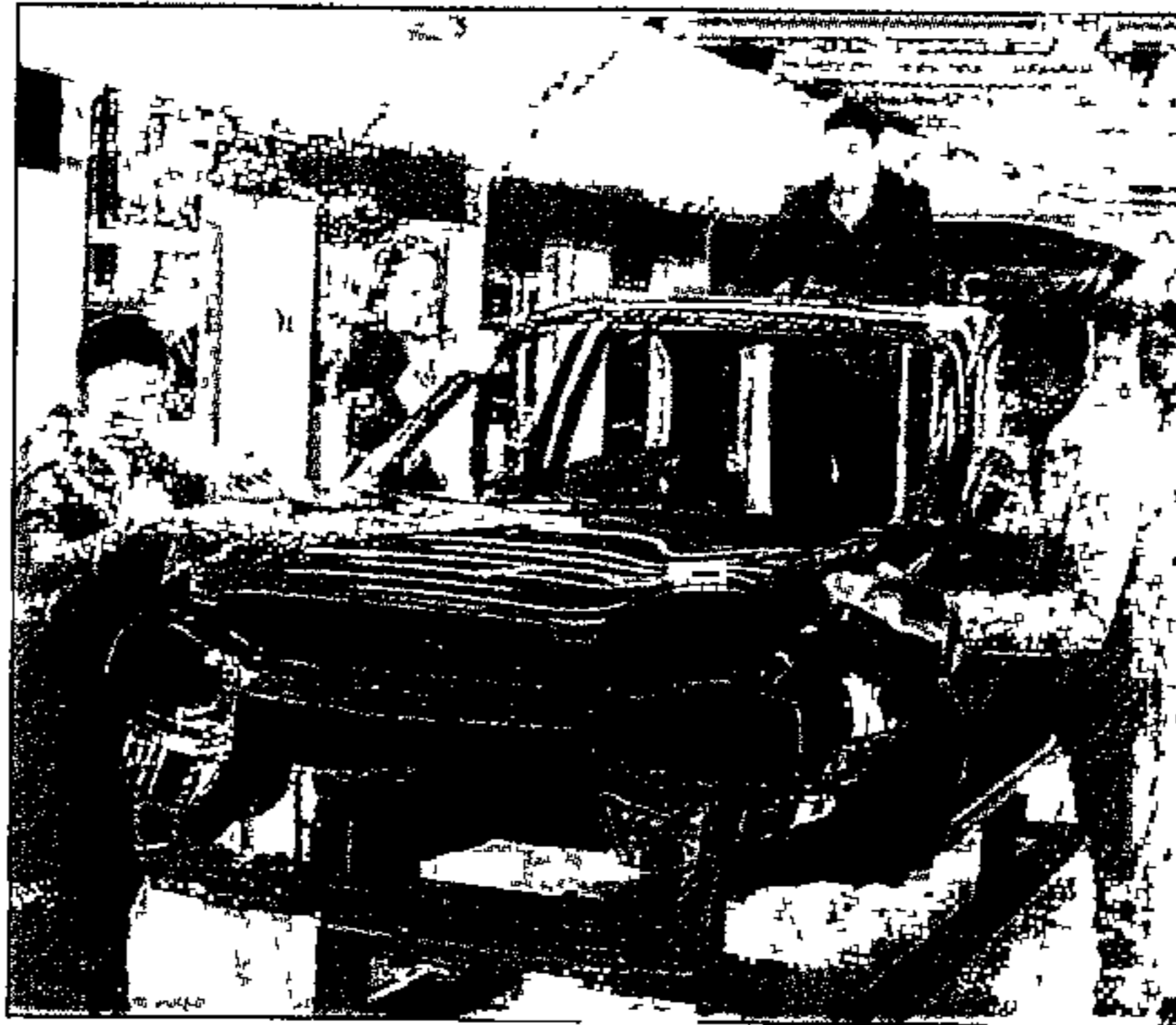
In the relevant period Nissan received payments from the customs and excise department and had benefits of rebates where excise duty was reduced.

The commissioner contended that there was no evidence that the trade, industry and tourism

minister had approved the schemes, that the concurrence of the finance minister was required and there was no evidence that he had concurred.

Appeal Judge Marais said the question in the case was whether income received by the taxpayer under Phase VI of the local content programme for motor vehicles was exempt from tax.

He said the legislative history showed that amounts paid by the state to taxpayers or third parties for the promotion of exports were exempt from tax. No evidence was led to rebut Nissan's contention that this was a scheme to promote exports.



LINE OF WORK Staff at Delta's Struandale plant. Sector development plans are being reviewed for beyond 2002

Motor rebate scheme is 'crucial to sector'

CT(MR)3/9/98 (192)

ROY COKAYNE

Pretoria — It would be disastrous for the motor industry if the tariff rebate scheme in the Motor Industry Development Programme was cut when the project expired in 2002, Anthony Black, the chairman of the Motor Industry Development Council, said yesterday.

In principle, Black said, some sort of support for the industry would continue after the programme expired.

He said the two main concerns of the motor industry in regard to the programme was what would happen to the export complementation scheme and tariffs after 2002.

He said the final proposals of the mid-term review of the programme would address both issues.

The council is in talks with the motor industry as part of the mid-term review of the programme.

But Black said the review would only be able to "give more clarity on the direction of government policy and the parameters" because the alternatives to the export complementation scheme was a fresh investigation and would not be finalised.

"Tariffs will continue to decline and export complementation will stay in place after 2002. But we are going to investigate some alternatives to export complementation."

Black said the current export complementation scheme, which allowed manufacturers to offset import tariffs with export credits, could continue for a while after the expiry of the programme.

Setting the record straight on motor industry strike

By 2/9/98

(19a) (198)

The strike in the motor industry is surrounded by confusion in the public mind and distortions of fact, claims National Union of Metalworkers of SA's information officer, Dumisa Ntuli, who gives his view

SINCE the announcement that motor industry workers were going on strike, there has been confusion among the public about what the strike is all about. This confusion has not been helped by the distortions in media reports and the lies being spread by the employers' organisation — the SA Motor Industry Employers Association (Samiea).

The first confusion is that the workers who are on strike are the same workers who were on strike a few weeks ago. This confusion has fuelled the accusations of irresponsibility. How can the union after a costly strike last month, take the same workers out on a work stoppage?

Since the establishment in 1987 of the National Union of Metalworkers of SA (Numsa), we have tried to educate the media about sectors in which the union organises, but to no avail.

For bargaining purposes Numsa distinguishes between the auto industry and the motor industry. By auto industry, we are referring to the sector that assembles cars — Mercedes Benz, Volkswagen, Delta, Nissan, Samcor (Ford), BMW and Toyota. It is this sector that was on strike at the beginning of August. They have since settled and signed a ground-breaking three-year agreement with employers. They are currently not on strike.

The sector that is on strike is the motor industry. These are petrol stations, car repair workshops, car dealers, motor parts manufacturers and spare parts shops. This sector has not seen an industrywide strike since the establishment of a bargaining council in 1952.

The second issue that needs to be clarified is that the strike in the motor industry is not a dispute between Numsa and the motor industry employers. Other unions in the industry — the Motor Industry Staff Association and the Motor Industry Employees Union — are also involved. These are unions that historically represented clerical and white workers.

Thirdly, the motor industry workers are being accused of being selfish by going on strike. It has become a common feature to argue that workers who go on strike are selfish and irresponsible. It is always argued that these workers should compare themselves with the unemployed.

As a response to this argument it is important to look at the conditions of motor industry workers.

□ A cashier or petrol attendant in a garage shop or garage earns a minimum of R746 a month, or R34,47 a day. In small towns, these workers earn only R25,83 a day — a few cents more than those who work on water projects in their own com-



On the march Numsa members take to Johannesburg streets in their tens of thousands to demand wage increases earlier this year

munites, for their own communities in the Northern Province.

□ A clerical worker in the motor industry with three years' experience earns a minimum wage of R1 489,80 a month.

These rates are below the poverty datum line of R1 600 — a conservative amount set by university research institutes at which they estimate a small household can survive on per month.

Fourthly, a perception has been created that the strike is about the differences in proposals for wage increases. The difference in the motor industry is not about differences between the employers' offer of 4,5% and what is claimed to be Numsa's demand of between 12% and 18%. These were the parties' opening positions.

The point of contention between the

unions and Samiea is about the method of granting increases. For years now, the unions have been fighting with employers to grant increases on what workers are actually earning instead of on the minimum rates set by the bargaining council.

This is what is called the battle between "actuals" and "minimums".

What has happened over the years, is that a gap has developed between the minimum rates set by the bargaining council, and which employers are statutorily supposed to pay, and what workers in the motor industry actually earn.

The majority of workers in the motor industry earn more than the rates set by the bargaining council. What this means is that when there is an agreement on wages in the sector, the increase is ap-

plied on the minimums set by the bargaining council and not on what workers actually earn.

In terms of this arrangement employers are not obliged to give workers an increase as long as they pay more than the minimums set by the bargaining council.

This has led to a situation where many employees have not received an increase for the past three years.

The unions are demanding that increases be on "actuals" and not only on bargaining council minimum rates.

What is the point of negotiating an increase when this increase remains on paper and does not translate into increases in the wage packets of the motor industry's workers?

The insistence by motor employers to

grant increases on minimums and not on actuals threatens centralised bargaining which has been in existence in the motor industry for 46 years and which is encouraged by the new Labour Relations Act.

The approach by the employers also leads to greater conflict at plant level. Workers will not take a situation of no increases or of a percentage lower than what they have heard is the settlement at a bargaining council level, lying down.

Fifthly, the employers' organisation has been arguing that by demanding increases on actuals, the unions are putting the whole industry in economic jeopardy. They say the industry is too diverse to increase actuals as it covers big and small employers, family-owned businesses, big manufacturing concerns and small service industries.

This is not only a distortion but an obfuscation of what exists in the bargaining processes within the industry.

The bargaining council has clear exemptions procedures. These are on the basis of the labour act. Any employer who cannot pay the required rates has the right to appeal to an independent exemptions committee and ask to be relieved from the provisions of the agreement.

Employers have offered motor workers an increase of 4,5% on the minimum rates in the industry. The latest inflation rate for July this year is 6,6% and economists predict that it will rise still further before the end of year. This offer of 4,5% will make workers poorer than before.

In fact, since 1992, the increases employers have granted on the minimum rates have not kept pace with inflation — workers in the motor industry have been getting poorer and poorer. Their purchasing power has been declining. It is not just employers who grow the economy, it is also those workers who purchase goods.

Today, Numsa's national executive committee is having a meeting to assess the strike. It will seriously consider making another call for solidarity strikes by other sectors organised by the union. The solidarity action taken by Numsa members in other sectors should not be seen as a "once-off" event.

At the executive committee's meeting last week, the suggestion for grasshopper strikes was made. Regions of Numsa proposed that because there was no breakthrough in the motor industry dispute, the union should call for a series of one-day but interspersed solidarity strikes by Numsa members in the union's metal, car assembling, tyre and rubber sectors.

Whether this happens again depends on motor industry employers' response

Airport, motor industry union members clash with police

~~192~~ (192) ~~192~~
Renee Grawitzky,
Pearl Sebolao and Percy Mthimkhulu

BD 3/9/98
ATTEMPTS to intensify the strike by thousands of motor industry workers and those at the Airports Company yesterday turned violent following clashes with the police.

More than 60 members of the National Union of Metalworkers of SA (Numsa) were arrested in Mpumalanga for an illegal march while police confirmed that a senior SA Railway and Harbours Workers' Union (Sarhwu) official was arrested at Johannesburg International Airport.

The strike action at the Airports Company of SA began after last-ditch wage talks between management and Sarhwu ended in deadlock. Management said it was prepared for the strike and contingency plans, including management teams maintaining essential services including shopfloor work and security checks in airports, had been put in place to minimise its effect.

In the motor industry strike, SA Motor Industry Employers Association (Samiea) spokesman Vic Fourie said intimidation increased when workers picketed outside petrol stations and

panelbeating shops. Police used tear-gas in some instances to remove workers involved in "illegal" sit-ins

The union believed the strike was intensifying while employers downplayed its effect and said there was minimal disruption. Fourie said there were definitely not 60 000 workers on strike as alleged by the union. The parties meet today to draft picketing rules.

Meanwhile, SAA said more than 1 000 SA Transport and Allied Workers' Union members defied their union and returned to work after signing declarations accepting management's wage offer.

The airline also said a number of workers had resigned from Satawu — which consists of a merger between Sarhwu and two other SAA unions.

The union did not deny that some of its members had accepted the offer, which was agreed to by Salstaff last week.

Sarhwu general secretary Derrick Simoko alleged that some striking workers were coerced into accepting the settlement and said their return to work did not weaken Satawu's bargaining position.

Setting the record straight: Page 12

MOTOR INDUSTRY

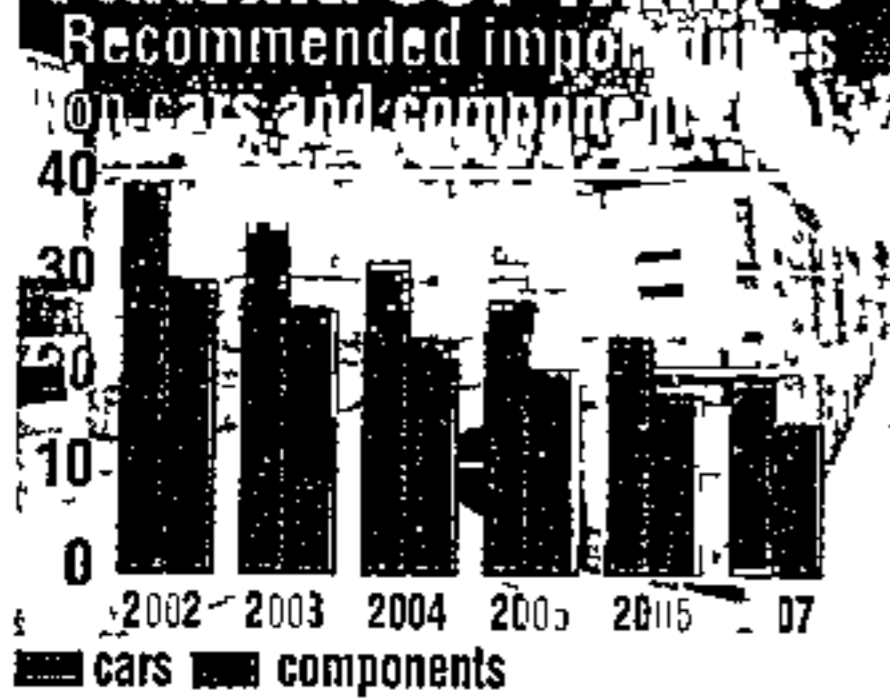
TRYING TO FIND FIRST GEAR (192)

KPM 4/9/98

A three-year-old plan to make the SA motor industry internationally competitive has failed to meet many of its targets, government admits

The motor industry development programme (MIDP) is due to run until 2002. In its mid-term review, the Department of

PHASING OUT TARIFFS



Trade & Industry (DTI) proposes widespread changes to close the gap between intent and performance. It also recommends that duties on imported cars, which will fall from 115% to 40% during the MIDP, should later shrink to 20%.

The DTI's proposals, which cover cars and light commercial vehicles, are included in a discussion document being ex-

amined by the industry. The DTI hopes a revised MIDP will come into operation in January.

One of the programme's chief problems, says the DTI, is that the industry's trade deficit is growing even faster than exports. It identifies two main causes: export complementation, which allows assemblers to claim import duty rebates equal to the value of exports, and the duty-free allowance, enabling them to import components duty-free up to the value of 27% of vehicles' ex-factory price.

These factors, along with the scrapping of previous minimum levels of local content, have resulted in assemblers importing more vehicles and components.

Proposed solutions include cutting the duty-free allowance to 20% by 2002, and reducing export-complementation rates. Assemblers could be restricted to 70c in duty rebates for each rand of exports. The DTI hopes these measures will counter a "too-rapid reduction in effective protection for component suppliers".

The MIDP is not encouraging high-volume production of fewer models, either. Much of the blame, says the DTI, lies with the small-vehicle incen-

tive, which grants additional duty-free rebates to cars retailing for under R40 000. This incentive has encouraged assemblers to produce more, rather than fewer, models, and increased overall production costs. The report recommends phasing out the incentive by the end of 2002.

Beyond 2002, the DTI proposes further sharp cuts in im-

port tariffs. The duty on imported cars would halve from 40% to 20% by 2007, and on components from 30% to 15%. It also proposes slashing export incentives over the same period. To meet World Trade Organisation objections, it recommends cutting the value of exports for import-duty rebate purposes to as low as 30%.

David Furlonger

Toyota defies sales slump

LT(MR)4/9/98

(19A)

ROY COKAYNE

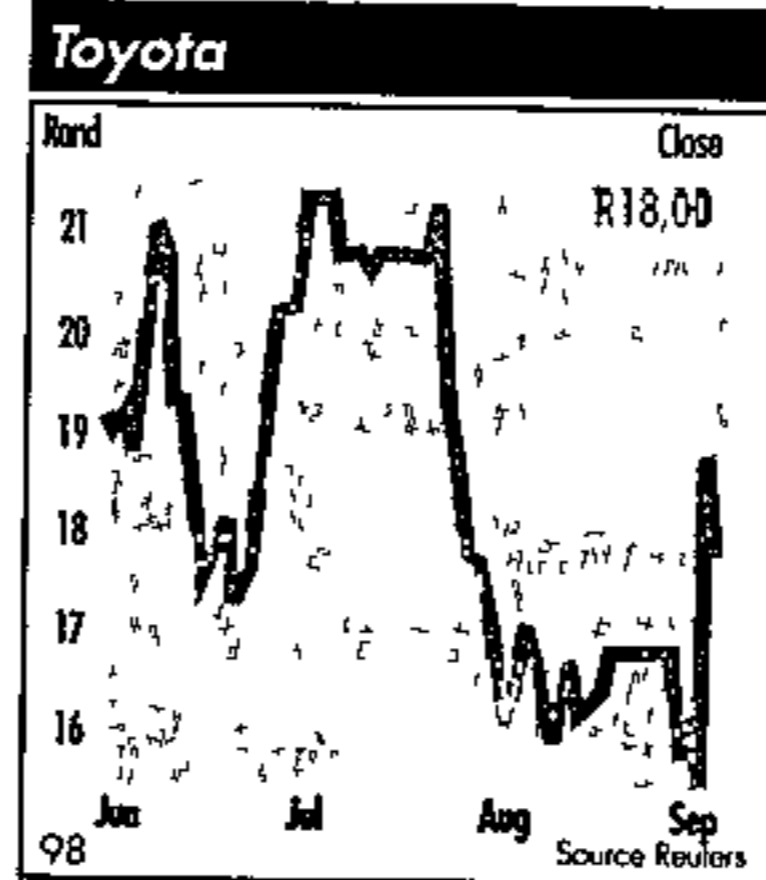
Pretoria — Toyota South Africa, the motor manufacturer, raised net income attributable to shareholders by 4 percent to R70,6 million in the six months to June 30 this year, compared to R67,9 million in the same period last year, despite an 18,1 percent slump in group retail sales

Bert Wessels, the executive chairman of Toyota South Africa, said yesterday group retail sales, as reported to the National Association of Automobile Manufacturers of South Africa (Naamsa), dropped to 39 391 units in the first six months of this year compared to 48 080 units in the same period last year

This was reflected in the company's turnover, which fell 0,5 percent to R3,084 billion from R3,1 billion for the corresponding period last year

Operating income before tax increased by 3,9 percent to R106,8 million compared to R102,8 million in the first six months last year

Earnings a share rose



4 percent to 173,7c in the reporting period from 167c a share last year

An unchanged dividend of 24c a share was declared, which was covered 7,2 times compared to cover of 6,9 times last year.

Wessels said the Toyota group's share of the total reported vehicle market was 23,9 percent compared to 25,9 percent for the first six months of last year

But Wessels said the group expected to improve its local retail market share to about 25 percent for the full year, largely because of the introduction of an exciting new model range in the second half of this year

"However, financial performance will inevitably be

negatively affected by the recent dramatic devaluation in the rand and sharp increases in interest rates, and the group expects profitability for the whole of 1998 to be lower than 1997," he said

He also said the dramatic growth in the proportion of entry-level passenger vehicles over the past few years had levelled off, while the proportion of recreational vehicles sold had increased substantially

Those vehicles now represented 8 percent of total passenger vehicle sales

Wessels said total motor industry local sales for the first six months of this year, as reported to Naamsa, were 165 030 units compared to 185 812 units for the same period in 1997

But Wessels said vehicle sales not reported to Naamsa could add a further 11 000 to 14 000 units to the figure for the current year, which was an even larger decrease compared to the same period in 1997

Toyota yesterday finished 100c weaker to close at R18 on the JSE

Toyota SA attributable income now at R70,6m

(192)

Stan Maphologela

20 4/19/98
MOTOR manufacturer

Toyota SA lifted its attributable income 4% to R70,6m in the six months to June, despite the increasingly tough competition and depressed economic conditions

Operating income rose 3,9% to R106,8m on a turnover of R3bn, a marginal decrease of 0,5% compared to the previous year. Earnings a share increased 4% to 173,7c, and an unchanged interim dividend of 24c was declared.

Executive chairman Bert Wessels said the group's share of the total reported local market for the period under review was 23,9%, compared with 25,9% for the first six months of last year.

He said the labour situation at Toyota was generally stable. "The auto industry three-year wage agreement expired at the end of June 1998 and negotiations towards a new three year agreement were only concluded in mid August, unfortunately after a six day industry-wide strike," he said.

The National Association of Automobile Manufacturers of SA (Naamsa) said the reported local retail market for the whole of 1998 is forecast at 323 300 units, about 11% less than the 366 784 units sold last year.

Toyota said it expected to improve its local retail market share to about 25% for the full year, mainly owing to the introduction of a new model range in the second half of the year.

Wessels said the group's financial performance would be affected by the devaluation of the rand and sharp interest rates increase. However, Toyota should report a profit for the full year, albeit lower than last year.

The group's share price dropped 100c or 5,3% to R18 on the Johannesburg Stock Exchange yesterday.

Numsa to decide if it will continue strike

By D. G. G. (1992) (1992)
René Grawitzky, Pearl Sebolao and Percy Mtshinkulu

THE National Union of Metalworkers of SA (Numsa) is expected to announce today whether the four-day-old motor industry wage strike will end or continue.

The union's national executive committee met yesterday to assess the effect of the strike.

Early indications are that the strike will continue.

The union met the SA Motor Industry Employers' Association (Samsea) yesterday to draft picketing and strike rules as incidents of intimidation rose.

Employers reported a number of incidents of intimidation and violence while the union said some employers were attempting to put pressure on their employees not to participate in the strike by implying that the strike was illegal.

Numsa said Samsea had agreed to warn its members not to make misleading statements.

Meanwhile, police kept a watchful eye yesterday over striking Airports Company of SA (Acsa) employees demonstrating outside Johannesburg International Airport in support of their wage demands.

There was a minor incident when striking SA Railway and Harbours Workers' Union (Sarhwu) members moved towards the front terminal building, violating picketing rules that management and the

union had agreed on. Police intervened and order was restored, Acsa spokesman Charmaine Lodewyk said.

No problems were experienced at the Durban and Cape Town airports.

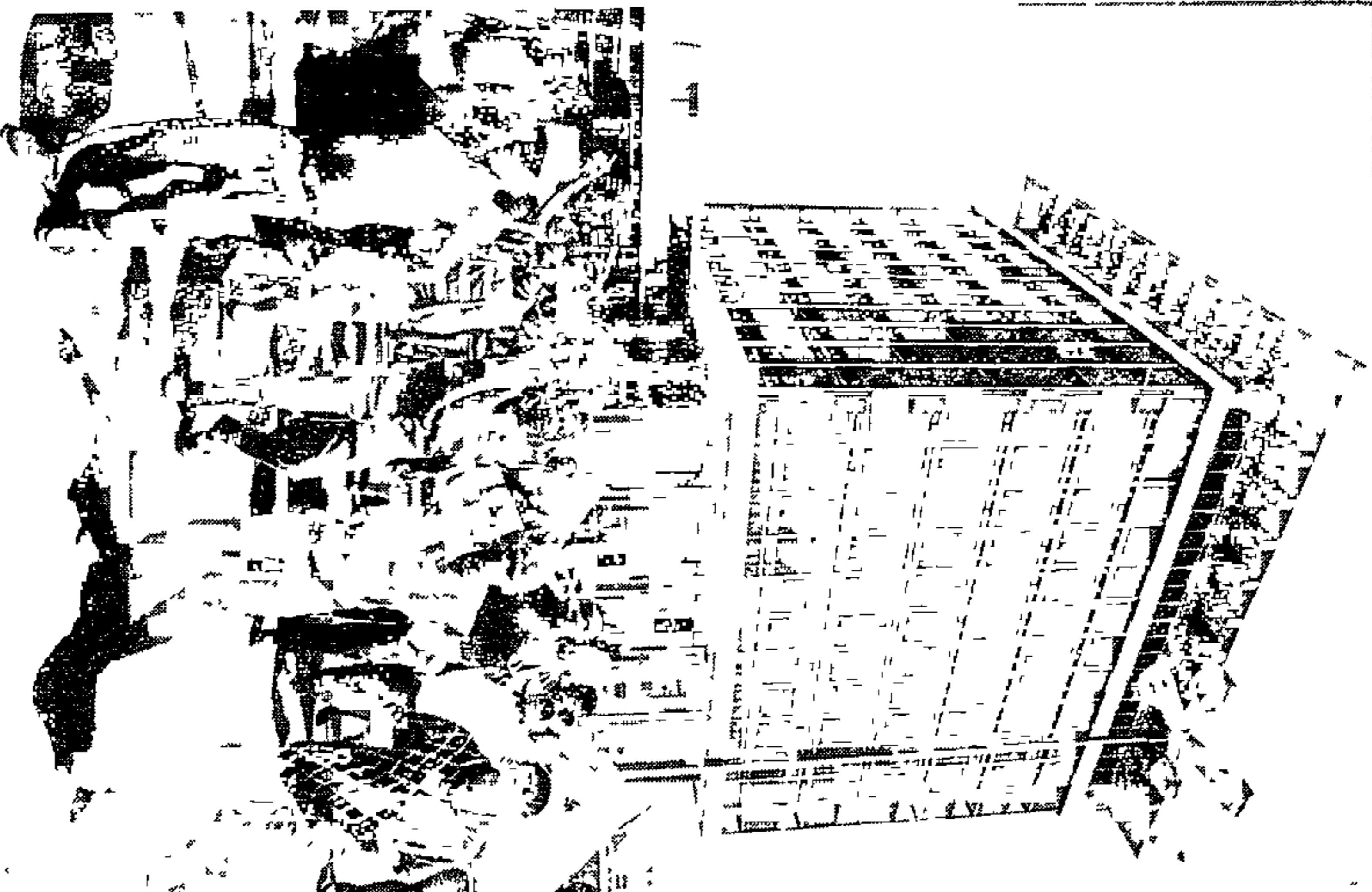
Wage negotiations to resolve the strike went on till late last night and the Acsa was positive about the outcome.

Lodewyk said Acsa would continue to try to resolve the strike, the first in the company's five-year history. The company was also optimistic that the Transport & General Workers' Union and the National Education, Health and Allied Workers' Union, also involved in wage negotiations, would accept an agreement brokered earlier in the week.

The SA Transport and Allied Workers' Union, which includes Sarhwu and two other unions, met with SA Airways until late last night to resolve the five-day-old wage strike.

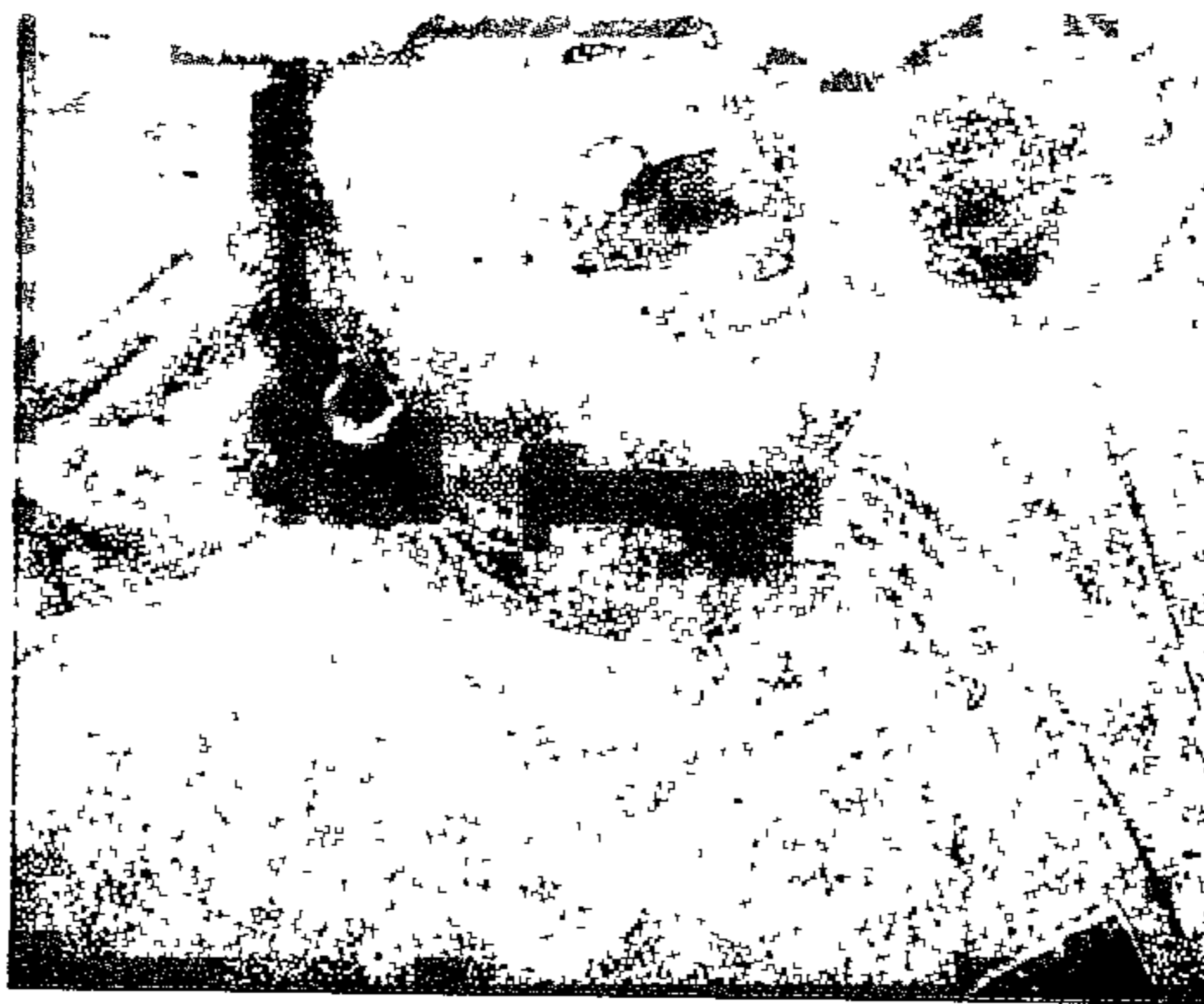
Meanwhile, the strike and corresponding lock-out of members of the SA Commercial Catering and Allied Workers Union at Stuttards continues.

Earlier this week, the union applied for an urgent interdict to prevent the company from using replacement labour. It was unsuccessful as it was unable to prove the number of replacement workers employed and give their names. The company has refused to comment on the wage dispute.



Members of the SA Railway and Harbours Workers' Union toyi-toying outside the Airports Company office block at Johannesburg International Airport yesterday.

Picture ROBERT BOTHA



IN SOLIDARITY A Numsa member protests in central Johannesburg. The union says that members will strike if motor workers' actual wages are not increased.

PHOTO JOHN WOODPOOF

ET (MR) 7/9/98

Numsa names day for second sympathy strike

(192) (~~192~~)

FRANK NXUMALO

LABOUR EDITOR

Johannesburg — About 220 000 members of the National Union of Metalworkers of South Africa (Numsa) would embark on a national grasshopper or second sympathy strike on September 22 if there was no breakthrough in the motor components industry dispute, the union said last week.

The strike would affect workers in the auto assembly, metal, tyre and rubber sectors. Numsa said the sympathy action would be "in solidarity with the oppressed motor workers", which included staff at petrol stations, panel beaters, spare parts vendors and big component-producing companies.

About 60 000 workers in this sector have been on a national strike since Tuesday, the first strike in the sector in 50 years.

The union said its real dispute was with the South African Motor Industry Employers Association (Samiea). The dispute was not about differences in wage increase percentages but about the "principle agreement to pay increases on actuals and not minimums".

Hosea Morapedi, the union motor sector coordinator, said compared with the car and manufacturing industries, Samiea had been "backward" by refusing to grant increases on

actual wages.

"The increases granted on minimums have not kept pace with inflation," Morapedi said. "Workers have been getting poorer and poorer, their purchasing power has declined."

"Employers in the metal, automotive and tyre (industries) grant their increases on actuals. Workers cannot accept wage roadblocks when the industry is making huge profits (and workers) are more than prepared to sacrifice their wages for long-term benefit."

Numsa also lashed out at Samiea for threatening to lock out its members if they continued with the strike this morning.

The union said the threatened lock-out would be an attempt to "reduce the militancy of workers" and to try to break them.

"We feel that such a skop-endonder style of management will not assist in resolving the current deadlock, but will exacerbate the situation further and make workers more angry," Morapedi said.

"Numsa is ready for this challenge because all it means is that workers will still be on strike."

Vic Fourie, the Samiea spokesman, said although strike action was never good for the country, it was "a legal remedy available to trade unions".

He said "We will just handle it like any strike."

□ TRADE

(192) (~~192~~)

SA car exports rise 66% in seven months

Exports of South African-produced vehicles rose by 65,8 percent to 14 403 units in the first seven months of this year, according to figures released by the National Association of Automobile Manufacturers of South Africa (Naamsa) last week. Naamsa said the rand's depreciation would further boost exports of components and built-up vehicles. (VOR) 7/9/98

But Naamsa said the depreciation of the rand had placed significant upward pressure on new vehicle prices, resulting in a number of manufacturers announcing price increases during August this year. The major contributor to the increased exports between January and July this year was passenger vehicles, which rose by 161,3 percent, or 5 588 units, to 9 052 units compared with 3 464 in the same period last year — Roy Cokayne, Pretoria

Employers warn Numsa they will lock out workers

Reneé Grawitzky

MOTOR employers have gone on the offensive as the strike in the industry enters its second week, notifying the National Union of Metalworkers of SA (Numsa) of their intention to lock out striking workers from today

This would constitute the first national lockout in terms of the Labour Relations Act

In response, Numsa has threatened to call on members in the vehicle manufacturing, metal and tyre sectors to embark on another sympathy strike on September 22.

Numsa members in these sectors took part in sporadic sympathy strike action on September 1 even though vehicle and tyre manufacturers applied for a court interdict to halt the action

The applications for an interdict were rejected because of the failure of employers to give Numsa sufficient notice of their intention to apply for an interdict. As a result the Labour Court failed to hear the merits of the case

The threat of further strikes follows the release of figures showing that car sales dropped last month to their lowest monthly level this year

An Automobile Manufacturers Employers' Organisation spokesman said employers would await official notification of the sympathy strike, as required by the Labour Relations Act, before deciding whether to pursue the original interdict application

Meanwhile, a number of motor industry employers have applied for interdicts because of alleged intimidation. The union claimed there had been a high level of police interference and harassment. The parties have subsequently agreed on picketing rules.

Numsa said the threat by the SA Motor Industry Employers' Association (Samiea) to lock out workers was "an attempt to reduce the militance of workers and try to break them"

Samiea negotiator Vic Fourie said in the same way Numsa had taken up its right to strike, employers were using their right to lock out. It did not mean all employers would follow this route, he said

Automakers in bid for fresh capital

BD 719/98 (192)

Amanda Vermeulen

MOTOR vehicle manufacturer Automakers is to be recapitalised — a move described by chairman Attie du Plessis as “a normal aspect of the business”

Automakers had been told by one of its bankers that certain credit lines or facilities would be maintained only if the company was recapitalised

Du Plessis said yesterday the company's balance sheet was not as strong as it should be

Automakers manufactures Nissan vehicles, which have been losing market share in the overtraded SA market

It is 50%-owned by Japan's Nissan Motor Company (NMC), which acquired its shareholding from life insurer Sanlam last year. Sanlam retained 37%, while the remaining 13% is owned by Nissan Diesel and Mitsu

Du Plessis and Automakers CEO John Newbury, who is to retire this year, have been negotiating the company's recapitalisation with NMC

Speaking in his capacity as a Sanlam director, Du Plessis said Sanlam no longer regarded Automakers as a long-term strategic investment and would not, therefore, contribute any further capital to the company. This is in line with the life insurer's policy on noncore investments

Du Plessis said Automakers needed fresh capital, which the Japanese parent had undertaken to provide

NMC is, however, itself in financial difficulties, having reported a loss of ¥14bn in its financial year to March

An industry observer said a possible solution to Automakers' woes was for NMC to buy out Sanlam on favourable

terms, with the proviso that NMC then inject the necessary capital. This would give NMC almost total control of Automakers, allow it to reap the full benefit of any recovery by the recapitalised firm and relieve Sanlam of a potentially burdensome investment

In its final set of public accounts before being delisted last year, Automakers reported a R91,2m loss for the six months to December 1996. Motor industry sources said its losses were thought to have been about R200m in 1997, but this could not be confirmed

Automakers has been at the centre of some controversy in recent years. When it delisted, at a 76% premium to the prevailing share price, the share price surged before the minority offer was made public. The abnormal movement prompted a Securities Regulation Panel investigation into possible insider trading. Nothing was found

One of the reasons Automakers is under pressure to find new capital is its need to fund the development of a new range due to come off the production line in the next two years, designed to claw back lost market share

The entire motor industry is under pressure, with August new vehicle sales being the worst of the year and 20% down on the previous year

The declining sales, coupled with competition from new entrants, has given fresh impetus to long-held views that a rationalisation is needed in the local motor industry. With about 14 players now operating in SA, all fighting over a diminished pie, analysts believe those facing the biggest problems are prime targets for takeover by the stronger manufacturers

Battle lines drawn over proposed strike

(192) Sowetan 7/9/98

By Mzwakhe Hlangani
Labour Reporter

ANOTHER major battle is looming between employers in the motor industry and the National Union of Metalworkers of SA following a decision at the weekend by the union's executive committee to call for another one-day national solidarity strike on September 22.

The planned sympathy strike by the entire 220 000-strong Numsa membership, codenamed "Grasshopper", was decided on the basis of the lack of a breakthrough in the five-day motor industry dispute, Numsa deputy president Mr Charles Bezuidenhout said at the weekend.

It will involve union members in the

metal, auto-assembly plants, tyre and rubber sectors to pledge solidarity with striking workers in the motor component manufacturing, petrol filling stations, spares and panel beating sectors.

Workers' militancy

Bezuidenhout also expressed outrage at recent police action in arresting and assaulting Numsa members on strike in Middelburg, Mpumalanga.

"We know these policemen have their roots in the apartheid past, but they should be warned against interfering with legitimate labour bargaining processes," he said.

The South African Motor Industry Employers Association (Samiea) has reportedly threatened to lock out striking workers today, but this could

not be confirmed by management over the weekend. Attempts to contact Samiea CEO Mr Vic Fourie were unsuccessful. He did not respond to several telephone messages left at his office.

Numsa negotiations coordinator Mr Hosea Morapedi said the lockout threats were intended to calm down workers' militancy, adding that such a strategy "will exacerbate the situation rather than resolve the current deadlock".

● Meanwhile about 2 000 mineworkers at Ingwe's Middelburg mine went out on a legal strike to demand wage increases ranging between 10 and 13 percent, according to National Union of Mineworkers media officer Mr Gregory Mcatshelwa.

More violence in motor industry strike claimed

(192) (100) BD 8/9/98

**René Grawitzky
and Sibonelo Radebe**

THE motor industry strike entered its second week yesterday amid claims by employers and the National Union of Metalworkers of SA (Numsa) of various acts of intimidation and violence

There was uncertainty over the extent to which employers had instituted lockouts, while the union claimed that a number of small establishments had indicated their willingness to settle on increases in the region of 15%

SA Motor Industry Employers' Association spokesman Vic Fourie said incidents of violence and intimidation had increased countrywide. However, employers would not seek an interdict at this

stage, he said

In Gauteng there were reports of armed striking workers attempting to intimidate non-striking workers

Numsa motor sector co-ordinator Hosea Morapedi said employers, in some instances, had taken up arms and threatened strikers with guns and sjamboks

Morapedi said employers were the "last people to say the strike is getting out of hand as they are fuelling the flames" by threatening to implement a lockout and employing replacement labour

Fourie said it was difficult to evaluate the extent to which employers had instituted lockouts. The notice was merely a "tool in the hands of employers who wished to make use of it", he said

Morapedi said while employers had

the right to lock out, that right was insignificant in this case as workers were already on strike and on the streets

Meanwhile, a survey of the major motor retail companies has revealed that the effect of the strike has been limited

McCarthy Human Resource manager Niel Bosman said the company had not been affected as it paid far above the current disputed minimum wage level

Imperial Motor Holdings said it had experienced mixed worker reactions, with some branches being affected

Imperial's Pretoria parts manager Sid Nagdee said about 15% of the workforce was on strike but that the business was operating normally

Both parties said negotiations would resume later this week

Motor bosses and Numsa to explore strike resolution

Pearl Sebolao and Sibonelo Radebe

MOTOR industry employers will meet the National Union of Metalworkers of SA (Numsa) today to explore whether a compromise can be reached to resolve the 10-day wage strike in the motor sector

Numsa spokesman Dumisa Ntuli said that if there was no breakthrough in the discussions with the SA Motor Industry Employers Association (Samiea), workers would intensify picketing at key establishments owned by Samiea officials

The union would also continue canvassing companies to agree on wage increases based on actual rates of pay instead of minimums. A flood of companies had already signed petitions stating that they were prepared to allow industry negotiators to agree on actual rates of pay, Ntuli said

Samiea spokesman Vic Fourie denied that a substantial number of its members had signed petitions saying the surveys conducted by Numsa were not credible. Samiea had, however, cautioned its members not to respond to the surveys by Numsa

Samiea was not prepared to negotiate on actual increases, since the decision to negotiate on minimums was

supported by its membership

Picketing Samiea officials' businesses would not change the employers' position, he said

Meanwhile, retailers Bee Gees and Smart Centre have instituted a lock-out against SA Commercial, Catering and Allied Workers' Union (Saccawu) members who embarked on a wage strike last week

Saccawu spokesman Pitso Tshukudu alleged yesterday that the two retailers, who have merged to form the Retail Apparel Group, were intimidating workers into signing forms denying them the right to strike and had threatened them with dismissals

Workers had demanded a wage increase of R240 a month while management had offered R200

Management, however, said its wage offer represented a 10% increase which exceeded inflation and compared favourably with other settlements in the retail sector.

The strike by Saccawu members at Stuttafords was finally resolved yesterday.

Management and the union agreed on a wage increase of R140 across the board, effective from this month. They also agreed on a 40-hour week with one additional Saturday a month

(192)
BD 10/9/98

(192)

STUCK IN TOP GEAR

FM 11/9/98

Foreign patience wearing thin

It's like one of those good-news, bad-news jokes. Good news for the SA motor industry is that the collapsing rand is making exports more attractive. Bad news is that there's not much to export.

Vehicle exports almost doubled in the first seven months of this year — from 8 689 in 1997 to 14 403 in 1998. But even these figures will pale into insignificance if major new export programmes, most notably by VW and BMW, take shape. Components orders also look good.

There's a touch of "cry wolf" about warnings that all these orders will disappear if strikers don't immediately return to work. The same message is issued every time someone downs tools and yet foreign companies continue to buy.

But it can't happen for ever. Foreign patience with SA motor labour is wearing thin. While it's true SA's weakened currency is conducive to exports, so are the currencies of half Asia's economies, where exchange rates have also suffered but labour is more reliable.

Such is the uncertainty of labour relations in the SA motor industry that many companies plan for stoppages in their production schedules and build extra stock for emergencies. An occasional shutdown will bring stocks down to the level they should have been at in the first place. Persistent disruptions, however, genuinely deplete stocks and that is the situation some companies are beginning to face. Last month's week-long shutdown at vehicle assemblers has been followed too quickly by sympathy strikes in support of colleagues at components companies, and stock shortages have begun to appear.

As for the domestic market, cynics might say there's no better time to have a strike: no one's buying, anyway.

For assemblers, the stop-start nature of the market is particularly difficult. July sales, which were 20% stronger than August's, were helped by pre-emptive buying ahead of August price increases. Now there are forecasts that September sales will be boosted by pre-emptive buying ahead of likely further price rises in October. The weak rand may be potentially good for exports but, with such a high imported content in local vehicles, it's playing havoc with domestic prices.

David Furlonger

Vital car parts strike halts assembly lines

(192) (192)
HENRI DU PLESSIS
MOTORING EDITOR

ARLT 11/9/98

Production has stopped on a number of car assembly lines as manufacturers wait for parts from the strike-disrupted component industry.

Delta Motor Corporation was forced to close its plant in Port Elizabeth and send workers home when the supply of vital parts like car seats was cut by the strike action

A Delta spokesman said the corporation would review the situation on Monday

South African Motor Corporation (Samcor), Volkswagen and Nissan are also reported to be affected

A Toyota spokesman said they were having supply problems, but had been able to continue production

Manufacturers, who use a "just in time" supply system for efficiency, may be hit hard if the strike continues for much longer, say industry sources

The system allows the industry to wait until the moment components are needed before ordering them from the independent manufacturers

Car manufacturing plants forced to close due to component shortages

René Grawitzky

VOLKSWAGEN, Delta, Samcor and Nissan have been forced to close their plants because of component shortages caused by the motor industry strike, which has affected production at some of the key components manufacturers.

Sources said the closures could place a strain on companies, such as Volkswagen, which have multibillion-rand export orders to fulfil. Volkswagen could not be reached for comment. Concerns about how the contracts

would be affected were initially raised during the week-long vehicle manufacturing wage strike last month.

Automobile Manufacturers Employers' Organisation (Ameo) chairman Brian Smith said National Union of Metalworkers of SA (Numsa) members in the car plants were being heavily affected by the strike as they were being sent home without pay.

Some companies, such as Mercedes-Benz of SA, have continued production by importing a "small number of critical parts". Mercedes said this would

not affect vehicle prices as the company would absorb the costs.

The effect of the strike on the manufacturing sector was discussed during an Ameo meeting last night.

Ameo has informed the main component suppliers hit by the strike that if they cannot resolve their problems, manufacturers will be forced to source components elsewhere, including from overseas suppliers. A source said employees were not being prescriptive, but at the same time could not produce if component supply was erratic.

(19a) ~~(19a)~~
BD 11/9/98

Ameo also discussed Numsa's threat of another sympathy strike on September 22. Employers said the threat was "purely academic" because plants would in any event not be operating on that day if the primary strike continued.

The union called members in vehicle manufacturing and metal sectors out on a sympathy strike in support of the primary strike in the motor industry on September 1. The strike had a limited effect in these sectors.

The Ameo meeting concluded with

the resumption of talks between the union and the SA Motor Industries Employers' Association (Samnea).

Pearl Sebolao reports that Numsa said it was disappointed with the outcome of the meeting and accused Samnea of misleading its members.

The union made a number of proposals, which Samnea agreed to take back to its members. The strike centres on a union demand that increases be based on actual, and not minimum, rates of pay. Parties have agreed to meet again next Wednesday.

Shortages

Strike by workers hits hard on motor industry (192)

THE strike in the motor industry was having a major impact on the seven South African motor manufacturing plants, the Automobile Manufacturers Employers' Organisation (Ameo) said yesterday

Some plants had been closed for most of the week while others had to send workers home after abridged production periods because of a critical shortage of components

Moreover, said Ameo chairman Mr Brian Smith yesterday, some manufacturers were importing parts from abroad and could be forced to make this a permanent arrangement, with dire consequences for workers in the industry

"Although the strike in the industry does not have wide support, it appears that the National Union of Metalworkers of South Africa (Numsa) has targeted

certain key component suppliers. This is having a major impact on the motor manufacturers," said Smith

"It appears that Numsa believes the seven motor manufacturers can apply pressure on the SA Motor Industry Employers' Association (Samiea) to meet Numsa's demands"

It was impossible for Ameo to influence the motor industry negotiations or the more than 18 000 employers who were a party to the negotiations, he said

The strike by more than 60 000 workers started last week after Samiea offered a 4,3 percent pay increase. Numsa, the Motor Industry Employees' Union and the Motor Industry Staff Association, are demanding a national increase of between 12 and 18 percent - Sapa

newspaper 11/9/98

Car production grinds to a halt as crippling strike takes its toll

ARG 12/9/98 (192) (~~192~~)

Johannesburg – A devastating strike by about 60 000 motor industry workers has forced three of South Africa's seven car-makers to halt production amid a shortage of vehicle parts, officials said

The workers, members of the National Union of Metal Workers of SA (Numsa), are employed at about 18 000 South African spares shops, panelbeating outlets, component-making firms, petrol stations and car dealerships

They have been on strike since September 1, demanding wage increases of 12-18%, against employers' offers of about 4,5%

Among car-makers hit by the 11-day old action are Delta Motor Corp, in which General Motors has a controlling interest, and Nissan SA, in which Japan's Nissan

Motor Company holds a 50% stake Delta said yesterday it had temporarily shut its two South African car assembly plants because of a lack of critical components

"We will be able to reassess the situation only (next week), to establish whether the supply of critical components is sufficient to warrant recommencement of vehicle production," Delta spokesman Mark Derry said

He said Delta was now considering sourcing some of the parts, including seats, from abroad

Mr Derry said Delta was losing production of more than 200 units, valued at R2-million, a day Delta assembles Isuzu bakkies, and Opel Astras and Corsas

The strike also shut South

African Motor Corporation (Samcor), which assembles Fords and Mazdas

Meanwhile, Nissan said it expected its plant near Pretoria – which employs 4 200 workers – to resume production by Tuesday if wage talks succeeded

Volkswagen SA and Toyota SA said they had not been severely affected by the latest component shortage

Volkswagen has secured a R5-billion order to supply 68 000 vehicles to Britain over the next 18 months

Mercedes Benz SA's subsidiary Daimler Benz, which also assembles Hondas, said it had slightly scaled down its production schedules while the strike continued unresolved – Reuters

7.2.98

Critical shortage of car parts

(19a) (BT) 13/9/98
INDUSTRIAL ACTION

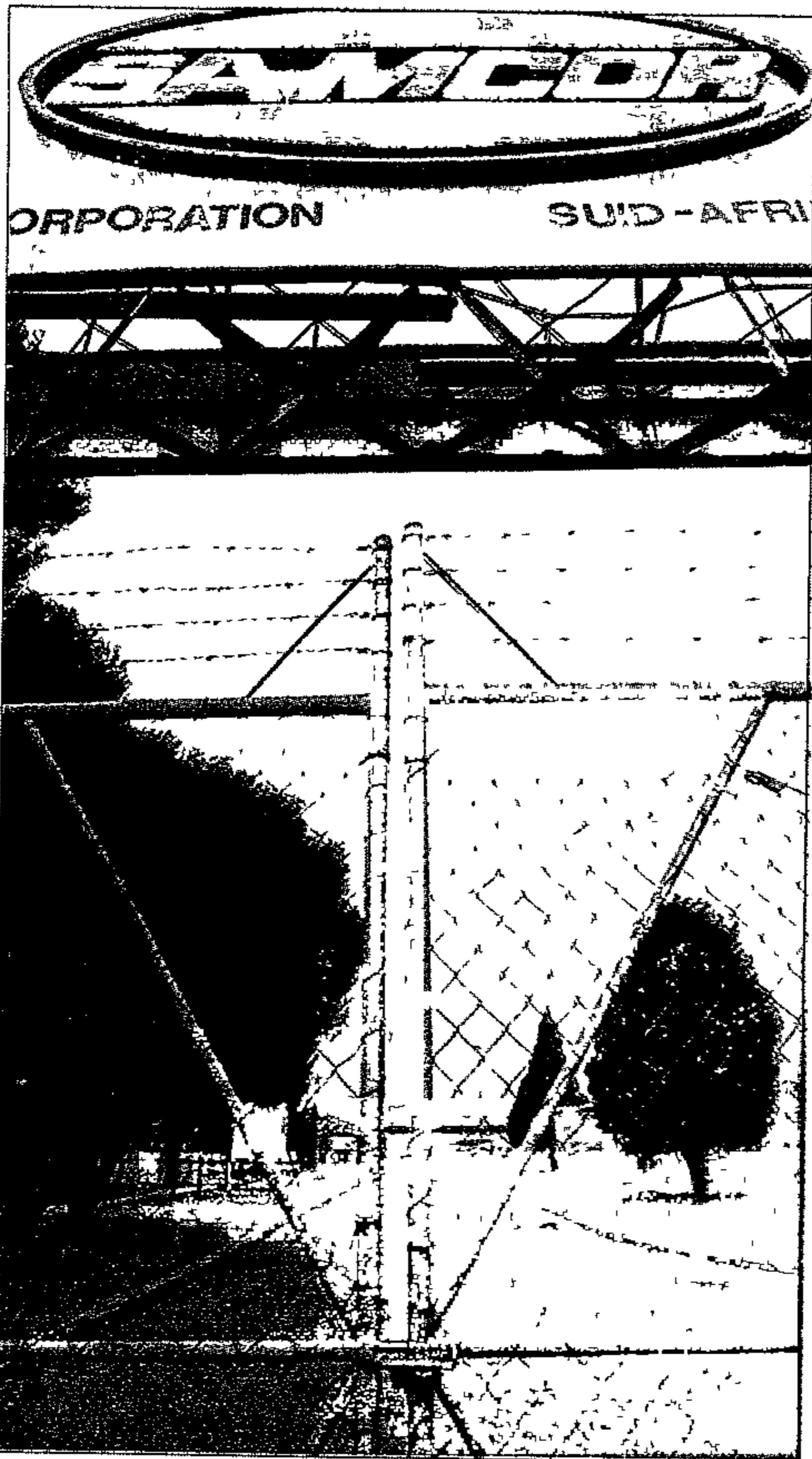
By DON ROBERTSON

THE strike by National Union of Metal Workers of SA (Numsa) in the retail motor and component industries has left the motor manufacturing sector facing a shortage of critical parts

Car makers are now threatening to import parts, which could result in huge job losses in the component industry

Some of the seven manufacturing plants have been closed for a week, while others are having to cut short the working day as they are unable to meet daily production schedules

The strike by Numsa members working for the 18 000 employers represented by the SA Motor Industry Employers' Association (Samiea) enters its third week tomorrow, with the union demanding increases in actual wages of 12%-18%, while Samiea is offering increases of 4.5% on minimum wages



NO WORK Samcor is just one of the three car manufacturers feeling the effects of prolonged strike action

PHOTO JOHN WOODROOF

Numsa vows to continue strikes

CT (BR) 14/9/98

FRANK NXUMALO (192)
AND ROY COKAYNE

Johannesburg — The National Union of Metalworkers of South Africa (Numsa) yesterday vowed to continue the national strike by its 50 000 motor components members as car manufacturing plants using locally produced parts began to feel the bite.

Production ground to a halt at Samcor, Nissan and Delta, which closed two plants in Port Elizabeth after losing about R2 million a day in production.

The motor manufacturing sector as a whole was estimated to be losing more than R120 million a day.

Volkswagen had to work reduced hours at assembly lines that used locally produced components. It said it could be negatively hit if the strike continued, although its R5 billion export order to the UK had not been affected yet as it used completely knocked down kits.

Numsa threatened to intensify the industrial action unless it secured an agreement on actual rates of pay — to be effective next year — with the South African Motor Industry Employers' Association (Samiea).

Planned action included a second sympathy strike by the

entire 220 000 Numsa membership and other industry unions on September 22 if there was no settlement by then.

The first sympathy strike, which constituted a precedent under the new Labour Relations Act, occurred on September 1.

Hosea Morapedi, Numsa's motor sector co-ordinator, said the proposals to defer the implementation of actual rates of pay to next year was not a deferment of the "fight around actuals".

He said this was part of a package of proposals put forward by the union at its Thursday meeting with Samiea. It also included proposals on the motor industry transformation.

"There is no way we can go back to our members without securing an agreement on actuals," he said.

Vic Fourie, Samiea's spokesman, said "The position of Samiea is that its resistance to negotiations on actuals is not cast in concrete. It is prepared to discuss that possibility with the trade unions at the Industry Policy Forum."

"But what Samiea cannot do is determine upfront what the outcome of these discussions is likely to be."

Numsa proposes package to end motor-sector strike

Pearl Sebolao
and Reneé Grawitzky

(192) (192)
00 14/9/98

THE National Union of Metalworkers of SA (Numsa) would consider suspending the motor sector strike — which enters its third week — if employers agreed a package proposal tabled to break the impasse, Numsa spokesman Hosea Morapedi said at the weekend.

At the same time, vehicle manufacturers braced themselves for another week of irregular supplies of auto-components which had forced the closure of some plants while others had to send their employees home early.

Volkswagen denied earlier reports that its plant was forced to close. The company also denied reports that the strike would negatively affect a multi-billion rand export contract.

The Delta Motor Corporation, which was forced to close down its Kempston Road and Struandale plants because of a shortage of certain components last week, would decide today whether the supply of critical components was sufficient for vehicle production to resume.

The proposal tabled by Numsa to bring an end to the motor strike was

made at a meeting with the SA Motor Industry Employers' Association (Samiea) late last week.

It required employers to give an undertaking that from next year wage negotiations would be based on actual rates of pay instead of the minimum.

The proposal also called for parties to speed up the establishment of an industry policy forum to discuss the issue of actual wage increases, industry restructuring and transformation.

Numsa would then convert its wage demands — which ranged from 12% to 18% on actual rates of pay — for 1998 to be on minimum rates, Morapedi said. Samiea was given till Wednesday to sell the proposal to its members.

Samiea has in turn recommended that the Industry Policy Forum be set up and that it begins debating the unions' demand of actual increases. Samiea also proposed the appointment of a mediator between the parties. This was rejected by Numsa.

Numsa meanwhile said it would intensify the strike by 60 000 motor sector workers. It would also target key establishments where senior Samiea officials had businesses. The sympathy strike at car manufacturing plants on September 22 would go ahead.

Strike goes on as four assembly plants close

Sowetan 14/9/98
By Mzwakhe Hlangani
Labour Reporter

ATTEMPTS to resolve the strike in the retail motor industry by 50 000 employees failed again at the weekend and four major car assembly plants were forced to close because of a shortage of motor parts

Chances of a breakthrough in the talks between the South African Motor Industry Employers Association (Samea) and the the National Union of Metalworkers of SA (Numsa) slipped away after the employer refused to consider union proposals, Numsa spokesman Dumisa

Ntuli said yesterday

He said the union was disappointed with Samea officials for not being prepared to resolve the current impasse

The employers had not responded to a tabled package of proposals, he said

The next meeting has been scheduled for tomorrow to allow the employer association to consult its constituency

"Our problem is that what we are dealing with is intransigence. It is our hope that a resolution will be found in the next round of talks," Numsa motor sector coordinator Mr Hosea Morapedi said

(192)

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Numsa gives word today on new strike

(192) (~~192~~)

ET(P/R) 15/9/98

FRANK NXUMALO

LABOUR EDITOR

Johannesburg — The National Union of Metalworkers of South Africa (Numsa) will announce this morning its decision on the nature of a second national "grasshopper" or sympathy strike by its 220 000 members planned for September 22

Numsa's first sympathy strike, which set a precedent under the new Labour Relations Act, took place on September 1

Dumisa Ntuli, the union's spokesman, said the decision would be based on an assessment of the impact of the two-week-old primary strike by 50 000 Numsa workers in the motor components industry.

This action has led to erratic production and the temporary closures of manufacturing plants by Samcor, Delta, Nissan and Volkswagen

Reuters reported Mercedes-Benz had begun importing vehicle components by air to compensate for the shortage created by the strike, Annelise van der Laan, spokesman for Mercedes, said yesterday

The South African Motor



'TAKE US SERIOUSLY' Over 5 000 Numsa workers from Gauteng marched to deliver a memorandum to the Alberton offices of the SA Motor Industry Employers' Association yesterday

PHOTO: SELWYN TAIT

Corporation (Samcor), which assembles Ford and Mazda vehicles, and Delta, which makes Isuzu pickup trucks, and Opel Astras and Corsa models, had not ruled out the option if the strike was prolonged

Volkswagen and Toyota said they were not experiencing problems with parts supplies

Ntuli said the union's impact study would also take into consideration the behaviour and attitude of the police during the

prolonged industrial action

He said Numsa had written a letter to the minister of safety and security to complain about the harassment and arrest of workers on the protected strike

The union's motor sector includes spares shops, car dealers, component manufactures, petrol stations, car service workshops and component manufacturing companies

Ntuli said over 5 000 workers from the union's Gauteng region

had marched yesterday to the South African Motor Industry Employers' Association offices in Alberton. They handed over a memorandum of demands including wage increases ranging from 12 to 18 percent on minimum and actual rates of pay

"We employees in the motor industry wish to express our great dismay and disappointment at the manner in which you conduct wage negotiations," the memorandum said



Thousands of picketing National Union of Metalworkers of SA strikers march in Alberton yesterday in a sympathy protest over wages in the motor sector

Picture: ROBERT BOTHA

Still hanging in the balance

It open to dis- Mpumalanga nature reserves that Gray restructured man- only make a to financial broker Fenech In- it Gray once vestments in return for a one- year R349bn. The approval of the board of direc-

KwaZulu-Natal deficit could be higher

Farouk Choithia

Imported car parts may push up vehicle prices

(19a)

Moses Mlangeni
BDB/9/198

CAR component manufacturers said yesterday that the local industry could be adversely affected and consumers could face higher vehicle prices if vehicle manufacturers went ahead and imported components.

This warning follows threats by vehicle manufacturers that they would consider alternative sources of supply if component manufacturers could not meet their commitments.

Reuters reports that Mercedes-Benz had already begun importing vehicle components by air, as the car workers strike entered its third week.

Mercedes spokesman Annulise van der Laan said the motor manufacturer was flying in components from Germany to counter the shortage of locally manufactured parts caused by the strike. Mercedes declined to comment on the amount and nature of stock it was flying in.

A number of vehicle manufacturers closed their operations last week or sent employees home early after running out of critical components as a result of the motor industry strike, which has affected a number of component suppliers.

Trade and industry department director John Cloete said it would be "relatively easy" for car manufacturers to import required components.

Robert Bosch, a supplier of motor vehicle electrical components, said it was using temporary workers to keep its factory running after permanent staff were locked out recently.

A Robert Bosch spokesman said the company was continuing to make de-

liveries, although not at 100%. A spokesman for AIC, a company involved in painting car bumpers for Samcor, said the strike had slowed AIC's delivery to Samcor. Samcor's Anton van der Walt said Samcor was closed for the whole of last week and reopened yesterday.

Delta said that production resumed at Kempston Road and Struandale assembly plants yesterday. Delta's corporate communications manager Ed Emmett said "the production schedule for the remainder of the week will be assessed on a daily basis until a normal supply of components is again realised".

Toyota's Harry Gazendam said his company had not closed or stopped operations, even though certain minor components had been difficult to get because of the strike.

If had been expected that Toyota would be worst affected as its parts were used interchangeably in its various models.

However, Gazendam said Toyota's suppliers had introduced "contingency arrangements" to ensure most necessary components arrived on time.

Volkswagen said it was forced to run two production lines instead of the normal five, because of a shortage of components.

Meanwhile, members of the National Union of Metalworkers of SA marched to the offices of the Motor Industry Training Board in Alberton yesterday to present a memorandum to the SA Motor Industry Employers' Association. The union is expected to announce today whether or not the three-week-old strike will be called off.

Bid to end motor industry strike

THABO MABASO
BUSINESS REPORTER

ARG 16/9/98 *(192)*

Hundreds of petrol attendants, mechanics and panelbeaters in the Western Cape have been on a strike for better wages since September 1.

The workers want a 12% increase for mechanics and panelbeaters and 18% for petrol attendants. Employers are offering a minimum increase of 4,5% for all grades of workers.

National Union of Metalwork-

ers organiser Melford Yakobi said petrol attendants were demanding an increase because next to farm workers they probably were the lowest paid in the country.

"Petrol attendants earn far less than most people in this country. They get a basic wage of R129 a week. Of this money tax has not yet been deducted," Mr Yakobi said.

He said it was the first time in 50 years that petrol attendants had gone on strike. About 8 000 workers across the country had joined the strike.

Motor Industries Federation divisional manager Rod Hulley accused strikers of intimidating workers opting not to down tools.

"Groups of roving people with sticks and sjamboks are targeting high-profile sites for intimidation," he said.

Mr Yakobi denied the allegations.

Workers will meet employers today in a bid to end the strike, which follows industrial action by workers in the motor manufacturing industry.

Strike negotiators look to '99 wages

(192) (157) ET(MR) 16/9/98

**FRANK NXUMALO
AND ROY COKAYNE**

Johannesburg — Today's negotiations to end the two-week-old motor component industry strike were likely to focus on drawing up guidelines for next year's negotiations on actual rates of pay, management and union leaders said yesterday

The National Union of Metalworkers of South Africa (Numsa) warned employers that the strike by its 50 000 members in the sector would be strengthened with a second sympathy, or "grasshopper", strike by its 220 000 members if it did not get a written agreement on actual rates of pay for next year

Mbuyiselo Ngwenda, the

general secretary of Numsa, said the union's national executive had decided to prolong the strike if in-principle agreements were not clinched on actuals and "substantial increases on minimums in the lower grades"

Numsa said it would like to see a unitary bargaining council for the industry that took in the South African Motor Industry Employers' Association (Samiea)

Vic Fourie, the chief executive of Samiea, said meaningful progress would probably be made at today's meeting, but progress depended on the trade unions not casting their package deal "in concrete"

He said there had not been any meeting between Samiea and the National Association of

Automobile Manufacturers of SA or the Automobile Manufacturers Employers Association

He said Samiea's resistance to negotiations on actuals was not cast in concrete and it was prepared to discuss Numsa's wage negotiations suggestion with unions at the Industry Policy Forum, but it would be impossible to determine the outcome of those discussions this year

Fourie said a lot had been made of Samiea's opening offer of 4 percent on minimum prescribed wages and Numsa needed to "engage us in negotiations"

Motor manufacturers said there had been an improvement at some plants following the disruption of production at many plants last week

Numsa vows to continue strike

DD 16/9/98 (192)

Reneé Grawitzky

THE National Union of Metalworkers of SA (Numsa) yesterday vowed to continue the motor industry strike and embark on a sympathy strike in the metal, tyre and vehicle manufacturing sectors next week if employers failed to consider a compromise position.

This warning comes ahead of a meeting between the union and the SA Motor Industries Employers Association (Samea) today to discuss a range of compromise positions tabled by both parties in order to end the three-week-old strike.

The strike has been characterised by claims and counterclaims of intimidation and violence by both parties.

The union alleged yesterday that the SA Police Service was in cahoots with some employers, leading to the assault and arrest of hundreds of striking workers.

Numsa general secretary Mbuyi Ngwenda said the extent to which employers were using replacement labour who were armed and aggressive was noticeable.

In response to employer claims that striking workers were intimidating nonstriking workers, Ngwenda said to date these were only allegations and no proof had been presented to the union.

Samea spokesman Vic Fourie said he was unaware of any cases in which police attacked and assaulted peacefully striking workers. "Our members have been cautioned not to call in the help of the police in peaceful demonstrations or pickets. Only where firearms or weapons are evident have the police been called in."

Last week the union said it had sent a letter to Safety and Security Minister Sydney Mufamadi requesting a meeting to discuss a number of complaints.

Mufamadi's spokesman, Andrew Martins, confirmed this but said no meeting had as yet been set up as the minister was awaiting details of the incidents in which workers were allegedly assaulted.

Ngwenda said employers were taking a harder line during talks this year.

The union's demands range between 12% and 18% while employers have offered 4,5%.

Margins will feel the excess capacity

Ford says SA must live with car competition

ET (PR) 17/9/98 (192)
ROY COKAYNE

Pretoria — The world car industry was facing intense competition and South Africa would have to live with it if it was intent on developing its industry, Martin Zimmerman, the chief economist at Ford Motor, said yesterday.

Zimmerman said excess capacity in the world vehicle industry was expected to grow from 18 million units to as much as 25 million in the five years from last year to 2002.

He said this excess capacity would put pressure on margins and, in turn, on cost reduction in the industry.

Zimmerman is visiting South Africa to make a presentation to Alec Erwin, the trade and industry minister, and other officials in Erwin's department in Cape Town today.

He said his presentation was on the trends in the world vehicle industry, the context of what was happening and the challenges that must be faced.

Zimmerman stressed that he would not be putting forward any specific suggestions with regards to South Africa's motor industry development programme.

Lewis Booth, the managing director of Samcor, the local manufacturer and distributor of Ford and Mazda vehicles, said Samcor was not lobbying for anything and the presentation was an information session.

Booth said other stakeholders, such as the chief executive officers of other vehicle manufacturing companies and representatives from the National Union of Metalworkers of South Africa (Numsa), had been invited to the presentation.

Zimmerman said that the pressure on margins and cost

reduction in the vehicle industry because of excess capacity would result in a reduction of complexity and model platforms, the globalisation efforts of motor companies and economies of scale in product development and manufacturing.

He said there was a great deal of export capacity at present, for instance in South Korea and Japan. These countries would like to see increased exports because of the depressed nature of their own economies, while at the same time their currencies had depreciated to make their exports more competitive.

Zimmerman said this was the economic context in which South Africa's vehicle industry would have to compete.

He said the vehicle industry was characterised by large economies of scale on a worldwide level. He said this was an issue the government would have to deal with, while the supply industry also would have to deal with it as it went global.

Zimmerman said there were a lot of initiatives around the world to expand trade by breaking down trade barriers.

But he said most countries regarded the motor industry as a strategic sector and attempted to preserve it locally through high tariff rates, import control and domestic content restrictions.

Zimmerman said the vehicle industry was regarded as a strategic industry because it was a large employer with high-quality jobs, it developed skills through on-the-job training and it brought new technology into a country not only in the vehicle but also in other industries.

It also developed a supply base brought best practices to a country.

Meeting fails to break strike

Reneé Grawitzky

05 18 19 98 (192)

A MARATHON meeting between the National Union of Metal Workers of SA and the SA Motor Industry Employers' Association failed on Wednesday night to end the impasse over the three-week motor strike.

The union said it was disappointed that the association did not respond to its proposals for an agreement on wages for next year, industry transformation, and substantial increases on minimum wages for lower-grade workers this year.

Another meeting will be held on Sunday

Numsa agrees to more talks

~~(192)~~ (192)
By Mzwakhe Hlangani
Labour Reporter

IN a final bid to resolve the current strike by 50 000 workers in the motor industry, the National Union of Metalworkers of South Africa (Numsa) has agreed to hold further talks on Sunday

The decision comes after abortive attempts last Wednesday to resolve the situation

Numsa sector coordinator Mr Hosea Morapedi said yesterday the employers again failed to respond to Numsa's set of proposals around an agreement in principle on actual rate of pay increases for next year

The union is extremely disappointed with the South African Motor Industry Employers Association (Samea) negotiators for not showing a sense of ur-

gency in resolving the three-week-old strike, he said

He charged that employers had shown a lack of commitment to genuine negotiations

Samea chief executive Mr Vic Fourie maintained that the industry was "too diverse" and some employers could not pay actual rates. After a series of meetings, the association pleaded for further adjournment until next Sunday

A solidarity strike scheduled for next week by the entire 220 000-strong membership of Numsa will continue on Tuesday if the weekend talks fail to find a resolution

The strike was not about the differences in percentages between employers' offers and unions' demands, but the method of granting increases, Morapedi said

18/9/98
Mzwakhe Hlangani

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Striking petrol attendants kidnap 'scabs'

JOSEPH ARANES

Trouble flared in the Strand for a second day when striking petrol attendants rounded up casual and non-striking workers and carted them off in waiting minibus taxis.

The workers started their "kidnapping" spree on Thursday night and continued until yesterday when police intervened.

The police and the traffic department closed roads to prevent taxis and other cars from driving around the town intimidating petrol station owners, their workers and customers.

Police told workers that their actions were illegal and if they continued, they would all be arrested.

Most of the striking workers are members of the National Union of Metalworkers of South Africa (Numsa) and have been on strike since September 1 demanding an 18% wage increase for petrol attendants and a 12% increase for mechanics and panelbeaters.



DEFIANT MOOD: police block striking Numsa workers who tried to disrupt service station operations in the Strand. Picture, LEON MÜLLER

Employers are offering 4.5%. The union says the lowest paid petrol attendants earn R129 a week.

Petrol stations owners gathered to discuss ways of dealing with the situation. Spokesman for the group Leon de Waal-Louw said they would use video footage taken from close circuit television in their forecourts, as evidence

against the workers.

"You can see them bundling the non-striking workers into the taxis at gun-point. Their behaviour is completely unacceptable. We have spoken to the police and the provincial Minister for Community Safety," said Mr De Waal-Louw. Numsa spokesman Melford Yakobi said unions members were

not involved in any illegal action.

"This strike is legal as required by the Labour Relations Act. Petrol attendants earn far less than most people in this country. They get a basic wage of R129 a week. Of this money tax has not yet been deducted.

"We are not going to retreat because wages in this sector are still a national disgrace and the conditions of these workers have not changed," said Mr Yakobi.

Meetings have been held between employers and the union but none has managed to break the deadlock. Another meeting will be held tomorrow.

Jan Schoeman of the Motor Industries Federation said the workers' actions could not be tolerated and they would apply to the Labour Court for an urgent interdict to restrain the workers from kidnapping and assaulting casual staff.

See picture, page 2

(192) ARG 19/9/98

Pay increase method still the sticking point in strike

EMPLOYERS and trade union representatives will meet again today in a bid to end the three-week strike in the motor industry, which has affected 18 300 businesses including filling stations, panel beaters and components manufacturers

However, both parties remained adamant on Friday they would not compromise over the key issue in the dispute, which is the union demand to negotiate wage increases on actual rates of pay rather than prescribed industry minimums

The National Union of Metalworkers of SA (Numsa) also threatened to raise the stakes in the strike by continuing sympathy strikes by its 220 000 members.

At present, wage talks between the SA Motor Industry Employers' Association (Samea) and Numsa are conducted over minimum rates, while most employees are paid far above these. In practice, this translates into increases either not being granted or being granted at employers' discretion

Numsa negotiator Hosea Morapedi said the method of granting increases was the main point of contention

"It is the key issue and central to the strike. We want to make it a

A meeting today on the motor industry dispute will try to resolve how wages are negotiated, writes CAROL PATON

ST(MT) 30/9/98

point that in future everybody gets a wage increase," said Morapedi

Samea negotiator Vic Fourie said employers could not concede to the union demand because of the large and diverse number of employers in the industry

"It becomes impossible to negotiate on actual wages. Employers are spread throughout the country and vary from those who have 100 employees to those with only one. We believe you cannot create one wage model," said Fourie

Fourie said most establishments had not been detrimentally affected by the strike. "We are making use of scab labour and have used students, family and friends. There are very few establishments that have had to close. The loss cannot be calculated. It may be insignificant," he said

However, component manufacturers bore greater costs as some vehicle manufacturers had begun to import parts, although Fourie said, not on an extensive scale

Greater pressure on the components sector could lead to a compromise deal today, where the employers agree to negotiate wages on actual rates of pay

However, Numsa is determined to win substantial gains across the board, having in previous years postponed strike action

"People who have joined the union expect gains. This time we have complied with all the technicalities for a protected strike and it's do or die," said Morapedi

Wages in the industry are low. Morapedi said prescribed minimums were R129 a week and the average pay of petrol attendants about R250 a week

He accused employers of dragging their feet in resolving the dispute. "We were very disappointed by the pace of the employers in these negotiations. On Wednesday they once again asked for more time — even though the same issues have been on the table since the start of the dispute"

'NOT ALL WORKERS BELONG TO NUMSA'

Petrol station owners fear strikers' attacks

(192) (192) CF 21/9/98

AS THE wage dispute between Numsa and employers continues, working petrol attendants have become the target of attacks by striking colleagues. **GASANT ABARDER** reports.

PETROL attendants on duty around the Cape Peninsula have become the targets of their striking colleagues and petrol station owners fear violent attacks on their employees will continue this week.

Members of the National Union of Metalworkers of South Africa (Numsa) have been striking since September 1 for an 18% wage increase for petrol attendants and a 12% increase for mechanics and panelbeaters. Employers are offering 4,5%.

A mob of more than 150 Numsa members attacked Salt River petrol attendant Johan Mouton, 23, of Bothasig on Thursday afternoon after they had attended a meeting at their offices nearby.

"I was filling up a car when I noticed the men approaching the forecourt," Mouton said. "The customer paid with a card and one of the men demanded it from me. That's when the trouble started."

Mouton said the group began beating him over the head and neck with a petrol pump and a watering can and ripped his shirt off. However, they did not use their sticks and sjamboks.

The men then tried to drain petrol from the pumps, but these were locked.

The attack did not deter Mouton from going to work — an hour early — at the petrol station on the Salt River Circle yesterday.

"We don't mind the strike, but they must not intimidate people who want to work," said Mogamat Jassiem, 30, manager of the 24-hour store at the station and who saw the attack.

The owner of a Wynberg petrol station, who did not wish to be named for fear of reprisals, said

armed Numsa members had swooped on to his station's forecourt and severely beaten three petrol attendants with sjamboks last Tuesday morning.

"I find it strange that Numsa could allow their members to employ these methods which they fought so strongly against in the apartheid days," he said.

"My workers are members of an independent union."

The owner said that only half of his staff members were on duty and that those at work were tense. "It is difficult to trade under these conditions," he said.

In Voortrekker Road, Maitland, petrol attendants

were threatened on their forecourts last week. The owner of one petrol station said some of his workers had not arrived for work because they were afraid of being attacked.

"I have no problem with Numsa's striking, but its members have to understand that not all workers belong to their union," he said. "They are being intolerant."

The Maitland owner said he had heard that at a petrol station in Observatory, a petrol attendant who was not taking part in the strike had been the victim of a racial attack.

In the Strand, striking petrol attendants abducted casual and non-striking workers on Thursday and Friday before police intervened.

Police and traffic officials blocked off roads to prevent the striking petrol attendants from entering petrol stations.

A spokesperson for the Strand police station said the situation, although tense, was quiet and that there had been no incidents of violence since Friday.

She said that private security guards were on duty at petrol stations in the Strand.

Sjambok attacks also occurred at petrol stations in Muizenberg.

"It is difficult to counter the attacks because they are taking place sporadically across the Peninsula," Western Cape police spokesperson Vivienne Phillips said.

She said the Public Order Policing Unit was deployed on routes like Voortrekker Road where the attacks had taken place.

No incidents had been reported since Friday, she said. She urged owners of petrol stations to report all threats and attacks.

Numsa officials were not available for comment.

"We don't mind the strike, but they must not intimidate people who want to work."

Strike revs up as car industry talks sputter

THE strike by thousands of motor industry workers would continue this week as talks between employers and the union had failed to yield a settlement, the National Union of Metalworkers of South Africa (Numsa) said yesterday.

Numsa spokesperson Dumisa Ntuli said no further negotiations between the union and the SA Motor Industry Employers Association (Samiea) were planned.

The talks broke down after nearly five hours yesterday.

They followed failed negotiations last week, when Numsa vowed to intensify the action if a settlement in the wage dispute was not reached soon.

Ntuli said that in addition to the strike by up to 600 000 motor industry workers, a second one-day sympathy strike by other Numsa members would go ahead tomorrow.

This would involve up to 170 000 Numsa members working in the car, tyre, steel and engineering industries.

Ntuli said other sympathy strikes could follow.

Last week, Samiea raised its initial offer of a 4,5% increase on minimum wages to between 8% and 10%.

Numsa is demanding a 12% to 18% increase, but says the main sticking point is how the increases will be applied.

Ntuli said Samiea had not responded positively yesterday to Numsa's proposals for the increases to be applied to actual wages earned, for a minimum wage of R5 an hour for petrol attendants and for the wage differentials to be closed.

Samiea had "a fixed mandate" to give increases on minimum wages only.

It refused to sign an in-principle agreement to pay increases on actual wages and to agree to implement the pay system next year, Ntuli said.

Samiea spokesperson Vic Fourie was not available for comment.

Motor industry workers have been on strike since September 1.

The strike has affected petrol stations, panelbeating workshops, spare parts firms and manufacturers of car components.

The country's seven car manufacturers have been seriously affected by the lack of supplies of car components. They may also be affected by this week's sympathy strike — Sapa.

Motor industry strike set to continue

Pearl Sebolao

BD 21/9/98 (192)

THE motor industry strike, which enters its fourth week today, was set to continue indefinitely after wage talks between the National Union of Metalworkers of SA (Numsa) and employers did not yield any results.

The parties failed to reach agreement after five hours of negotiations last night.

Numsa spokesman Hosea Morapedi said the SA Motor Industry Employers' Association (Samea) rejected proposals made by the union last week in order to break the impasse.

Morapedi said the main sticking point was the issue of granting the

workers increases based on actual rates instead of minimum wages

He said there was no way Numsa would back down on the strike if employers did not agree to the framework — which included an "in principle agreement" on actual rates of pay for the year ahead

Samea also rejected proposals for an adjustment of the minimum wage for petrol pump attendants to R5-an-hour, he said.

Meanwhile, the second sympathy strike by Numsa members in vehicle manufacturing and engineering industries go ahead tomorrow. More than 170 000 workers were expected to participate in the strike

Breakdown in wage talks

THE strike by thousands of motor industry workers will continue this week after talks yesterday between employers and the union failed to yield a settlement, the National Union of Metalworkers of SA said

Numsa spokesman Dumisa Ntuli said no further negotiations between the union and the SA Motor Industry Employers' Association (Samiea) were planned

The breakdown of the talks yesterday after nearly five hours follows the failed negotiations last week when Numsa vowed to intensify the action if a settlement was not reached soon in the wage dispute

Ntuli said in addition to the ongoing

strike by up to 60 000 motor industry workers, a second one-day sympathy strike by other Numsa members would go ahead tomorrow

This would involve up to 170 000 Numsa members working in the car and tyre manufacturing, steel, and engineering industries. Other sympathy strikes may follow

Last week Samiea raised its initial offer of a 4,5 percent increase on minimum wages to between 8 and 10 percent

Numsa is demanding a 12 to 18 percent increase, but said the main sticking point was still the issue of how increases were granted

Ntuli said Samiea did not respond

positively yesterday to Numsa's proposals on basing increases on actual wages earned, for a minimum wage of R5-an-hour for petrol attendants, and to close the wage differentials

Samiea had "a fixed mandate" to give increases on minimum wages only. It refused to sign an in-principle agreement to pay increases on actual wages and to agree to implement the pay system next year, he said

Samiea spokesman Vic Fourie was not immediately available for comment

Motor industry workers have been on strike since September 1, affecting petrol stations, panelbeating shops, spare parts firms and car component manufacturers - *Sapa*

NUMSA 21/9/88

(192)

GRASSHOPPER ACTION More than 220 000 workers will go out in sympathy tomorrow

Numsa strike talks deadlocked

FRANK NXUMALO AND
ROY COKAYNE

Johannesburg — The national "grasshopper" or second sympathy strike by more than 220 000 workers allied to the National Union of Metalworkers of South Africa (Numsa) and other motor industry trade unions will take place tomorrow after the unions and the South African Motor Industry Employers Association (Samiea) deadlocked again yesterday.

"We didn't come to an agreement," said Vic Fourie, the Samiea spokesman.

"The trade unions wanted a guarantee on increases and negotiations on actual wages. Employers believe that negotiations on actual wages should be at enterprise level and not at central level. That is the fundamental difference between the two parties."

Numsa said the meeting was "a mockery". The union accused employers of talking "totally different and removed" from the issues that were discussed at the last meeting on Wednesday.

"We have deadlocked," said Hosea Morapedi, the Numsa motor sector co-ordinator.

"Yesterday's meeting failed to arrive at a solution in a way that



DEAD END Trying to break the impasse yesterday were (from left) Vic Fourie of Samiea, Mike Louzu, the vice-president of the Motor Industry Bargaining Council (partly obscured), Johan du Plessis of the Motor Industry Staff Association, Jaycee Greyling of the Motor Industry Employers Union of South Africa and Hosea Morapedi of Numsa

PHOTO ANDIKAZ

would solve the current dispute. The employers are still where we were (on Wednesday)."

Numsa's package of proposals included an agreement in principle on actual rates of pay

that would be effective from next year, guaranteed wage increases for all employees earning above the current industry minimum wages, a principled agreement on actuals and the establishment

of an industry policy forum. Meanwhile, Nissan South Africa warned that its vehicle assembly plant in Rosslyn near Pretoria would be closed today. Production at many motor

manufacturing plants around the country — including Mercedes-Benz SA, VWSA, Toyota, Delta and Samcor — was expected to either come to a halt or continue erratically.

The Automobile Manufacturers Employers' Organisation, which represents the seven local manufacturing plants, said it would not apply for an interdict against Numsa.

Annelise van der Laan, the corporate relations manager for Mercedes-Benz SA, said her company had started flying in key components.

VWSA said it had lost more than 100 units over the past two weeks. It said this loss would have a negative impact on sales figures at the end of this month because shortages in product inevitably occurred with the most popular model lines.

Roger Houghton, the general manager public affairs for Toyota South Africa, said its assembly plant was working normally but production was below target because of the short supply of components.

Mark Derry said Delta was scheduled to produce again today, but it was not expecting much production tomorrow because of the secondary strike

Petrol station owners fear strikers' attacks

(192) (192) PF 21/9/98

AS THE wage dispute between Numsa and employers continues, working petrol attendants have become the target of attacks by striking colleagues. **GASANT ABARDER** reports.

PETROL attendants on duty around the Cape Peninsula have become the targets of their striking colleagues and petrol station owners fear violent attacks on their employees will continue this week.

Members of the National Union of Metalworkers of South Africa (Numsa) have been striking since September 1 for an 18% wage increase for petrol attendants and a 12% increase for mechanics and panelbeaters. Employers are offering 4,5%.

A mob of more than 150 Numsa members attacked Salt River petrol attendant Johan Mouton, 23, of Bothasig on Thursday afternoon after they had attended a meeting at their offices nearby.

"I was filling up a car when I noticed the men approaching the forecourt," Mouton said. "The customer paid with a card and one of the men demanded it from me. That's when the trouble started."

Mouton said the group began beating him over the head and neck with a petrol pump and a watering can and ripped his shirt off. However, they did not use their sticks and sjamboks.

The men then tried to drain petrol from the pumps, but these were locked.

The attack did not deter Mouton from going to work — an hour early — at the petrol station on the Salt River Circle yesterday.

"We don't mind the strike, but they must not intimidate people who want to work," said Mogamat Jassiem, 30, manager of the 24-hour store at the station and who saw the attack.

The owner of a Wynberg petrol station, who did not wish to be named for fear of reprisals, said

armed Numsa members had swooped on to his station's forecourt and severely beaten three petrol attendants with sjamboks last Tuesday morning.

"I find it strange that Numsa could allow their members to employ these methods which they fought so strongly against in the apartheid days," he said.

"My workers are members of an independent union."

The owner said that only half of his staff members were on duty and that those at work were tense. "It is difficult to trade under these conditions," he said.

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were threatened on their forecourts last week. The owner of one petrol station said some of his workers had not arrived for work because they were afraid of being attacked.

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"It is difficult to counter the attacks because they are taking place sporadically across the Peninsula," Western Cape police spokesperson Vivienne Phillips said.

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No incidents had been reported since Friday, she said. She urged owners of petrol stations to report all threats and attacks.

Numsa officials were not available for comment.

Strike revs up as car industry talks sputter

THE strike by thousands of motor industry workers would continue this week as talks between employers and the union had failed to yield a settlement, the National Union of Metalworkers of South Africa (Numsa) said yesterday.

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The talks broke down after nearly five hours yesterday.

They followed failed negotiations last week, when Numsa vowed to intensify the action if a settlement in the wage dispute was not reached soon.

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Samiea had "a fixed mandate" to give increases on minimum wages only.

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Samiea spokesperson Vic Fourie was not available for comment.

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The strike has affected petrol stations, panelbeating workshops, spare parts firms and manufacturers of car components.

The country's seven car manufacturers have been seriously affected by the lack of supplies of car components. They may also be affected by this week's sympathy strike — Sapa.

Numsa sympathy strike today

JOHANNESBURG· More than 220 000 workers allied to the National Union of Metalworkers of SA (Numsa) and other motor industry trade unions will take part in a national sympathy strike today

The action follows the failure of talks held on Sunday to resolve the dispute between 50 000 motor workers and the SA Motor Industry Employers' Association (Samiea).

Motor industry workers have been on strike since September 1. The walkout has affected petrol stations, panelbeating shops, spare parts firms and car component manufacturers.

(192) (192)
Numsa spokesperson Dumisa Ntuli said the union wants the Commission for Conciliation, Mediation and Arbitration to intervene in the 21-day strike to force the employers to "negotiate in good faith".

He said the main sticking point is the issue of granting workers increases based on actual rates of pay rather than minimum wages. Samiea says it cannot agree to negotiate increases on actual wages, and adds minimum levels should be negotiated at a central level, with actual wages a matter to be decided locally.— Sapa

ET 22/9/98

Union asks for help in 'injecting sense of urgency into talks'

Pearl Sebogla

(192) (192)
DD 22/9/98

THE Commission for Conciliation, Mediation and Arbitration has been asked to intervene in the 22-day-old motor industry strike following the breakdown of wage talks at the weekend.

National Union of Metalworkers of SA (Numsa) spokesman Dumisa Ntuli said the union approached the commission yesterday in a bid "to instil a sense of urgency" into the talks with the SA Motor Industry Employers' Association (Samea).

He said Numsa would wait for the commission's intervention to take its course before taking a decision on whether to withdraw the compromise proposal, which was rejected by the employers on Sunday, in favour of its initial demand for increases ranging from 12% to 18%.

The proposal included an "in principle agreement" on actual rates of pay for next year and the speedy establishment of an industry policy forum. Numsa in turn would settle for increases in minimums for this year.

The employers' negotiating team was to meet last night to consider whether to agree to the involvement of a third party in the talks.

CEO Vic Fourie said Samea would meet Numsa today for informal discussions "to search for possible areas where a compromise can be reached".

Meanwhile, the second sympathy strike by more than 170 000 Numsa members in vehicle manufacturing and engineering industries will be intensified today.

There will be marches and rallies around the country.

CCMA to mediate in strike

By Mzwakhe Hlangani
Labour Reporter (197)

THE Commission for Conciliation, Mediation and Arbitration is expected to mediate in a bid to resolve the rivalry between the National Union of Metalworkers of SA and the South African Motor Industry and Employers Association.

Production is expected to grind to a halt today at seven major vehicle assemblies and tyre and engineering companies when 220 000 Numsa members join a nationwide sympathy strike to pledge solidarity with striking motor industry workers.

Numsa spokesman Dumisa Ntuli said the involvement of the CCMA

would assist in ending the "ostrich approach" of employers and instil a sense of urgency, thus ensuring that employers negotiated in good faith.

Samiea had failed to react to Numsa's key proposals around the principle agreement on the actual rates of pay and its implementation next year, Ntuli said.

Transformation forum

He said an industry policy transformation forum to deal with the restructuring and transformation of the council should be established.

The employers, in their narrow interests, are creating a crisis situation over the motor strike by stressing that wage increases for

petrol attendants were determined by the ratplan or profit margins from the Government."

Meanwhile, thousands of members of the South African Municipal Workers Union embarked on a strike in the Cape metropolitan area yesterday, reports Sapa. The union said the strike was in response to the council's unilateral withdrawal of Samwu's organisation rights at branch level.

Samwu said the union had in the past had the use of one full-time shop steward for every 1 000 members, but this was summarily withdrawn by the council. It said this move could lead to chaos as the shop stewards held the key to solving grievances.

Intervention sought in 22-day-old car industry dispute

Numsa calls on CCMA to intervene in motor strike

CT(MA) 22/9/98 (192)

**FRANK NXUMALO
AND ROY COKAYNE**

Johannesburg — The National Union of Metalworkers of South Africa (Numsa) had called on the Commission for Conciliation, Mediation and Arbitration (CCMA) to intervene in the 22-day-old motor industry national strike by 50 000 of its members, Hosea Morapedi, the union's motor sector co-ordinator, said yesterday

The 220 000 Numsa members will down tools today in a second sympathy strike with their colleagues in the motor components sector

The first sympathy strike by Numsa, which set a precedent under the new Labour Relations Act, took place on September 1

Delta Motor and Samcor have decided to close their assembly plants today, but other local manufacturers will keep their plants open for production despite the planned secondary strike

Doc Seiler, the executive director of human resources at Samcor, said there was dissatisfaction among its engine plant

workforce about the decision because employees would rather be working than having to take time off

Seiler said the plants would reopen for production on Wednesday

Ed Emmett, the corporate communications manager for Delta Motor, said Delta's Kempston Road and Struan-dale assembly plants in Port Elizabeth would be closed today because of the lack of critical components as a result of the ongoing industrial action in the motor retail sector

Emmett said the plants would re-open on Wednesday but would be closed for the public holiday on Thursday

"Production is planned to resume on Friday but this will depend on the availability of components, which is being assessed on a day-to-day basis," Emmett said

Matt Gennrich, the general manager of public affairs for Volkswagen SA, said its plant in Uitenhage would be open today

Gennrich said the company would "try to run production as far as we can"

He added "This is dependent

on what tomorrow brings"

The CCMA will intervene in terms of section 150 of the new Labour Relations Act, which means it can only propose mutually acceptable terms but cannot impose these as a solution on any of the parties to the dispute

Numsa accused the South African Motor Industry Employers' Association (Samiea) of failing to reciprocate its proposals on a signed agreement on actual rates of pay, which would be effective next year, guaranteed personal increases for members already earning above industry minimum wages, implementation of a policy forum to deal with the industry's transformation and a minimum rate of R5 an hour for petrol attendants

The union said that it believed the intervention of the CCMA would end the "ostrich approach of employers"

Morapedi said "The point of contention is about the proposed framework and the method of granting increases in the industry

"Our real battle with Samiea is on the principle agreement to pay increases on actuals"

First strike in 50 years battering all in motor industry

Star 23/19/98

(1992)

CHRISTINE NESBITT

Smaller businesses in danger of closing as industrial action drags on: workers near desperation zone, bosses face huge losses

By Eddie Javiva

Far from the negotiating chambers where union leaders and motor industry executives are thrashing out a deal, workers and employers are counting their financial losses as the strike by more than 60 000 workers enters its fourth week.

Motor industry workers - affecting petrol stations, panelbeating shops, spare part firms and car component manufacturers - have been on strike since September 1.

Numsa's package of proposals include an agreement in principle on actual rates of pay for the year ahead and guarantees wage increases for all employees earning above the current industry minimum.

The South African Motor Industry Employers' Association (Samia) does not want to negotiate increases on actual wages and maintains that minimum levels should be negotiated at a central chamber, with actual wages a matter to be dealt with at plant or enterprise level between employers and employees.

Numsa now wants the Commission for Conciliation, Mediation and Arbitration (CCMA) to intervene because "the involvement of a third party will instil a sense of urgency on the part of employers to negotiate in good faith."

Numsa spokesperson Dumisa Nhlu said, "Obviously our members are losing their wages, but the majority are determined to fight for better wages. This is the first strike in the industry in 50 years. Workers have been paid increases that are unsatisfactory. We want to change the bargaining structure, and we hope to settle this week."

Panelbeaters and fitment centres around Johannesburg were concerned this week that their businesses would be forced to close if the strike continues.

Doliers Panelbeaters director Eddie Deeb said although he had enough parts to repair cars, he feared the worst if the strike continued for more weeks.

"We are coping at the moment, but things might change if the industrial action goes on for much longer. Other panelbeaters are al-



ready suffering as the parts have dried up. The strike affects the economy and I have no doubt that people will lose their jobs."

AIM Panelbeaters owner Fazel Hamed said the strike affected customers because their cars would not be ready on time: "The strike is beginning to bite and small panelbeaters could well be forced to shut down."

The Supa Quick centre in Randburg employs seven regular workers, and is now forced to use casual labour to fit tyres and batteries.

The casuals cannot fit shocks or do wheel alignment. Before the strike, the centre turned over about R10 000 per day, but the figure had dropped to about R2 500. Salespersons Shane Rajah and

Gary Kockott had to administer the centre and assist in manual labour during the early days of the strike.

Kockott said the company had lost many of its customers because of the strike.

"The strike was initially scheduled for one day and the workers only worked four days and then they were called out.

Looking bleak... Shane Rajah is uncertain of his future as the strike enters its fourth week

"We didn't make contingency plans and we were caught napping. We had to do the administrative work and change tyres. We are feeling the pinch and the sooner the strike is ended the better," he said.

Rajah said workers visited the centre daily and were eager to return to work.

"Obviously they have families to feed and are not taking money home. We are making very little, while these workers earn nothing. We don't know what will happen to us if the strike continues," he added.

For one worker in the industry, Peter More (not his real name), the strike has begun to take a heavy toll.

More said his three children questioned his reluctance to return to work and his wife wanted to know when the strike would end.

"It was difficult to explain the situation to my family," he recalled. "I felt they were drifting away from me because there was no food on the table. I had to borrow money from friends to support my family."

Strike forces motor assembly plants to close

Pearl Sebolao

33/9/98

MOTOR manufacturers bore the brunt yesterday of the one-day sympathy strike by the National Union of Metalworkers of SA (Numsa), as absenteeism forced the closure of several motor assembly plants which were already crippled by component shortages caused by the primary strike in the motor retail industry

The Delta Motor Corporation and Samcor were forced to close their plants for the day, while Mercedes-Benz SA operated at 30% capacity. The high level of absenteeism forced the closure of production lines at the Volkswagen SA assembly plant in Uitenhage, but the plant itself was not closed.

It was difficult to quantify the effect of the strike as most manufacturers were already suffering severe losses because of the shortage of critical components caused by

the primary strike in the motor sector, said Toyota group human resources director Harry Gazendam.

Gazendam warned that the industry could only survive the strike "if a solution was found in the short term, but if it carries on indefinitely there would be permanent damage to the whole industry".

SA Motor Industry Employers' Association CE Vic Fourie said the parties "managed to identify a common ground which might lead to a settlement" yesterday.

They also agreed to invite the Commission for Conciliation, Mediation and Arbitration to mediate. A meeting was scheduled for Friday.

Meanwhile, Impala Platinum (Implats) ended its lockout action against the National Union of Mineworkers at its Springs-based refinery after the union threatened to seek a court interdict against the mine for

(192) an illegal lockout, the union said yesterday.

The mine instituted a lockout against 400 union members on Monday after the union warned it would strike over stalled wage negotiations.

Union spokesman Lekhotla Mabea said that Impala allowed workers to return to the plant after receiving a letter from the union's attorneys indicating that the lockout was illegal.

However, Implats spokesman Geoff Skelton said the lockout was withdrawn because the union had indicated in its attorney's letter that it would comply with the mine's conditions that the union withdrew the strike notice and that workers returned to work.

The parties have been in negotiations for several months. The union is demanding a 9,9% wage increase and management has offered 8%.

Sympathy strike ⁽¹⁹²⁾ hits production

By Mzwakhe Hlangani
Labour Reporter

PRODUCTION in the car manufacturing, tyre and allied engineering plants were severely disrupted yesterday as the 220 000-strong National Union of Metalworkers of South Africa (Numsa) embarked on a one-day solidarity strike in support of the strikers in the motor retail sector

Numsa general secretary Mbuyiselo Ngwenda said 80 percent of the membership supported the one-day solidarity action while the union delegation engaged in negotiations with the South African Motor Industry Employers Association (Samiea)

Automobile Motor Manufacturers Employers Organisation spokesman Harry Gazendan said though it was difficult to say if the strike was a result of the ongoing motor sector strike or today's sympathy call, the impact

was severe

"It is difficult to get involved in the negotiations between both parties as the Samiea represents thousands of employers and we do not understand the dynamics of their negotiations," Gazendan said

He said he hoped today's meeting between Samiea and Numsa would have positive results

Breakdown in negotiations

Rallies were held in all provinces to report back on the reasons for breakdown in negotiations with Samiea this week, Ngwenda said

Delta's corporate communications manager Ed Emmett said the ongoing industrial action in the motor sector negatively affected key suppliers

Due to non-availability of critical components, the company had to close down its Kempston Road and Struandale plants yesterday

Seifsa claims union had little backing in sympathy strike for motor workers

Numsa claims huge support

FRANK NXUMALO
AND ROY COKAYNE

Johannesburg — The National Union of Metalworkers of South Africa (Numsa) said yesterday there had been overwhelming backing for its sympathy strike by more than 220 000 members in support of colleagues in the motor industry sector

About 50 000 Numsa motor sector workers have been on strike since the beginning of this month

Three of the four main tyre makers were paralysed yesterday, with at least 3 300 workers absent from work in support of the motor sector's wage dispute

The vehicle sector was also affected. Two vehicle assembly plants were closed and a third had no production. Production was disrupted at two more plants.

Numsa accused officials of the South African Motor Industry Employers' Association of failing to "approach the whole negotiation this year with maximum wit and maturity"

The parties are scheduled to meet again on Friday

"We hope that the stubborn employers will learn a great deal from the secondary strike not to adopt the same paternalistic attitude in the future round of negotiations," said Dumisa Ntuli, Numsa's spokesman

"The 100 percent support displayed the commitment of workers to improve the buying power of motor workers"

However, the Steel and Engineering Industries Federation of South Africa (Seifsa), from whom the majority of workers on the sympathy strike were drawn, said it appeared the secondary strike had had "very little support among Numsa membership in the metal and engineering industry"

"The results of a Seifsa



VOCAL SUPPORT Strikers give voice to their feelings at Germiston yesterday

PHOTO JOHN WOODROOF

survey indicate a very small number of companies in Mpumalanga and Gauteng were affected by (yesterday's) action," Seifsa said

"Apart from a small number of companies in the Port Elizabeth area, none of the companies surveyed in the Free State, KwaZulu Natal, Western Cape and Eastern Cape were affected"

Numsa accused the police of "brutally assaulting" its members "in cahoots with employers" It said at least 40 strikers

were arrested

"The majority of those assaulted were deliberately provoked by employers to act violently," the union said "Numsa believes the police must be taken on a course on how to conduct themselves during legal strikes"

Toyota South Africa and Nissan South Africa both reported production as normal. But Toyota said production was slow because of a shortage of key component supplies

Mike London, the public

relations manager at tyre maker Goodyear, said two shifts at the Port Elizabeth plants had failed to report for work

London said assuming the third shift which was due to start work at 11pm last night also failed to report for work, the strike would have involved about 1 200 workers at Goodyear

Mike Hankinson, the chief executive of tyre maker Dunlop Africa, said some of its plants were working at 100 percent and others were not working at all, but the impact of the secondary strike had been "negligible"

Richard Carter, the general manager communications and public affairs at BMW South Africa, said only about 50 percent of its workforce had reported for work yesterday and no production was possible

Carter said BMW had not been affected by key component shortages, and prior to yesterday its plant had been operating at scheduled capacity

"BMW SA, as a result of a R1 billion injection of cash and technology by BMW AG, is moving on to a major export footing. We have been encouraged by the government, ministers and MIDP (motor industry development programme) to do that

"But the trade unions, which are separate from our workforce, with whom our relationship is the best in industry, are at odds with government policy and certainly not supportive of major companies moving into primary exports contracts abroad

"If this is the environment in which major companies have to try to enter export markets abroad, those attempts are going to fail, together with the concomitant benefits that go with it, such as job creation and foreign exchange earnings," Carter said

ET(MR) 23/9/98 (192)

New openness in motor strike

ROY COKAYNE

(192)

~~(159)~~

Star 24/9/98

Pretoria — The SA Motor Industry Employers' Association (Samiea) would co-operate with any action that could lead to the settlement of the motor sector strike, including the involvement of the Commission for Conciliation, Mediation and Arbitration (CCMA), said Vic Fourie, the chief executive of Samiea, yesterday

However, Fourie said Samiea and the National Union of Metalworkers of South Africa (Numsa) had agreed during their informal meeting on Tuesday that the timing was not yet right for the CCMA to become involved

Fourie said Samiea and

Numsa would possibly look at involving the CCMA next week if the wage negotiation dispute had still not been resolved

He said another informal meeting with Numsa would be held on Friday

Fourie said Samiea and Numsa had ignored mandates at these informal meetings, endeavouring instead to identify possible common ground and ways of resolving the dispute

He said certain common areas had been identified at Tuesday's meeting which both Samiea and Numsa had to take back to their structures for a mandate

"The pursuance of these issues has the potential of allowing

us to have a reasonable chance of resolving the dispute. But I cannot say at this stage that we are going to be successful," he said

Fourie was not prepared to provide any details about the offers and compromises by Samiea and Numsa, stating that they were "too sensitive at this time"

The motor sector strike is now in its fourth week. Numsa has been demanding wage negotiations on actual rates of pay rather than minimum pay levels

Samiea has resisted wage negotiations on actual wages at central level, maintaining that actual wages should be negotiated at plant level because of the diversity of the industry

Motor sector employers, union to resume talks

Dustin Chick

BD 25/9/98
TALKS to resolve the four-week-old wage dispute between the SA Motor Industries Employers' Association and the National Union of Metalworkers of SA (Numsa) are expected to continue this morning, with the association "cautiously optimistic" about a potential breakthrough.

Yesterday, association CE Vic Fourie said today's discussions would pick up from informal talks which took place on Tuesday where a "possible area of settlement" may have been found. He said the informal talks were a bid to move away from "rigid mandates" and identify areas for possible settlements.

Fourie would not disclose details of the possible agreement because of the sensitivity of the matter.

He said workers would be entering their fourth

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week without pay and there would be pressure on the union to settle.

Fourie said the financial cost to employers was "negligible" because they had been able to hire temporary labour.

Numsa spokesman Dumisa Ntuli said the union hoped for a settlement "soon".

However, Ntuli said it was difficult to predict when the dispute would be resolved.

On Wednesday motor manufacturers bore the brunt of a one-day sympathy strike by about 220 000 Numsa members, as absenteeism forced the closure of several motor assembly plants already crippled by component shortages caused by the primary strike in the motor retail industry.

Numsa's demands are a framework on principle rates of pay, to be implemented next year, a minimum wage of R5/hour for petrol attendants, personal guarantees for all workers of an increase above the minimum wage and the introduction of an industry policy forum as a tool for the transformation and restructuring of the industry.

Outlook not all doom and gloom for motor industry

Stan Maphologela (192) BD 25/9/98 anticipated," one analyst said.

ALL is not lost for the SA motor industry, despite concerns over high interest rates, a volatile rand and dwindling vehicle sales, according to a global automotive consultants ATKearney

ATKearney president Manfred Tuerks said on Wednesday the SA motor industry had the potential to compete to world standards in the long run "If anything, the SA industry has been dealt a stronger hand by the world-wide financial shake-up and also by the new technological forces at play in the global industry," he said

However, local industry analysts say most of the foreign-based motor companies with SA investments were considering their options due to the underperformance of the local market, exacerbated by frequent strikes and the danger that export contracts might not be honoured

Sales of domestic vehicles have fallen consistently since early last year, and analysts say positive spinoffs of the weak rand would not come about until an environment was created that restored damaged foreign investor and buyer confidence

"With current rocketing interest rates, consumers' personal debt as a percentage of disposable income is high and recovery will take longer than

ATKearney said most major multinational motor industry firms were frustrated by their failure to crack global competition over the past two decades.

Although many local analysts took a pessimistic view of the future and questioned how much longer the market could sustain eight domestic manufacturers, there was scope for growth and recovery.

An analyst said local manufacturers were still not competitive, and future import tariff cuts in terms of the motor industry development programme could result in casualties caused by external competition

SA manufacturers would have to consider following the global trend towards capital intensive manufacturing,

since the unstable industrial relations environment showed little sign of improving However, this would be strongly resisted by labour.

ATKearney said information technology, and specifically the Internet, was already revolutionising car marketing. Dealers were enjoying profit margins of around 16% on car sales, but this was likely to shrink as more buyers switched to the World Wide Web and manufacturers realised that they could supply direct to the consumer and cut out the middle man



TUERKS

Claims stem from export incentive scheme

State owes car makers R1,5bn

ROY COKAYNE

(192)

CT(MR) 25/9/98

Pretoria — South Africa's vehicle manufacturers were owed an estimated R1,5 billion by the government for taxes paid in lieu of export benefits that should have been tax free, Roger Pitot, a consultant to the National Association of Automobile Manufacturers of South Africa (Naamsa), said on Wednesday

Further claims for a reduction in taxable income were also pending from automotive component manufacturers

This move follows Nissan South Africa's recent successful appeal to the Supreme Court of Appeal in Bloemfontein for a reduction in taxable income on a general export incentive scheme that formed part of Phase VI of the motor industry programme, which had been declared tax exempt

Alistair Cunningham, the company secretary for Nissan South Africa, confirmed that in terms of the court judgment, Nissan South Africa would receive a R116,9 million reduction in its taxable income

Cunningham said the payout would be made in the next few months once assessments had been revised in terms of the court order

Pitot expected South Africa's six other locally based vehicle manufacturers to now also take the commissioner for inland revenue to court on the same basis as Nissan South Africa if their claims were still rejected

He said Naamsa had calculated that if all the manufacturers won their cases, it would involve

a reduction of R1,5 billion in the taxable income of these manufacturers

Pitot said that when Phase VI was announced, both the finance minister and the trade and industry department had approved the export incentive scheme. But it had not been formally ratified by either, and the commissioner for inland revenue later decided the benefits from the scheme would not be tax exempt

Sterna Botha of PricewaterhouseCoopers, the auditor that handled the initial claim by Nissan South Africa, said the firm was working on further claims related to the scheme by vehicle and component manufacturers

Botha said it was difficult to estimate the total value, but two claims the auditor was already handling involved a R500 million reduction in taxable income. She knew of another 20 companies that could be submitting claims

Christo Henning, the spokesman for the revenue service, said last night that the matter was receiving top priority within the service, but as yet no decision had been made on what its next move would be

"The South African Revenue Service is revisiting the whole scenario to determine what transpired with the incentives," Henning said

"Our legal division is working out our position to determine where we go from here. Obviously it is a huge amount of money so we have to move very carefully"

Henning could not say when the service would have a decision but he said it would make its next move "timeously"

Car makers fly overseas as strike takes its toll

(192) (4/27/98)
ANDRÉ JURGENS

ST 27/9/98

MERCEDES-Benz has taken to the skies — literally — in a bid to offset the crippling effects of a four-week strike in the motor industry.

The luxury car manufacturer, based in East London, is flying vital parts in from overseas suppliers because it cannot get them locally.

"We've been operating under trying circumstances for two weeks and have not met 50 per cent of our production target," said spokesman Wilfred Porth.

The strike is inflicting a heavy toll on the Eastern Cape's already fragile economy. The province is home to four of South Africa's biggest vehicle and engine manufacturing plants and production has at times slowed to a trickle because of the critical shortage of parts.

About 60 000 workers employed countrywide by vehicle parts manufacturers, panel beaters, distributors and spares outlets are taking part in the strike.

"The region's economy hinges on the auto indus-

try — we can ill afford the effects of a long strike," said Alfred da Costa, head of Port Elizabeth's regional chamber of commerce and industry.

He said up to 70 per cent of the region's smaller businesses were somehow linked to the vehicle-manufacturing trade.

"Investor confidence is based largely on the smooth running of the motor industry.

"We have a history of militant workforces and the strike is creating the perception that the region cannot deliver the goods," he said.

Harry Gazenbam, a spokesman for the organisation representing the seven major car makers in the country, the Automobile Manufacturers' Association, said: "Forcing manufacturers to look overseas means cutting their reliance on local suppliers, leading to job losses in that sector."

The National Union of Metalworkers of South Africa, which was unavailable for comment, is demanding a pay increase of between 12 and 18 per cent, while the South African Motor Industry Employers' Association is offering 8 to 10 per cent.

Conciliation bid in motor sector strike

By Mzwakhe Hlangani
Labour Reporter

AN ATTEMPT will be made today to end the five-week-long strike in the motor industry by 50 000 members of the National Union of Metalworkers of South Africa.

The union and the employers' organisation will meet in an attempt at conciliation under the auspices of the Commission for Conciliation, Mediation and Arbitration (CCMA).

Numsa coordinator Mr Hosea Morapedi said yesterday the union and the South African Motor Industry and Employers Association (Samea) had agreed to refer their long-standing dispute to the CCMA after having failed repeatedly to come to a settlement.

A series of unsuccessful mediation forums had been initiated by Numsa, he added.

Meanwhile, in an incident related to the ongoing strike, about five people were reportedly injured in attacks by rampaging mobs over the weekend.

Morapedi could give no details about the attacks or whether they were

directed at scab labourers or striking Numsa members. He referred further enquiries to the union's legal officer, who could not be contacted.

The union had originally demanded 12 to 18 percent on actual rate of payment and Samea's counter-offer was a minimum of 4,5 percent, which was raised in the last talks to eight percent.

Harry Gazendon of the Automobile Manufacturers Employers Organisation said the strike had had a negative impact on the country's seven major car manufacturing assembly plants.

Import car parts

The strike has affected motor dealers, component manufacturers, including Dorbyl and other engineering companies, spare parts dealers, and filling stations. The Mercedes-Benz assembly plant in East London has had to import car parts from overseas suppliers.

Morapedi said employers had rejected the union proposal to make guaranteed concessions for those employees who would not benefit from the minimum wage increase offered by the employers.

(192)

28/9/98

New talks on strike planned

Pearl Sebolae

(192)

FRESH attempts to resolve the long-standing motor industry wage strike by about 50 000 National Union of metalworkers of SA (Numsa) members will be made today, when the Commission for Conciliation, Mediation and Arbitration hosts a meeting between employers and employees.

The talks between Numsa and the SA Motor Industries Employers' Association were initially scheduled to take place yesterday.

However, the meeting had to be postponed to today after the employers indicated that they were not ready, Numsa spokesman Dumisa Ntuli said.

The association warned that retrenchments were likely to take place when the dispute was resolved.

Association CE Vic Fourie said the motor industry employed an excessive number of workers.

He welcomed the intervention of the commission in the dispute.

He said Numsa and the association had, at a previous meeting, agreed on all issues except guaranteed increases for all workers, irrespective of how much they earned.

Labour Minister Shepherd Mdladlana also said he would be available to meet with both parties over the five-week-old strike, if either party requested a meeting.

Mdladlana's office said he had so far not been asked to intervene, as reported in the media over the weekend. However, he was monitoring the dispute, and had been briefed by the commission and the labour department.

BD 29/9/98

Minister offers to help end dispute

By Mzwakhe Hlangani
Labour Reporter

EFFORTS to resolve the long-standing dispute between the motor retail sector and 50 000 striking National Union of Metalworkers of SA (Numsa) members gained impetus yesterday when Labour Minister Mr Shepherd Mdladlana offered to intervene

Mdladlana said he had been monitoring the dispute involving the SA Motor Industries Employers' Association and Numsa after a briefing by the Commission of Conciliation, Mediation and Arbitration (CCMA) and his ministry. The strike is now entering its fifth week.

Numsa general secretary Mr Mbuyiselo Ngwenda contacted Mdladlana's office last week "but did not indicate the purpose of his request", the ministry said. It said the minister had no objection to meeting the union and the employers to hear their views.

Meanwhile, yesterday's conciliation meeting convened by the CCMA was rescheduled for

today because some of the members of the employers' body could not attend, Numsa spokesman Mr Dumisa Ntuli said.

He said the union was concerned about the strike degenerating into violence and claimed scab labourers had attacked Numsa members.

The union was gathering substantial evidence that some employers were involved in the attacks. About 200 Numsa members were arrested in Springs and Mpumalanga for participating in the illegal demonstrations.

Key points of disagreement in the talks centred around the union's proposal for a guaranteed concession on personal increases for those workers earning beyond the minimum wage offer. The union had demanded an increase of between 12 and 18 percent, while the employers offered 4,5 percent, which went up to eight percent in the last round of negotiations.

● A week-old strike by about 8 000 members of the Food and Allied Workers' Union (Fawu) at 27 depots of Clover Dairies countrywide continued yesterday, according to Fawu chief nego-

tiator Mr Lizo Mzendane.

The union had demanded R300 a month across-the-board increase or eight percent. The management made two offers of R190 a month or a seven percent increase and another one of R260 a month on condition that the union accepted the latest offer until 2000.

In another wage deadlock involving Fawu and DairyBelle workers embarked on a national strike. The union demanded eight percent while the company offered increases ranging between three and seven percent.

● There has been confusion among striking Edgars workers after the Federal Council of Retailers and Allied Workers Union (Fedcaw) told its members to go back to work.

The workers went on strike with members of the SA Commercial, Catering and Allied Workers Union. Fedcaw spokesman Mr Jimmy Rapholo accused Saccawu of dictating terms to it.

Fifty-two of its members were arrested in Kempton Park yesterday. Saccawu assistant general secretary Mr Hebert Mkhize said.

Sowetan 29/9/98

Bosses and striking union talk late into the night

Pearl Sebolao
and Reneé Grawitzky

(192) (P)

DD 30/9/98

TALKS between the National Union of Metalworkers of SA (Numsa) and the SA Motor Industry Employers' Association to resolve the five-week motor industry strike continued last night

There was optimism that the parties would reach a settlement during this round of talks, Numsa

spokesman Dumisa Ntuli said yesterday Ntuli said there was only one issue remaining that needed to be resolved. The employers' association and the union reached agreement at a previous meeting on all issues except the union's demand for guaranteed increases for all workers, irrespective of how much they earned.

The parties met in Johannesburg under the auspices of the

Commission for Conciliation, Mediation and Arbitration and talks were expected to go on until the early hours today.

Meanwhile, the SA Police Service was unable to say whether four workers had been killed during the five-week old strike, as Numsa had been told.

Sapa reports that Ntuli said the strike was costing about R150m a day.

ANALYSIS & COMMENT

Nissan case is much ado about the word 'such'

A judgment allowing Nissan tax-exemption on export incentives is likely to lead to rebate claims from other motor manufacturers, writes tax consultant **Willem Cronje**

192) 11/10/98

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must be replicated, but that there is also a looser sense which can be attributed to the word such. Here the drafter would merely be indicating the essential nature of the requirements, and would leave it to the context to determine exactly which of the antecedents must attach to the word such.

The court held that the proper test is to examine the consequences of the commissioner's version, versus the consequences of the appellant's version. The consequences which make the most sense in the context not only of the then wording of the section but also the previous wording of similar sections, would establish which version would prevail.

The court pointed out that the very first antecedent section in the income tax legislation was enacted in 1972, and that there was an amended version in 1974 and another enacted on 28 June 1990. That brought the court to the version that governed the appeal, namely the

version enacted on 27 June 1991 (paraphrased above). The court then examined what would have happened had the commissioner's interpretation been upheld. This would have destroyed vested rights of taxpayers, as the version of Sec-

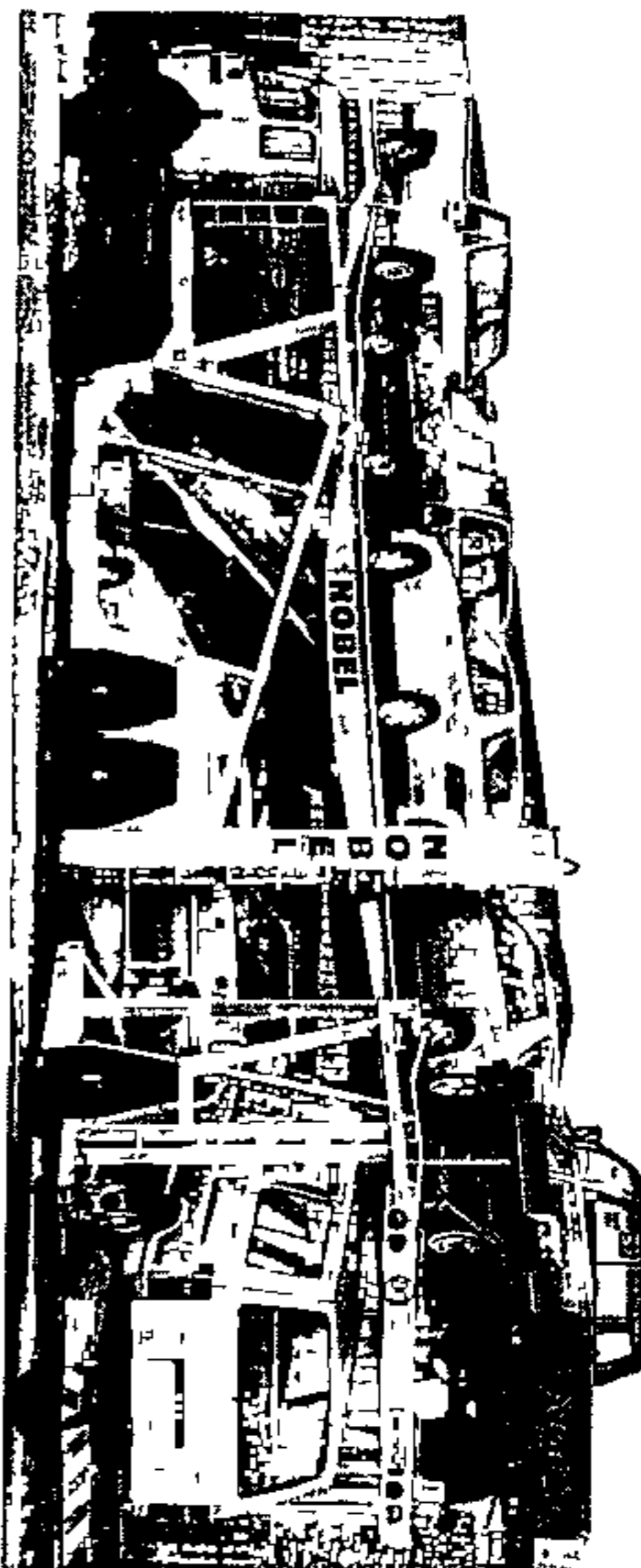
tion 10(1)(2A) before the court was retrospective to the commencement of years of assessment ending on or after 1 April 1990, which was also the operative date of the prior version of the section, namely the version enacted on 28 June 1990.

However, this prior version did not require ministerial approval for the government subsidy to be free of tax. For the commissioner's argument to prevail therefore, the lawmaker must have intended to uproot prior vested rights

that it would have been highly unusual for the lawmaker to have intended that interest on GEIS incentive schemes be exempt from tax (which was the unambiguous consequence of the version before the court) while intending that the GEIS payments be taxable (which

would have been the consequence had the commissioner's interpretation prevailed). The Supreme Court of Appeal therefore unanimously found for the appellant. There are likely to be a number of taxpayers who now potentially qualify for exemption from income tax under the motor vehicle export scheme, but have not pressed their rights.

Where do they stand after this judgment? The SA revenue services do have the right to condone late objections to an assessment, and also to condone late notices of appeal to the court from the disallowance of an objection. I understand that the attitude of the revenue services is not to thwart taxpayers in circumstances where a similar claim has been upheld by the Supreme Court of Appeal. It appears that the commissioner for inland revenue will in these circumstances condone late objection or appeal, and I would trust that the presidents of the special courts would, if necessary, also condone late notices of appeal to the higher courts. The message to the recipients of the relevant motor vehicle export incentives is to go for it.



Other car manufacturers may seek a tax rebate

THE SUPREME Court of Appeal has recently ruled for the taxpayer in one of the biggest tax cases — financially speaking — ever to come before the SA courts. The case involved the interpretation of a section in the Income Tax Act dealing with export incentives.

The relevant section of the Income Tax Act is 10(1)(2A). The first version of this section was introduced in 1972.

The case relates to income received by the Nissan motor company under Phase VI of the local content programme for motor vehicles. These were incentives paid by the state for the export of motor vehicles and parts. In the case of Nissan payments received under the scheme totalled about R116m.

The point at issue was whether these subsidies from the government were taxable or exempt from tax.

Paraphrased, this section states the following: 'There shall be exempt from tax any amount received by an exporter under any scheme for the promotion of exports which is approved by the trade and industry minister with the concurrence of the finance minister, as well as any amount (including interest on GEIS claims) paid by the state under any such scheme.'

The case turned on the meaning of the words 'under any such scheme'.

Counsel for the commissioner argued that the meaning of these words was that for payments by the state to be exempt it was necessary that the scheme be approved by the two ministers. (It was common cause that the ministers had not approved the motor incentives incentive scheme.)

The appellant argued that these words relate to the purpose of the scheme, which is to promote exports, and do not require that the motor scheme be approved by the ministers.

The Supreme Court of Appeal rejected the commissioner's argument that the words of any such scheme can only have one meaning, namely the rigorous grammatical meaning all the requirements in the entire paragraph be replicated in the case of payments from the state, which would mean that the ministers' approval would be required for payments under the section to be exempt from tax.

The court quoted Australian and British cases to the effect that the word such can be used in the pure grammatical sense, namely that all antecedents

must be replicated, but that there is also a looser sense which can be attributed to the word such. Here the drafter would merely be indicating the essential nature of the requirements, and would leave it to the context to determine exactly which of the antecedents must attach to the word such.

The court held that the proper test is to examine the consequences of the commissioner's version, versus the consequences of the appellant's version. The consequences which make the most sense in the context not only of the then wording of the section but also the previous wording of similar sections, would establish which version would prevail.

The court pointed out that the very first antecedent section in the income tax legislation was enacted in 1972, and that there was an amended version in 1974 and another enacted on 28 June 1990. That brought the court to the version that governed the appeal, namely the

version enacted on 27 June 1991 (paraphrased above). The court then examined what would have happened had the commissioner's interpretation been upheld. This would have destroyed vested rights of taxpayers, as the version of Sec-

Sectoral bargaining in motor sector possible

ROY COKAYNE

Pretoria — Sectoral bargaining in the motor sector was possible from next year as a result of the wage dispute between the South African Motor Industry Employers' Association (Samiea) and the National Union of Metalworkers of SA (Numsa).

Mark Roberts, the chapter three (component industry) representative for the negotiations, said "There are certainly going to be some post-strike changes. What

component manufacturers need to change is that when we go into negotiations next year we negotiate a dispensation for ourselves in terms of our agreed rules with Numsa and the outcome is confined to our sector."

Roberts said component manufacturers who were members of Samiea were prepared to negotiate wage increases on actual pay levels subject to certain conditions, such as not being targeted for sympathy action "if others did not come to the party".

CT(DR) 11/10/98 (192)
The strike in the motor sector, which includes component manufacturers, service stations, dealerships and parts retailers, this week entered its fifth week

Numsa has demanded rises on actual pay levels while Samiea has a mandate to only negotiate minimum wage increases with actual wage increases negotiated at plant level because of the diversity of the industry

Roberts said Numsa had acknowledged there was room for sectoral bargaining

Motor industry dispute ⁽¹⁹²⁾ headed to arbiter

By Mzwakhe Hlangani
Labour Reporter

THE dispute between strike-hit motor industry employers and the National Union of Metalworkers of SA (Numsa), representing about 50 000 striking workers, will most likely go to arbitration after industry employers reportedly reneged on an agreement

Numsa spokesman Dumisa Ntuli said yesterday the other alternative to end the protracted strike was for an independent arbitration to find out which "party is dragging its feet"

Talks deadlocked at the Commission for Conciliation, Mediation and Arbitration in Randburg yesterday

Another option was for Labour Minister Shepherd Mdladlana to intervene in his personal capacity to try and resolve the five-week-old deadlock, Ntuli added

Ntuli said employers had held back from their offer of a wage increase on actual rate of pay next year

Downed tools

The dispute, which has crippled the country's major motor vehicle manufacturers, involves employees at about 18 000 auto spares shops, panel beating outlets, component manufacturing firms, petrol stations and dealerships

The workers had downed tools at the beginning of the month, demanding wage increases of between 12 and 18 percent

The South African Motor Industry Employers Association chief executive Vic Fourie was not available for comment

The strike has led to a shortage of key automotive components around the country, forcing Mercedes Benz South Africa to import parts from overseas, executive director Christoph Kopke said

Kopke advised that both parties should negotiate until the strike was resolved

Vehicle manufacturers could lose export contracts worth billions of rands if the dispute dragged on unresolved, he said

BMW SA recently secured export orders for its right-hand drive 3-series vehicles to Britain. Volkswagen AG's local unit also secured a multi-billion rand order to supply 68 000 vehicles in the next 18 months to Great Britain

● A march by an expected 8 000 Numsa members will be held today at Brakpan Station Road to present a memorandum to the town's chief magistrate to demand an end to harassment of striking Numsa members by the police

● The SA Chamber of Business (Sacob) yesterday expressed concern at the wave of strikes bedeviling the industry, saying this was deterring foreign investment

Speaking at a news conference in Johannesburg, ahead of the chamber's annual convention in Durban from October 11 to 13, Sacob president Humphrey Khoza said business was also worried about the length of strikes and their tendency to turn violent

Of further concern to the chamber was the fact that there was a pending general election, a situation that Sacob feared could result in political parties taking advantage of the situation, Khoza said

Motor industry strike set to end

Pearl Sebolao
and Reneé Grawitzky

BD 2/10/98 (192)

THE five-week old motor industry strike looks set to end following an agreement in principle between the National Union of Metalworkers of SA (Numsa) and the SA Motor Industry Employers' Association (Samiea)

At the same time, strikes — largely marred by continuing violence and intimidation — carried on in other sectors of the economy

At talks facilitated by the Commission for Conciliation, Mediation and Arbitration (CCMA) yesterday, Numsa and Samiea agreed on a "package proposal" which could end the strike.

Both parties refused to divulge details of the proposed settlement, which would be referred to both of their constituencies. Numsa said details of the deal would be announced on Sunday

Samiea CE Vic Fourie was "cautiously optimistic" that the strike would end soon, saying "a framework for a possible resolution" had been put into words. Numsa was also "hopeful that (it) will come to an end soon"

Meanwhile, there were more reports of intimidation and violence as

the strike by the SA Commercial, Catering and Allied Workers' Union at Edgars entered its fifth day.

Management alleged that strikers assaulted customers in Durban, preventing some stores from operating, while there were other reports of scuffles between police and strikers.

Saccawu's assistant general secretary Herbert Mkhize said yesterday the union would not allow Edgars to undermine collective bargaining. The union said it would explore the possibility of sympathy strike action.

Mkhize challenged Edgars' moves to sue the union, saying these undermined the right to strike.

Violence also continued to mar the strike by the Food and Allied Workers Union at Clover SA. The union, which is also on strike at Dairy Belle, rejected such claims.

The strike by the National Union of Mineworkers (NUM) is negatively affecting production at the Impala Platinum Refineries complex in Springs. Implats human resources manager Humphrey Oliphant said the base metals refinery was operating at half the level of its normal capacity while the precious metals refinery was closed.

By Mzwakhe Hlangani
Labour Reporter

A PROVISIONAL deal brokered by the Commission for Conciliation, Mediation and Arbitration is likely to end the five-week-old nationwide strike by 50 000 workers in the motor retail sector

National Union of Metalworkers of SA spokesman Mr Dumisa Nhlu said a package of proposals had been provisionally agreed upon by the SA Motor Industries Employers Association and the union during a two-day conciliation in Randburg, Johannesburg

New deal likely to end motor strike by Monday

Both parties will take the proposals to their constituencies at the weekend, hopefully for adoption

It is expected that striking workers will resume normal duties on Monday,

he said

The union is demanding wage increases ranging from 12 to 18 percent, while employers have offered 4,5 percent, which was later raised to 10 percent

Sowetan
2/10/98

● The nationwide strike by workers at Edgars entered its fourth day yesterday with scuffles occurring between police and strikers at the Kempton Park branch

SA Commercial, Catering and Allied Workers Union assistant general secretary Mr Herbert Mkhize, yesterday criticised white policemen whom he accused of complicity with the Edgars management

“White policemen were literary pulling people through the protest lines telling them to ignore the lunatics,” Mkhize said

“Our understanding is that the police were deployed to ensure no one violated the court order keeping picketers away from the shops – not to actively mobilise people to ignore the picketing”

The Kempton Park branch of the Edgars group has been a troublesome flashpoint since the strike began on Monday

Forty-five people were arrested at the branch on Monday for failing to abide by the court order

Between 20 and 30 others were arrested yesterday and were held in police cells

● Congress of South African Trade Unions general secretary Mr

Mbhazuma Shlowa yesterday called on unions and employers involved in negotiations to embark on a settlement route with commitment and renewed vigour

Addressing a media briefing in Johannesburg, Shlowa said violence that had bedevilled strikes could be avoided if employers moved from “the current intransigent mood to one committed to real negotiations”.

He also gave a hint that Cosatu affiliates would engage branches and regions in a campaign of solidarity actions to be taken in support of union members involved in strike action in various sectors

The employing of scab labour in industries affected by strikes has often inflamed an already volatile situation,

he said

Workers return as motor strike ends

Primarashni Pillay

(192) (192)
ABOUT 50 000 members of the National Union of Metalworkers of SA (Numsa) will start returning to work today, bringing an end to a five-week strike that cost them more than R32m in salaries and caused the motor industry severe losses

Numsa went on strike after failing to reach agreements with employers over its demand that wage negotiations be based on actual rates of pay instead of minimum stipulated rates

The union also demanded that workers be given an increase of between 12% to 18% on actual rates this year.

Numsa deputy general secretary Peter Dantje said yesterday that both parties agreed in principle that in future years annual pay negotiations would be based on actual rates.

However, as a compromise it was agreed this year's pay rises be based on the minimum and range from 4,5% to 10%, with those workers on lower

Continued on Page 2

BD 5/10/98

Numsa

(192) (192)
Continued from Page 1

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grades getting a higher increase.

The minimum rate for petrol attendants has been increased from R3,83 an hour to R5 an hour. This agreement will be phased in over the next 12 months. The union's executive members agreed the increase for petrol attendants was a definite improvement.

Other agreements reached included the formation of a policy forum to dis-

WIS)
cuss transformation and restructuring in the industry

Dantje appealed to employers not to intimidate or harass workers who were returning to work. He said the union had not been in a position to inform all its members about the strike's suspension and the return of workers would be phased in.

The strike affected petrol pump attendants to panelbeaters and artisans. About 100 people were assaulted and three Numsa members killed when scuffles broke out between striking workers and replacement labour.

Striking car-sector workers return, but exporters 'lost face'

Losses may be R150-m a day

ARG 5/10/98

ARGUS CORRESPONDENT

Johannesburg – Thousands of workers in the motor industry returned to work this morning after the National Union of Metalworkers of South Africa called off its five-week strike.

Union spokesman Dumisa Ntuli said Numsa decided to call off the strike yesterday and would meet employers today to finalise the implementation of new agreements.

Mr Ntuli said the new agreement would mean petrol attendants who were the least paid in the industry – as little as R560 a month – would now get a minimum monthly salary of R880.

An economist said the strike had left incalculable losses and a poorer perception of South Africa as an exporter.

Although the export losses were unknown, Econometrix economist Tony Twine said they were possibly more damaging than the value of retail sales lost, because it led to the

perception that South Africa was an unreliable supplier, thus battering a country already in its fifth month of a currency crisis.

At worst, the strike could have cost R150-million a day, based on the value of retail sales, said Mr Twine.

SA Motor Industry Employers' Association (Samea) spokesman Vic Fourie said it was impossible to calculate the monetary losses of the strike.

Few companies had been forced to close down and scab labour had been employed, he added.

Numsa announced the breakthrough yesterday after negotiations with the employers' association at the Commission for Conciliation, Mediation and Arbitration last week.

About 5 000 Numsa members in the motor industry have been on strike since September 1.

One of the central issues was guaranteed wage increases, irrespective of the amount workers earned.

Numsa and Samea agreed that petrol attendants would get an imme-

diated increase of 4,5% of the prescribed minimum wage.

Depending on talks with Minerals and Energy Minister Penuell Maduna about poor profit margins in the petrol sector, petrol attendants could qualify for a further increase of up to 8,5%, said Mr Fourie.

The strike affected petrol stations, panelbeating shops, spare-parts firms and car component manufacturers.

Numsa took the SA Police Service to task over its apparent taking sides with employers. Numsa said police had arrested about 1 000 of its members and assaulted about 300.

■ Sapa reports that about 14 000 Numsa members at Iscor's Vanderbijlpark plant downed tools today. Mr Ntuli said the strike followed news that management members were to share an R8,4-million bonus.

■ The strike by Edgars employees, who downed tools last Monday to protest against a decision by the group not to award salary increases in the 1998/99 financial year, looks set to continue.

Workers return as 5-week strike ends

(192)
By Mzwakhe Hlangani
Labour Reporter

THE five-week-long strike in the motor industry ended at the weekend after the majority of members of the National Union of Metalworkers of South Africa endorsed a wage package offer from the employers

Numsa announced yesterday that a final settlement in the strike by about 50 000 workers in the motor retail industry was reached after the proposed integrated package was ratified by eight of its nine regions

The settlement package, aimed at overcoming "the legacy of apartheid wage differentials", was described by union officials as a historical achievement for the motor retail sector

Numsa deputy general secretary

Peter Dantjie said that based on the majority resolution, it was agreed that the protracted strike should be called off with immediate effect. Workers would resume work today.

South African Motor Industry Employers' Association spokesman Vic Fourie said this package had been proposed two weeks ago, and "I'm very happy that the union has finally agreed to it".

Smooth return to work

The union will have further discussions with the Samiea to ensure that the return to work proceeds smoothly without harassment or victimisation of vulnerable workers who had been on strike.

Both parties agreed in principle that future wage negotiations would be considered on actual rate of pay-

ments and not on minimum wages.

They agreed to a minimum of R5 an hour for petrol attendants and part-time workers, and a further eight to 10 percent wage increase on grades one to eight.

The immediate establishment of a policy forum to discuss transformation and the restructuring of the motor industry in order to deal with levels of bargaining, form, structure and affirmative action, was part of the long-awaited integrated package agreement.

The dispute, which severely crippled the country's motor manufacturing assembly plants, involved workers in more than 18 000 motor service spare shops, panelbeating shops, component manufacturing firms including Dorbyl, petrol service stations and motor dealerships.

Secretan 5/10/98

Economists count cost to country as motor industry strike is called off

BY CATHY POWERS

The National Union of Metalworkers of South Africa yesterday called off a five-week-long strike by motor industry workers, leaving incalculable losses and a poorer perception of South Africa as an exporter, economists said.

Although the export losses were unknown, Econometrics economist Tony Twine said they

were possibly more damaging than the value of retail sales lost because it led to the perception that South Africa was an unreliable supplier, thus battering a country already in its fifth month of a currency crisis.

At worst, the strike could have cost R150-million a day, based on the value of retail sales, Twine said.

SA Motor Industry Employers' Association (Sammea) spokes-

person Vic Fourie said it was impossible to calculate the monetary losses of the strike. Few companies had been forced to close down and scab labour had been employed, he added.

Numsa announced the breakthrough yesterday after negotiations with the employers' association at the Commission for Conciliation, Mediation and Arbitration last week.

About 5 000 Numsa members in the motor industry have been on strike since September 1. One of the central issues was guaranteed wage increases irrespective of the amount workers earned.

Numsa and Sammea agreed that petrol attendants would get an immediate increase of 4.5% of the prescribed minimum wage.

Depending on talks with

Minerals and Energy Minister Penuell Maduna about poor profit margins in the petrol sector, petrol attendants could qualify for a further increase of up to 8.5%, Fourie said.

The strike by Edgars employees, who went on strike last Monday to protest against a decision by the group not to award salary increases in the 1998/99 financial year, looks set to continue.

Star 5/10/98

(1998)

COMPANY NEWS

Modular cars to be made in SA

et (BR) 6/10/98

Fiat Auto's investment still on track

ROY COKAYNE

(192)

Pretoria — Fiat Auto SA's R300 million in direct industrial investment was still on track, Andrew Unwin, the corporate affairs and communications manager for Fiat Auto SA, said last week.

Fiat Auto SA took over responsibility for the importation and distribution of all Fiat Auto products locally from Automakers, the holding company of Nissan SA, from July 1 this year, to become directly in charge of the development of Fiat and Alfa Romeo in South Africa. This included completely knocked down (CKD) or completely built up (CBU) vehicles.

Unwin said the assembly jigs and fixtures for the introduction by Fiat Auto SA of the "178 family" of cars, which formed the largest part of the investment, were undergoing production trials before being shipped to South Africa.

He could not say when they would be shipped but said it would be "quite soon" because they had to be put in on the line, linked with other facilities and the programme kick-started.

The "178 world car project" is an original and modular project from which Fiat Auto has developed five models, each very different in looks and functional characteristics. It includes the Palio three- and five-door hatchback, the Siena four-door sedan, the Palio Weekend station wagon, the pick-up and the van.

Unwin said Fiat Auto still expected to produce the entire "178 family" range at Automakers' plant in Rosslyn on a contract assembly basis for launching in South Africa in the second half of 1999. The Alfa 156, launched in South Africa last month, represented the first new model launch for Fiat Auto SA.

Unwin said the company was going ahead with component exports to enable it to take advantage of the export credit element in the motor industry development programme (MIDP).

"You can see it reflected in the pricing of the Alfa 156," he said.

Unwin said Fiat Auto SA wanted to be in a competitive position for all the products it brought to the market, and its export programme was an important element in this.

Exports were currently mainly focused on catalytic converters, which were being exported to Fiat plants in Italy, Europe and South America, Unwin said.

"We are looking at expanding our export programme to other products."

Unwin said Fiat Auto SA would be developing and extending its market presence with Alfa. The flagship Alfa 166 range, which was launched internationally in Madrid three weeks ago, would be introduced into South Africa in the middle of 1999.



SA Motor Industry Employers' Association CE Vic Fourie, left, and National Union of Metalworkers of SA sector co-ordinator Hosea Morapedi were the main figures behind the five-week motor sector strike, which was resolved at the weekend

Pictures TREVOR SAMSON

Strike may be over, but the conflict lingers on

Pearl Sebolao

THERE are fears that the deal which ended the five-week motor industry strike could lead to more conflict as workers and employers offered different interpretations of its terms

In terms of the deal struck on Sunday between the National Union of Metalworkers of SA (Numsa) and the SA Motor Industry Employers' Association, future wage negotiations will be held on the basis of actual rather than minimum rates

The agreement made it clear also that

this would depend "upon the progress of the deliberations in the industry policy forum" to be set up to deal with the issue of rates

Numsa motor sector co-ordinator Hosea Morapedi said the deal meant that next year's negotiations would be on actual rates of pay, while employers' association CE Vic Fourie said the agreement did not mean that would be the case

An industry source expressed fears that this difference could lead to another strike during next year's wage negotiations

According to Sunday's agreement, increases for petrol pump attendants were de-

ferred and would be determined outside the bargaining council

Although the strike is over, the parties look set to engage in further battle

Fourie said retrenchments were likely to take place, as employers, "who were forced to do with less labour", tried to cut costs

Numsa, on the other hand, seemed determined to proceed with civil actions against employers and the police for the arrests and harassment of its members during the strike

At least 10 cases had been identified, Morapedi said

(192)
MD 6/10/98

Motor industry may get quotas

CT (MR) 12/10/98 (192)

ROY COKAYNE

Pretoria — A government-proposed ban on vehicle model production runs selling less than 15 000 units a year by South Africa's vehicle assemblers could precipitate a crisis, a Standard Bank economics division report said last week.

It is believed that such a restriction may form part of the government's proposals to the motor industry in the mid-term review of the motor industry development programme (MIDP).

Other proposals apparently include the abolition of the small vehicle incentive.

Tony Twine, a motor industry analyst and the director of Econometrix, believed these items were likely to be under discussion.

Twine said such proposals would, to a certain extent, favour component manufacturers who needed large volumes in terms of model runs to be able to move towards providing competitive local content.

In a report on the motor industry released last week, Standard Bank's economic division said the mid-term review of the MIDP could have a profound effect on the motor industry if certain government proposals were adopted.

"One of these includes a potential requirement that car makers stop producing vehicles that sell fewer than 15 000 units annually," Twine said.

"This would create pandemonium in the industry, as only a handful of vehicles could claim to satisfy this requirement."

Twine said the 15 000 rule and

the abolition of the small vehicle incentive represented very substantial changes to the MIDP.

"But the motor industry is a divided house," he said. "Since 1960, when the first version of the local content programme came into existence, vehicle assemblers and component manufacturers have leapfrogged each other for positions of advantage."

Twine said his concern about a minimum sales level was that it could restrict the choice of consumers.

"If there is a balance of interests that must be adjudicated, the consumer must always have the heaviest voice," he said.

Twine said such a limitation on low-volume models could, from a free market viewpoint, be interpreted as the government interfering in the business decisions of manufacturers.

MOTOR INDUSTRY

(192) (192)
 16/10/1998

DEFINITELY A DAMP SQUIB

Strike's effects minimal

If ever there was a badly timed strike, it appears the National Union of Metalworkers (Numsa)'s recent wage action must take the cake

Seemingly targeting the motor manufacturing and component industries, the union struck just as these sectors were virtually hitting a record nadir. With wall-to-wall inventory, most manufacturers were able to take strategic action to minimise the strike's effects.

National Association of Automobile Manufacturers (Naamsa) director Nico Vermeulen says the six-day strike in August obviously had some effects, but they have been overstated. "Stock availability was not a problem."

Vermeulen says the "other" strike (petrol attendants and so on) had nothing to do with the assembly side of the industry. "There were a number of sympathy strikes which had a knock-on effect into component manufacturing and into assembly."

But Vermeulen isn't crowing. "It only takes one critical part to be unavailable to stop a production line. Most of the motor manufacturers managed to avoid cuts but had to take strategic action and managed to keep running. Tactics varied from company to company, with some companies more affected than others. But by and large the impact was not all that material and lost production will no doubt be made up now that the industrial relations situation is back to normal."

Steel & Engineering Industries Federation (Seifsa) executive director Brian Angus says the effects of the strike were imperceptible.

"There wasn't any great impact on the metal and engineering industry. Some companies experienced sympathy strike action, but it was limited. The first sympathy strike in early September saw a few companies in the Eastern Cape, Gauteng and, surprisingly, the Free State shut down. Overall it was very limited."

Numsa's Hosea Morapedi says the strike was prolonged because "we were dealing with right wing employers."

It may or may not be news to Numsa, but its claim of victory in the dispute rings a little hollow. Literally thousands of service station employees turned up for work every day of the strike — sans uniform. No names, no pack drill.

Mick Collins

SEPTEMBER VEHICLE SALES

Manufacturer	Cars	Number of sales	Total sales	% of total car market	
Toyota	Corolla	2 175			
	Conquest	1 552			
	Camry	314			
	RAV4	23			
	Lexus	17			
	Landcruiser	45			
	Prado	84	4 210	28,8	
VW	CitiGolf	966			
	Polo	1 246			
	Golf/Jetta	483			
	Audi A4	301			
	A6	86			
	A8	5	3 087	21,1	
	Tracer/Midje	856			
Samcor	Fiesta/Soho	351			
	Telstar 626	147			
	Ford Escort	219			
	Falcon	41			
	Mondeo	156			
	Explorer	3			
	Mazda Etude	103			
Delta	Pajero	97			
	Jaguar	12	1 985	13,6	
	Astra/Kadett	536			
	Corsa	582			
	Saab	9			
	Suzuki	8			
	Frontier	133	1 268	8,7	
M-Benz	C-Class	449			
	E-Class	92			
	S-Class	3			
	SL	4			
	SLK	3			
	CLK	7			
	M-Class	13			
BMW	Honda Ballade	520			
	Odyssey	10			
	Prelude	6			
	CR-V	88	1 195	8,2	
	3-Series	870			
	5-Series	170			
	7-Series	10	1 050	7,2	
Nissan	Sentra/Sabre	526			
	Maxima	39			
	Sani	63			
	Patrol	73	701	4,8	
	Uno	355			
	Alfa	16	371	2,5	
	Discovery	75			
Land Rover	Defender	80			
	Range Rover	16			
	Freelander	145	316	2,2	
	Daewoo	Cielo	49		
		Espero	31		
		Lanos	156		
		Nubira	65	301	2,1
Chrysler		Jeep	67		
		Neon	7		
		Voyager	37	111	0,8
	Peugeot	306	3		
		406	14		
		806	5	22	0,1
		Subaru	Impreza	8	
Legacy			7		
Forester			5	20	0,1

	1998	1997	% change
September	14 637	20 613	-29,0
Jan-September	160 548	185 718	-13,6
August (16 290) to September			-10,1

Source: NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SA.

LIGHT COMMERCIALS

	Number of sales	% of market
Toyota	1 860	25,6
Delta	1 706	23,5
Samcor	1 653	22,8
Nissan	1 335	18,4
VW	306	4,2
M-Benz	191	2,6
Land Rover	168	2,3
Fiat	38	0,5

	1998	1997	% change
Sept	7 257	9 428	-23,0
Jan Sept	75 793	87 534	-13,4
Aug (8 153) to Sept			-11,0

MEDIUM COMMERCIALS

	Number of sales	% of market
Toyota	118	28,4
M-Benz	108	26,0
Delta	62	14,9
Nissan	50	12,0
Iveco	43	10,3
Samcor	29	7,0
AAD	6	1,4

	1998	1997	% change
Sept	416	524	-20,6
Jan Sept	3 988	4 333	-8,0
Aug (414) to Sept			+0,5

HEAVY COMMERCIALS

	Number of sales	% of market
M-Benz	151	26,4
Nissan	103	18,0
Toyota	74	12,9
MAN	67	11,7
Iveco	40	7,0
Volvo	37	6,5
Delta	34	5,9
Freightliner	20	3,5
Scania	19	3,3
Tyco	15	2,6
ERF	10	1,7
AAD	2	0,3

	1998	1997	% change
Sept	572	677	-15,5
Jan Sept	5 049	5 458	-7,5
Aug (641) to Sept			-10,8

TOTAL VEHICLE SALES

	Number of sales	% of market
Toyota	6 262	27,4
VW	3 667	16,0
Samcor	3 393	14,8
Delta	3 070	13,4
Nissan	2 189	9,6
M-Benz	1 645	7,2
BMW	1 050	4,6
Other	1 606	7,0

	1998	1997	% change
Sept	22 882	31 242	-26,8
Jan Sept	245 378	283 013	-13,3
Aug (25 498) to Sept			-10,3

Motor strikers and employers reach first stage of agreement

(192) (192)
BY CATHY FLOWERS

The National Union of Metalworkers of SA and the SA Motor Industry Employers' Association reached an agreement in principle yesterday, the Commission for Conciliation, Mediation and Arbitration said.

The commission's Themba Tshwete said the agreement would be taken back to the various constituents for ratification.

The agreement could mean the end of the strike which started on September 1, if members of Numsa and Samiea agree on the terms.

If Numsa members did not accept the agreement, Numsa spokesperson Dumisa Ntuli said, the union would look at other alternatives, such as independent arbitration or the intervention of Labour Minister Shepherd Mdladlana, in a bid to resolve the wage dispute.

One of the central issues in the strike, affecting 50 000 workers in the panelbeating, car component and petrol sectors, was guaranteed wage increases irrespective of the amount workers earned, Ntuli said.

Numsa regional secretary Bheki Magagula said a few cases of employers intimidating striking workers had been reported.

According to SAPS Captain Lungelo Dlamini, police were called in to a Benrose, Gauteng, company after company owner Russell Malcolm drew a gun on stone-throwing Numsa workers.

Malcolm fired shots after being hit on the head by a brick.

Meanwhile, the nationwide strike by Edgars workers entered its fourth day yesterday.

with scuffles between police and strikers at the group's Kempton Park, Sandton City and Edgardale branches, Dlamini said.

Sapa reports the SA Commercial, Catering and Allied Workers Union assistant secretary-general Herbert Mkhize hit out yesterday at white policemen whom he accused of complicity with the Edgars management.

"White policemen at the branch were literally pulling people through the protest lines telling them to 'ignore the lunatics'," Mkhize said.

Cosatú objected to what it called scab labour.

Motor sector must shift gear

SHIRLEY JONES

(1992)

CT (HR) 22/10/98

Durban — The South African motor industry needed to transform and perform simultaneously if it wanted to survive and prosper in the new millennium, Brand Pretorius, the chief executive of McCarthy Motor Holdings, said at the opening of the Auto Africa Car Conference yesterday.

Pretorius said the industry would only prosper if it had a single-minded focus on several critical areas. These included a high level of co-operation between government, labour and the motor industry — the so-called golden triangle which had not materialised.

In addition, a common vision and objectives were required that were clearly presented with a visible commitment. Stable and predictable industrial relations with human resources development and productivity were also key focal areas, he said.

"We need to adopt a world-class attitude where viable vehicle and component manufacturers boast strong export platforms based on full, long-term integration into global supply chains. We need efficient, profitable and customer focused dealers. We must get rid of barriers and integrate the value chain by forming constructive partnerships seeking maximum synergy between manufacturers, dealers and financial institu-

tions. The mobilisation of information technology will play a critical role, too."

Pretorius said the motor industry, as the second largest employer in the industrial sector, had a huge responsibility. But the stark reality was that new vehicle sales had plummeted in the wake of international and local economic and financial turmoil.

A significant number of manufacturers and importers, component suppliers and motor dealers were under threat, he said. In fact, significant rationalisation had already taken place in the component and retail sectors and this trend was accelerating.

"Model proliferation abounds and our industry is still a net consumer of foreign exchange. A unifying strategic vision and common objectives between management and labour have not emerged, as evidenced by the recent spate of labour unrest. Employment levels are also declining," he warned.

This had already happened in certain areas. New vehicle prices had decreased in real terms over the past three years, foreign and domestic investments in the manufacturing sector had increased, and a gradual integration of the local industry into the global automotive industry was taking place.

He also highlighted the exponential growth in vehicle and component exports.

Review of motor industry planning targets

Stan Maphologela

THE mid-term review of the government's Motor Industry Development Programme is under way, with a focus on adjustments to the programme and greater clarity on policy after 2002.

Initial proposals were presented to the industry for discussion in late June, followed by a revised version at the end of last month. Government is expected to publish its final proposal next month.

Anthony Black, chairman of the Motor Industry Development Council and adviser to the trade

and industry department, said the mid-term review had sought to determine whether any adjustments to policy were required now and also to provide guidance on policy after 2002.

Adjustments under consideration seek to provide additional assistance for the component sector, by encouraging higher volumes, and to the level of export assistance.

He said government was trying to achieve a balanced and sensible programme — that there should be continuing pressure on the industry to restructure, to become

more integrated into world markets and, as a result, become increasingly competitive.

A reasonable degree of balance in the level of assistance afforded to the two major groupings within the industry — assemblers and component suppliers — was necessary. A balance between producing for export and the domestic market was required.

There had been positive factors the programme brought to the industry — vehicle prices had been reduced in real terms, exports had exceeded most expectations, investment (including foreign in-

vestment) had increased, and structural improvement.

However, between 1995 and this year, locally produced cars increased from 18 models to 27, imports from 22 to 67, assemblers' profits continued to decrease and employment levels in the assembly and components sectors fell.

A key issue was to encourage assemblers and component manufacturers to raise the scale of their operations by specialising production. This was evidenced by a number of large-scale projects with high local content.

Black said problems could arise

in the future with regard to World Trade Organisation rules, and the solution might be to continue the export complementation system on a phasing down basis for a few years after 2002. Thereafter, it could be replaced with a system of production or investment allowances which would allow qualifying firms to rebate import duties on the basis of investments or increases in production. Elements of such systems existed in a number of countries, including Brazil and Australia.

Black said that tariffs would continue to decline beyond 2002 to

a level of 30% by 2007. The key 2002 policy questions beyond 2002 would be what happened to import complementation and tariff levels. A 2007 would depend on the volume of exports, but would probably not exceed 30%-35% of the market.

Black said a tariff phase-down policy should be in line with the general trend on tariff policy in SA and internationally.

Some policy discussions were overshadowed by the difficult situation the industry was facing — including falling sales and increasing pressure from imports.

future

MANUFACTURING

(192)

Imports threaten SA car manufacturers

South African car manufacturers faced with falling demand and massive job losses, are pleading with the government to be cautious as it lowers the protective import tariffs on vehicles.

The country to the global economy, but the country's largest industry is under threat. Manufacturers are pleading for protection to be put in place to avoid a sharp decline in employment, said Brian Pretorius, the chief executive of Metathly Holdings, South Africa.

CT(BR) 23/10/98

VWSA chief hits out at SA labour ructions

The Volkswagen boss says a government turnabout and strike action almost killed a R30bn deal, writes DON ROBERTSON

(192)
ST(BT) 25/10/98

IN AN attack on government and labour at this week's Auto Africa car show, Volkswagen SA MD Hans-Christian Maergner suggested that unfulfilled commitments and industrial action could have upset a R30-billion export deal won from the German parent.

Proposed changes to the Motor Industry Development Programme (MIDP), lack of assistance from government and the recent spate of strikes by motor employees might well have scuppered the deal.

While pleased at securing the contract, Maergner expressed disappointment. "Quite frankly, I believe we could have gotten more. Unfortunately, but understandably, our parent company has lost some confidence in us in South Africa due to a variety of reasons."

But he added "The extension of this order will secure VWSA's survival into the next millennium."

Maergner's comments probably represent the views of other manufacturers who extended themselves through substantial investment and commitment to secure export orders.

Announcing an expanded export order for VWSA to produce 60 000 fourth-generation Golfs a year worth R5.5-billion for the UK, Maergner said that in spite of initial positive indications, government had not been able to provide concrete financial assistance for this project.

In April, VWSA won a contract to provide 68 000 new Golfs over 18 months. The company invested R160-million in the project and in

training 1 000 new employees plus 400 saved from retrenchment.

The new contract, which continues for the vehicle's life span, perhaps five to six years, will be worth over R30-billion. Next year's intended launch of the car locally will result in increased local content.

Maergner says that in law no provision is made for incentives for major investments not based on a greenfields plant. Manufacturing and retail motor sector strikes had affected delivery of new Golfs.

"What has transpired in South Africa over the last few months is beyond comprehension to me, never mind our parent company. The volatility of the labour situation as reflected in the recent series of direct and indirect strikes has sent the wrong message."

"Government's turnabout regarding changes to the MIDP at the mid-term review has not been well received. This has compounded the loss of confidence by our parent in VWSA. We are right now fighting for our long-term strategy and ultimately our long-term survival."

Maergner says SA is not a logical manufacturing base because of the high cost of shipping material, relatively high cost of labour, its volatility and the rand decline's impact on costs. "Without substantial export business, a relatively high degree of local content and a growing local market, as well as a government that is credible in its commitments, it will be very difficult to be successful in this country."

● See Page 7



COMPETITIVE EDGE . . . Renalda Martz puts her feet up and takes a rest in the luxurious Nissan AA-x at the Auto Africa Expo

Local industry's survival is riding on exports ⁽¹⁹²⁾

ST (BT) 25/10/98

VEHICLE MANUFACTURING

By DON ROBERTSON

PROPOSED changes to the Motor Industry Development Programme will be critical as exports of fully built-up vehicles in the years ahead look set to make or break the industry, says Brand Pretorius, chief executive of McCarthy Motor Holdings.

Summing up the thoughts of key speakers at the CAR conference at the Auto Africa Expo attended by about 260 delegates, Pretorius said a clear direction was needed for the sustained viability of the local motor industry.

He said the full integration of local manufacturers' into global supply chains was seen as an absolute prerequisite for survival and growth.

Anthony Black, chairman of the Motor Industry Development Council and an adviser to the Minister of Trade and Industry, offered the first indications of mid-term changes to the MIDP, which are to be released in about 10 days' time.

The provision whereby manufacturers can offset duties on imported vehicles by the same value as exports may have to be reduced in order to meet the requirements of the World Trade Organisation, said Black.

He added, though, that the export complementation system might be phased down after 2002 when the MIDP expires and is set to be replaced by a

system of production or investment allowances. The phase-down in import duties should be in line with the general trend of tariff policy in South Africa and internationally, he said.

Black also emphasised that government's policy would be to ensure that motorists continue to have a wide choice of new vehicles at reasonable prices, but imports must be limited to acceptable levels.

"The acceptable level of imports by 2007 would depend on the volume of exports, but would probably not exceed 30% to 35% of the total market," said Black.

Bert Wessels, chairman of Toyota, warned that local manufacturers would have to be exporting at least 60 000 vehicles a year by 2007 or some companies would close. He forecast a total vehicle market of 400 000 by 2007 of which 35% would be imported.

Chairman of the MIDP working group Roger Pitot said changes could result in the number of locally made models declining and would put pressure on prices. He added that the profits of the seven manufacturers had declined from about R2-billion in 1995 to a loss of R550-million last year.

VWSA's export order is extended

(197) CT (MR) 26/10/98

Johannesburg — Volkswagen of South Africa has been given the green light by its parent company, VW AG, to build 60 000 export Golf IVs a year for the lifespan of the vehicle

Matt Gennrich, the VWSA spokesman, said the export order was an extension of the current order of 68 000 units announced in May for 1998-99 and would begin in the year 2000

It also meant that VWSA would be able to introduce the Golf IV to the South African market during the course of next year

Gennrich said the R5 billion export order of fourth-generation Golfs to world markets had transformed the company into South Africa's biggest vehicle exporter

"Over a very short period of time, we had to adjust ourselves to meet the stringent logistical challenges this order brought, a task we performed with record-breaking prowess, in time, with no compromise in quality

"The extension of the current export order will ensure our survival into the next millennium, despite difficult economic and social circumstances," he said — Sapa

Nissan offers voluntary retrenchment packages

(192)

CT(MK) 27/10/98

Roy Cokayne

Pretoria — Nissan South Africa, the motor manufacturer, would offer a voluntary retrenchment programme to its employees "as a consequence of the current economic slowdown, caused primarily by excessive interest rates",

Johan Kleynhans, the communications director, said yesterday. Despite the decline in motor vehicle sales, Nissan had continued to expand its market share but still felt it was necessary to look at further cost efficiencies in its operating activities, he said. He was not prepared to state

how far Nissan SA was hoping to reduce its total workforce. He said employees and the unions were fully briefed on the offer yesterday and employees would have two weeks to decide whether to accept the offer. "By November 16 all the applications, for voluntary

retrenchment should be in but each will be handled on merit". Kleynhans stressed it was a voluntary programme. Not all applications would be automatically approved and some could be turned down. Dumisa Ntuli, a spokesman for the National Union of

Metalworkers of South Africa, said any form of retrenchment had a dire effect on poverty and worsened unemployment. He said the union believed there must be advanced and proper negotiation, with the union before a company started to implement a retrenchment decision.

New strategy for motor industry

MOTORING EDITOR

(192)

Production or investment allowances may replace the present system of allowing South African motor manufacturers to offset import tariffs by the value of automotive exports, as the local industry battles to overcome a deep crisis.

Government policy for the South African motor industry beyond the year 2002 will aim to continue offering motorists a wide choice of vehicles at attractive prices, while also enabling the industry to compete internationally on global markets, a Government representative said

These assurances were given last week to about 300 chief executives and other key players in the industry gathered in Johannesburg for the CAR Conference at Auto Africa

Chairman of the Motor Industry Development Council Anthony Black, representing Department of Trade and Industry Minister Alec Erwin, gave

the first public indication of the changes being planned in the current mid-term review to the Motor Industry Development Programme (MIDP)

This five-year strategy sets the ground rules for vehicle and component production in South Africa

Final decisions on the changes are expected early next week, after the vehicle assemblers and the component makers have reached agreement on the few key issues remaining

Black told the CAR Conference that the provision for importers to offset tariffs by the value of automotive exports was considered vital to the industry

But he warned that the system might have to be changed in order to meet the requirements for South Africa to take part in the World Trade Organisation

This export complementation system might be phased down for a few years after 2002, Black said, after which it could be replaced by a system of production or investment allowances which would allow

qualifying firms to rebate import duties on the basis of investments or increases in production

"Elements of such systems exist in a number of countries such as Brazil and Australia," Black said, indicating that Australia's new Automotive Competitiveness and Investment Scheme might provide a model for South Africa

"Tariffs will continue to decline beyond 2002 to a level of perhaps 30% by 2007," he said

Emphasising that Government policy would aim to ensure that South African motorists would continue to have a wide choice of new vehicles at reasonable prices, Black said that imports of vehicles had to be limited to acceptable levels in both the interests of the industry and foreign exchange

"The acceptable level of imports by 2007 would depend on the volumes of exports, but would probably not exceed 30% to 35% of the market," he said

"The need for U turns in policy should be avoided Brazil

opened up very rapidly a few years ago and then was forced to hike tariffs up to 70% as imports flooded in"

Conference chairman Brand Pretorius, who is also CEO of McCarthy Motor Holdings, said that the quality of leadership in the industry was what would make or break it at this time of crisis

"Change is the price of survival. We must believe in our own ability to create a better future. The worst recession in this country will be the one that we talk ourselves into"

Tony Kgobe, the National Union of Metalworkers of South Africa (Numsa) principal representative on the Motor Industry Development Council, said that the industry was at a crossroads

"The union believes that the problems of the industry have reached such a point that it is both in the national and industry's interests to take urgent initiatives to stem the loss of employment, strategic capacity and expertise," he said

ARC 28/10/98

Don't coddle car industry too much, warns AMH

Roy COKAYNE

(192)

CT (COK) 28/10/98

Pretoria — High tariffs for imported vehicles were not in the long-term interest of the motor industry or the consumer, said Manny de Canha, the managing director of Associated Motors Holdings (AMH), a leading distributor of imported vehicles.

De Canha said yesterday it appeared from remarks made at a conference last week on challenges facing the local motor industry that manufacturers were still seeking protection that

would negate benefits that an open market could bring about for consumers.

The comments, which related to possible changes at the mid-term review of the Motor Industry Development Programme (MIDP), were made by local motor manufacturers and government advisors.

"Import tariffs should definitely not exceed 20 percent," De Canha said. "The 30 percent seemingly favoured by some local manufacturers is unrealistically high and is not conducive for

reaching the globally required efficiencies that our industry should be striving for."

He said the government should also give serious thought to the necessity of the incentives paid to local manufacturers for the production of small cars.

"This incentive negatively affects the man in the street who, in the end, pays the taxes that make such incentives possible."

"If imported small cars that generally offer higher levels of specification enjoyed the same benefit, it is possible that they

could be made available at the same price as the local product," he said.

"In addition to this incentive, the manufacturers also benefit from substantial export incentives and duty free allowances on original equipment component imports — something which, again, is not in the interest of the local component industry."

"All of this is definitely not in the spirit of the MIDP as originally devised."

De Canha said the local vehicle market potentially had one of

the highest growth prospects in the world today.

"Surely a 20 percent level of protection should be more than enough to make an efficient local industry viable and competitive by the year 2007."

He said that since the introduction of the MIDP, which had gradually reduced import tariffs and taxes, prices had stabilised, making vehicles more affordable.

He said quality levels of locally produced vehicles had also increased to meet the standards of imported competition.

Volvo signs export and sourcing deals

CT(POR) 29/10/98(192)

ROY COKAYNE

Germiston — Volvo Car, the Swedish automotive company, will be exporting right-hand drive models assembled at the Motor Company of Botswana plant to Australia and New Zealand and has established a purchasing office in Johannesburg for the local and global sourcing of components

This was announced by Tuve Johannesson, the president of Volvo, after the finalisation this week of agreements between Volvo Car and the Wheels of Africa Group

The agreements include the assembly of Volvo S40 and V40 cars from completely knocked down kits by the Motor Company of Botswana, which is operated under the auspices of the Wheels of Africa Group. It also assembles Hyundai vehicles

Volvo Car announced in January this year that it had decided to start assembling two of its models in Botswana from early 1999

Johannesson said it was Volvo's ambition to increase its presence in southern Africa and the capacity available to it at the Botswana plant was about 10 000 units annually

He said NedCar in the Netherlands would deliver the body components, which would be welded, painted and assembled in the Motor Company of Botswana plant from April next year

"Volvo Car Corporation has developed the production process to ensure that product quality is secured in accordance with Volvo's quality standards," Johannesson said

Other agreements concluded involved the transfer of responsibility for the importation of fully built-up Volvo cars from Combined Motor Holdings to the Wheels of Africa Group and the export of cars to Australia and New Zealand

Combined Motor Holdings has retained its position and

responsibility for retailing Volvo cars in South Africa through its established dealer network

Billy Rautenbach, the chief executive of the Wheels for Africa Group, said the projected volumes of Volvo S40 and V40 models from the Botswana plant next year were between 3 000 and 5 000 units

Rautenbach said the local content would comprise about 10 percent of the value of the vehicle when production started, but this would hopefully rise to about 20 percent by the end of the year

Johannesson said the Australian and New Zealand markets would dictate the volume of exports from Botswana

This would benefit not only the economies of Botswana and South Africa, but improve the economies of scale of the Botswana plant because of longer production runs

Curt Germundsson, the senior vice-president of Volvo Car, said the S40 and V40 models were introduced to the Australian and New Zealand markets last year

Sales totalled between 1 500 and 2 000 units. These models were previously sourced from Holland

He said there was great potential for global sourcing of components from South Africa for Volvo's main plants in Europe

Johannesson said Volvo would be sourcing components in parallel with the development of its new model lines

"The cycle times are fairly long and we are now in the process of defining the products we need for 2003," he said "But there is competence and there are possibilities in South Africa"

Christer Palm, the president of Volvo Car, said Volvo had identified and was already sourcing aluminium wheel rims from South Africa through Tiger Wheels. Catalytic converters would also be sourced from South Africa, he said

SADC car makers could take direction from Mercosur

(192)

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CT (192) 30/10/98

RICHARD SIOVIN-BRADFORD

BANKING EDITOR

Johannesburg — There was little business or labour integration in the motor industry in southern Africa or in the Southern African Development Community (SADC) states, Brian Smith, the chairman of the Automobile Manufacturers Employers Organisation, said this week.

Smith was addressing a SADC/Mercosur conference at the South African Institute of International Affairs on regional integration in the south.

Mercosur, which is widely regarded as a possible role model for the SADC, is the world's third largest trading bloc, comprising Brazil, Argentina, Uruguay and Paraguay, with Chile and Bolivia as associate members.

The lack of integration within the SADC presented the region with an opportunity to learn from the Mercosur experience and to attempt to put policies and procedures in place to rectify the problem, Smith said.

"The time has now arrived for the SADC to focus more on economic issues rather than largely on political and

military issues," he said.

"We need to move towards regional market integration through domestic macro-economic reform within SADC states which then begins to move urgently towards tariff reduction and a common SADC customs union."

Mthuthulezi Tom, the president of the National Union of Metal Workers of South Africa, warned that regional integration should not only focus on economic policy but also deal with the issues of social development.

"An RDP must be developed for the entire region," Tom said. "Minimum standards need to be established across the whole region. The tendency by business to locate plants in countries that are said to be cost-effective as a result of poor wages and working conditions needs to be condemned."

The size of the total South African vehicle market, including the customs union, was 399 275 last year. The same market in Brazil alone was over 1.9 million and in Argentina was 426 337.

Mercosur's automotive markets have a strong export orientation.

Afonso Carbonar, an adviser to Brazil's trade and industry minister,

said "Foreign assembly industries established in Brazil and Argentina not only provide for the internal markets of these two countries but also export to the whole South American continent."

He said the creation of a unified market had made the whole region more attractive to foreign investments.

Smith said "To survive and to grow, the Southern African motor industry must develop exports, as has been achieved by the Mercosur industry. It is important that vehicle and component exports are developed within SADC, within Africa and with the whole world."

"The strong links which exist between the major automobile manufacturers in Brazil, Argentina and South Africa could perhaps become a catalyst for east-west trade." In the year to August, South Africa exported 19 569 vehicles, of which 7 784 were to Africa, while Brazil exported 180 952 vehicles.

But vehicle and component exports from South Africa have shown "tremendous growth" in the last few years. Over R5 billion of components will be exported this year, including leather seat covers and parts, catalytic converters, tyres, wheels, tooling, safety glass, engines and

engine parts, batteries and radiators.

Europe absorbs over 80 percent of component exports, most of which are under the government's motor industry development programme, which promotes exports while reducing protectionist import duties.

Smith said, "It is also clear that the huge Latin American market is attracting huge foreign investment in the motor sector and that the elimination of trade barriers has played a major role in opening up this market."

He said this topic should be addressed in the SADC, where tariffs in some countries still exceeded 100 percent.

"In many developing economies, the motor industry has played a major role in the development of a viable and vibrant manufacturing sector, as it brings with it a major transfer of technical skills and well paid and skilled jobs," Smith said.

To be globally competitive, a motor manufacturer required a cost-effective, productive, flexible and stable labour market able to produce educated, skilled and motivated employees. "As far as I am aware, very little discussion has taken place within the SADC regarding a regional labour market policy," he said.

Toyota to retrench staff as car sales continue to plummet

(192)
Amanda Vermeulen
and Stan Maphologela

BD 30/10/98

TOYOTA SA has become the latest SA car maker to announce a retrenchment programme in the wake of the sharp slump in industry sales due to high interest rates and an economic slowdown

The company said prevailing high interest rates and the relatively weak rand were "specific factors contributing to steadily lower demand for vehicles". It would not reveal details of its programme, except that it would take place this month and next.

Nissan, which announced earlier this week that it planned to retrench, is hoping to trim its workforce by 450, reducing its 3 500-strong workforce by about 12%, with voluntary packages offered to 250 salaried employees and 200 hourly paid staffers.

The car maker — which falls under the Automakers umbrella — which falls under the Automakers umbrella would not comment yesterday

Salaried employees would be offered two months' salary gratuity and one month's salary for every two years of service. Hourly paid staff would be offered a handshake on a sliding scale, depending on age and other factors, of between R27 500 and R42 000

There is intense speculation that Automakers has struggled since delisting last year. It was reported last month that shareholder Sanlam had stepped in to secure fresh capital for the company after its banks threatened to withdraw credit lines.

Plan intended to rescue motor industry

Stan Maphologela

THE long-awaited Motor Industry Development Plan (MIDP), expected to dictate the future direction of the motor industry, is likely to be announced in a few weeks time, disappointing expectations that it would be published by end-November.

The publication may even be held over until next year.

The private motor sector submitted its joint proposals on the development plan last week.

Anthony Black, chairman of the Motor Industry Development Council and adviser to the trade and industry department said the department was finalising its views on the policy and that it would not guarantee that all facets on the joint proposal would be accepted.

In the wake of international and local economic turmoil, a significant

number of vehicle manufacturers, exporters, importers, component suppliers and motor dealers have been under serious pressure. A rationalisation process was required to reverse the trend.

A prerequisite for sustainable success was the implementation of policies to create a stable and globally competitive industry. The MIDP would be the key enabler.

However, it was suggested that the review might detract from the profitability of exporting motor components and vehicles into Africa if the export credit system was altered materially. Industry sources said the department was trying to avoid the embarrassment of 1995 when the MIDP looked like the National Association of Automobile Manufacturers of SA proposal rather than that of the task group.

McCarthy Motor Holdings, CE

Brand Pretorius, said "The policy should be consistent in order to inspire international confidence. It should serve the interest of the customers, in particular with regard to vehicle affordability," he said.

Industry sources said exports were the main criteria. One analyst said that there was a world overcapacity of vehicles relative to the demand of vehicles. Motor companies were introducing new models every month. This could not keep up with the affordability pattern of consumers and therefore outstripped the pace of demand.

During October, vehicle sales were 8,5% higher over September, but were down 24,1% over the same period last year, signalling a sales cycle which has been declining steadily for 22 months — the longest unbroken cyclical decline in demand for new cars since 1960.

BD 11/2/98

(192)

Car maker threatens to take action against 'intimidators'

Numsa denies responsibility for damage to Toyota plant

OT (PR) 1/12/98 (192)

FRANK NXUMALO

LABOUR EDITOR

Johannesburg — The National Union of Metalworkers of South Africa (Numsa) would not take responsibility for any damage that might have been caused to Toyota's property during an industrial action by its members at the Durban plant on Friday, the union said yesterday

About 6 000 Numsa members embarked on a protest on Friday morning over a retrenchment programme in which 380 of their colleagues would be retrenched after 250 had already accepted voluntary retrenchment packages

Dumisa Ntuli, the spokesman

for Numsa, said Toyota had threatened to take disciplinary action against union members suspected of "provocation and intimidation"

He warned that if the company decided to proceed with such action it would be a "pyrrhic victory that would ricochet and boomerang" back to the union

Ntuli said workers had been frustrated and angry. In any event, he said, their right to protest action was enshrined in the Labour Relations Act

Union says it won't take part in disciplining members who were 'angry and frustrated'

However, Harry Gazendam, Toyota's human resources director, said the right to protest was obviously only protected if it was legally and procedurally correct

He said no conclusions had been reached yet on what disciplinary measures to take

Numsa said it was not "taking part in disciplining our members"

Ntuli also slammed Toyota for refusing to "reciprocate or consider" alternatives to retrenchments that had been

proposed by the union. Such proposals included job sharing arrangements, reduction of working hours and replacement of contract workers by permanent members of staff

Gazendam said "all realistic alternatives" to retrenchments had been considered in great detail

Ntuli said the union's labour relations with Toyota were "very sour". He accused the employer of "not negotiating in good faith"

Toyota said its industrial relations with Numsa were "generally fine", save for a problem with a small number of about 50 to 100 employees who had "behaved unprocedurally"

Workers go back after lockout

By Mzwakhe Hlangani
Labour reporter

NORMAL operations resumed at Toyota's Prospection car manufacturing plant in Durban as more than 6 000 workers returned to work yesterday after a three-day lockout

National Union of Metalworkers of South Africa spokesman Dumisa Ntuli said management had agreed to reopen the plant following protest action by union members demanding a moratorium on retrenchments

The union believed continued closure of the plant fuelled tensions and exacerbated the situation, he said. He added that the union would press for the company to reverse its plans for disciplinary proceedings against protesters

Ntuli said the Numsa delegation had requested a meeting with the group's executive directors, claiming current company negotiators were incompetent and unilaterally dictated terms on union shop stewards and failed to consider the union proposals

regarding retrenchments

The union said it was not going to accept a situation where the company would take any form of disciplinary action against its members

Group human resources director Harry Gazendam was not available for comment as he was reported to be in meetings

The plant was closed for three days last week after workers embarked on a series of one-hour demonstrations at the Isipingo, Durban, plant in a move to stop the company from retrenching 607 workers. They claimed only hourly-paid union members were singled out for involuntary retrenchments

● Meanwhile, Reuters reports that unions in Zimbabwe said yesterday they would challenge president Robert Mugabe's order banning national strikes for six months and that they were ready to defy the rule "any time"

The Zimbabwe Congress of Trade Unions (ZCTU) also announced it was calling off one-day strikes for now because the government had accepted its proposals to convene urgent talks

sowetan 1/12/98

(192) (192)

COMPANIES

Toyota strikes cost company more than R25m

Disciplinary action is being taken
in consultation with Numsa

(192) 20 2/12/98
Stan Maphologela

RECENT strikes at Toyota SA's Durban plant cost the company more than R25m in cumulative turnover, with employees forgoing more than R1,5m in salaries and wages, spokesman Joe Thompson said this week

In a demonstration last week, which the company said was illegal and unprocedural, National Union of Metalworkers of SA (Numsa) members damaged property and threatened other employees and contractors

As a result Toyota management had decided to close the main production plant in Isipingo until Numsa leaders were prepared to control union members. The decision was reversed at the weekend and workers resumed production on Monday

The company said disciplinary action against the individuals involved was being initiated in consultation with Numsa. The plant is producing between 300 and 350 vehicles a day, and the company said last Thursday and Friday's production shortfalls would be made up

"Given the state of the motor industry where demand is highly depressed and where less production volumes are required, the impact of last week's labour action could be gradually recovered," Thompson said

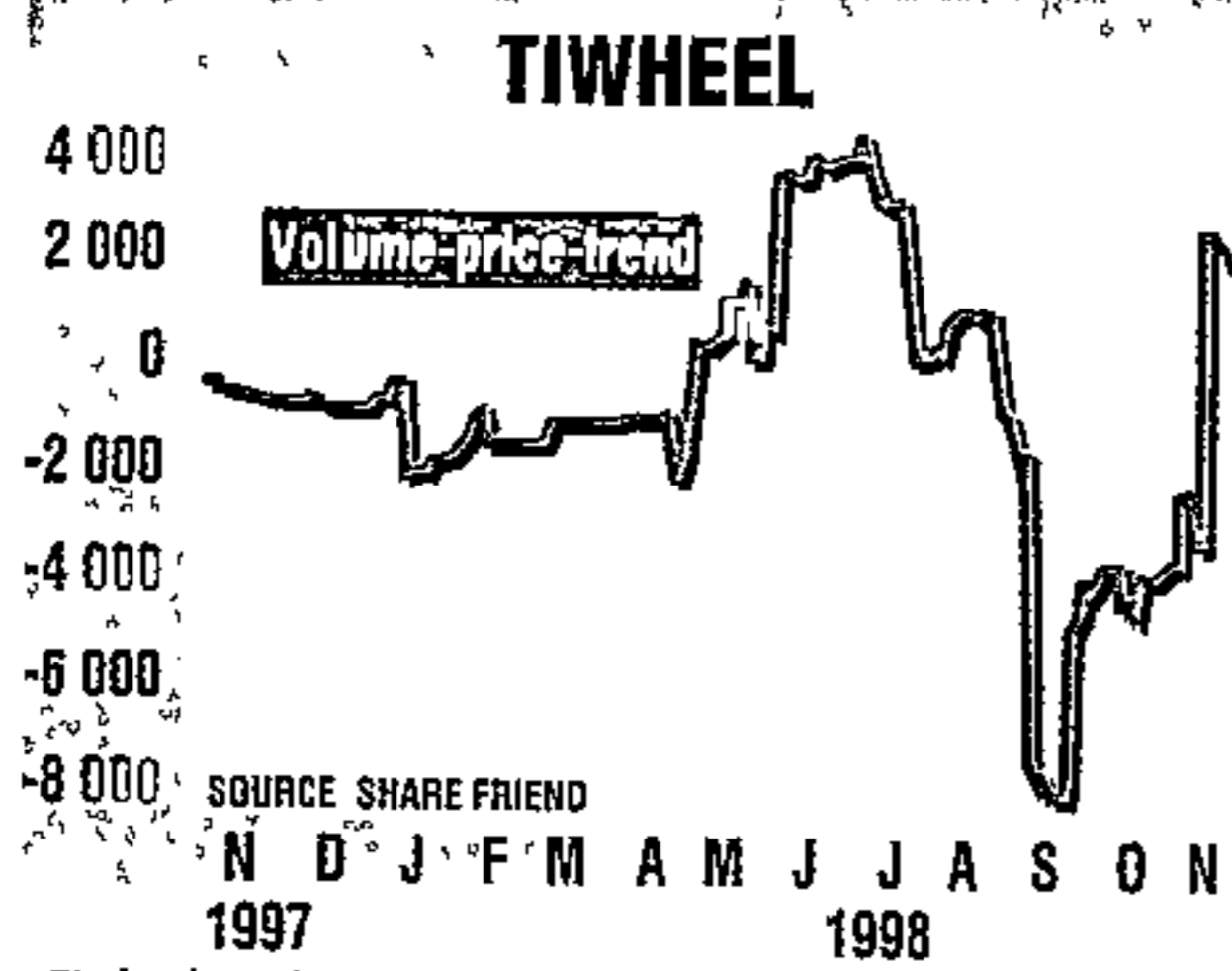
Due to cost pressures and prevailing economic circumstances in SA, the company recently announced the possibility of retrenchment with the aim of aligning its business strategies with the problems in the industry

Toyota group human resource director Harry Gazendam said the company had been consulting for several months with the employee representatives and unions active in Toyota

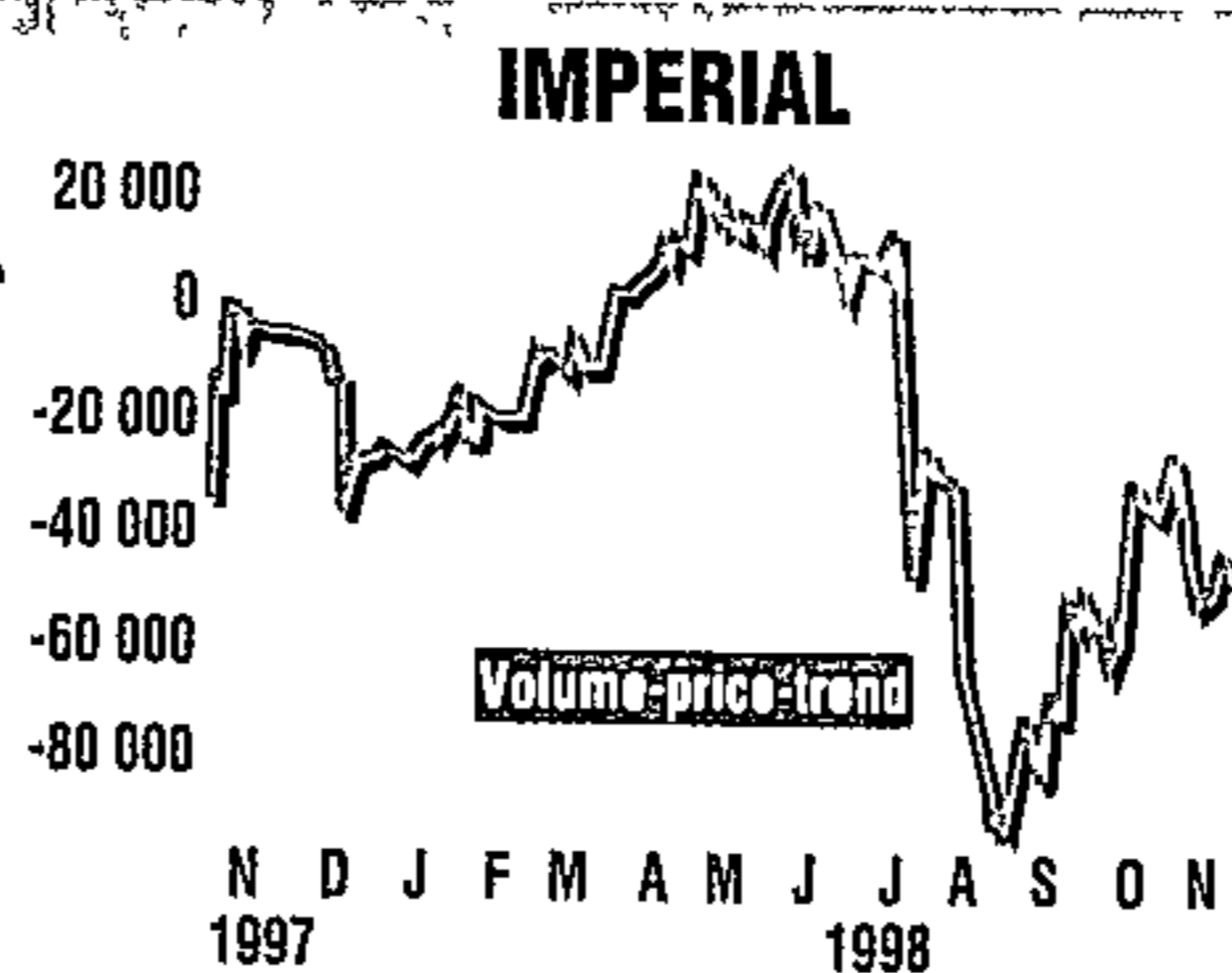
This process culminated in a voluntary separation exercise in October and last month

"Unfortunately retrenchments per se will have to be effected in December 1998. Both the voluntary separations and the scheduled retrenchments affect employees of all levels and race in the organisation," he said

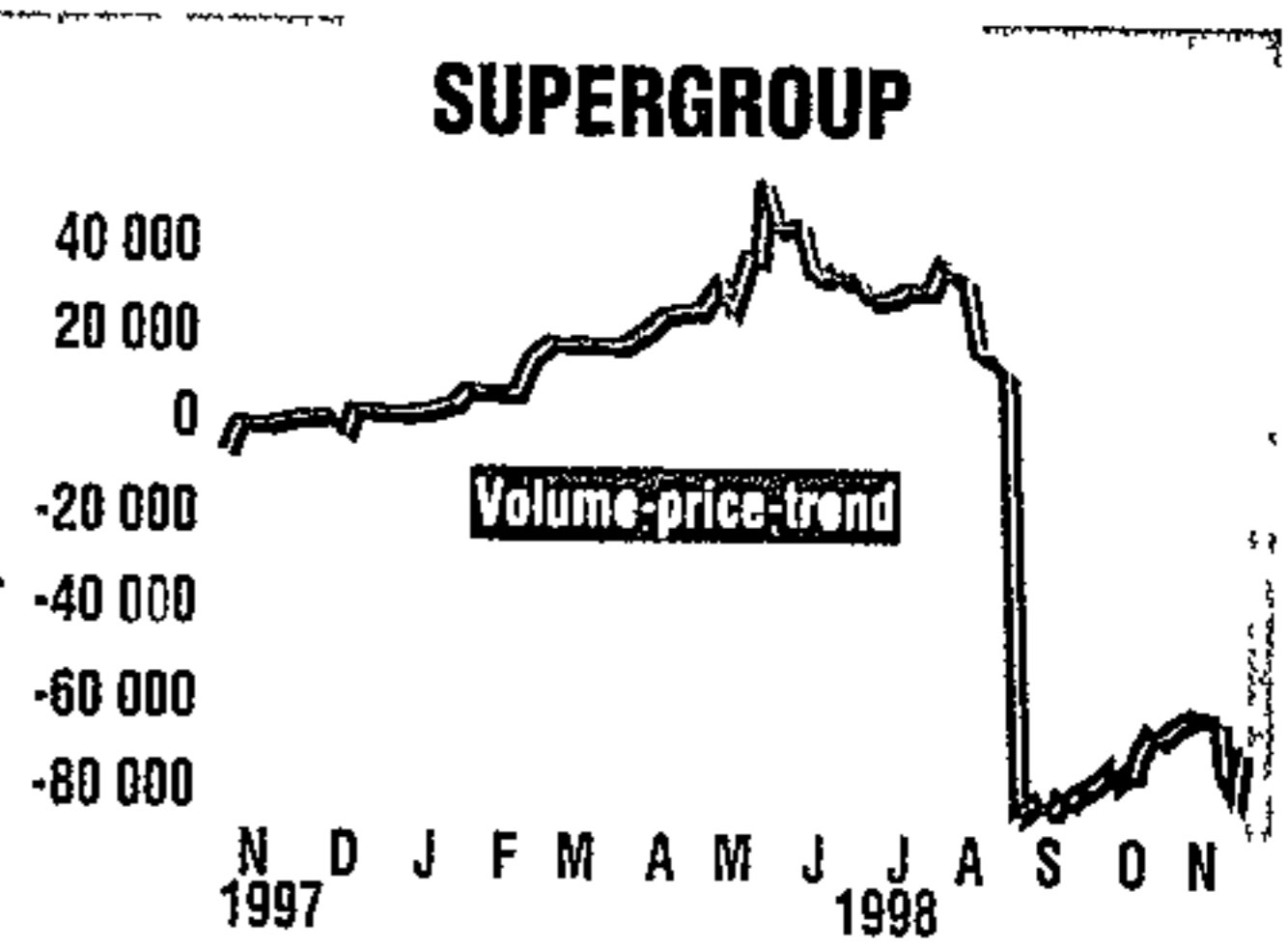
"The whole process is being conducted strictly in terms of agreed procedures and the requirements of the Labour Relations Act," he said



Tiwheel's volume price-trend plotting, shows how high demand for the share is currently pushing its price upwards



The upward direction of Imperial's volume price trend plotting shows that demand is outstripping supply



The volume-price trend chart of Supergroup shows the current sporadic demand for the share

MOTOR SECTOR

PUMPING UP PERFORMANCE

The strategy demands doing something different — like looking abroad

Any review of the motor industry dictates compulsory wringing of hands and gnashing of teeth at the state of the economy, the mysterious habits of the consumer, the arcane ways of interest rates

So anyone examining some of the results from the listed companies may be forgiven some confusion. Super Group showed interim earnings up 31%. Two months ago Imperial's profits were up 30%. In September Tiger Wheel recorded yearly earnings up 44%. Trailing the pack, Dorbyl and Midas produced an EPS fall of 23% and flat earnings respectively. Not the same hell and damnation stalling GDP is wreaking in manufacturing.

However, since interest rates went the wrong way, how long can these companies hold off the spectre of declining profits? Motor retailing is steadily shrinking as an industry and in its profit contribution. According to Standard Bank Economics Division, local dealers sell 17.6 units/month, down from 18.7 last year, compared with about 60 units/month sold by US dealers. Transport faces steadily slimmer pickings in a slowing economy. To compensate, companies are turning to added value areas, mainly financial services. Though making losses for most players, logistics is another budding source of profits particularly since the resources required throw up high barriers to entry.

Lack of delivery or tightly held stock means the smaller companies of the sector offer little bait. The bigger names hold the

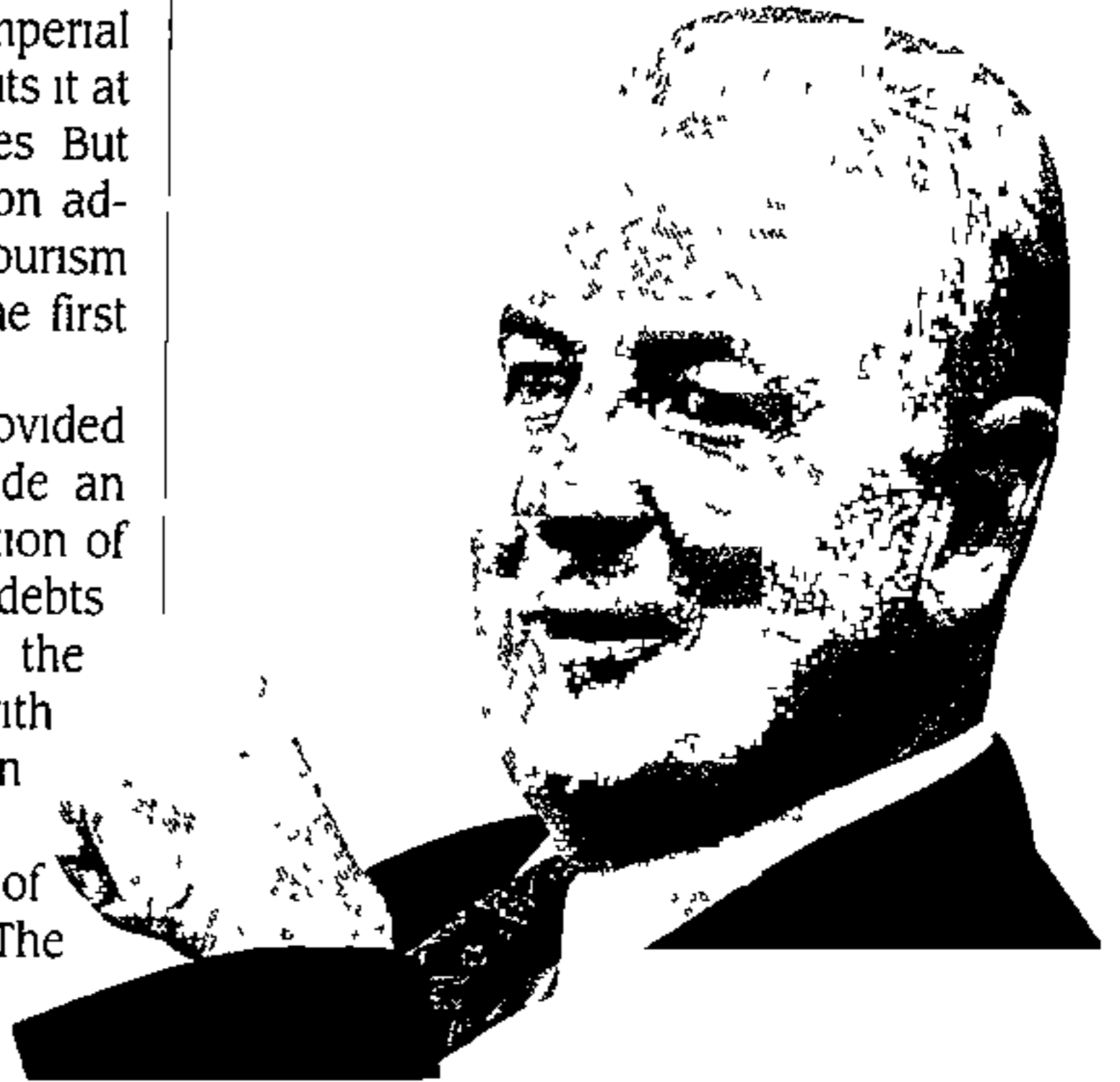
juice though the sector's diversity makes a broad based comparison futile. However, across the board skilful entrepreneurship has been the key behind the industry's successes, **Imperial** being the best example. With turnover of R8.7bn and EPS growth averaging 30% for the last five years the Imp is a phenomenon in its own class.

Chairman Bill Lynch says the group will fob off diminishing returns for the next few years. Analysts believe it will produce about 25% EPS growth in 1999. Imperial sells 10% of SA's new cars, which puts it at the sharp end of falling new car sales. But Lynch is relying on the group's R2bn advances book, rentals buoyed by tourism and a decline in interest rates in the first half of next year.

Only 25% of Imperial's book is provided by cars and interest charges provide an annuity income, while the participation of other banks reduces the risk of bad debts. Given its diversity and track record, the market has been overly harsh with Imperial. It is worth accumulating on a 13 p e.

Super Group is another example of the success of vertical integration. The group has just stacked Chariot on to its pile of companies, which should push 1998 earnings up an extra 3% to 34%, with more impact next year. It is also throwing its weight behind financial services and making bolt-on acquisitions to prolong growth.

Security is growing at 30% and financial services — boasting margins easily three times greater than dealerships — are roaring. Eleven years of real growth have been propped up by multiple acquisitions and a lower interest burden from its R500m rights issue last year fuelled some of its pre-tax profit. But analysts expect organic growth to start flowing and the group's dexterity in seizing niche markets is enough to justify holding the share on a



Bill Lynch Imperial will fob off diminishing returns

17,8 p e Investors have fallen for **Tiger Wheel's** acquisition of German-based alloy wheel manufacturer ATS, which shelters it from much of the local market's problems. A 30 p e is too rich for most in this market but it's an enviable investment for those who bought in early.

Midas and **Dorbyl** were the two class laggards. However, Midas' imminent takeover of TMS, Hudaco's parts manufacturer, and the reversal of Dorbyl's aftermarket division into the group before next interims will veil the squeeze. Sluggish spending will have on turnover next year and put Midas in the big leagues of parts manufacture. TMS and Dorbyl's division will accelerate Midas' annual turnover from R600m to more than R1,2bn, though MD Gordon Odgers says organic sales could be lower.

Earnings will double after rationalisation cuts R27m/year in costs. This year Odgers means to fire up profits by making inroads into the emerging market — hence two black empowerment deals, one agreed in principle with the National Union of Mineworkers (Numsa). He's also

seeking the grail of hard currency with exports and internationalisation. A purchasing arrangement with overseas companies should help margins. Analysts are expecting a strong second half from Dorbyl and double digit profit next year, which makes it worth watching.

McCarthy Motor won't sustain last year's 20% rise in EPS, but CE Brand Pretorius thinks he'll produce a surprise nonetheless. The asset base will be trimmed by R130m by February to reduce interest paid. New vehicles contribute 28% of profits, down from 50% five years ago. The group's joint venture with Wesbank, which started in November, should produce financing worth R80m-R100m monthly. Used vehicle sales are up 5% so far and are expected to rise 15% next year.

A recession will emphasise the rush into non-new vehicle income through parts, panelbeating or the smooth income streams provided by vehicle financing, insurance and Full Maintenance Leasing (FML). Larger companies will be able to exploit captive markets to grow logistics and financial services.

They'll also grow motor market share by starving independent dealers and tread water using servicing and parts. Retailers are slowing forming more multifranchise dealerships — though anathema to manufacturers — which raise margins and throughput. At home, there'll be no holds barred in the fight for plum acquisitions, mainly medium-sized family businesses, or fat State FML contracts.

More importantly, "There's growing pressure for companies, particularly component manufacturers, to take themselves overseas because domestic conditions are so abysmal," says Barnard Jacobs Mallet analyst Elan Stermer. Super Group, which earns 35% of profits in dollars, has been conducting roadshows in the US, Britain and Australia since February and is tentatively surveying possible acquisitions — though it has found nothing yet.

More telling, after years entrenched in SA, Imperial is considering "some propositions" regarding offshore acquisitions and says that it'll have a rand hedge component to earnings "quite soon."

Tammy Lloyd

GRINTEK/NORTHERN TELECOM

LOOK WHO JUST ARRIVED

But only Grintek's applauding

Northern Telecom (Nortel)'s new SA division is a notable development for Grintek, its PABX systems distributor. For others, it is potentially ominous.

Canadian-based Nortel, with annual sales of US\$18bn, is the world's fifth-largest telecoms group. It employs 80 000 people.

The company's new low-cost GSM network system makes it possible to get telephone services to remote communities as small as 5 000 users — profitably. Regional director Malcolm Bayes says "In SA, it is possible to extend profitable cellular services to most of the 40m population."

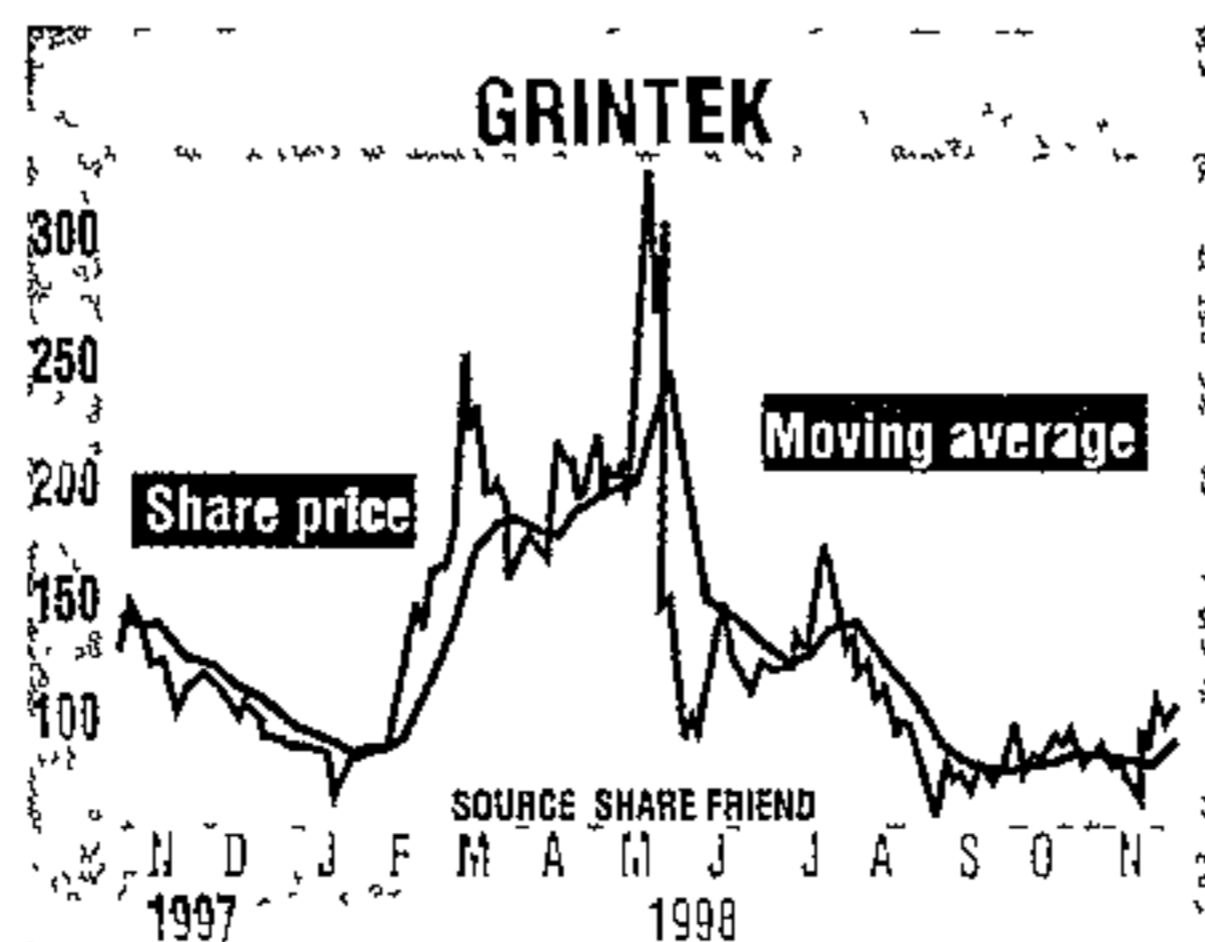
There are 1,7m GSM subscribers in Africa. By 2002 there will be 8m, with 20 new GSM licences expected to be granted in 1999 alone. Outstanding telephone applications in Africa exceed 50m.

Nortel will market its GSM systems directly. "But with telephone services come PABXs," says Bayes. "They are the point of

service integration." With telecoms accounting for 70% of its profits, Grintek has greeted these new developments with understandable enthusiasm.

Nortel's new technology and direct entry into the region have other potential consequences. A question mark must now hang over the future of conventional cabling.

Reunert CEO Gerrit Pretorius said recently that he wondered if being big in conventional cables was more reason for concern than jubilation. He added he expected to see more foreign majors enter the SA market directly. This would undermine local groups, heavily dependent on foreign-sourced products and technology.



The strong upward price push through its 20 day exponential moving average looks good for Grintek. However, more volume is needed for it to sustain the direction.

Could these be reasons underlying the poor ratings afforded groups such as Altron, Powertech, Siltek and Reunert itself?

Nortel's move also strengthens Grintek's policy of developing its own technology. "We enter associations on the basis of equal partnership only," says MD Sybrand Grobelaar. Its strong position as a world leader in the field of radio technology recently led to the first such venture, the development of a new-generation high-frequency radio system aimed at the US\$550m world market. Grintek and partner Daimler-Benz Aerospace will each develop specific aspects of the system. "We will share equally in the final product licences," says Grobelaar. Other more significant tie-ups are being negotiated.

Grobelaar is positive on Grintek's prospects of receiving a slice of SA's new defence orders. Its strong empowerment profile, through controlling company Kunene Holdings, is an added advantage.

At 107c/share, Grintek has outpaced the market's recovery since September. It stands on an historical p e of 11 and forward p e of around 9, both modest by sector standards. For investors seeking strong telecoms exposure without the doubts associated with many competitors, Grintek bears consideration. The potential of the global technology partnerships are an added attraction, though still unquantifiable.

Stafford Thomas

Motor industry slowdown hits 12-year record

No significant recovery is expected before a substantial cut in interest rates, writes DON ROBERTSON

ST(BT) 6/12/98

THE battered motor industry suffered yet another hammering last month, extending the long-term downward trend to an unprecedented 23 months

Last month was the weakest November for new car sales in 12 years. This was the lowest monthly total in four years — but only because volumes in September 1994 were hit by a 49-day industry strike.

Had it not been for exceptionally high sales of the new Toyota Hilux, which was on offer for the full month, total figures would have been worse.

The industry welcomed this week's modest interest rates cut, but most agree there will be no significant market improvement without further substantial reductions. As a result, a recovery is not expected before the second half of next year.

Brand Pretorius, chief executive of McCarthy Motor Holdings, predicts that new car sales will reach only 202 500 for the full year, compared with last year's 239 762 and the previous low of 191 979 in 1994.

Total sales, in the four sectors, tumbled to 23 128 units from 26 233 in November last year and 24 883 in October. This leaves the year-to-date figure 14.3% down on last year (293 447 against 342 419).

New car sales slipped to 13 884 compared with 16 572 last November and 15 961 in October. Sales in the first 11 months of the year were 190 505 against 223 309 in the same period last year. Toyota topped the sales list with 3 257. Second placed Volkswagen had a poor month, losing

1 081 sales in October at 2 677. Samcor was third with 1 870.

Light commercial volumes were boosted by sales of the new Toyota Hilux, reaching 8 306 in November, only 3.1% down on the 8 572 last year, but better than the 7 931 in October. Totals to date are 91 979, compared with 106 991 last year.

Medium commercial sales were 444, compared with 510 last year and 405 in the previous month. Heavy trucks and buses were 494 compared with 579 and 586 respectively.

Totals for the year to date were 4 837, against 5 381 and 6 126 against 6 738 for medium and heavy trucks respectively.

Dealers are hurting, with car sales through retail outlets to individuals declining each month.

In January, for instance, only 86.6% of the 17 489 passenger cars sold that month were routed through the dealer network. The rest were sold to rental groups, government authorities or for export. In addition, manufacturers kept a large number of cars for their own staff under the heading single unit sales.

Dealer sales continued to decline progressively during the rest of the year, dipping to 76.1% in July, 73.9% in August, 75% in September and 71.4% in October, the latest official figures.

Dealer sales by individual manufacturers in October were even more depressing.

BMW enjoyed a 85.4% sale through its dealer network, Nissan only 46.6%, Ford 86.5%, Delta 70.7%, Mazda 74.5%, Toyota 68.6%, Mercedes-Benz 85.9%, Volkswagen/Audi 60.8% and Honda 79.3%.

Car makers in 'normal' annual shutdowns

ET (BR) 10/17/98 (192)

ROY COKAYNE

Pretoria — The majority of local vehicle manufacturers had decided on fairly normal annual production shutdown periods this year, despite extremely sluggish vehicle sales and expectations that sales would remain depressed into next year.

Last year almost all extended their production shutdowns by a week because of poor sales

Although the market has generally been more depressed in the latter part of this year than last year, industry analysts said the inventory levels of most manufacturers were in a better shape.

Volkswagen South Africa (VWSA), with an export contract to the UK to service, was one exception to the shutdown periods.

Matt Gennrich, the public affairs general manager, said it

would run its export line until December 18, but the balance of the plant would close on Friday. The plant would reopen on January 4. This was a normal shutdown for VWSA apart from the export line.

Nissan and Samcor would close production facilities on Friday and reopen on January 11. BMW South Africa and Mercedes-Benz South Africa would cease production on December 18

and reopen on January 11.

Craig von Essen, Samcor's corporate and public affairs director, said the shutdown was about a week longer than normal given the state of the market.

Richard Wingfield, the communication manager at Toyota South Africa's plant in Durban, said the plant would close on Thursday and reopen on January 12, which was "pretty close to a normal shutdown."

Jobs decimated in car makers' third quarter

ET/BR) 10/12/98 (192)
ROY COKAYNE

Pretoria — Employment by the local new vehicle manufacturing industry dropped by 10,3 percent to 33 246 jobs in the third quarter, compared with the industry's monthly average employment of 37 082 in 1997, according to the latest quarterly review of the industry, released yesterday.

This amounted to 3 836 fewer jobs in the third quarter than the average for last year.

The review is compiled by the National Association of Automobile Manufacturers of South Africa (Naamsa). It said employment in the industry had dropped from 35 855 at the end of December last year to 33 333 at the end of July, to 33 269 at the end of August and 33 246 at the end of September.

A sharp drop in employment is likely to be reflected in figures for end-December this year and the first quarter of next year.

Three motor manufacturers

— Toyota, Samcor and Nissan — have embarked on voluntary and forced retrenchment programmes that would result in the axing of about 1 600 workers.

Nissan planned to retrench about 450 workers, Toyota about 600 and Samcor about 530 by the end of this year. Nissan's retrenchment of salaried staff is proceeding but the retrenchment of hourly paid staff has been put on hold until early next year.

Nico Vermeulen, the director of Naamsa, said "Average capacity utilisation levels during the third quarter of 1998 continued to move sharply lower in tandem with lower year-on-year new vehicle sales in all four sectors as well as industry expectations of further sales declines in the fourth quarter of 1998."

He said sales in all four sectors of the new vehicle market registered substantial declines compared with the corresponding quarter a year ago.

Numsa and Toyota still in dispute

ET (SR) 10/12/98 (192)
ROY COKAYNE

Pretoria — The dispute between Toyota and the National Union of Metalworkers of South Africa (Numsa) over retrenchments by the motor company was still unresolved after being before the Commission for Conciliation, Mediation and Arbitration (CCMA) yesterday, said Harry Gazendam, the group human resources director of Toyota.

The CCMA hearing followed a Durban Labour Court judge on Tuesday ordering an expedited mediation/arbitration process should take place under the CCMA to deal with a Numsa application for an interdict to prevent retrenchments by Toyota.

Gazendam said two days had been set aside at the CCMA, and the process still had to be concluded. "As far as Toyota is concerned, one day at the CCMA is sufficient, but Numsa have been trying various angles on the disclosure side, and we are dealing with them as we go along."

Dumisa Ntuli, a Numsa spokesman, said the union was perturbed by the ruling of the Labour Court because Numsa believed a precedent would be set that would allow the union to interdict all companies embarking on retrenchments.

Ntuli said the process of rationalisation had wide implications for job creation and the workload of workers remaining in the employ of companies that retrenched workers. "Numsa is not going to back down to allow employers to retrench workers indiscriminately."

Numsa questions credibility of court ruling on retrenchments

Toyota proceeds with cuts

ROY COKAYNE

Pretoria — Toyota SA would proceed with its planned retrenchments after an agreement was reached with the National Union of Metalworkers of SA (Numsa), Harry Gazendam, the group human resources director of Toyota, said at the weekend

The agreement was facilitated by a Durban labour court judge

Gazendam said in terms of the agreement, Toyota would proceed with the retrenchments, and "those aggrieved individuals who believe they had been retrenched unfairly will be processed through one arbitration by the Commission for Conciliation, Mediation and Arbitration (CCMA) in March next year"

ET (PR) 14/12/98 (192)
The agreement was facilitated by the Labour Court judge hearing Numsa's application of an interdict to halt the retrenchments

The judge had previously referred the dispute to the CCMA, but it remained unresolved after two days of mediation

Gazendam said Toyota's plant closed for its annual shutdown on Thursday, and those being retrenched had already received their money and documentation

Dumisa Ntuli, a Numsa spokesman, said the ruling to refer the dispute to the CCMA once more was regrettable because it would worsen the situation and allow the retrenchments to continue

"We doubt the credibility of the court as we have followed all

the procedures laid down in the court and the National Bargaining Forum agreement

"Numsa will not bend down to allow the employers to have the leeway to retrench workers indiscriminately

"The court has failed to come to the aid of the reasonable and law-abiding unions. We believe the interdict is valid and legitimate," Ntuli said

Numsa's interdict application was prompted by Toyota informing the union it planned to reduce its headcount by 600

Toyota subsequently launched a voluntary separation package which was accepted by 250 workers. A further 350 workers had to be retrenched to meet the head count reduction target

Mediation sought for fired workers

By Mzwakhe Hlangani
Labour Reporter

THE illegal strike by about 130 dismissed workers at Durabuild bus assembly plant outside Pretoria may be resolved by the Commission for Conciliation Mediation and Arbitration only early next year.

Steel Engineering and Allied Workers Union (Seawu) spokesman Mr Philemon Maepa said the dismissals were unlawful since the affected workers demanded 25 percent wage increases which had not been considered for the past three years, although the company had made a R5 million profit.

Maepa claimed that the company had suffered huge losses as a result of "unaccountable actions by the management and alleged malpractices by the senior management.

Durabuild production general manager Mr Fred Pitts conceded that the

company had been unable to pay its workers wage increases due to market decline.

He denied that the company had made the type of profit claimed by the union but said that the cash base would improve significantly once they succeeded in meeting the demands of an export deal currently being negotiated.

A deal had been brokered with the National Union of Metalworkers of South Africa (Numsa) and Seawu to postpone increments until after the huge export deal was finalised in March.

The workers went on strike without exhausting the channels of negotiations and were dismissed summarily, he said, adding that the company was engaging new people in their place.

He did say, however that the company was interested in recruiting some of the skilled dismissed employees, who wished to retain their jobs.

16/12/98
secretary

Toyota case goes back to CCMA (192)

Sowetan 16/12/98

By Mzwakhe Hlangani
Labour Reporter

THE referral by the Durban Labour Court of an application for an interdict that seeks to stop Toyota car manufacturer from retrenching 1 000 workers back to mediation for a second time has astounded the applicant and arbitration agency

The National Union of Metalworkers of South Africa (Numsa) which instituted the court interdict, said it was regrettable that the court had again referred the case for arbitration. Numsa spokesman Mr Dumisa Ntuli said yesterday the ruling by the labour court worsened the situation and could mean that the retrenchments would continue.

The union brought the interdict on the grounds that Toyota had failed to

follow the procedures agreed upon by both parties and the National Bargaining Forum and that it targeted hourly-paid black employees only.

Commission for Conciliation, Mediation and Arbitration (CCMA) senior commissioner Mr Eugene van Zudom said yesterday a part-time commissioner had been assigned to handle the case. He was surprised to hear that the case had been referred for mediation.

"I cannot explain what had happened since the case was to be handled by another commissioner last Thursday and Friday I have returned from leave and have not yet spoken to the commissioner."

The union also said it angered by the case being thrown "backwards and forwards" between the courts and the CCMA.

SA, Botswana end Hyundai row

John Dlodlu and
Stan Maphologela

(192)

BD 21/12/98

THE long-running dispute between SA and Botswana over Hyundai's car operations in Botswana has been resolved, heading off a potential conflict between the two countries.

Mfundo Nkuhlu, chief director for Africa trade relations at the SA trade and industry department, said at the weekend that the dispute had been resolved in terms of an "amicable arrangement" struck recently.

In terms of the agreement, which had the backing of the Gaborone authorities, the Korean car manufacturer would continue to supply vehicles in a semi knocked-down form this year, Nkuhlu said. The Hyundai plant would then shift towards supplying completely knocked-down cars next year.

Production targets would be disclosed from next month, and sales would be included in the National Association of Automobile Manufacturers of SA (Naamsa) figures.

Naamsa welcomed the intention of Hyundai to start disclosing its sales figures for new passenger and commercial vehicles from the beginning of next month. Industry sources said that in the past Hyundai had refused to disclose its figures because of criticism by SA manufacturers of its semi knocked-down facility, and for competitive reasons.

The SA government has been concerned that the system of supplying cars in a semi knocked-down form does not bolster employment in Botswana, and thus does not decrease the flow of people coming to SA in search of work.

Fears have also been expressed that allowing the Hyundai operation to continue could set a precedent for other countries with car assembly aspirations to follow suit.

The dispute had also threatened to

sour relations within the five-nation Southern African Customs Union (SACU), the membership of which is made up of SA, Botswana, Lesotho, Namibia and Swaziland.

The motor trade controversy was cited recently as one of the reasons for Pretoria's tax measures on imports from customs union partners.

SA's insistence that its neighbours abide by common policies has been seen as a bullying tactic by some of these neighbours. Pretoria felt so strongly about the Hyundai issue that it considered taking extreme measures, including asking the Botswana authorities to shut down the plant.

Johan Cloete, director for motor assembly and components at the trade and industry department, said the Swedish car manufacturer, Volvo, had confirmed that its assembly plant in Botswana would be a "completely knocked-down" facility.

Hyundai started its semi knocked-down vehicles operation about five years ago. In compliance with the motor industry development programme, initiated in SA in 1995, the company provided business plans that outlined the transitional process from semi knocked-down production to completely knocked-down production. The process was approved by SACU ministers in December 1995.

Hyundai tied itself to a 32-month implementation programme.

With the mid-term review of the development programme reaching its final stages, Cloete said the department had consulted the Botswana government, Hyundai Botswana and SACU member countries. An announcement would be made by SA Trade and Industry Minister Alec Irwin next month.

Hyundai officials have said that the company's new R250m factory, on a 20ha site in Gaborone, will provide direct employment for about 1 200 people.

Glimmer of hope for motor industry

BD 5/11/98 (192)

Stan Maphologela

A GLIMMER of hope has emerged for the motor industry, despite a 25% drop in year-on-year sales last month, after the second prime interest rate cut within a month was announced yesterday.

Last month's sales figures showed an 8,5% increase over September, National Association of Automobile Manufacturers of SA figures show.

Total vehicle sales for last month reached 24 891 units, compared with 22 940 the previous month.

With the exception of the medium commercial market which showed little change over the previous month, all other sectors improved. Passenger vehicle sales rose to 15 963 units over September's 14 749 units, while 7 929 light commercial vehicles, 407 medium commercials and 592 heavy trucks were sold.

Analysts said a double cut in prime interest rates could generate some activity in the market. However a recovery would require more than a marginal drop in the prime rate and further cuts were needed before potential buyers would be enticed back into the market.

Johan van Zyl, the MD of Toyota's vehicle marketing, said the market continued to be supported by aggressive mar-

keting programmes and was driven by supplier push rather than market pull.

"Despite our view that the market may not as yet have bottomed out we remain confident in the future prospects for the industry. There are a number of positive indicators that would suggest a higher level of economic confidence during the months ahead. This will translate into improved market conditions," he said.

Volkswagen SA marketing director Graham Hardy said the motor industry faced falling sales, rising costs and strong competition. Motor dealers had also been hard hit by the downturn in sales and needed to turn to service, parts and used-car sales to ensure their viability.

"Given the low level of demand and overabundance of competition, it is likely that the motor industry is poised for a shake out in the next six to 12 months and a fight for survival by the less-established players," he said.

McCarthy Motor Holdings CE Brand Pretorius said the month-on-month sales increase was expected, given the higher number of selling days last month.

Samcor executive director Garry Jackson said in view of low expected growth for next year, any recovery in new vehicle sales was not expected until the second half of next year.

The best sellers

Passenger car sales for October 1998



Corolla	16 193
Conquest	16 168
Polo Classic/Playa	13 792
Cit Golf	12 701
BMW 2 Serie	9 241
Tracer 320 Midd	8 651
Scitru	7 001
Kadett Astra	6 762
Gorsa	6 751
Golf/Jetta	7 101

Source: NAAMSA
Mathys Moss BUSINESS DAY

1997	Total October Industry Sales	1998
33 143		24 891

Hyundai 'trades in cars but competes in service'

(1992) ET (Mk) 6/11/98

SHIRLEY JONES

Durban — Hyundai did not see itself as part of the South African motor sector even though it aimed to overtake most industry norms, Bryan Simms, its chief executive, told the Institute for Marketing Management in Durban earlier this week.

"As the technological pace accelerates, all cars are evolving to be much the same. The product that we sell is outstanding service. We see ourselves competing in the service industry and trading in the motor industry."

"We follow leaders in service like Virgin Atlantic, British Airways, Nordstrom, FedEx and Boeing," he said.

In outlining core values and beliefs, Simms said the fundamentals

of Hyundai's human resources strategy — which was based on treating people with dignity and respect, asking colleagues for help in solving problems, offering help without taking responsibility for the other person's achievements and listening with empathy — had had a marked effect on labour relations.

"When I took over running our pre-delivery inspection centre at Jet Park it was an abyss of poor human relationships, racial tension and ineffective operation."

Simms said once this human resource strategy was brought into play, unionised staff had resigned from the National Union of Metalworkers of South Africa (Nunsa) over a six-month period without any management pressure.

He said while most South African

companies were structured as pyramids with the chief executive at the top followed by top, middle and lower management, clerks, administrators, salesmen, technicians and finally customers, Hyundai operated according to the exact opposite.

"We believe that the customer is most important and should be at the top. The next most important person is anyone who happens to be interacting with a customer, be it a salesman, technician, driver or receptionist. Everyone at Hyundai, from management upwards, gives support to one another in an upward role towards the customer," he said.

Simms said Hyundai had closed down its head office years ago, replacing it with a support centre. Major competitors had followed.

"Many traditional businesses are

specialists in horizontal integration. Managers don't talk to people below them. It creates a culture of snobs. Some traditional businesses even have executive canteens so that the management don't have to mix with workers. Horizontal integration is as dated as the dinosaur."

Simms said Hyundai also specialised in paradigm-jumping or challenging the traditional. "What we have found is that, generally, motor industry people are stuck in a motor industry paradigm."

"A prominent motor industry leader once told me I hadn't a clue what the customer wanted. He ignored the fact I had been a customer for the past 27 years."

"This illustrates just how out of touch the traditional motor industry people are," he said.

MOTORS BMW chief welcomes R1bn investment in Rosslyn plant, but with reservations

Crime clouds prospects says BMW

Roy COKAYNE

Pretoria — The success of BMW's R1 billion investment in its Rosslyn plant would largely depend on the ability of the South African government to come to grips with the crime epidemic ravaging the image and the economy of South Africa, said Bernd Pischetsrieder, the chairman of the board of BMW AG, yesterday.

"Daily reports appear in our press of tourists and foreign businessmen suffering from acts of criminal elements in this country. These reports do not go unnoticed in the rest of the world, and it is hardly necessary for me to point out just how damaging the prevalence of crime is to the investment prospects in this country," he said at the official relaunch of the world plant in Rosslyn.

However, Pischetsrieder said the investment in the Rosslyn plant was "an awesome affirmation of BMW's confidence in South Africa and its future".

Thabo Mbeki, the deputy president, admitted the government was having to deal with unacceptable levels of crime and also a negative frame of mind.

"We have to fight the problem of crime and other social ills. But we are faced and con-

(192) CT (CNR) 7/11/98



FALLING HALO Deputy President Thabo Mbeki, speaking at the BMW plant launch yesterday, admitted crime is a well-oiled industry which can damage the country's image and investment prospects

fronted by a well-oiled industry whose main activity seems to be the projection of a negative image of the country. Any good news is not news," he said.

Mbeki referred to a recent survey among German enterprises in South Africa showing a significant increase in those who were pessimistic or very pessimistic on various issues compared with a year ago.

Issues included in the survey were confidence that South Africa would maintain a mar-

ket-driven economy and true democracy, confidence in the basic political structures in the new South Africa, confidence in equal chances for foreigners and the reliability of political leaders.

Mbeki said the findings reflected "a prejudice and frame of mind".

Peter Forster, the managing director of BMW South Africa, said the world-class technology introduced into the Rosslyn plant over the past year had

moved the plant from the local producer status it once occupied to a "truly world-class facility".

Included in the investment was a new paint shop, built at a cost of over R250 million, and R500 million for new plant, machinery and technology in the body shop and assembly plant.

The latter had been commissioned over the past few months as the plant gears itself to produce the new BMW 3-Series for local consumption and international export.

German firms get cold feet

NCABA HLOPHE

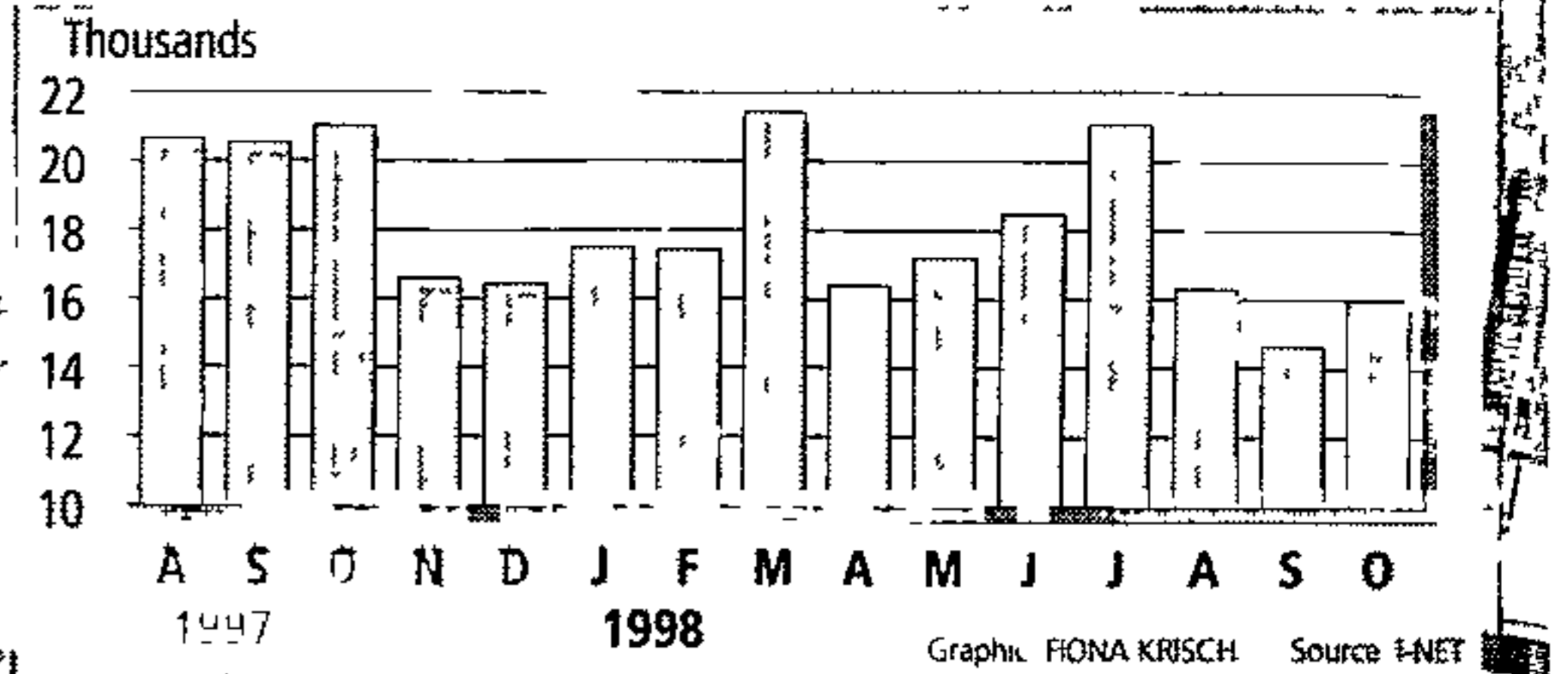
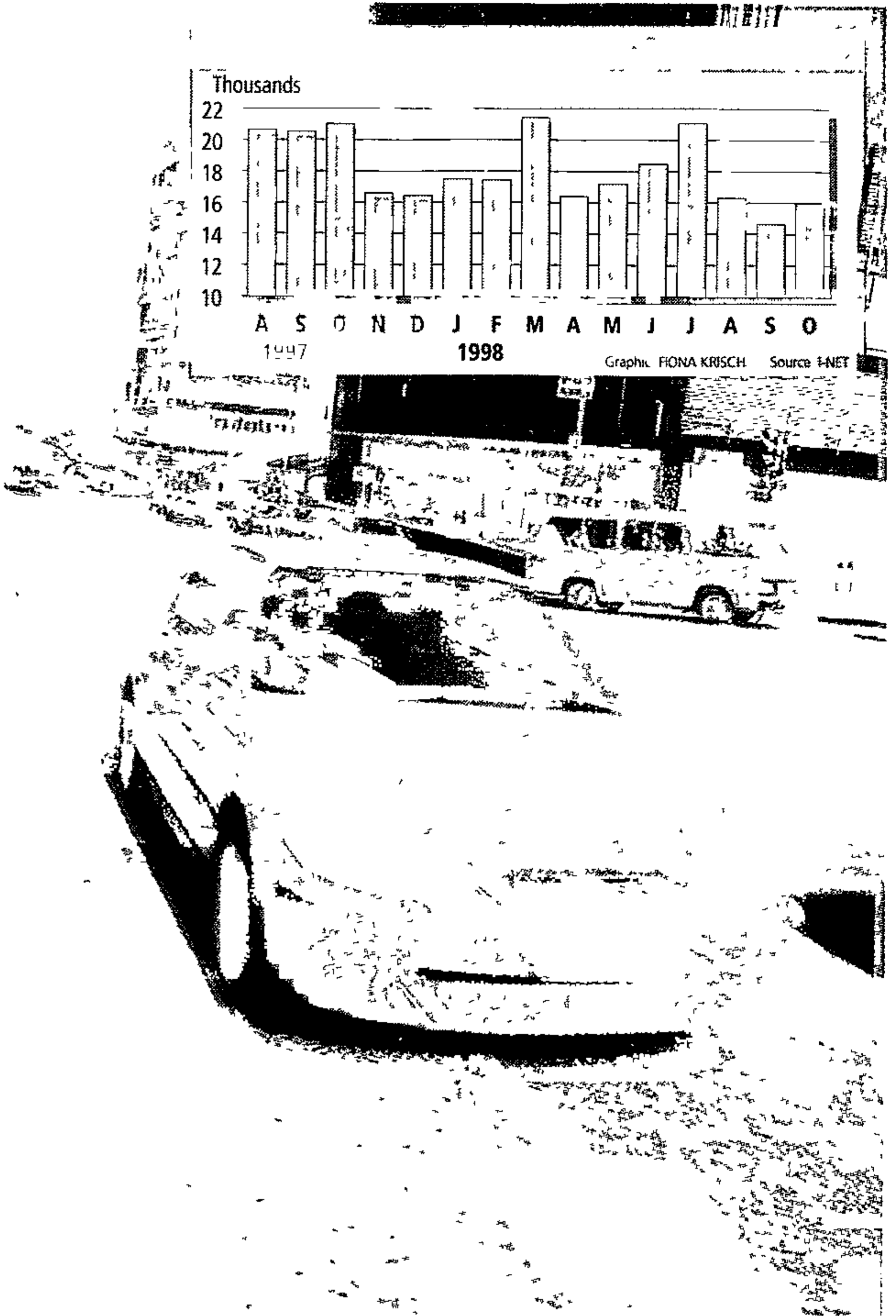
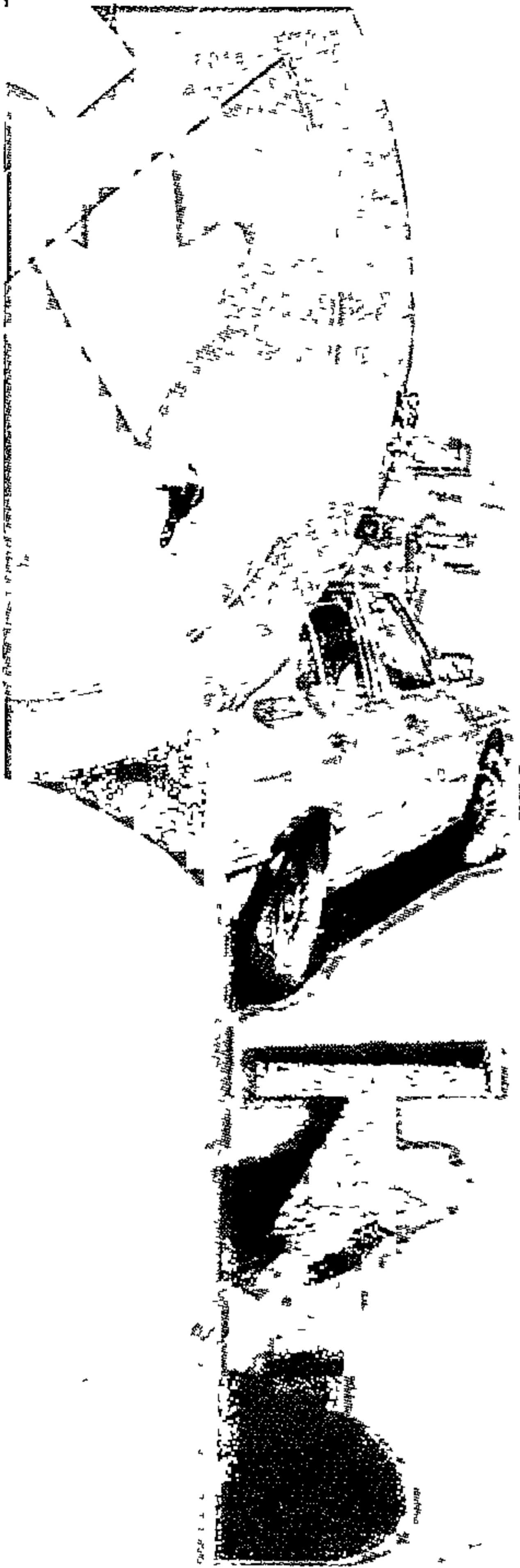
Johannesburg — The latest survey by the German Chamber of Commerce and Industry shows that 22 percent of the 168 companies questioned may disinvest from South Africa, while 35 percent said they might leave the country. Overall confidence of German investors dropped by half in the last year.

However, 90 percent of the respondents said they were not likely to relocate to another country in southern Africa, and 75 percent said they were not likely to increase investment in South Africa, while 25 percent said they would.

The survey showed that 59 percent had a negative view about equal chances for foreigners.

BMW's Rosslyn plant is currently one of only two plants outside Germany where BMWs were manufactured. The other is situated in the US.

Pischetsrieder said Rosslyn signalled that BMW South Africa's base was becoming a force to be reckoned with.



Motor industry jammed in slow lane

(192) ST(BT) 8/11/98

RECORDS are made to be broken, but no one wants the kind of milestones now being clocked up in the motor industry

Each month's new vehicle sales figures tell the story of an industry facing a deep crisis which could see dealers, distributors and even manufacturers come to grief

October's car sales volumes, released by the National Association of Automobile Manufacturers of SA, are the lowest since 1991, says Graham Hardy, marketing director of Volkswagen

The new car sales cycle has been declining steadily for the past 22 months — the longest unbroken decline in demand since 1960

For instance, sales for the first seven months of the year to July

SALES SLUMP By DON ROBERTSON

were 10.9% below the figure for the same period last year. In August, the decline increased to 11.6%, and to 13.3% in September. Last month it was 14.5%

September sales, in turn, were the worst since 1994

Dr Johan van Zyl, Toyota's managing director for vehicle marketing, says the market might not yet have bottomed

"The market continues to be supported by aggressive marketing programmes on the part of manufacturers, importers and dealers. It is very much driven by supplier push rather than market pull at this stage"

Hardy agrees, saying that low demand levels and an abun-

dance of competition mean the industry is poised for a "shake-out" in the next six to 12 months as less established players fight for survival

October sales, traditionally strong, did show some improvement over September, but this was partly because of more selling days. Nevertheless, sharply reduced new vehicle sales projections of about 310 000 for the year will be difficult to achieve

Total sales for the first 10 months are 270 327 compared with 316 186 during the same period last year. To reach 310 000, sales will have to top 20 000 each month and December is generally a poor sales month

New car sales picked up marginally in October to 15 963 from 14 749 in September but

were well down on the 21 019 units in October last year. This takes the total for the year to 176 623 compared with 206 737, a 14.5% drop. Toyota lost its top position to Volkswagen, with Samcor in third place

In the light commercial sector, October sales rose to 7 929 from 7 206 in September, but were lower than the 10 885 last year. Sales to date are 14.9% down at 83 671 against 98 419. Toyota is the market leader after the introduction last month of its new Hilux bakkie Delta and Samcor followed

Medium commercial sales were barely changed on September at 407, but were 24.4% down from the 538 sales in October last year. Accumulated sales for the year are at 4 395 (4 871)

'Retrenchments not in line with summit'

Pearl Sebolao

DD 12/11/98 (192)

THE National Union of Metalworkers of SA (Numsa) vowed yesterday to fight retrenchments planned by three of SA's major car manufacturers as they went against resolutions adopted at the recent presidential jobs summit

The three companies, Toyota, Nissan SA, and Samcor, indicated last month that they would offer voluntary retrenchment packages to employees. This was as a result of a depressed demand for motor vehicles due to high interest rates and an economic slowdown.

Numsa spokesman Dumisa Ntuli said workers were being used as scapegoats by the companies which had created an uneconomic proliferation of models and as-

semblers with a low capacity utilisation

Other vehicle manufacturers, such as Volkswagen and Mercedes Benz, had created jobs while the three in question had destroyed them, Ntuli said.

The union called on Toyota, Nissan SA and Samcor to place a moratorium on retrenchments until the sectoral job summits had been held.

It believed there were other proactive strategies that could be used that would avoid job losses.

Toyota group human resources director Harry Gazendam said at least 250 employees had so far accepted the retrenchment packages, which left the company short of its target of 600. A further 350 employees from all levels in the company would still face retrenchment for Toyota to reach its target.

The company had no plans to retrench more workers next year. However, if the economy deteriorated beyond what was envisaged, it would have to reconsider its stance.

Nissan, which needs to cut its work force by 450 in order to streamline its processes, has kept its offer of retrenchment packages open until next week. Samcor could not be reached for comment yesterday.

Union anger as Toyota, Samcor and Nissan embark on voluntary and enforced retrenchment programmes

UNIVERSITY
SALE

Three car makers to lay off 1 600 staff

ROY COKAYNE

Pretoria — Three South African motor manufacturers — Toyota, Samcor and Nissan — had embarked on voluntary and forced retrenchment programmes that would result in the axing of about 1 600 workers, Dumisa Ntuli, spokesman for the National Union of Metalworkers of South Africa (Numsa), said yesterday.

High interest rates and the Motor Industry Development Programme (MIDP) are causing uncertainty over the future of vehicle manufacturers.

Ntuli said Nissan planned to axe about 450 workers, Toyota about 600 workers and Samcor about 530 workers by the end of this year.

"Numsa is bitterly opposed to the retrenchments because the three companies failed to negotiate with the unions in advance by giving information and discussing their strategic plan."

"Workers are being used as a scapegoat because the companies have created an uneconomic pro-

liferation of models and assemblers and low-capacity utilisation," he said.

Craig von Eszen, the corporate and public affairs director of Samcor, said the reason for the retrenchments was that total vehicle sales had declined by 14 percent this year compared with last year and by 19 percent against 1996.

He said Samcor had given a detailed presentation to senior Numsa members, and had solicited their views, which had been incorporated into Samcor's planned action and was still involved in negotiations with them.

He stressed Samcor was not scaling down its operations for the short term and would be carrying excess employees to support an expected improvement in the market towards the end of next year.

Nissan last month announced it would be offering a voluntary retrenchment programme to its employees "as a consequence of the current economic slowdown, caused primarily by excessive interest rates".

Johan Kleynhans, the group affairs and communications director of Nissan SA, yesterday confirmed Nissan planned to reduce its headcount by 450 employees.

BMW South Africa, Mercedes-Benz South Africa and Volkswagen South Africa were not planning any retrenchments this year.

Spokesmen for Delta Motor Corporation were not available for comment.

Richard Carter, BMW SA's general manager communications and public affairs, said the luxury car segment was contracting and BMW had to "export or perish".

He said BMW would be slowly ramping up its Rosslyn plant to two shifts and would be using an additional 400 workers by the third quarter of next year and possibly 700 by the end of 1999.

Harry Gazendam, group human resources director of Toyota SA, said the retrenchments would ensure Toyota could meet "a lump economy over the next 12 months".

The retrenchments had taken place across the board and had included management, salaried and weekly paid staff.

(1992) CT (PR) 12/11/98

Motor industry to shed more jobs

(192)

Sowetan 13/11/98

By Mzwakhe Hlangani
Labour Reporter

NEW car sales went into a severe slump this year, pushing South Africa's major car manufacturers to retrench about 2 000 employees, motor industry spokesmen said yesterday

The South African Motor Corporation, Nissan and Toyota said they had been grappling with enormous pressures arising out of steady deteriorating market conditions. Economists have predicted that the economic situation will be 15 percent worse next year.

The National Union of Metalworkers of SA (Numsa) has pledged to fight the retrenchments, claiming

these threats made a mockery of the recent Presidential Jobs Summit

Numsa spokesman Mr Dumisa Ntuli said the industry needed to be revitalised to ensure it did not depend on imported design, research and development expertise

He called for an urgent job summit in the motor industry to look at job retention and to create new jobs. A moratorium on current retrenchments was critical

Toyota group human resources director Mr Harry Gazendam said that, in consultation with representative trade unions, the company had been offering employees in management, administration, technical and general workers voluntary severance packages in a move to downsize its workforce

At least 400 workers had been laid off so far, leaving the company with a further 350 jobs that needed to be scaled down towards the end of the year

Samcor public affairs manager Mr Craig von Essen confirmed that 528 workers would be given voluntary severance packages or early retirement this year

He predicted a further 10 percent market decline in new car sales in the forthcoming year, saying no real meaningful growth could be expected

Nissan group public affairs and communications director Mr Johan Kleynhans said the economic slowdown and high interest rates had necessitated a staff reduction of 450 jobs

Sparks to fly in car-making industry

By ZOLILE NGAYI

(192)

CAR MAKERS and workers are set to cross swords again before the end of year over the employers' decision to start voluntary and forced retrenchments

The economic slowdown, the termination of the local content programme and the decline in national sales of motor vehicles in response to high interest rates are some of the reasons for the decision by three local motor manufacturers

- Nissan, Toyota and Samcor - to lay off about 1 600 workers

The National Union of Metalworkers of South Africa (Numsa), which has indicated that it will fight the retrenchments, says Toyota will lay off 600 workers, Samcor 530 and Nissan 450 workers. "Numsa is bitterly opposed to the retrenchments of the 1 600 workers as the three companies failed to negotiate with the union

"The reduction of manning levels will affect the workload of the workers. Numsa believes voluntary retrenchments are made to taste

sweeter by employers referring to them as 'packages', said Numsa spokesperson Dumisa Ntuli

Ntuli said the announcement of pending retrenchments, coming hot on the heels of the recent Presidential Jobs Summit, would swell the already crowded ranks of the unemployed and would increase poverty

Numsa also blamed the government for reducing tariffs, which left local manufacturers without any protection from international competition

"The hasty government tariff

reduction programmes in the form of a Motor Industry Development Programme have gone over the top to bind car-making companies to a major rationalisation programme, which has affected employment

"Numsa is also opposed to the motor companies using the reduction of tariffs as an excuse to flush workers arbitrarily. It is the producer's low volume per module that accounts for the relatively lower output per worker," said Ntuli

Numsa has proposed a moratorium on retrenchments to

pave the way for a Sectorial Jobs Summit as contained in the Declaration of the Presidential Jobs Summit

"There is a great need for the industry to be revitalised so that it is not dependent on imported designs, research and development expertise," Numsa said in a statement

"Numsa's view is that the companies have not committed themselves to education and training as they regard human resources development as an unnecessary cost"

Industry welcomes Numsa's job summit call

Reneé Grawitzky

METAL and vehicle manufacturing employers yesterday welcomed a call by the National Union of Metalworkers of SA (Numsa) for a sectoral job summit in the wake of continued job losses, saying they would participate in its deliberations

The union reiterated its call at the weekend for a summit during the first half of next year as jobs continued to be shed in these sectors

(1991) (1992) About 15 000 workers in the industry face retrenchment, while Samcor, Toyota and Nissan have unveiled a retrenchment programme which could affect 1 600 workers

Spokesman Dumisa Ntuli, said Numsa's call was in line with a presidential job summit resolution intended to establish a forum to discuss tariff reform, job creation mechanisms and to stem the tide of retrenchments

A vehicle manufacturing industry

0D 16/11/98
source said employers were available for a summit as discussed with the union earlier this year

He said discussions were held in April/May where employers said they were not averse to a summit. "The ball is in Numsa's court"

Brian Angus, spokesman for the Steel Engineering Industries Employers' Federation of SA, said the parties had set up a forum, as part of this year's wage agreement, to discuss broad economic issues facing the industry

The parties had met and were trying to establish common concerns regarding the industry which would be presented to government

Angus said some of these concerns related to government policy

"Essentially we are talking about the same issues, whether we continue talking in this forum or a sectoral job summit," he said.

VW manager warns of further job losses if slump continues

MD 17/11/98 (192)
GRAHAMSTOWN — The dramatic decrease in the local passenger car market is putting all SA's vehicle makers under pressure and, if the trend continues, more job losses will occur. This was said yesterday by Volkswagen SA communications GM Matt Gennrich.

He said that at the beginning of this year, 1998's passenger vehicle sales were forecast at 250 000 units. During the year, this forecast was systematically reduced. At the end of October, it was pegged at only 205 000 units. This represents an 18% fall in 10 months.

The industrywide forecast for next year was down another 5% at 195 000 units. However, Gennrich said VWSA's multibillion rand export contracts had helped the Uitenhage-based company to avoid retrenching staff.

"We have no plans to retrench staff at present, but we are watching the situation. If it had not been for our export order, the situation would be different. Nobody wants to retrench workers, but if there are no buyers, there is no choice. It's the same for any business."

However, Gennrich said the export contract which was originally supposed to create 1 000 new jobs had only created 850 as workers from lines manufacturing for the local market had been redeployed to the export lines.

Port Elizabeth-based Delta Motor Corporation human resources director George Stegmann conceded the economic downturn had severely affected overall vehicle sales and Delta had realigned its market forecasts accordingly. However, he said Delta was "not considering adjustments to employment levels at this time."

"The company is, however, applying strict headcount controls and is following a policy of nonreplacement of attrition except for key positions and critical skills requirements."

East London-based Mercedes Benz SA (MBSA) also had no plans to lay off staff. MBSA communications manager Annelise van der Laan said they had "been through a similar exercise" earlier this year when they laid off 380 salaried workers through a voluntary retrenchment programme. They had not laid off hourly paid workers.

Three vehicle makers — Toyota, Samcor and Nissan — are looking to lay off 1 600 workers in retrenchment programmes that have raised the ire of unions — ECN

Dealers and car makers in crisis

ET (BR) 18/11/98 (192)

ROY COKAYNE

Pretoria — The weak vehicle market this year was likely to result in a worse financial performance by motor vehicle assemblers, whose profits fell from R2 billion in 1996 to a loss of R550 million last year, said Standard Bank's economic division.

It said the success of car makers and component manufacturers was intertwined with the fortunes of dealers.

"It is estimated that 200 dealers are in serious financial trouble and an additional 400 are unprofitable," the bank said in its latest report on the motor industry. "The number of franchised dealers has consequently fallen from 1 425 in 1996 to 1 235 now, and is optimistically expected to be 1 000 by the turn of the century."

Falling vehicle sales meant fewer sales per dealer and bigger financial pressure.

The bank said the industry was still waiting for details of the discussions between the National Association of Automobile Manufacturers of South Africa (Naamsa), the National Association of Automotive Component and Allied Manufacturers (Naacam) and the government over the motor industry development project (MIDP) to be released.

But it said the core objectives of the MIDP were not likely to undergo significant changes, though the means of achieving them could. The need for these measures lay in steadily falling import tariffs, which would expose the industry, particularly component manufacturers, to further imported competition.

It said the government hoped to achieve an acceptable and sustainable policy by allowing Naamsa and Naacam to come to a mutually acceptable agreement on production volumes. Then

these changes could be worked into the MIDP. It said it saw two fundamental implications for assemblers as a result of this policy.

"One is that they will have to drastically rationalise the number of models they produce. Naamsa estimated that the number of locally produced vehicle models will fall from about 40 to 15 or lower."

Standard Bank believes the second implication is that assemblers will continue to seek international contracts that require large volumes to make up for local demand that falls short of the threshold level.

"This will assist car makers to produce a greater number of different models than if they were to solely rely on the local market. Volume requirements could also encourage parent companies to award contracts to their South African interests to ensure the survival of their investments."

Sibonelo Radebe

THE SA motor industry was dealt a blow by the dramatic change from over-protection to under-protection, said Bill Cooper, the CEO of engineering group Dorbyl

He said government should assist value-adding industries, who were facing strong international competition, without moving back to the pre-1994 system of an over-protected economy

Releasing Dorbyl's results yes-

Motor industry feels the heat of international competition

DD 19/11/98 (192)

terday for the six months ended September, he said conditions in the local motor industry had knocked group earnings. In addition, lengthy strikes and harsh international conditions contributed to the 20% slump in headline earnings to 213,9c a share

Attributable earnings a share were down 23% to 239,3c. Turnover improved 23% to R2,3bn

Cooper said major players in the industry, involving the parts manufacturers and suppliers, motor manufacturers and the trade unions had agreed to a review of

the current Motor Industry Development Programme. The programme's shift towards an open economy was too dramatic and left local players vulnerable to international competitors

After a wave of restructuring which began about two years ago Dorbyl made several significant acquisitions within the industry

The group increased its stake in motor parts manufacturer Midas from 33,8% to 72,4% towards the end of the previous year

Numsa to campaign to fight retrenchments

Pearl Sebolao

THE National Union of Metalworkers of SA (Numsa) is to embark on a major campaign in the coming year to fight retrenchments

This comes after huge job losses in the vehicle and engineering sectors this year, with the latest involving three motor manufacturers — Toyota SA, Nissan and Samcor — which will result in 1 600 retrenchments

Numsa spokesman Dumisa Ntuli said the engineering sector was the hardest hit this year, with 12 000 jobs lost while no new jobs were created

In the vehicle sector, 5 000 workers were retrenched since 1992 and the pending retrenchments at Toyota, Nissan and Samcor would bring the figure to 3 500 this year, he said

Ntuli said the union expected more retrenchments next year and was preparing for "a major campaign in defence of our jobs"

No appropriate form of action had been decided upon, but "we'll continue campaigning"

"Even if it means taking our members out in defence of our

jobs, we'll do it," he said

Numsa yesterday met Nissan SA management and is due to meet Toyota today in a bid to stop the pending retrenchments.

The union has also proposed an industry meeting for next Friday where the issue will be discussed. It alleges the three companies have violated the terms of the national bargaining forum agreement with regard to full disclosure of information, consultation, as well as failing to adopt other alternatives to retrenchments.

These include job sharing, the reduction of hours and the scrapping of overtime

Toyota human resources director Harry Gazendam said, however, that in terms of the Labour Relations Act and the bargaining forum agreement, retrenchments were dealt with at company level

He said Toyota had followed the procedures "to the letter" and had "consulted extensively with Numsa", but it had failed to present any feasible alternatives.

Gazendam confirmed today's meeting with the union, but said he did not "expect any deviation from the retrenchment plan"

BD 19/11/98

(192)

Dorbyl dented by strike and slow sales

JONATHAN ROSENTHAL

INDUSTRIAL EDITOR

Johannesburg — A nearly two-month sympathy strike in the automotive components sector and slow car sales slashed half-year earnings at Dorbyl, the manufacturing and automotive products group

Attributable earnings for the six months to September 30 fell 22 percent to R81 million in spite of a 23 percent rise in turnover to R2,4 billion

Bill Cooper, Dorbyl's chief executive, said but for the sympathy strikes, earnings would have come in close to levels

reported for the comparable period last year

The group was also hit by a slowdown in manufacturing activity in the economy, which Cooper estimated to be 4 to 5 percent lower than last year

This fall was partly offset by strong growth in the group's recent US acquisition of Alpine, a roofing company

Cooper said that, since the group effectively took over Alpine at the beginning of June, it had put in a new strategic team and earnings had been at the upper end of expectations

He said the Alpine operations, with distribution facilities

across the US and Europe, now provided a base for Dorbyl to sell other products and services into the US

The first of these would be South African roofing systems, followed closely by aluminium automotive wheels produced by Smith's Wheels

The group planned to increase production by almost 50 percent, as the main constraint to further sales was manufacturing capacity, not demand

Cooper said exports and offshore operations already generated about 30 percent of earnings. The group hoped to increase this to 50 percent in the

next few years

Although Dorbyl reported a 12 percent rise in operating income to R134 million, finance costs increased nearly five times to R28,6 million

The group also consumed cash, ending the period with a R270 million increase in borrowings. Much of this is accounted for by a R130 million increase in debt to fund acquisitions, primarily Alpine, but cash generated by operations was unable to fund both a dividend of R39 million and capital expenditure of R50 million

Dorbyl closed down 25c at R15 on the JSE yesterday

(192) (152) CT(MR) 19/11/98

Numsa in dispute with car makers

ET (BR) 19/11/98

(192)

FRANK NXUMALO

LABOUR EDITOR

Johannesburg — The National Union of Metalworkers of South Africa (Numsa) yesterday declared a dispute with Nissan, Toyota and Samcor over a voluntary and forced retrenchment programme that would affect 1 600 workers

Dumisa Ntuli, a Numsa spokesman, said "Numsa is bitterly opposed to the retrenchments of the 1 600 workers because the three companies dismally failed to negotiate with the union in advance by giving information and discussing their strategic plans"

Harry Gazentam, the human resources director for Toyota South Africa, said "Numsa has been consulted over many

months regarding these retrenchments. Unfortunately, some retrenchments would have to take place"

But Gazentam said the retrenchments were taking place "strictly in terms of the provisions of the Labour Relations Act as well as all the processes of the National Bargaining Forum agreements"

Nissan said "We will be offering a voluntary retrenchment programme to employees as a consequence of the economic slowdown (primarily due to excessive interest rates)

"In spite of the severe decline in motor vehicle sales in South Africa, Nissan has continued to grow its market share over the past months. However, we still believe it is necessary to look at further cost efficiencies in

operating activities," the company added

Numsa slammed the three manufacturers for believing the only means of handling the situation was cutting costs by reducing manning levels

"Workers are used as scapegoats because the companies have created an uneconomic proliferation of models and assemblers and low-capacity utilisation. We need new domestic orientation that will wither away the small, high-income white market," said Ntuli

Numsa said the government had compounded the problem by reducing tariffs rates faster than what was required in terms of the General Agreement on Tax and Tariffs undertaking, contained in the Marrakesh Agreement

Motor industry awaits government response

(192) ST(BT) 22/11/98
VEHICLE MANUFACTURING!

By DON ROBERTSON

THE motor industry is eagerly awaiting government's response to a joint submission presented to the Department of Trade and Industry (DTI) regarding its longer-term survival.

The submission, which will form part of the mid-term review of the Motor Industry Development Programme, was completed at the end of October after many months of debate.

The MIDP came into effect in 1995 and will expire in 2002.

Parties to the submission were the National Association of Automobile Manufacturers of SA (Naamsa), the National Association of Automotive Component and Allied Manufacturers (Naacam), the Motor Industries Federation (MIF) and trade unions.

Nico Vermeulen, executive director of Naamsa, says agreement was reached but only after considerable debate. The purpose of the submission is to move the industry towards maintaining the vehicle manufacturing and component sectors, with a strong focus on the domestic and export markets.

"This was achieved after intense deliberations and hard bargaining in which major compromises were made by all parties."

Crucial to the talks were discussions between Naamsa and Naacam, whose views on tariff reductions are, sometimes diametrically opposed.

Industry experts believe the DTI will have little room in which to manoeuvre if it intends to maintain the manufacturing, investment and employment base. What is not known, however, is how the DTI will react to industry proposals and when it will respond.

The mid-term review must be pub-

lished in the Government Gazette, but with motor and component manufacturers due to close for four weeks' holiday, it may surface only next year.

First indications of the sort of changes that might be imposed were mentioned at the recent Auto Africa motor exposition by Anthony Black, chairman of the Motor Industry Development Council and an adviser to the Minister of Trade and Industry.

He indicated that the provision whereby manufacturers can offset duties on imported vehicles by the same value as exports may have to be reduced. He also suggested that tariff protection for component manufacturers might have been reduced too rapidly.

In its assessment, the Standard Bank economics division says it believes measures or penalties will be imposed on manufacturers which produce fewer than a prescribed number of vehicles a year, possibly 15 000 to 20 000.

It also suspects that, as import tariffs will continue to decline in terms of the original agreement, component manufacturers will be subject to greater competition which will add to the already difficult trading conditions under which they operate. A new scheme will, therefore, have to be introduced.

The small vehicle incentive, which offers reduced import duties to those manufacturers producing cheaper cars, will also be phased out, says the bank, while the system of export credits will be replaced by investment or production allowances to meet World Trade Organisation requirements.

Global competitiveness the long-term crunch for car industry

CI (PR) 23/11/98

(192)

ROY COKAYNE

Pretoria — South Africa's motor industry is in crisis, Tony Twine, a motor industry analyst and a director of Econometric, said last week.

Twine said he believed a shakeout of the local motor industry was imminent and would involve both established assemblers and new arrivals to the country.

He noted the number of motor manufacturers in Australia had dropped from five to three after that country liberalised its market.

"It seems highly likely we will come down to even fewer manufacturers than that because we are a third the size of the Australian economy," Twine said.

"If that happens, do we need the component suppliers we see around today, or will they also dwindle down to 15 to 20 percent in number and product complexity?"

Twine said a study revealed there were two phases in the liberalisation of a motor vehicle market.

In the first phase, many new manufacturers came in to test the water and fragmentation of the market grew.

In the second, manufacturers who were in the market before liberalisation, and new arrivals, started to leave.

"In South Africa, it looks like we're getting to the end of the first phase," he said.

But Twine said it appeared the industry believed the crisis was "just another one of those cyclical things

that will go away when the economy recovers from interest rate problems."

Indicative of the crisis was the 14,5 percent, or 45 859 unit slump, in total vehicle sales to 270 327 units in the first 10 months of this year, compared to the 316 186 unit sales in the corresponding period last year.

Dealer margins have been under extreme pressure while falling sales have resulted in fewer sales per dealer.

Dealer numbers had fallen by 73 since November 1997 to 1 244, said Gary McGraw, the executive director of the National Automobile Dealers' Association.

Statistics South Africa reported last week the total trading revenue for the motor vehicles and accessories for the first nine months of this year declined

by 3,3 percent compared with the corresponding period last year.

Standard Bank's economic division reported last week an average of 18,7 cars were sold per dealer per month in 1996, but this had dropped to 17,6 for the first 10 months of this year, and was only 13,5 for the month of September, the worst sales month.

Twine said although the crisis in the motor industry was painful, the real crisis for the industry was the need to become globally competitive.

"I don't think the motor sector always puts the customer first, and it is not encouraged to do so by a department of trade and industry which offers it protection," he said.

Twine said evidence of this was in changes to both the extent and time

scale of motor industry import duty tariff reductions in the motor industry development programme (MIDP).

Proposed changes to MIDP, agreed between the industry and the government in a mid-term review of the programme, have not yet been published.

Twine said the tariff changes would reduce pressure on certain parts of the industry but would leave the local motor industry even further behind in its drive to become world-competitive.

He said South Africa's motor industry had built up small pockets of cost premium, not least of which was the low economies of scale brought about because it demanded only 0,5 percent of what was produced around the world.

Toyota workers on strike over cutbacks

(192) (192)

Pearl Sebolao

THE dispute between the National Union of Metalworkers of SA (Numsa) and Toyota over planned retrenchments took a turn for the worse yesterday when workers downed tools demanding that the retrenchments be halted

Meanwhile, forced retrenchments at Nissan were put on hold until January next year after Numsa reached an out-of-court settlement with the company. However, the process of voluntary separation packages would be allowed to continue, Numsa spokesman Dumisa Ntuli said yesterday.

The union had applied for an interdict in the Labour Court against Nissan alleging that the company had failed to disclose information on its financial accounts, its strategic plans and why it was necessary to retrench as required by the industry's bargaining forum agreement, Ntuli said.

The case has been postponed to

January to give both parties enough time to prepare their arguments.

He said that about 6 000 workers downed tools at Toyota's manufacturing plant in Isipingo, Durban, after it became clear that only hourly paid black workers had been targeted for forced retrenchments.

Ntuli said the workers saw this as "naked and brutal discrimination".

Toyota group human resources director Harry Gazendam described the work stoppage as "a minor problem" involving only 200 employees.

He said the company would take appropriate action against the workers as their action was illegal. Gazendam denied that only hourly paid workers were targeted for retrenchment, saying 150 salaried staff would also be affected, including 25 to 30 in management positions.

Demonstrations and work stoppages were expected to continue today with the company's Johannesburg employees joining the protests.

Nissan could not be reached for comment.

BD 25/11/98

Toyota workers on strike

By Mzwakhe Hlangani
Labour Reporter

AT LEAST 6 000 workers at Toyota's main Isipingo car assembly plant went on strike yesterday, demanding a moratorium on retrenchments

National Union of Metalworkers of South Africa spokesman Dumisa Ntuli said workers protested at alleged workforce retrenchment discrimination, which reportedly affected only hourly-paid black employees

South Africa's major car manufacturers, adversely affected by a severe decline in car sales, were reportedly pushing for a reduction in manning levels, while representative trade unions disagreed with retrenchment plans saying these made a mockery of the recent Presidential Jobs Summit

Ntuli said workers objected to the retrenchments since hourly-paid black workers were singled out on the list of an involuntary package of about 400 identified with effect from December 11 1998

About 230 workers were offered voluntary severance packages this month in addition to 400 who were to be retrenched forcefully in December. The company reportedly plans to retrench about 400 workers next March, explained Ntuli

The union maintained its broad view that the car manufacturing industry could be revitalised to ensure job retention and the creation of new jobs

The industry had a potential for economic growth, job creation and human resource development unless the role of trade unions was undermined in strategic plans aimed at the reconstruction of the economy

Toyota group human resources director Mi Harry Gazendam was reportedly locked in meetings yesterday and failed to return repeated calls for comment

*26/11/98
Mzwakhe Hlangani*

Mercedes-Benz puts its money in E Cape

INVESTMENT levels in the Eastern Cape received a major boost yesterday when DaimlerChrysler announced it would be investing R900 million in expanding Mercedes-Benz of South Africa's East London plant

The announcement was made by Jurgen Schrempp, management board chairman of MBSA's German parent company DaimlerChrysler AG

Schrempp said the investment would be used to expand the factory, including the building of a new paint shop

He added the investment was a "statement of faith and confidence" in MBSA's employees, in their communities and in the Eastern Cape

However, he would not be drawn on what MBSA's export plans were, as these were still being discussed

Industry speculation is that MBSA is angling for the contract to manufacture the bulk of the world's C-class Mercedes-Benzes in East London and that the latest move is designed to make this feasible

Schrempp did not say how many jobs the new investment would create, but in his address guest speaker President Nelson Mandela said it would lead to the creation of 10 000 jobs

Mandela said ultimately the expansion would affect the lives of about 50 000 men, women and children

(192) Schrempp called on the Government to continue helping the company and to make East London a good place to be in business

"We will do everything in our power to continue to grow and bring more prosperity to this part of the world," he said

He said the investment would ensure that SA-built Mercedes-Benz cars and trucks would comply with "the highest quality standard, and with the same high levels of environmental protection as those built in Europe"

Call to work hard

DaimlerChrysler employs more than 435 000 people worldwide, and is the third largest car manufacturer and the biggest maker of heavy trucks in the world

Schrempp called on MBSA employees to work hard and to commit themselves to the company's international competitiveness. This meant quality work, innovative ways of doing things and sticking to agreements and commitments. He said the investment had been made in the context of slow growth in world markets and the local economy

President Mandela was presented with a new Mercedes-Benz S500 to replace the car made for him by MBSA workers in 1990 - ECN

Sowetan 26/11/98

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MOTOR INDUSTRY *DaimlerChrysler to expand East London plant*

R900m Mercedes cash boost

ET(MR)26/11/98 (192)

ROY COKAYNE

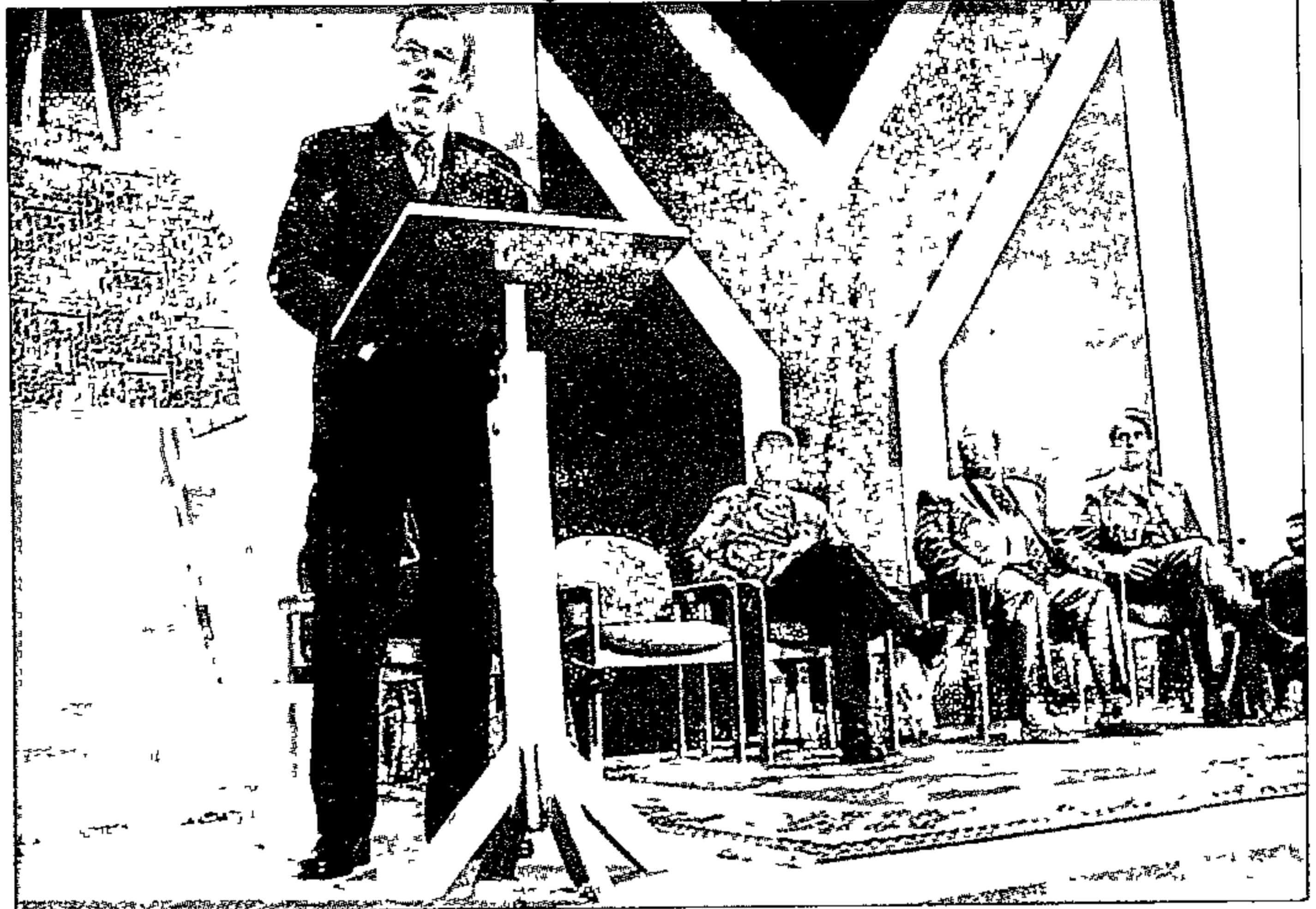
East London — DaimlerChrysler, the parent company of Mercedes-Benz South Africa, would invest R900 million in expanding its East London plant, Jurgen Schrempp, the chairman of the DaimlerChrysler board of management and MBSA, announced yesterday at a ceremony attended by President Nelson Mandela

The investment is earmarked for the construction of a new paint shop and to improve infrastructure at the plant "These new facilities will ensure that we are able to continue to produce Mercedes-Benz cars and trucks in South Africa to the highest quality standards and with the same high levels of environmental protection as we do in Europe," said Schrempp

"This development shows that we are growing here in South Africa and that we intend to expand even more," he said

Schrempp said DaimlerChrysler saw southern Africa as a region of potential growth and opportunity over the coming years and was in the process of investigating export opportunities

In his capacity as chairman of the Southern African Initiative of German Business, Schrempp called on the south-



LOOKING AHEAD *DaimlerChrysler chairman Jurgen Schrempp announces the investment in East London yesterday, watched by President Nelson Mandela and guests*

PHOTO: C. J. VAN ZYL

ern African community of states to "maintain your progress in creating free markets and the economic conditions to attract real foreign investment" He said he had no doubt this was the key to prosperity in southern Africa

However, he expressed concern about recent developments in the region, such as unjust

land reform and the murder of farmers

In his speech, Mandela said each job created during MBSA's expansion would secure another three in related industries and would bring growth to the region and jobs for an estimated 10 000 people

"Such investment decisions reflect the success of the gov-

ernment's efforts in creating a climate that promotes growth and investment

"In the past four years an estimated R40 billion of foreign direct investment has entered our country, including now some R5 billion invested by German companies, mainly in automobile and component manufacturing," he said

Jobs bonanza as car giant expands SA plant

Mandela hails R900-million E Cape investment by Daimler-Chrysler



LEON MOOLER

High honour - Ukrainian Foreign Minister Borys Taraszyuk presents President Mandela with the Ukraine's highest decoration, the Order of Prince Yaroslav the Wise, an 11th-century Russian statesman, in recognition of the president's role in the struggle against apartheid and in building democracy. The ceremony was at Genadendal yesterday.

East London - Car giant Daimler Chrysler AG is to invest R900-million to expand its Mercedes-Benz plant in South Africa in a move that will create much-needed employment.

"Each job that is created will secure another three in related industries, bringing growth to the region and jobs for an estimated 10 000," President Mandela said yesterday in a speech to welcome the announcement.

The country is battling chronic unemployment and its beleaguered car-makers warned earlier this month that they would lay off another 1 000 workers in the face of collapsing car sales as the economy lurches towards recession.

"The motor industry has a vital role to play in generating growth that creates jobs, in boosting South Africa's industrial capacity and the skills of her workers," said Mr Mandela.

A third of South Africa's labour force is without formal work, fueling poverty and crime which foreign investors blame for their reluctance to deepen their commitment to the country.

But the company, forged in a \$40-billion merger on November 12 merger between Daimler Benz AG of Germany and Chrysler of the United States, said it was in South Africa to stay.

"We are here to announce a new R900-million investment to expand our manufacturing plant. There will be more to come," said Daimler Chrysler co-chairman Jürgen Schrempf in an announcement yesterday.

The plant, based in the Eastern Cape, makes Mercedes-Benz C-class and Honda Civic cars, as well as Mitsubishi light commercial vehicles. It had a payroll of 3 800 at the end of 1991, but has since installed a voluntary redundancy scheme to trim

this number in the face of economic slowdown.

"We have grown here in South Africa and intend to expand more," Mr Schrempf added.

His comments jurred slightly with the findings of a recent report by the German Chamber of Business.

The chamber's report revealed a collapse in confidence among its members when they were polled about the economic prospects for South Africa.

Mr Mandela, in a couched reference to the report, said the investment "confirms the commitment of our German friends to the reconstruction and development of our country".

Mr Schrempf said last Tuesday that the company could not produce enough cars and trucks to meet demand worldwide.

He said they might start making Chrysler trucks in South Africa - Reuters

and Madiba gets a special luxury gift

East London - President Mandela exchanged the keys for his red Mercedes-Benz - a gift from workers on his release from prison in 1990 - for those of a new, white 500SE model at a R900-million investment launch here.

Daimler-Chrysler management board chairman Jürgen Schrempf said the car was from the people of Mercedes-Benz South Africa and Daimler-Chrysler world-wide, with deep gratitude and admiration for the president.

Mr Schrempf said the company

would like to have the red car for a museum.

In his thanks, Mr Mandela joked that he hoped they would invite him again next year, and give him another car.

The chairman of the Mercedes-Benz South Africa shop stewards committee, Sandu Jaku, received the keys to the old red vehicle from the president, while Mr Schrempf handed over the new ones.

Mr Mandela was accompanied by a daughter of his wife, Gracé Machel. After the presentation, he test-drove his new car. - Sapa

IN BRIEF

Further trouble at Toyota (192)

THE protest against forced retrenchments at Toyota SA spread yesterday as the company's automotive components division in Durban joined the one-hour work stoppages to demand a moratorium on retrenchments, the National Union of Metalworkers of SA (Numsa) said.

Union spokesman Dumisa Ntuli said about 6 000 workers from the Isipingo plant and the automotive division participated in the demonstration.

Ntuli said Numsa was weighing its options and consulting with lawyers over what course of action to take should the company continue with the retrenchments. Toyota plans to retrench 607 workers to improve its viability.

The union said the company's poor performance was the result of management inefficiencies, lack of vision, and failure to stem declining sales and not because of the workers who were forced to bear the brunt of these inefficiencies.

German car makers bank on SA results

Billions of rands invested in their SA manufacturing plants, writes Jonathan Katzenellenbogen

JUSTIFYING investments in SA to German boards is increasingly tricky. Accidents of violent crime are enough to make it difficult to recruit German engineers for local plants. And in terms of the feel-good factors so crucial to investing, SA is at an all-time low, according to a recent survey of members of the German Chamber of Commerce.

Despite this BMW, and Daimler Chrysler through Mercedes, have come up with two of the most massive foreign investments in manufacturing since 1994. Yesterday, Mercedes announced it was to spend R900m on a new body shop and paint shop at its East London plant. Earlier this month, BMW relaunched its Rosslyn plant near Pretoria with a R1bn investment in new plant and equipment. And Volkswagen has said it will spend R1bn over five years on its Uitenhage facility.

Government has made special efforts through Investment SA to attract German motor manufacturers and supplier companies. In terms of job creation, direct investment in manufacturing is the golden nugget. Volatile short-term investment in equities and government stock or overseas takeovers of SA companies does not have nearly the same economic benefits.

BMW's relaunch of its plant will create 800 jobs directly. Volkswagen has created 850 jobs as a result of its export order for 60 000 Golf IVs a year. Mercedes refuses to commit itself on the employment effect of its investment. The general rule of thumb in the industry, though, is that for every one position in a motor plant, three are created in supplier industries.

These investments are largely strategic and are based on the view that it is worthwhile taking a 15-year bet on the country and the region in which they already have plants. Mercedes could more easily and efficiently have expanded production in Stuttgart and BMW at Spartanburg in the US, where they have far greater economies of scale.

Volkswagen SA's mammoth export order was not so much a decisive vote of confidence in SA as an investment location. It was more due to the luck of the local operation and unexpected Volkswagen global sales. Due to capacity constraints, no other VW

plant could take the order.

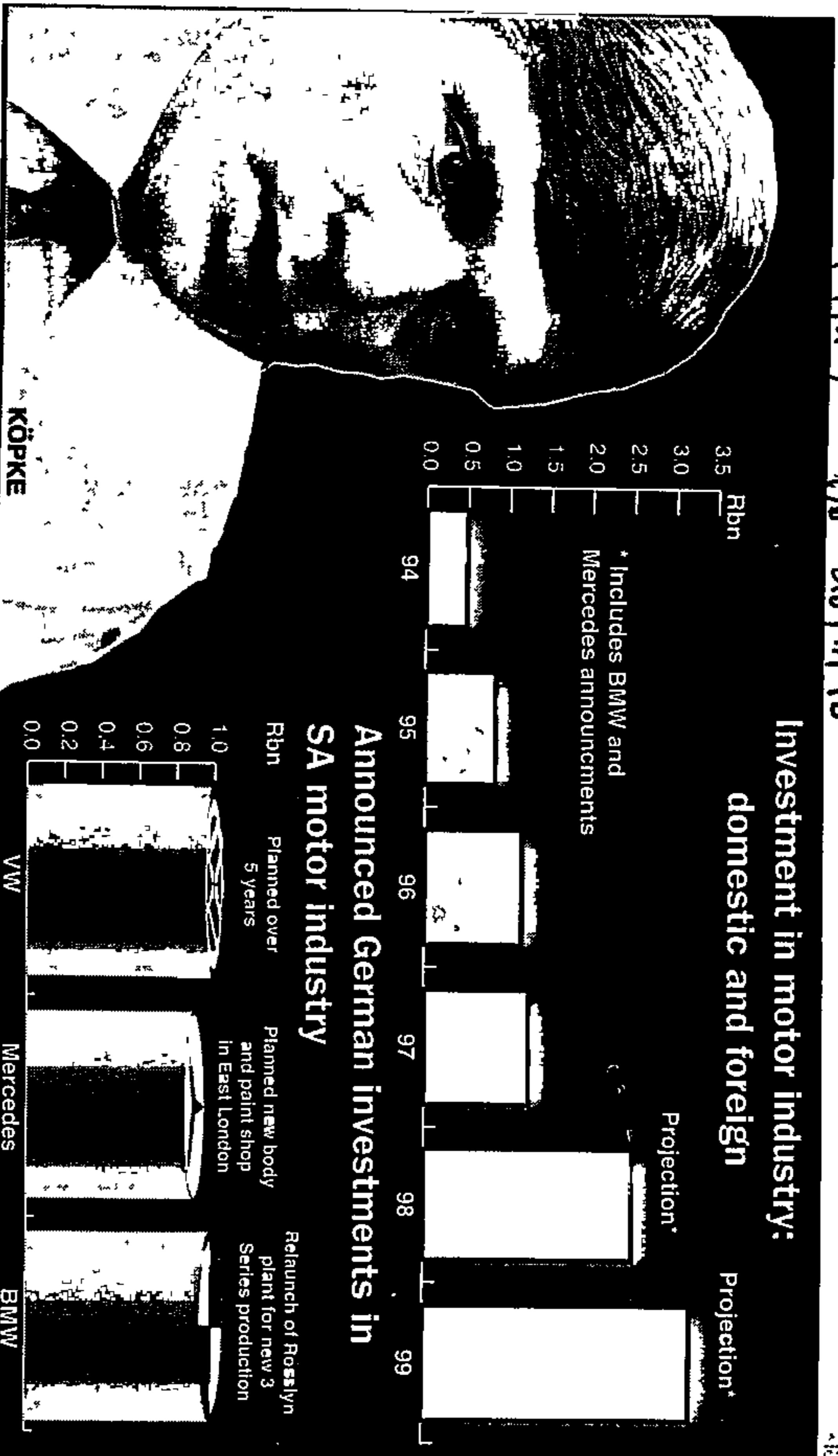
The alternative to not expanding local facilities may have been to close the plants in the next few years. Having set up a plant with a trained labour force and a reliable network of suppliers forced the investment decisions of both companies in many ways. An existing plant in a country gives a location considerable good fortune in its ability to attract further investment by the manufacturer and its suppliers. BMW's plant in Rosslyn, near Pretoria, is only one of the car maker's three manufacturing plants around the world. And the Mercedes plant in East London is only one of five outside the European Union.

In the case of Mercedes, the two overwhelming direct determinants of the decision are the state of Africa and government's Motor Industry Development Programme (MIDP). Christoph Kopke, chairman of Mercedes-Benz of SA, says "Africa cannot get worse, it can only improve. It is important for global players to keep a presence in a market that can move only in a positive direction over time."

The MIDP allows manufacturers to offset duties on imported vehicles with exports, effectively forcing a balancing of imports and exports. What Mercedes and others are doing is narrowing the range of cars they make. Through exporting, they can obtain greater economies of scale, lower costs, and import components and models at reduced tariff rates.

BMW will have an annual production of 40 000 new Series 3 cars, half of which will be exported to 24 countries. Mercedes is not talking about its export plans, but at an expanded capacity of 60 000 a year and a domestic market approaching 30 000 it will have substantial room for exports.

SA as an investment location has a number of disadvantages. The country is distant from world markets, charges at ports are high and domestic transport is expensive. Apart from logistical problems, costs are also raised by the small size of the market and the production of too many models.



Announced German investments in SA motor industry

The history of tense labour relations and the disruption of production with the wave of sympathy strikes in the industry during September have further worked against the country as a choice location.

Kopke does not see a positive attitude towards investment by government or private corporations. "Foreign investment should be treated like a basket of raw eggs," he says. He does not see this happening and was, "more than disappointed" by Deputy President Thabo Mbeki's speech at the relaunch of the BMW plant in which he hammered the negative "frame of mind" of some investors towards SA.

Kopke views the country's labour relations as being caught in the apartheid era and sees little effort by politicians to take the full leap to global economic integration. He

sees the power of unions eroding with greater globalisation as they "lose the borders of their power". He does not see employers making sufficiently clear to unions the full consequences of their actions. "Where in the developing world do you get a massive export order from Volkswagen and then go on strike the next day?"

It was not so much this year's strike at plants that alarmed car manufacturers, but the wave of sympathy strikes. Contracts in the car industry are for three years, so frequent disruption from strikes is unlikely. The sympathy strikes disrupted parts supplies and in certain cases made it necessary to air freight parts from Europe.

Kopke warns that the future of Mercedes's investment will be jeopardised "if the plant does not deliver the right quality at

the right price at the right time."

While finance textbooks say investment decisions should not be determined by sunk costs, they inevitably are. The National Association of Automobile Manufacturers of SA estimates the total depreciated value of vehicle manufacturing plant and equipment in the country at around R10bn, a substantial part of which covers the German manufacturers.

Even global players are unlikely to abandon investments of around this value whenever the economic and security situation. Given normal re-tooling requirements car plants have to invest just to keep up to date. It is therefore sunk costs, the MIDP, and Africa as the last frontier for consumers that is forcing the investment decisions of global players.

Toyota closes its Durban plant

ET (DA) 27/11/98 (192)

ROY COKAYNE

Pretoria — Toyota closed its main manufacturing plant in Durban at about 11am yesterday following demonstrations and protests by 6 000 workers over a retrenchment programme launched by the company, Dumisa Ntuli, the spokesman for the National Union of Metalworkers of South Africa (Numsa), said yesterday

Harry Gazendam, the group human resources director, confirmed Toyota's management had decided to close its main production plant in Isipingo

Gazendam said the plant would be closed "until Numsa leadership can satisfy management that Numsa members will adhere to acceptable and established procedures"

A small number of Numsa members and shop stewards in

recent days had embarked on a range of illegal and unprocedural actions which had resulted in production disruption

"During a further illegal and unprocedural demonstration (yesterday), this group of Numsa members caused damage to property and intimidated other employees and contractors. Disciplinary action against the individuals involved is being initiated in consultation with Numsa"

Ntuli said Numsa condemned the decision to close the plant and denied there was any violence by Numsa members. There was no need for the plant to be closed. This had exacerbated the problem rather than relieved the tension.

Ntuli said a meeting yesterday to try to resolve the matter was unsuccessful because Toyota had placed issues on the agenda that were only favourable to the management.

One of the issues on the agenda surrounded the confirmation of the retrenchments, which implied that Numsa had previously agreed to retrenchments.

Ntuli said Numsa had never agreed to any retrenchments and had asked Toyota to consider alternatives, which included job-sharing arrangements and reduction of working hours while they could also terminate the services of contract workers and employ permanent staff.

Numsa was now requesting a meeting with executive directors in an attempt to settle the matter.

He said Numsa workers would turn up for work normally today, and another meeting would take place either today or on Monday to decide on the way forward.

About 250 employees have accepted a voluntary separation package, and a further 380 employees will be retrenched.

Toyota closes Durban plant

Dustin Chick

(192)

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TOYOTA SA halted production and shut down its plant outside Durban yesterday after protests by workers against re-trenchments turned violent.

The company was unable to say how much the lost production would cost, but industry insiders said Toyota could lose production of about 400 units a day

Toyota group human resources director Harry Gazendam said the company would be willing to re-open the plant today if the National Union of Metalworkers of SA (Numsa) could guarantee that its members "adhere to acceptable and established procedures".

Workers are demonstrating against the proposed retrenchment of about 600 hourly paid staffers, with about 6 000 workers having been affected by yesterday's closure

Gazendam said incidents of violence, such as pushing over gates, were minor, but the company was "concerned" about "that type of thing".

Numsa spokesman Dumisa Ntuli said that while workers had taken a decision at a general meeting on Wednesday not to allow the protests to turn violent, there had been some degree of "provocation"

on the sides of "both management and workers",

The move to shut the plant would only "exacerbate" the problem. He said it was both irresponsible and harsh of management to have taken the decision.

Ntuli criticised Toyota management for reneging on agreements reached at the national bargaining forum, which included the possibility of a reduction of working hours and internal recruitment

Gazendam said the decision to re-trench workers came in the light of the prevailing economic conditions and was being conducted strictly in terms of agreed procedures and the requirements of the Labour Relations Act

The retrenchments were an unfortunate part of the company's strategy to align its business with economic circumstances to ensure its success.

Ntuli said workers would return to work tomorrow, but said they were "unsure" if they "would find the plant open"

Gazendam said disciplinary action, in consultation with the union, was being initiated against individuals involved. Management had decided to close the plant because a small number of Numsa members continued to embark on "illegal and unprocedural" protest action.

BD 27/11/98

Toyota closes Durban plant

Dustin Chick (192)

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PD 27/11/98

Toyota grinds to a halt as workers strike

By Mzwakhe Hlangani
Labour Reporter

PRODUCTION lines ground to a halt at Toyota's Prospecton car manufacturing plant in Durban yesterday after members of the National Union of Metalworkers of South Africa (Numsa) embarked on a work stoppage

Toyota human resources director Mr Harry Gazendam said yesterday that production was affected by a group of about 200 Numsa members who downed tools and engaged in "illegal demonstrations"

"The entire workforce had to be sent home and the plant was closed down for the safety of the majority of non-striking workers and to protect property," Gazendam said, also claiming that the strikers broke down the gates to the plant

Union claims

He pointed out that the plant would remain closed unless the union stopped the demonstrations

Gazendam also rejected union claims that retrenchments were discriminatory and aimed only at hourly-paid African, Indian and coloured workers, saying the list handed to Numsa representatives had names of their union members on it who were hourly-paid workers too

He said names of salaried staff members, managers and technical staffers to be retrenched were represented to the representative staff association

"We have been in consultation with the trade unions for almost 12 months about the recessionary economic state of the industry

"We have followed labour relations legislation and national bargaining forum processes to the letter," he said

Strongly opposed

Numsa spokesman Mr Dumisa Ntuli said the union was strongly opposed to the retrenchments because the company failed to disclose financial information for all Toyota divisions

"Workers are being used as scapegoats for the inefficiencies of the company. The management failed to consider other alternatives, like job sharing arrangements, reduction of working hours and termination of the services of sub-contractors"

The union demanded a moratorium on retrenchments and full disclosure of information on all retrenchments

Ntuli maintained that the company should be "revitalised" for Toyota to reduce its "high reliance on Japanese models's design and research"

(198)

Sowetan 27/11/98

Mercedes SA gets millions for export drive

MOTOR INDUSTRY
By DON ROBERTSON

MOST of the R900-million invested in Mercedes-Benz SA by the recently created motor group DaimlerChrysler is almost certain to be used for producing right-hand drive Mercedes C-Class models for the export market.

The \$23-billion DaimlerChrysler group was born on November 17 following its listing on the New York and Frankfurt stock exchanges. It was conceived out of a combination of Daimler-Benz AG and Chrysler Corporation.

Significantly, the SA investment is its first as a combined group. The infusion of funds for MBSA's East London plant

and component sectors was perhaps a rushed decision and was announced on the day that BMW launched its new Three Series in Cape Town. The BMW launch and its export plans are the result of R1-billion committed to the local company by its parent group. It adds to the recent award of a R30-billion contract to Volkswagen for the production of 60 000 fourth-generation Golfs a year for export.

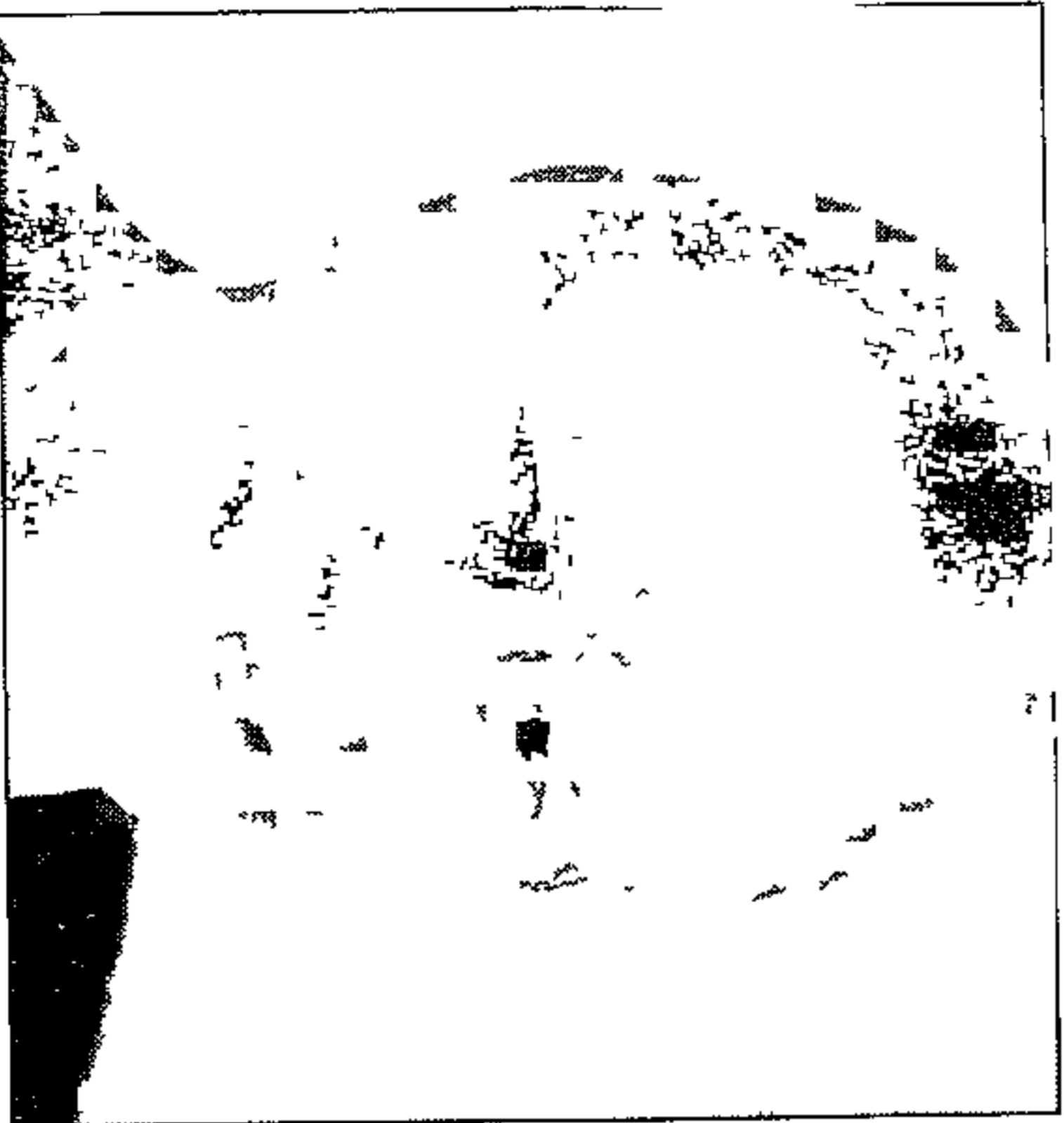
In the past four years, total investment by German companies has reached R5-billion, most of it in the automobile

President Mandela, who was present at the announcement, was perhaps more informed when he said "In this expansion at MBSA, each job that is created will secure another three in related industries, bringing growth to the region and jobs for an estimated 10 000 people, ultimately affecting about 50 000 men, women and children."

The new paint shop, however, built at a cost of R136-million, is almost complete. This leaves a large balance for "infrastructure" improvements.

Schrempp would say was drawn on whether the total amount would be used for exports, but it is almost certain that plans are afoot to build the C-Class Mercedes-Benz for the export market.

All Schrempp would say was that the company was in the "middle of an investigation" on whether to build cars for export.



LOW PROFILE... MBSA's Jürgen Schrempp

VW's delay with Golf export order 'not serious'

Stan Maphologela

VOLKSWAGEN SA (VWSA) is falling behind with its Golf IV extended export order, though the company says it will not jeopardise the deal to produce for overseas markets.

With the motor industry in a serious slump, analysts said such delays would endanger future willingness by foreign parent motor companies to inject further investments in SA.

VWSA spokesman Matt Gennrich, who confirmed the company was "slightly behind", said production targets for the year end would be achieved as scheduled.

The delay was "not serious" and the company would make up for the lost production.

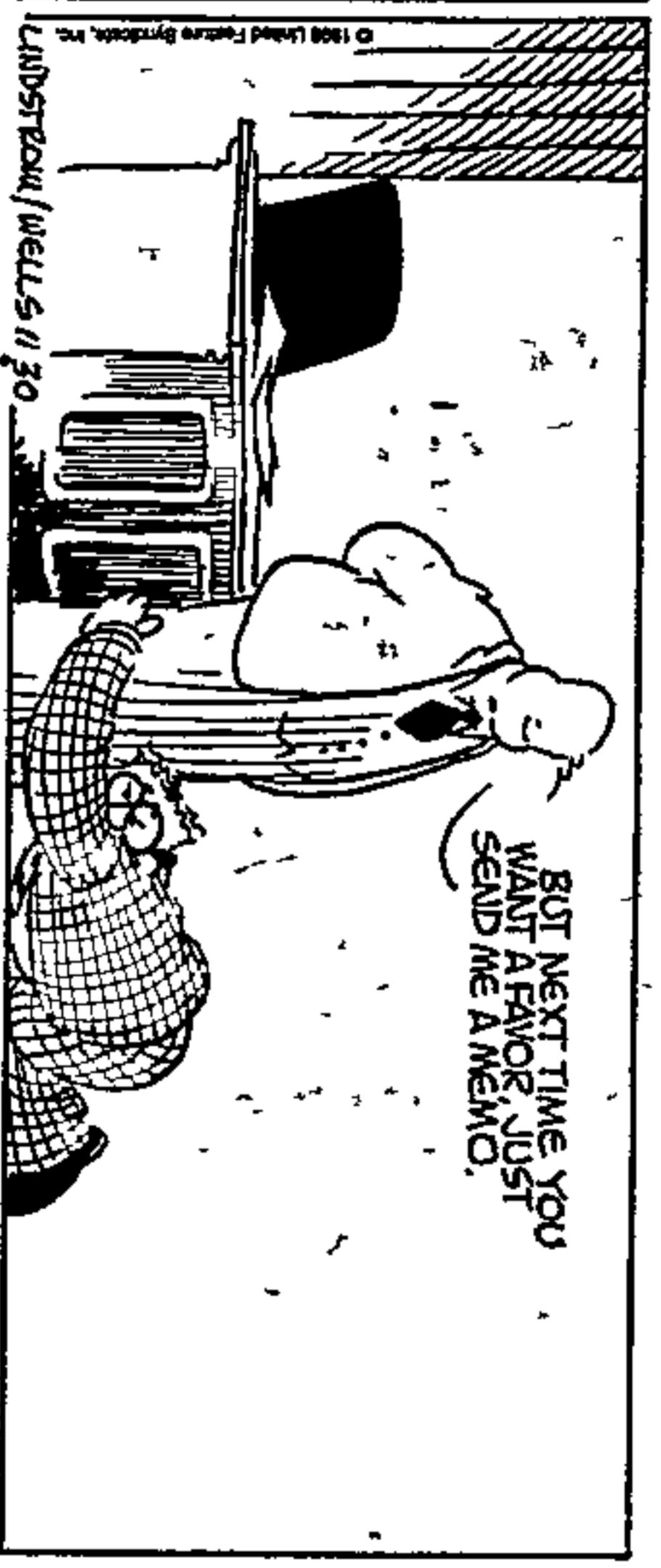
The recent unstable industrial relations environment in the component and manufacturing industry, which also had a negative impact on investor sentiment, was cited as a problem.

Production targets called for 300 export Golfs to be built a day, in addition to the full range of VWSA vehicles assembled for the local market. The company is operating three shifts of eight hours each on the Golf IV assembly line and related support areas.

Next year, in addition to 48 000 vehicles for the local market, the firm is to produce 60 000 vehicles for export, bringing the total at the Uitenhage plant to 108 000.

EXECUTIVES SUITE

By William Wells and Jack Lindstrom



Gennrich said this number was under review to 106 000, due to the fact that the local market was continuing to be softer.

The steep ramp-up phase had included commissioning new production infrastructure totalling up to R150m, as well as employing and training the bulk of the 1 000 new employees who build the export Golfs. However, due to the state of the economy, only 800 of the new jobs were created.

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Lindstrom/Wells 11/30

MANUFACTURING - MOTOR INDUSTRY
1999

NEWS

LABOUR Company refuses to pay bonuses, workers down tools

Stoppage knocks Toyota SA *ET (BR) 2/19/99* *(192)*

ROY COKAYNE

Pretoria — Toyota's main plant at Prospecton in Durban had been closed since Friday because of disruptive unprocedural action by 200 to 300 hourly paid workers, Harry Gazendam, Toyota SA's human resources director, said yesterday.

He said the disruption was related to a profit-linked incentive bonus scheme. The company had received an interdict ordering the workers back to work yesterday.

He said union officials and shop stewards were doing all in their power to get workers to adhere to an agreement with the company. He said the workers should be back today.

Dumisa Ntuli, a spokesman for the National Union of Metalworkers

of South Africa, said the union had not opposed the interdict and was asking its members to return to work. Agreement had been reached that workers would not be disciplined for coming back to work late.

But he said the stoppage was triggered by management's failure to give workers incentive bonuses, as had been previously agreed.

He blamed Toyota for the disruption because the company had failed to combat the situation more strategically and had not disclosed relevant information to workers.

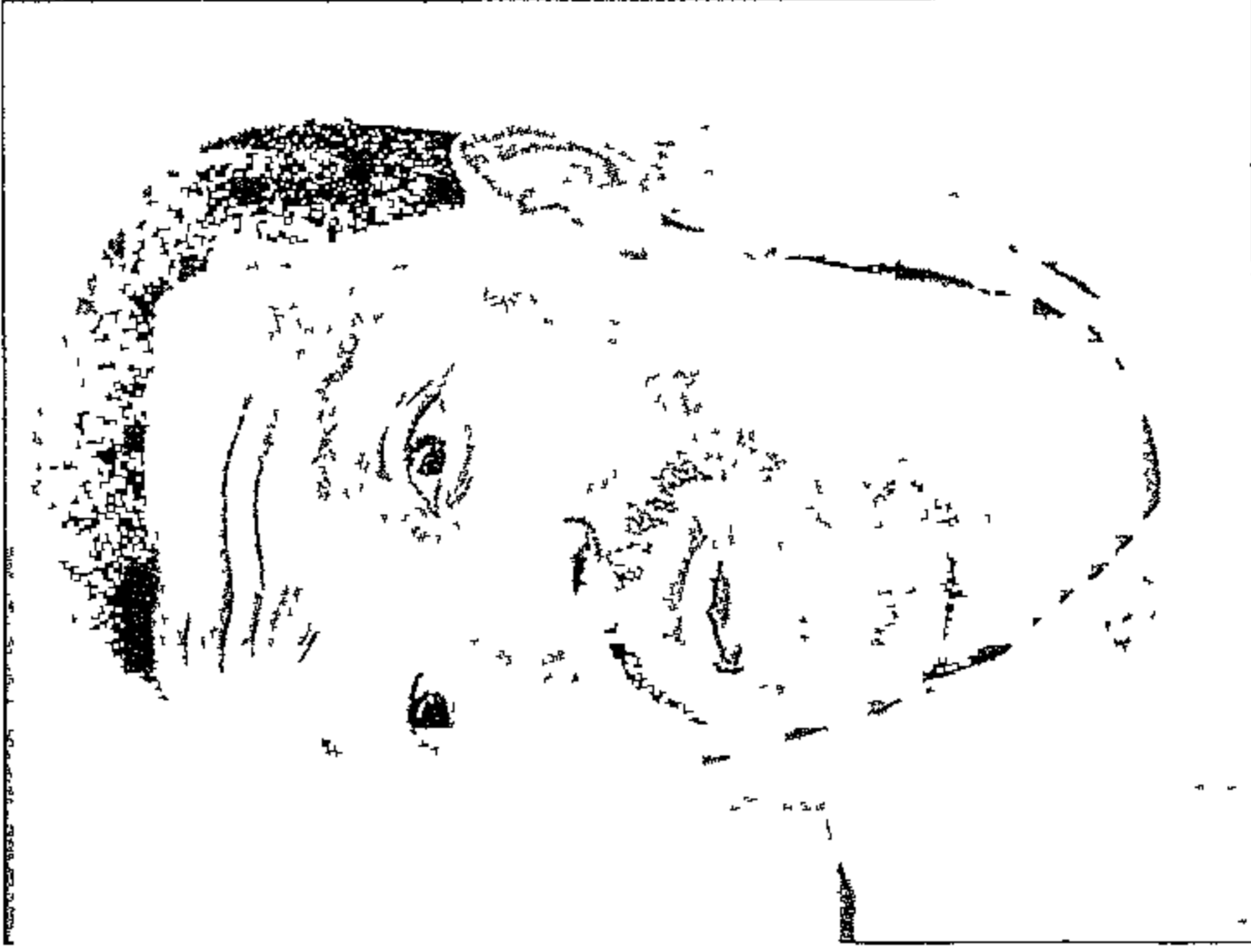
Gazendam said Toyota set its profit target and paid incentive bonuses at the end of February, the close of its financial year. "Last year was a dreadful year for the motor industry and motor company profits," he said.

If the target is not met, no bonus is paid, and we've announced there will not be a profit bonus this year."

As a listed company he said, Toyota SA was constrained by JSE regulations from releasing detailed information until it had been disclosed to the general public and the exchange.

He said the stoppage had been limited. "The other three plants at Prospecton and our operations in Johannesburg have been unaffected, but the core group incapacitated the plant and nobody could work. We have to close the plant if there is any disruption because of unprocedural action, so a total of 2 500 hourly paid workers were affected," he said.

He said the company had lost 330 units a day because of the disruption. He could not give a revenue figure



ASK MANAGEMENT Dumisa Ntuli, a spokesman for the National Union of Metalworkers of SA

Toyota's end-of-year earnings succumb to a plethora of ills

DD 5/2/99 (192)

Madden Cole

SA's LARGEST car manufacturer Toyota's release of dismal year-end results yesterday coincided with the closure of its strike-bound Durban plant for the fourth day running, following a dispute over bonus payments

A combination of striking workers, a sharp drop in SA's new vehicle sales, a deteriorating rand exchange rate, high interest rates and a highly competitive market sent the company reeling in the past financial year to December. Attributable earnings fell 46,5% to R119,6m, translating into a corresponding drop in share earnings to 294,1c (1997 459,9c) on a 6,3% reduced turnover of R6,2bn. The company declared a final dividend of 40c (73c) resulting in a total dividend of 64c (97c) for the year.

In keeping with a report by the National Association of Automobile Manufacturers of SA of a 14,3% national fall in new vehicle sales last year, Toyota's

total retail sales plus exports dropped 18,4% to 82 474 units. Market share was lower at 25,3% from 26,5% in 1997.

Operating income fell 47,4% to R160,3m and as a percentage of turnover dropped to 2,6% from 4,6%.

Executive chairman Bert Wessels says the second half was particularly difficult. The lower sales volumes, the weak exchange rate and highly competitive conditions limited the group's ability to recover the rises in costs resulting from the falling exchange rate.

The balance sheet does little to dispel Toyota's woes. Interest-bearing debt crept up R283m to R710,4m, which Wessels says was largely due to the funding obtained on the full commissioning of the assets associated with the new Hilux model in September last year.

The increase in value of current assets reflects to a large extent the increases in values as a result of the 34% fall in the rand/yen exchange rate from the average spot values for December

1997 to the end of December last year.

That all was not well at Toyota could be seen at the interim stage when sales recorded an 18,1% fall to 39 391 units. However, the labour situation was reported to be stable.

The situation changed a few months later with work stoppages at the Durban plant. Production was halted and the plant closed, leading to an estimated loss of about 300 units a day. The cost to the group was assessed at more than R25m in cumulative turnover, with employees foregoing more than R1,5m in wages.

The current strike could end today, according to a spokesman for the National Union of Metalworkers, who said yesterday workers have decided to return to work today.

Wessels is not sanguine about this year's prospects. The new vehicle retail market is expected to fall a further 8%. He does not expect further interest rate cuts to have much effect on the new vehicle market.

SA motor industry hoping to be saved by strong exports (192)

STRONG exports and a forecast mild recovery in local vehicle sales are expected to expand employment this year in SA's depressed motor sector, an industry analyst said yesterday

"There have been some retrenchments announced but, with growth in exports, some employers are actually expanding employment," said Anthony Black, an adviser with the Motor Industry Development Council

Last year employment in the vehicle assembly sector dropped to 34 000 from 1997's 37 100

Statistics from the National Association of Automobile Manufacturers showed that vehicle exports rose to 25 898 units last year from 19 569 units in 1997

But domestic sales continue to struggle, with new vehicle sales falling for the 26th consecutive month in February, sliding 14,5% to 22 856, versus the same month last year

"This year vehicle production — including exports and the domestic market — will increase quite significantly," Black said

Light vehicle production last year was about 300 000 units and was expected to grow to 386 500 this year

"The increase obviously depends on what happens on the market, but the main factor is exports which are going to rise sharply from about 20 000 to 90 000 vehicles this year," he said

It is widely anticipated that the domestic motor industry will recover slightly in the second half of this year, driven by falling interest rates

Industry analyst Tony Twine predicted most car makers would ride the cyclical fluctuation in demand and retain their workforce "It's people who can and do export who will survive They will end up employing more than the industry is employing at the moment," he said

The local units of Volkswagen and BMW have been awarded multimillion-rand export contracts and others among the country's seven manufacturers are exporting, albeit on a smaller scale — Reuter.

DD 5/3/99

SA's car exports accelerate 24,3% in January, but fall short of goal

ET (BR) 8/3/99 (192)

ROY COKAYNE

Pretoria — Exports of South African-produced vehicles in January this year rose by 10,4 percent, or 241 units, to 2 568 units, compared with last year, according to figures released by the National Association of Automobile Manufacturers of South Africa (Naamsa)

However, Nico Vermeulen, the director of Naamsa, admitted that vehicle export figures were a bit low in terms of the export programmes of various manufacturers

Vermeulen said total monthly exports needed to be about 5 000 a month in terms of the export programme of Volkswagen South Africa (VWSA)

BMW South Africa (BMW SA) expected its export programme to kick in in April, which would contribute a further 2 000 units a month to the export figures

Car exports were the only contributor to the increase in vehicle exports in January this year, rising by 24,3 percent, or 480 units, to 2 452 units. In the same month last year 1 972 units were exported

By contrast, light commercial vehicle exports dropped by 70,3 percent, or 225 units, to 95 units compared with 320 units exported in January last year. Medium and heavy commercial vehicle exports declined by 40 percent, or 14 units, to 21 units compared with 35 units last year

Deon Ebersohn, the media liaison manager for BMW SA, said the group would officially start exporting in May, and hoped to export 11 600 units this year

"This means that BMW South Africa will for the first time be a net exporter and be building more cars for the export market than the domestic market

"The cars will be going to approximately 20 different markets around the world," he said

VWSA was awarded a R5 billion contract by Volkswagen AG in Germany in March last year to build 68 000 fourth-generation Golfs for the UK market over the next 18 months. The export contract was extended in October last year to 60 000 units a year for the life of the model

Matt Gennrich, the public affairs general manager for VWSA, said that 2 259 of the total South African produced car exports in January this year were VWSA exports, and it exported 3 686 units last month

Gennrich said the lower number of vehicles exported in January this year was because of ramping up after the annual year-end plant shutdown

"We achieved about 50 percent of our objective of exporting 8 000 cars last year but have a clear plan to achieve the volume for the group of 60 000 in 1999"

"The plan for the year is to export a higher number of units in the second half," Gennrich said

Naamsa last year projected that South Africa's total auto industry exports would rise to R14 billion this year from about R7,65 billion in 1998

It estimated that new vehicle exports, boosted by contracts such as those secured by BMW SA and VWSA and a pending export programme involving Mercedes-Benz South Africa, would result in vehicle exports rising to 100 000 units worth R7 billion in 1999

This was markedly up from a forecasted 24 300 units worth an estimated R1,45 billion this year

BMW SA's new programme will contribute 2 000 units a month to the export figures

Workers on illegal strike face the sack

(197) (197)

Sowetan 8/3/99

By Mbongeni Hlophe

MANAGEMENT at Toyota's Prospecton plant have threatened to dismiss all 300 striking workers if they do not return to work today

The workers - most of whom are members of the National Union of Metalworkers in South Africa (Numsa) - went on an illegal strike last month and refused to return to work despite a court interdict obtained by management instructing them to do so

The strike was triggered by Toyota management's announcement that incentive bonuses which the workers were hoping to get from the company's 1998 profit would not be paid

Management refuses to pay the incentive bonuses saying that last year's profit was far below the target profit enabling them to pay the bonuses

"We are not prepared to pay incentive bonuses. The agreement signed between the union and management states clearly that we would not pay if we did not reach the target profit," Toyota spokesman Mr Harry Hezendam said

He said if workers did not return to work today, management would resort to the expulsion of some, if not all the striking workers

"There are numerous procedures the workers should have used before engaging in an illegal strike, Hezendam said.

Numsa spokesman Mr Magrapes Hlatshwayo said the workers would not return to work until management furnished them with an audited financial statement proving management's claims that the company had failed to reach the profit target last year.

"Workers say they do not care about the interdict and will remain on strike until they see the audited statement," said Hlatshwayo

● Sapa reports that the Congress of SA Trade Unions has disclosed that there has been an overwhelming response to the call for donations to labour's job creation fund

Spokesman Mukoni Ratshitanga said on Friday that tens of thousands of employed people throughout South Africa had donated one day's pay to the Job Creation Trust aimed to alleviating the country's high unemployment rate.

Economy puts brake on motor makers

ROY COKAYNE

Pretoria — Monthly average employment by South Africa's new vehicle manufacturing industry dropped by 9,2 percent, or 3 424 jobs, last year against 1997, according to figures released yesterday by the National Association of Automobile Manufacturers of South Africa (Naamsa)

Monthly average employment in the sector dropped to 33 658 compared with 37 082 in 1997, Naamsa said in its quarterly review of business conditions in the new vehicle manufacturing industry for the fourth quarter of 1998

Between the third and fourth quarter of last year alone, employment in the new vehicle man-

ufacturing industry declined by 3,4 percent, or 1 117 jobs

The new vehicle manufacturing industry includes Toyota South Africa, Volkswagen SA, Samcor, Delta Motor Corporation, Nissan, Mercedes-Benz South Africa and BMW South Africa, and a further seven specialist commercial vehicle manufacturers

Nico Vermeulen, the director of Naamsa, said "Industry employment levels could come under further pressure during the year in the face of continued intense competition"

Vermeulen said domestic new vehicle market trading revenues remained under pressure last year, falling from R31,2 billion in 1997 to an estimated R28,5 billion in 1998

The drop was sparked by the 14,3 percent decline in new vehicle sales volumes, the buydown trend in the new car market and the relatively modest new vehicle price increases in 1998

However, he said, the effects of rand weakness for most of 1998 and the phasing out of the small-vehicle motor industry development programme incentive would result in above-inflation vehicle price adjustment in most sectors

Despite the depressed domestic market, Naamsa had projected that the industry's capital expenditure for this year would rise by as much as 87 percent

A large proportion of the capital expenditure was related to major export contracts awarded to manufacturers

Vermeulen warned, however, that further growth in South African motor industry exports could be negatively affected by the slowdown in the global economy

Vermeulen said annual new vehicle exports for 1998 had improved by 6 329 units, or 32,3 percent, compared with the industry's 1997 export achievements

"Despite the lower exports of commercial vehicles in 1998, industry exports in 1999 were expected to show significant growth, particularly in the case of car exports

"Current projections for 1999 exports of South African-produced vehicles were some 80 000 cars, 8 500 light commercial vehicles and 1 000 medium and heavy commercial vehicles," he said

ET (BR) 9/3/99 (192)

Big is best, says Toyota Motor chief

Hit regional road, motor makers urged

CT(BR) 10/3/99 (192)

ROY COKAYNE

Pretoria — South Africa should keep a close watch on progress towards a free trade agreement with the European Union (EU) and on the government's new industrial policy for the automotive sector, Yoshimi Inaba, a director of Toyota Motor Corporation, said yesterday

Inaba said neither nations nor companies could afford to remain outside the larger trends towards regional and global integration

Inaba said that geographically car manufacturers had their eyes on regional trading zones such as the North American Free Trade Agreement, the Mercosur grouping in South America, the EU and the Association of South-east Asian Nations

A guiding consideration in mergers and acquisitions in the automotive industry was the pursuit of broader geographical and product scope, he told the National Automobile Dealers' Association (Nada) convention

"Those zones are becoming more important as their members integrate their markets and economies and as the zones broaden," he said

"Mergers and acquisitions and other tie-ups enable auto manufacturers to complement their strengths in geographic coverage and products," he said

Inaba said large cross-border

mergers were stimulating competition among car manufacturers and were also affecting the relationship car manufacturers had with their suppliers, dealers and investors

Inaba said increased size and scope would give manufacturers better bargaining power in dealings with suppliers while at the same time it would amplify the differentials between strong and weak auto manufacturers

"That will redouble the appeal of strong brands among dealers and also among investors and, most importantly, among customers," he said

"The kind of auto manufacturers that will emerge victorious from this process will have strong positions in each of the world's principal economic zones. They will enjoy tremendous economies of scale and they will maximise those economies in developing leading technologies and also mounting huge varieties of bodies on a limited number of platforms

"So the forces that are reshaping the automobile industry are producing clear cut winners and losers among the world's auto manufacturers

"But those same forces are producing benefits across the board for consumers. They are forcing our industry to provide better products at more appealing prices," he said

Motor proposals to be gazetted

ROY COKAYNE

CT (MR) 18/3/99 (192)

Pretoria — The mid term review proposals of the motor industry development programme (MIDP) would be gazetted on Friday, said Anthony Black, the chairman of the Motor Industry Development Council (MIDC), which advises the government on policy affecting the industry, yesterday

Black said the gazetting of the proposals would be accompanied by a press briefing today by trade and industry department (DTI) officials and the release of a statement by Alec Erwin, the trade and industry minister

He added that the proposals had been circulated to the motor industry, but they had been asked to keep them confidential until

they were officially released

Black said that after the gazetting of the proposals, the statutory process gave six weeks for comment on them

The mid-term review proposals from government were expected to be completed by June last year, but the deadline was extended several times

At the request of the government, motor manufacturers and component manufacturers finally agreed on a joint submission to the DTI in December last year

However, Nico Vermeulen, the director of the National Association of Automobile Manufacturers of South Africa (Naamsa), said early this year that Naamsa did not expect the proposals to "meet the joint proposals put for-

ward by the Motor Industries Federation (MIF), Naamsa and National Association of Automotive Component and Allied Manufacturers (Naacam)"

He said the industry would evaluate the proposals made by the DTI in terms of their impact on vehicle affordability, the future growth and development of the industry and future employment and investment

The scrapping or phasing out of the small vehicle incentive by 2002, the restructuring of the duty-free allowance and restriction on the proliferation of models and model derivatives, and the phasing down of export benefits are issues expected to be dealt with in the mid-term MIDP review, industry sources said

Motor industry policy spelt out

Dow Jones and Stan Maphologela

BD 19/3/99

(192)

PRETORIA — Government is to phase out duty-free import incentives for locally produced vehicles that fail to obtain a 5% market share

The proliferation of low-volume models being produced in SA made it difficult for domestic component firms to compete with high-volume foreign producers, Trade and Industry Minister Alec Erwin said yesterday. He would improve this by scrapping the small-vehicle incentive by 2002. This would allow the manufacturers to import parts at reduced tariff rate.

He said a large number of low-volume models were being introduced, which was "not conducive to reducing production costs, and was the result of protection. Government would like to nudge the industry in the direction of higher volumes and gradual rationalisation."

The tariff scheme under the government's motor industry development programme will remain unchanged. A 27% duty-free allowance is given to manufacturers that produce for the domestic market. This allowance will remain until 2007 and then "decline at a slower rate", the exception being for models that do not achieve a 5% market share.

The trade and industry department's mid-term review of the programme, released yesterday, drew mixed reaction from SA's largest vehicle manufacturing representative body, Naamsa. Association spokesman Nico Vermeulen said it was disappointing government failed to increase the duty-free allowance of 27%.

"The latest proposals do not go far enough in promoting vehicle affordability. We feel this allowance could have been increased to 35% by 2007, taking into consideration the proposal put forward

by Naamsa in November last year.

Naamsa was also concerned about reduction in export-support benefits.

In the past the government overprotected the industry but since rejoining the World Trade Organisation, government had been forced to move away from export subsidies in line with WTO rules.

The department said the review, which would be gazetted today and would be open for public comment for six weeks, would continue in the same broad direction as previously established. The policy is designed to press the industry to restructure and become more integrated with world markets.

The document is the result of several months of discussions with industry participants, including Naamsa and the National Association of Automotive Component and Allied Manufacturers.

"The department, with the industry, has initiated a process of detailed examination of alternative support mechanisms. These include production and investment allowances which would allow qualifying firms to rebate import duties on the basis of investments or production increases," the department said.

The department views the effectiveness and achievements of the programme to date as generally positive with prices of vehicles reduced in real terms, increased export growth exceeding expectations, increased investment (including foreign investments), and with positive structural changes occurring, though developments like the proliferation of low-volume models, were less favourable.

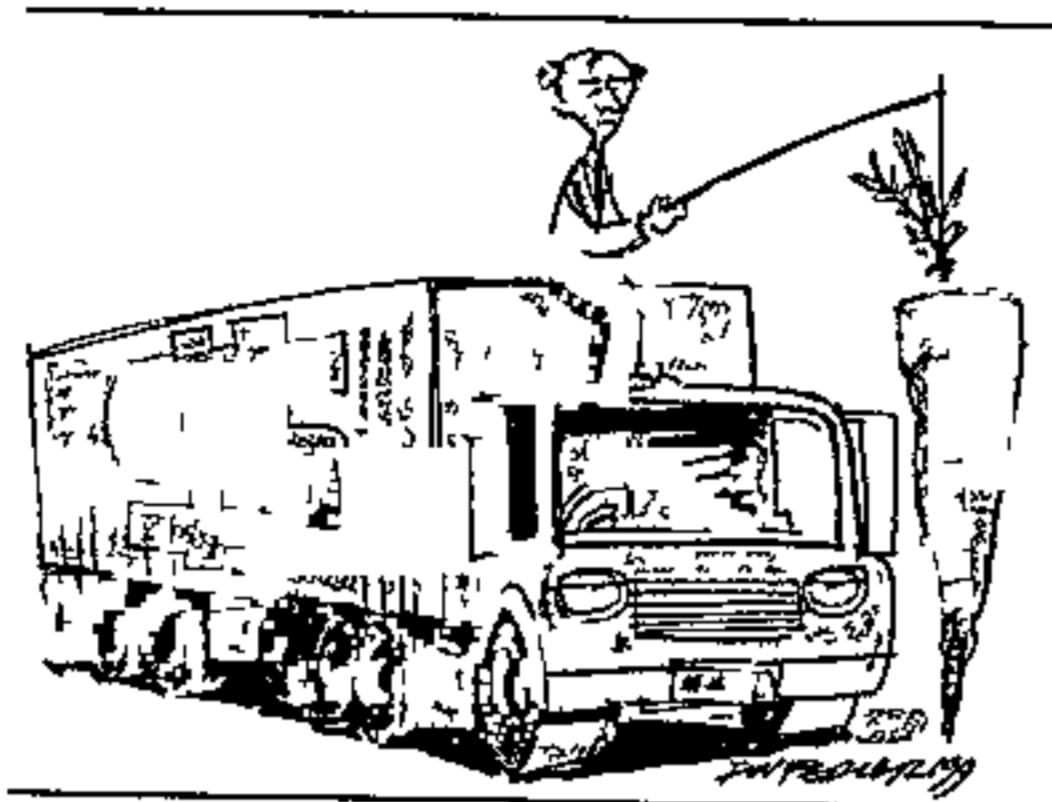
The industry had been under pressure, as shown by recent falls in employment and profitability — mainly a result of domestic market weakness. However, the growth in exports has to some extent offset the decline in the domestic market.

(192)

TIME TO BRING OUT THE BIG CARROT

SA must offer competitive tax incentives if it is serious about attracting foreign investors, says General Motors vice-president Harold Kuttner

Kuttner, who is responsible for GM's international parts sourcing, put his message to Trade & Industry officials in Pretoria last week. He says GM already spends US\$200m/year in SA, buying from its own components companies and from



Delta Motor Corp, in which it has a major shareholding. It wants to buy more, but that means investing more. "I told (Trade & Industry) there has to be a way to encourage businesses to come here, to provide jobs and be profitable."

He says nearly all the countries with which SA competes for motor industry investment

offer incentives, like tax holidays. "Governments all over the world are doing it. In the US, you even get different states offering different incentives. SA can't afford not to do the same."

Kuttner was in SA to see the country's supply potential first-

hand. He found some components producers to be "technologically equal to anybody in the world." Others were less impressive. To be a competitive components producer, SA must attract international companies with the latest technology.

This is even more important in view of rationalisation in the international motor industry. Among the foreign companies owned by GM are Opel, Saab and Isuzu, and it is rumoured to be on the verge of buying others, including Daewoo. GM has been mentioned as a potential suitor for BMW.

One reason for the surge in motor industry mergers and takeovers is the advantage of rationalising components design and sourcing for different makes. In time, that is likely to mean bigger contracts for fewer companies. Winning one of those would be a windfall for the SA industry.

GM and its competitors are also keen to source more components locally to reduce import duties. Local industry rules allow companies to offset export earnings against duties on imported vehicles and components. Even the \$200m/year GM buys from SA "isn't high enough to offset those duties", says Kuttner. "We're keen to procure more goods and services for export to our operations in Europe, the US and Latin America."

Some SA suppliers, he adds, are still on trial and must prove themselves reliable long-term suppliers. "GM's strategy is to single-source components. As comfort levels rise with our SA suppliers, we will take a greater percentage of our requirements from them. In time, when and if we are completely comfortable, we will single-source."

David Furlonger

66/19/3/99
FM 19/3/99

Motor industry nudged towards higher volumes

(192)

Government has approved changes to its long-term plans for the motor industry, writes DON ROBERTSON,

ST (BT) 21/3/99

THE long-awaited changes to the Motor Industry Development Programme (MIDP) have finally been approved by the Department of Trade and Industry but most of the changes will come into effect only after 2002.

The mid-term review of the MIDP is described as an effort to "nudge the industry in the direction of higher volumes and gradual rationalisation".

The review was to have been published last year, but was delayed to allow disputes between motor and component manufacturers to be resolved.

The changes were published in Friday's Government Gazette, allowing interested parties six weeks in which to comment.

Trade and Industry Minister Alec Erwin says the MIDP, introduced in 1995, has reduced prices in real terms, increased exports and encouraged foreign investment. On the negative side, however, there has been a proliferation of low-volume models, making it difficult for component manufacturers to compete with high-volume foreign producers.

To overcome this, the small vehicle incentive will be phased out by 2002. The incentive is currently a duty-free allowance of 3% per R1 000 on the price of a vehicle wholesaling at less than R40 000.

This will be reduced to 2.5% in July this year on a higher wholesale price of R41 600. The al-

lowance will eventually decline to 1% by 2002 with the price increase based on the producer price index.

Erwin believes the price of entry level vehicles will remain competitive because of the reduction in tariffs on imported vehicles.

The import tariff will continue to decline, as previously proposed, falling to 40% for fully built up cars and to 30% for component imports by 2002. By 2007, import duties will shrink to 30% for cars and 25% for components.

The proposals also suggest the duty-free allowance of 27% be continued until 2007. The allowance is a reduction on component imports for manufacturers assembling vehicles for the local market.

By 2007, however, only those models which exceed 5% of the total domestic market, including exports, will qualify for the 27% allowance. Manufacturers will be allowed to produce a second model range at lower levels, but qualify for a lower duty-free allowance.

Motor and component assemblers are at present able to recover the current level of import duty on a one-for-one basis related to exports. In the case of fully built-up vehicle exports, this level will continue, but will be marginally reduced for component exports used to finance vehicle imports.

After 2002, the import/export complementation will be lowered, but additional incentives based on new investments or production increases are planned.

Motor industry dismayed by proposals

(19A)

19A 2373/99

Stan Maphologela

Manufacturers say they want more flexibility on duty-free allowance, writes Stan Maphologela

MOTOR manufacturers have voiced disappointment at the long-awaited Motor Industry Development Programme mid-term review unveiled last week, saying it does little to promote vehicle affordability and exports.

Vehicle manufacturers were hoping to derive comfort from the review, gazetted on Friday for public comment, which spells out policy proposals critical to the industry's viability.

The programme has been in operation for more than three years, and was intended to encourage rapid structural change in the industry, with strategies aimed at developing local industry through local content requirements and high import tariffs. Government expects this policy to lead to the establishment of a significant assembly industry, supported by a diversified component sector. However, most local producers are still not internationally competitive, and domestic vehicles continue to be sold at premiums to world prices.

The National Association of Automobile Manufacturers of SA (Naamsa), the

association for all main local assemblers, reacted with disappointment to the government announcement, saying government failed to increase the duty-free allowance of 27% to manufacturers assembling vehicles for the domestic market.

Naamsa, the National Association of Automotive Component & Allied Manufacturers (Naacam) and the Motor Industries Federation (MIF) proposed to government that it gradually increase this allowance to 35% by 2007.

"There should be some upward flexibility on duty-free allowance to safeguard vehicle affordability, particularly as the small vehicle incentive phases out, and also assist the industry in (the) model rationalisation process," Naamsa said.

The duty-free allowance had been successful in keeping vehicles affordable. Naamsa said that the duty-free allowance had helped the industry minimise costs associated with rationalisation and volatile exchange rates.

According to government, the small vehicle incentive is to be phased out by 2002. Government's view is that this mea-

sure has outlived its usefulness. By providing a substantial additional duty-free allowance to low-priced vehicles, it had helped prices in the small vehicle segment. The current phasing down of the MIMP tariffs until 2002 would remain the same. Thereafter, tariffs would continue to decline, but at a slower rate (to 30% for light vehicles and 25% for components by 2007). It is proposed that by 2007, only models for which production volumes (including export production) exceed 5% of the total domestic market will qualify for a full 27% duty free allowance.

The import/export complementation scheme for component exporters, who earned credits from exports, will be reduced slightly from the current 1:1 ratio, to 0,9:1 in 2002. This means that if, for example, the local content value of exports is R1m in 2002, components worth R900 000 could be imported duty free.

Where component exports are used to import vehicles the benefits would also be reduced. After 2002 the import/export complementation system will continue, but on the phasing down basis to 2007. No

decision has been taken on policy beyond this point.

However, developments in some areas have been less favourable. One concern is the continuing problem of low-volume models being produced domestically. Low-volume assembly makes it difficult for domestic component firms to compete with high volume foreign producers.

The SA motor industry had been highly protected in the past. The protected environment led to a proliferation of vehicles being produced, and the resulting low volumes have been a significant cost-raising factor. Exports were minimal.

The reduction of protection is a difficult process for the affected industry. This could have an adverse impact as over-protected and inefficient industries find themselves unable to compete with increasing competition. The pressures of the trade liberalisation have been exacerbated by weakening domestic demand during last year, resulting in difficult times for the automotive industry.

Motor company supports Govt's programme review

(192)

Howe 23/3/99

DELTA Motor Corporation has come out "generally" in support of the Government's mid-term review of the Motor Industry Development Programme outlined by Trade and Industry Minister Alec Erwin last Thursday

However, Delta head of corporate communications Ed Emmett said he was disappointed that the Department of Trade and Industry (DTI) had modified the programme developed and proposed jointly by the National Association of Automobile Manufacturers of SA (Naamsa) and the National Association of Automotive Component and Allied Manufacturers (Naacam) which sought to secure higher levels of duty-free allowances (DFAs) in future years

Emmett said this specific element had also been included to compensate for some of the negative impacts of the reducing export incentives. He said its rejection, in isolation, unfavourably impacted on the balance of the programme

Naamsa chief executive Nico Vermeulen said the motor industry had been asked by the DTI to make input

into the MIDP's mid-term review. He said the industry had put forward a "balanced package of proposals which contained an interdependent series of provisions"

However, when drawing up the review - which will govern the industry till 2007 - the government had taken the bits of the Naamsa-Naacam proposal that it liked and rejected what it did not

Vermeulen said higher DFAs were vital to "cushion" car buyers from the effects of the weakening rand, and to counteract the costs of "volume rationalisation"

The DTI feels that there are too many low-volume models in the South African car market and this was "not conducive to reducing costs"

However, they planned on keeping DFA levels constant at 27 percent till 2007 and lowering them gradually after that. Naamsa wanted these increased to 35 percent

Vermeulen said small vehicle incentives would also fall away by 2002. These incentives had also taken the

form of DFAs. He also criticised the proposed reduction in the levels of export support as these did "not help the future growth of the industry"

However, he conceded there were international considerations as South Africa is now a member of the World Trade Organisation and has been forced to move away from export subsidies

The industry has six weeks to respond on particular issues and Emmett said Delta would be raising this aspect with them within that period

Despite his criticisms, Emmett said the MIDP was generally "a structured programme focussed on integrating the SA motor industry into the global market while providing a reasonable time frame to adjust certain facets of traditional operations"

He said it was trying to move the development of the local motor industry in the right direction and provided some certainty in terms of long and medium term forward planning -
ECN Business

NATIONAL

Numsa attacks govt's motor industry plan

(192)
Exports promoted at expense
of job creation, says union

Stan Maphologela

RD 25/3/99

THE National Union of Metalworkers of SA (Numsa) criticised the Motor Industry Development Programme (MIDP) midterm review gazetted on Friday, saying yesterday that it benefited employers at the expense of job creation.

The union is expected to make a formal submission on the midterm review after its National Bargaining Conference next month. Government policy is expected to feature high on the agenda. Although the union had not stated its formal position, it said it had certain concerns about the proposal. "We are worried whether the industry is any closer to achieving its long-term objective."

In the past five years motor companies have retrenched 5 600 workers and employment has dropped from 25 000 in 1992 to 21 000 this year. In the vehicle parts sector employment has dropped from 43 500 in 1996 to 39 400 last year.

"The figures clearly show that the employers manipulate the MIDP to serve their interest. The programme has failed to create jobs. Also the incentives in the programme are not geared towards job creation but only serve to promote the export drive," Numsa said.

The union understood the pressures affecting the motor industry, with manufacturers competing for market share in relatively small market. It therefore did not welcome the speed at which government had reduced tariffs. Tariffs were at unacceptable levels with no protective measures for local car makers.

Numsa believed there should be no reduction of tariffs beyond the year 2002. "We believe that the reductions of tariffs should be used in conjunction with the achievements of certain targets in exports."

It supported the proposal that the duty-free allowance should be maintained at the current 27% with more support for parts. However, it believed that only parts produced in SA should qualify for the incentive.

With regard to rationalisation of the industry, the union believed that the problems were diverse and sophisticated and should be countered at both national and industry levels.

Numsa believed the programme should meet its stated objectives, which were job creation, rationalisation of the number of models, usage of foreign exchange, competitiveness and affordability of motor vehicles.

At least the mid-term review offers clarity

(192) CT (192) 26/13/99

ROY COKAYNE

South Africa's beleaguered motor industry faces a major crossroad that will determine which of the local car makers will become globally competitive and, ultimately, survive.

The transformation of the industry, starting with the implementation of the motor industry development programme (MIDP) in September 1995, will be taken further if mid-term review proposals of the government published last week are implemented.

The MIDP was aimed at the development of an internationally competitive industry that could provide high-quality, affordable vehicles and components to the domestic market, provide sustainable employment, and make a greater contribution to the country's economic growth by increasing production and achieving an improved sectoral trade balance.

The government indicated that when the programme was implemented it would be subject to a mid-term review so appropriate adjustments could be made to existing policies.

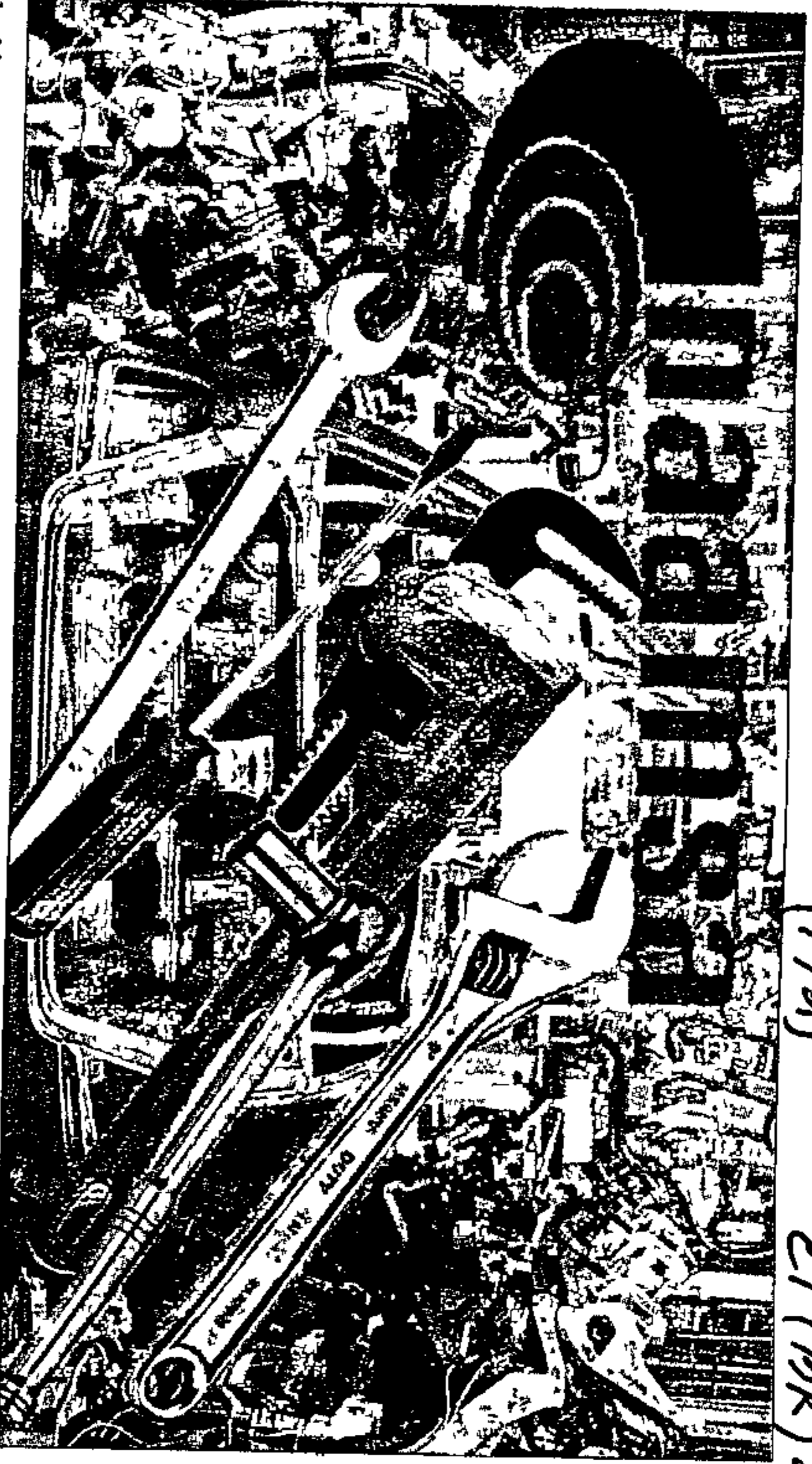
Mid-term review changes proposed by the government will be welcomed in some instances and subjected to severe criticism and negotiation in others.

Topping the list on the positive side is the certainty in government policy that the review will bring, essential for long-term planning by the industry.

During months of negotiations with the industry and other stakeholders from June last year, the government decided to extend the ambit of the review to provide clarity on policy beyond 2002, the end of the existing programme. It now covers the period until 2007.

Tony Twine, a motor industry analyst and director of Econometrics, said that merely by extending the MIDP to 2007 was "already a step forward".

This was because 2002 was only "half a model's lifetime away" and it



had become increasingly difficult for the industry to plan anything as it got "closer and closer to the black hole in 2002".

Although the government proposals are just that, and the policy will be finalised only after a six-week period has been allowed for further comment, it is unlikely the extension of the MIDP to 2007 will be changed.

Even if the industry does not particularly like the amended policy finally adopted by the government, it will provide clear rules by which manufacturers and distributors will have to run their businesses for the next seven years.

Criticism of the government's proposals have to date, been fairly muted. This is largely because the industry has not had much time to assimilate and analyse the proposed changes.

The National Association of Auto Mobile Manufacturers of South Africa (Naamsa), representing the seven

major car makers, was disappointed because its "package" of proposals, in a consensus submission together with the National Association of Automotive Components and Allied Manufacturers, was not accepted in its entirety.

Of particular concern to Naamsa was that the government had accepted the phasing out of the small vehicle incentive, which had helped to make small vehicles more affordable, but not accepted its proposed trade off that the duty-free allowance be increased from 27 percent to 35 percent.

Naamsa believes the increase in the duty-free allowance is essential if the industry is to satisfy a major objective of the MIDP to assist the provision of affordable vehicles.

In similar vein, Naamsa has argued in favour of investment incentives for the assembly and component industry because of the reduction of the import/export complementation bene-

fits over time.

From this it is obvious South African car makers are reluctant to move towards any point where they receive less protection. They are trying to get the government to compensate them for any protection sacrifices they are prepared to make.

This is not surprising. The local motor industry had a bleak year in 1998 and even Toyota South Africa, the market leader and only listed manufacturer, recently announced sharply reduced profits. The prospects this year, particularly in the first half, are also poor.

The country's motor industry is therefore fighting for its survival while the government attempts to nudge it towards a less protected environment.

Complicating the issue further is the National Union of Metalworkers of South Africa (Numsa), which opposes the existing tariff reduction programme because it sees this as the root

cause of job losses in the industry. For different reasons, industry employers and Numsa could find themselves as allies in opposing certain government proposals.

The government, however, has stressed the importance of this industry to the economy and for job creation. An objective of the MIDP is to improve the competitiveness of the light motor industry, thus maintaining and improving the motor industry's contribution to the economy as far as employment, investment and consumer interest are concerned.

"The improvement in competitiveness should have positive spin-offs for exports, and ultimately for the foreign currency usage of the light motor vehicle industry," said the Board on Tariffs and Trade.

Phasing is an important element in the government's policy because the intention is to give the industry time to adapt to the new circumstances.

In recent years there has been a flurry of activity in the industry, with parent companies, some of which disinvested during the apartheid era, re-investing in their local companies.

This was essential because, without these closer links, there would be little chance of local car makers gaining access to export markets or becoming integrated into the global supply network of their mother companies. Added benefits were quicker and easier access to new technology and product and the financial muscle and expertise that could be provided by the mother companies.

Major export orders have already been secured by Volkswagen South Africa and BMW South Africa with Mercedes-Benz South Africa expected to announce a major export deal soon.

A benefit of the deals is an increased workforce. Exports are therefore the key to sustaining and increasing employment levels, particularly if the local market stays depressed.

Numsa supports cuts in car models

(1987)

By Mzwakhe Hlangani
Labour Reporter

THE Government's proposal for a reduction in production levels for car models to enhance competitiveness in the local motor industry will receive the support of major unions if it meets its stated job creation objectives

In its submission on the mid-term review of the motor industry development programme, the National Union of Metalworkers of South Africa (Numsa) this week felt the Department of Trade and Industry's rationalisation programme should be an incentive for job creation and ensure affordability of locally-manufactured motor vehicles

Numsa, which represents 230 000 workers in the metal, automotive and components industry, conceded that the economic depression in the motor industry emanated from market saturation and an increase in locally-made models, while failing to maintain market diversity through imports

The medium-term motor industry development programme was a system of volume-based incentives for motor manufacturers

The Government, business, the National Association of Automobile Manufacturers and labour were expected to finalise their submissions within six weeks

An effective strategy was needed, Numsa spokesman Mr Dumisa Ntuli said, to have "new economic domestic orientation" to avoid structural limits of having no independent research and development on future design and models

He said skills should be developed and a social plan put in place to assist those facing job losses. The industry was of strategic importance to the economy and had the potential for long-term growth in both domestic and export market

Ntuli said the industry was getting closer to achieving its long-term objectives which included promotion of exports, creating and maintaining employment levels

1987/13/13
Sawyer

SA NEWS DIGEST

LE VEHICLES

Naamsa figures show modest 23% increase in first-quarter car exports

Exports of cars produced in South Africa rose 23 per cent to 11 879 units, to 9 461 units in the first quarter of 1998, according to figures released this week by the National Association of Manufacturers of South Africa (Naamsa).

The increase was modest, however, compared with the 146 per cent rise in the quarter rose 146 per cent to 11 266 units in the first quarter of 1998. Naamsa said a decline in exports of commercial vehicles, which fell 26,1 per cent to 1 152 units during the period under review, compared with 1 575 units last year, while commercial vehicle exports slumped 26,1 per cent to 1 152 units during the period under review, compared with 1 575 units last year.

ET (E-R) 7/5/99

Hyundai in difficulties with banks

ARG 10/15/99

HENRI DU PLESSIS
MOTORING EDITOR

(192)
Hyundai Southern Africa is to close one of its Botswana assembly plants and has confirmed it is having difficulties with banks.

This announcement came after allegations that the company was in dire financial straits and that it was being considered for curatorship.

It is also alleged that Hyundai Southern Africa, owned by the massive transport giant, Wheels for Africa, had not been able to pay its Korean parent, Hyundai Motor Corporation, for products delivered over several months.

The news comes only months after the appointment of former

BMW South Africa boss Reinhard Kunstler as chief executive officer. Sources close to the company said he had uncovered management and financial problems and had set out to put the company back on track.

The Botswana plant to be closed is the one where the company assembled vehicles imported in the semi-knocked-down form. Its closure comes after it had been given a quota to assemble only 58 000 vehicles by the Korean company, a figure not considered sufficient to support the viability of the plant.

A statement from Mr Kunstler's office said the plant would close in June and 300 workers would lose their jobs. "The company unsuccessfully attempted to negotiate an increased quota," it said.

"The announcement to close the semi-knocked-down plant at the end of June resulted in the workforce embarking on an illegal strike."

A spokesman said the workers had rejected voluntary severance packages which were "very generous and far higher than legally required."

"We have created thousands of jobs throughout Southern Africa (and) invested almost 1 billion pula (about R1,2 million) in capital projects and infrastructure," he said.

Hyundai's executive management was consulting all bankers allied to Hyundai internationally.

Company spokesmen denied that the South African Police Service fraud branch was also involved in investigations.

CT (M) 10/5/99
Toyota underpins outsourcing
~~(192)~~ (192)

ROY COKAYNE

Pretoria - Toyota South Africa, the motor manufacturer, had outsourced business worth more than R16 million to black entrepreneurs in Gauteng and KwaZulu Natal last year, Brian Hunter, the parts and accessories purchasing manager at Toyota SA, said at the weekend.

Toyota had outsourced business worth R13,5 million in Gauteng to black businesses last year compared with R9,7 million in 1997. In KwaZulu Natal, it had increased outsourced business to black suppliers to R3,9 million

last year from R2,9 million in 1997, he said.

George Hunt, the purchasing manager of small business development of Toyota SA Manufacturing (TSM), said TSM intended increasing this amount to R6 million in KwaZulu Natal this year.

The bulk of the business in Gauteng was placed with Lindsay Smithers, the advertising agency, which has a 13,1 percent black shareholding.

Other black-owned companies which benefited from Toyota's small business development unit (SBDU) projects in

Gauteng included Mphapuli's Boutique, the corporate clothing supplier, Nadel Corrugated, the packaging company, Spot The Print, a printing company, Shadax, a repackaging company, various taxi organisations for the supply of taxi services, Ntuthuko Stationers for stationery, and Umdomo General for general maintenance.

The black business initiative was launched by Toyota SA in KwaZulu Natal in 1995 with business worth R700 000, but had increased to R1,5 million by mid-1996. In Gauteng, the SBDU was introduced in 1996.

Shell fuel decision

'regrettable'

ROY COKAYNE

Pretoria - The decision by Shell South Africa, the oil company, to discontinue the supply of 95 octane unleaded fuel in inland regions because of pressure by the minerals and energy department was 'regrettable', Nico Vermeulen, the director of the National Association of Automobile Manufacturers of South Africa (Naamsa), said on Friday

Shell was requested by the minerals and energy department on Thursday to withdraw the fuel from the market because it was contrary to a deal agreed by the department and major oil companies some years ago

Rod Crompton, a spokesman for the department, said the department was also concerned that the introduction of 95 unleaded could upset the balance of payments

Speaking on behalf of the vehicle manufacturing industry in South Africa, Vermeulen said Naamsa had continuously requested the oil companies to consider a permanent move to higher unleaded octane fuels to facilitate improved vehicle performance, economy and driveability

"The premature end to the supply of 95 octane unleaded fuel in inland regions regrettably will not advance the legitimate interests of South African motorists, vehicle manufacturers and built-up vehicle importers and distributors

"The South African vehicle manufacturing industry called on the government to expedite the deregulation of the South African oil industry to allow greater reliance on market forces to determine the supply of fuel in South Africa and give motorists the option of purchasing automotive fuel consistent with international norms," he said

Vermeulen added that the globalisation of the automotive industry required that South Africa should follow international fuel standards and octane ratings.

"Rapid technological advancements in vehicle design and engine technology had resulted in the advent of high technology, high performance and highly fuel efficient vehicles whose operations were optimised around 95 octane unleaded petrol."

Vermeulen said consistent fuel quality worldwide was necessary for the automotive industry to be able to market high quality automotive products matching worldwide customer performance needs.

For example, he said all premium fuel marketed in the European states would legally be required, effective from January 1 next year, to comply with a directive stipulating 95 octane as the minimum allowable octane rating for premium unleaded petrol

Business as usual at CKD plant in Botswana

Hyundai denies talk of plant disruptions

ROY COKAYNE

Pretoria - There had been no disruption to production at the Motor Company of Botswana the new, completely knocked down (CKD) plant that assembles both Hyundai and Volvo vehicles for the southern African market, Teresita van Gaalen, a spokesman for Hyundai Southern Africa, said yesterday.

"Continuity of production has been assured. It is also business as usual at Hyundai Motor Distributors' retail outlets," she said.

Van Gaalen was reacting to allegations that production had stopped at the CKD plant. The speculation followed the confirmation last week by Hyundai Motor Distributors (HMD) that it was experiencing cash flow problems and might bring additional partners into the business. HMD assembles and markets Hyundai vehicles in southern Africa.

The confirmation by HMD

followed First National Bank Botswana obtaining an order on Tuesday last week to allow it to protect its interest as a creditor of HMD.

However, the bank stressed the court order specifically provided for HMD to trade provided the bank's interest was protected.

Van Gaalen said yesterday HMD was on schedule with its restructuring plans.

"Hyundai's executive management is engaged in a consultation process with all bankers allied to Hyundai internationally to make the full spectrum of the company's business network transparent and to position a joint management structure," she said on Friday.

Van Gaalen said yesterday that the only disruption to production had occurred at the HMD semi-knocked down (SKD) assembly plant in Gaborone because of illegal strike action.

Disruption to production at the SKD would only affect

Hyundai's bakkie and Sonata

This plant is scheduled to close at the end of next month.

Van Gaalen stressed the closure of this plant was unrelated to HMD's current financial problems and the fact that the workforce had been on an illegal strike at the SKD plant since Wednesday last week.

Van Gaalen said negotiations with workers at the SKD plant had been taking place for more than a year, and the Botswana labour department had been part of and was facilitating the process.

She said the strike had been declared illegal because the workforce had not followed the correct procedures.

Unlike other manufacturers, Hyundai Southern Africa owns all its dealerships. HMD had one dealership in Rosettenville in 1993, but this had grown to 70 dealerships and after-sales service outlets by December last year.

CT (DR) 11/5/99

(192) (192)

Hyundai car assemblers in negotiations

(192)
ROY COKAYNE

Pretoria - Hyundai Motor Distributors (HMD), the financially troubled assemblers and marketers of Hyundai vehicles in southern Africa, was negotiating with Hyundai of South Korea to enable it to maintain its projected vehicle unit levels, said Teresita van Gaalen, a company representative for HMD, yesterday et (DR) 12/5/99

Van Gaalen said this issue was "on the table".

HMD confirmed last week it was experiencing cash flow problems and might bring additional partners into the business.

This followed First National Bank Botswana obtaining an order last week to allow it to protect its interest as a creditor of HMD.

The bank stressed that the court order specifically provided for HMD to trade on condition the bank's interest remained protected.

Numsa rejects Delta Motor litigation threat

CF (MR) 13/5/99 (192)

ROY COKAYNE

Pretoria - A threat by Delta Motor, the vehicle manufacturer, to sue the National Union of Metalworkers of South Africa (Numsa) for R73 000 for production lost during an address by Blade Nzimande, the general secretary of the South African Communist Party (SACP), was unacceptable, said Dumisa Ntuli, a Numsa spokesperson, yesterday

Ntuli said. "Numsa is prepared to discuss the matter with the company, but if they continue with the litigation it will harden the attitudes of workers

"We believe that no employer can unreasonably and unjustly limit workers' constitutional right to listen to their leader and express their political affiliations. We urge the company to withdraw the litigation before it ricochets"

Ntuli said Numsa was deeply perturbed by articles and editorials in the EP Herald and Business Day newspapers, which distorted issues of electioneering on company premises of automobile plants in the Eastern Cape

He said the disagreement was sparked by Nzimande's visit to

automobile assembly and tyre companies in the Eastern Cape last month. Auto companies claimed Nzimande's visit disrupted production processes in the plants and fuelled party political divisions

Ntuli said "The companies and newspapers have overstated the issue with false information and disregard for facts. It is regrettable that employers seek to inhibit the political aspirations of workers"

Annalise van der Laan, the corporate relations manager for DaimlerChrysler South Africa, said while the company respected the political rights of individuals, business needed to be conducted according to a disciplined environment

It did not allow electioneering on company property during working hours, but was prepared to allow it on company property outside working hours

Matt Gennrich of Volkswagen South Africa said Nzimande held an unauthorised meeting with plant workers which did not affect productivity, "but the meeting was held without management approval, and it strongly condemns that action"

National vehicle database could stop theft

(1982)

Motor industry observers say information bank is crucial for crime prevention, writes Jonny Steinberg

A NATIONAL database of locally manufactured vehicles will make the sale of stolen cars on the domestic market "almost impossible", the Automobile Association and information management company HPI claimed this week. But the system will not be as effective as it could be until the police download their database of stolen vehicles onto HPI's system — and government says it is not yet in a position to do so.

"We went to every manufacturer in the country and asked for the birth certificate of every vehicle on record," HPI MD Hennie Boudjethia said this week. "We have 6.3-million vehicle records on our database: the vehicle identification number, engine number and model of each vehicle. If a bank, a second-hand dealer or an individual checks a vehicle against our database and finds that it is not there, there is a 90% chance that the

vehicle is hot or has been tampered with." National Crime Prevention Strategy research estimates that 107,000 cars and light commercial vehicles were stolen in SA in 1996, 60,000 of which were not covered and 32,000 falsely reregistered and sold on the domestic market. One of the central ideas behind HPI's system is to make the sale, financing and insuring of stolen cars practically impossible. "At the moment the bulk of our clients are institutions finance houses, dealers and insurers," Boudjethia said. "So a bank will access our database before financing the purchase of a used car. If it does not appear on the system the bank will know the car is probably stolen." However, HPI's database will remain incomplete until the police download their record of stolen vehicles onto HPI's system. HPI has not put in a formal offer for the police data bank and government says it is not yet in a position to sell it. "HPI may well be a good option," National Crime Prevention Strategy's programme manager on vehicle theft Alan McKenzie said this week. "They know their business and we have confidence in their ability. But a number of issues need to be sorted out. Firstly, we have not seen HPI's database or any documentation on it, despite having asked for it. Secondly, the whole question of commercial gain and its place in crime prevention needs to be thought through. "Many commercial players are interested in the database and giving one of them a privileged position in the market place is not our chief concern. "Delivery is the key. If delivery does end up involving commercial gain, all well and good. But the issue needs to be thought through." Motor industry observers say that while a data bank like HPI's is crucial for crime prevention, it is simply one arm of a comprehensive programme. "HPI cannot stop the sort of transactions where the dealer, the buyer and the financier all suspect that the vehicle is stolen, but do not really care," said a source in the motor industry, who asked not to be named. "Ultimately, nothing is foolproof without police enforcement and enforcement is the big stumbling block. "Until there is a standard physical identification system on all vehicles, police will not have the capacity to spot a stolen car," the source said. "And the industry cannot agree on what that marking system will be." Some say the industry's inability to reach consensus is a symptom of its scepticism about police capacity. "Why spend a great deal of money on an identity system when the police are not competent enough to deliver the goods and enforce," said one industry player. "It is chicken-and-egg. Police can't enforce until the industry comes to the table. And the industry will not deliver until the police are seen to be capable." If there is indeed a Catch-22 scenario playing itself out, government is soon going to end it by legislating a single identification system. Next week 130 role-players, including all SA's car manufacturers, will attend a workshop in Midrand to discuss vehicle identity systems. Delegates will be given about a month to respond to the debate in writing. Then government will close the curtain on the debate and draft new legislation.

BD 19/5/99

MOTOR INDUSTRY

(192) (18)
FM 21/5/99
REARRANGING THE DECK CHAIRS . . .

Striking auto workers at Hyundai's SKD assembly plant in Gaborone were still holding out for a 50% pay rise this week — six weeks before the plant is due to shut down permanently

The SKD (semi-knocked-down) operation completes assembly of vehicles imported in semibuilt form. It is giving way to a nearby CKD (completely-knocked-down) plant in which vehicles are assembled from scratch.

Hyundai officials say they are confused by the two-week-old strike. The 350 workers were told a year ago that the plant would close at the end of June 1999.

There was temporary hope that the SKD plant would remain open until the end of 1999 if Hyundai was granted an increase in the quota of

58 000 vehicles it could build there at the reduced CKD import duty rate. SKD vehicles attract higher duties.

But after the quota request was turned down, it was confirmed to workers on April 13 that the June closure deadline remained. While some employees would be retrained for CKD operations, most would lose their jobs.

Hyundai workers do not belong to a union but are rep-

resented by a workers' committee. Company human resources spokesman Martin Lombard says the company was told on May 4 that workers would strike the following day. They have been out ever since. He says management learned of workers' demands only on May 10. Bottom line is a 50% pay rise "before they will even talk about retrenchments and severance packages". Lombard describes the 50% as "extraordinarily high", though it's not bad compared to last year's 125% demand, which was also accompanied by strike action. That ended with an increase of just over 10%.

Lombard describes the strike as unprocedural and illegal. Hyundai is trying to persuade Botswana's Department of Labour to declare it as such.

Hyundai vehicles built at the SKD plant include the Bakkie, Sonata and Tiburon. Lost production so far is about 500.

David Furlonger



Hyundai A Tiburon built in Botswana

MOTOR INDUSTRY

TOYOTA TAKES LONE STAND ON IMPORT DUTIES

Plan to scrap duties on truck engines meets resistance

fm 21/5/99

(1998)

Toyota, with a stockpile of more than 1 000 SA-made truck engines, is resisting attempts by the rest of the industry to immediately abandon duties on imported engines

Duties, now 24%, are due to bottom out at 20% in 2001 under the Motor Industry Development Programme. But the National Association of Automobile Manufacturers (Naamsa), of which Toyota is a member, is asking government to reduce them to zero as soon as possible. The Department of Trade & Industry (DTI) is expected to accept the recommendation and to gazette it soon for comment.

Toyota's resistance is understandable. In the past, SA truck producers bought

their engines from Atlantis Diesel Engines (ADE). When ADE announced last year it was halting production to concentrate on components, most local producers decided to replace the SA product with original engines from foreign principals. Toyota, however, bought about 2 300 ADE engines.

Mercedes-Benz also chose the ADE option, though in smaller numbers. Toyota planned to concentrate on imported engines from 2001. With just over 1 000 ADE engines remaining, it expects to run down the stockpile next year.

Henk Maree, director of Toyota Trucks, says the stockpiling decision was based on the assumption that planned duties would remain intact. Had the company known

they would come down to zero in mid-1999, "we would probably have made a different decision and brought forward the introduction of original engines".

Anthony Black, chairman of the Motor Industry Development Council, which oversees industry policy, says he sympathises with Toyota but, because truck engines are no longer made in SA, there can be no reason for protective tariffs.

"If you have invested in local content and your competitors can import duty-free, of course it's irritating," he says. "But we can't force extra costs on other companies that can't buy engines locally. By taking away this duty, we can reduce their costs and, I hope, bring down truck prices to consumers."

Black adds that he hopes the duty will disappear in the third quarter of 1999. He says the change will not be retrospective.

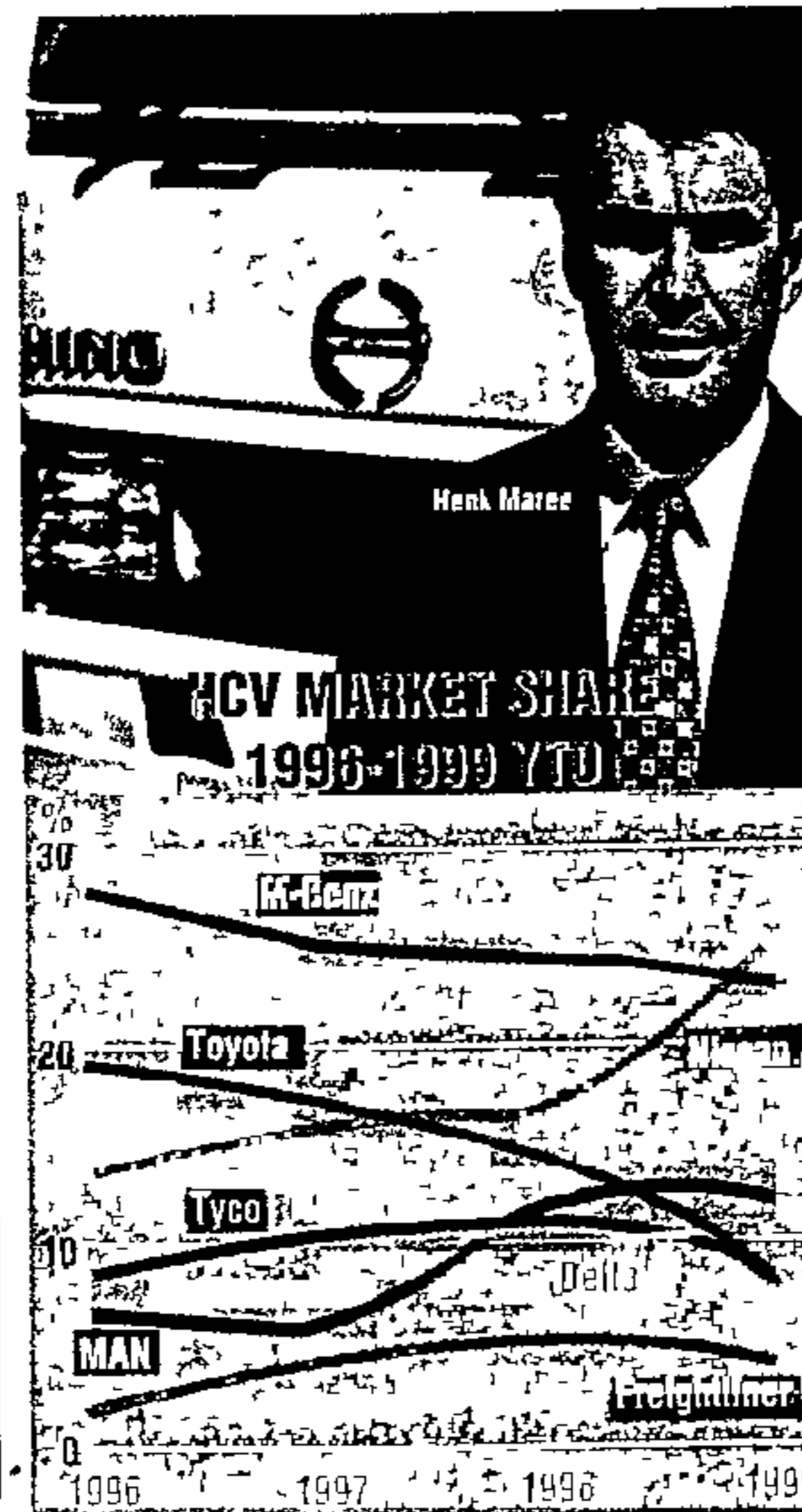
Naamsa director Nico Vermeulen says the difference with Toyota is mainly one of timing. "They are happy for the duty to go to 0% when their stockpile is exhausted. Others say now because the 20% is cost-raising and they can't buy engines locally."

Maree says Toyota will continue to lobby against the change. "I understand the others' view. They are doing what's best for them."

The import duty issue is an added irritant for Toyota Trucks at a time when it is facing challenges to its traditional dominance of the SA truck market. The success of Mercedes' Sprinter delivery van has knocked Toyota off its long-term position at the head of the medium-commercial vehicle sector, it has been overtaken in the heavy sector too. Mercedes, Nissan, Delta and MAN are all ahead and Maree admits overtaking will be difficult.

Why the slide? Maree claims Mercedes, in particular, is targeting Toyota customers with new products. In the heavy market, competitors have benefited from new models and big government tenders.

The decision to relinquish the Peterbilt truck franchise has also cost Toyota market share, as has price-cutting among many of the nearly 30 truck companies operating in SA. Toyota is even losing sales of its own-brand Dyna and Hino models to parallel imports of the same products by inde-



pendent truck company AMC.

Maree describes 1999 as a year of consolidation but says Toyota's market share will rise again as its own new models, including a Hino 4x4 truck, are launched in SA. "We have a revised product strategy from which we will see the full benefits from 2000."

Whether it can regain all its lost market share, Maree isn't guessing. Once the holder of 40% of the medium-commercial market, "we have accepted 25%-30% for the medium term". In the heavy truck sector, "there were times we had 18%, but there were fewer players then. Maybe we can look at that figure again in 2001."

One piece of good news is Toyota's export performance. It is awaiting confirmation from Toyota Motor Co in Japan that the SA company will become the official Toyota truck exporter to sub-Saharan Africa. It shares the region with Japan now. "We don't know volumes yet for the new territories and we have to investigate markets and distribution. But we expect to get written approval in a few weeks," says Maree.

David Furlonger

Delta threatens 'nearly triggered strike'

Reneé Grawitzky (192) BD 27/5/99
tion, Mediation and Arbitration

THE threatened strike by Delta Motor workers yesterday was triggered by company threats to sue the National Union of Metalworkers of SA (Numsa) for lost production following unauthorised electioneering by African National Congress-linked politicians, union sources said

Thousands of Numsa members had planned to strike to protest against the company's decision not to relocate 350 workers from Kempston Road to the Struandale plant. Instead these workers would be placed in a labour pool

The strike was suspended yesterday after an agreement was struck to refer the dispute to the Commission for Concilia-

Union sources said last night that an underlying cause of the strike was Delta's reaction to electioneering by SA Communist Party leader Blade Nzimande on company premises last month

A number of employers had reacted strongly to the unauthorised visits to company premises during working time by Nzimande. Delta said at the time that its policy was not to allow political addresses or electioneering by any party on its premises during working hours. It argued that Nzimande had not been granted permission to address workers

Delta thereafter threatened to sue the union for one hour of lost production and to discipline shop stewards if similar in-

cidents occurred in the future. Union sources said this had angered workers

Numsa said if the dispute could not be resolved during conciliation then the union would resort to strike action

The company had intended to interdict the planned strike on the basis that the union had not complied with the Labour Relations Act nor the commitment of a collective agreement entered into between Numsa and car makers

Delta said the issue of manpower utilisation and the deployment of employees within the company was governed by the collective agreement. Numsa argued that the dispute procedure in terms of the Act should have been followed as the collective agreement had not yet been signed

Talks continue as Delta strikes are called off

ET (BR) 27/5/99 (192) (48)

ROY COKAYNE

Pretoria - The National Union of Metalworkers of SA (Numsa) had agreed to withdraw the threat of a strike at Delta Motor Corporation's two manufacturing plants in Port Elizabeth, said Ed Emmett, the communications manager for Delta, the motor manufacturer, yesterday. Emmett said Numsa had also undertaken to follow a facilitation process in an effort to resolve the matter.

"Therefore, no strike will be entered into, and in the event of failure of the process, the matter will revert to the Labour Court for a ruling," he said.

More than 3 500 Numsa members at Delta were prepared to embark on a strike at 2pm yesterday. Dumisa Ntuli, a spokesman for Numsa, said on Tuesday the proposed strike followed Delta's failure to resolve "an impasse" in discussions over a company restructuring process called the Delta Production System.

Ntuli said in terms of the process, 350 workers were to be put into the labour pool and not relocated to Delta's Struandale plant.

Delta sought an urgent interdict from the Labour Court to declare the strike unlawful, but Numsa said it would contest the interdict application.

Yesterday Emmett said the court interdict was averted "by an approach by Numsa to secure an alternative arrangement." He said, as far as he knew, Numsa had obtained a certificate from the Commission for Conciliation, Mediation and Arbitration (CCMA), but he indicated he was unsure what it would enable.

Numsa had claimed the certificate would enable its members at the Delta plants to go on strike.

Emmett said there was some confusion at Delta's plant yesterday because the avoidance of the strike was finalised "pretty close to the intended commencement time."

However, he said Numsa shop stewards had helped convey to their members the outcome of the meeting between management and the union. Emmett said the confusion had not lasted long and he did not believe it had had a significant impact on production.

He said earlier yesterday that the issue of manpower utilisation, and the

deployment of employees within Delta's production facilities, was governed by a collective agreement entered into between Numsa and all car manufacturers, including Delta.

"Acting in accordance with this agreement, Delta has held numerous discussions with shop stewards over the past few months during which matters pertaining to the company's staffing plan have been extensively discussed and dealt with," he said.

"In these meetings, Delta has indicated its anticipated manning requirements. In addition, numerous communications have been issued to both the union and to employees, confirming our intent that no employees will be displaced from the company, solely as a result of changes in work organisation and efficiency improvements."

Emmett added Delta had expressly pointed out to Numsa that, provided Numsa gave effect to the flexibility provisions of the agreement, no threat to job security was envisaged.

He said it was also emphasised that no employee's grade or rate of pay would be adversely affected as a result of any alternative assignment.

"The services of all employees at Delta's two factories are currently fully utilised. Numsa has refused to acknowledge this," he said.

Emmett said Numsa had instead planned to initiate a strike, which not only had the effect of placing job security under threat but was also unlawful in terms of the Labour Relations Act.

It was also contrary to the commitments that were made by Numsa under the agreement with motor car manufacturers.

He said Delta had invited Numsa to withdraw the threat of a strike and comply responsibly with the provisions of the agreement while again confirming the undertakings given by the company about job security.

Emmett said Delta also confirmed that if there were a legitimate dispute which Numsa wished to pursue, the company was willing at all times to deal with the dispute in terms of the procedures agreed upon by the parties, which specifically excluded strikes.

Numsa had again ignored this invitation.

Numsa strike illegal - Delta

DELTA Motor Corporation sought an urgent court interdict yesterday to declare strike action by members of the National Union of Metalworkers of South Africa unlawful

The strike action was expected to start at 2pm

Company spokesman Mr Ed Emmett said all contended decisions were made in full consultation with the shop stewards

"Delta has expressly pointed out to Numsa that provided it gives effect to the flexibility provisions of the collective agreement (entered into by Numsa and the Automobile Manufacturers), no threat to job security is envisaged and no employee's grade or rate of pay will be adversely affected as a result of any alternative assignment," Emmett said

He accused Numsa of renegeing on promises made during the consultation period

His company was willing to talk and explore all options other than strike action, Emmett said

Numsa officials at the company's production plant in Port Elizabeth obtained a certificate from the Commission for Conciliation, Mediation and Arbitration enabling its 3 500 members at the plant to go on strike

The union said it was not happy with the company's restructuring process expected to result in 350 workers being placed in a labour pool

Numsa said the company should have transferred the 350 workers to another of

Delta's plants in Struandale where there are vacant positions

It said the workers should be given an opportunity to opt for the vacant positions at the Struandale plant or other jobs available at the Kempston Road plant

Numsa spokesman Mr Chris Chatai said his union would contest Delta's urgent interdict in the Labour Court

"We received a notice of intent to oppose our strike action on Tuesday at 10pm. But the affidavit was not given to us so we do not know what issues we are going to oppose"

"We hope to succeed because there are precedents in this case. As we are concerned the strike action is on and is lawful," Chatai said - *Sapu*

Newspaper 27/8/92
(192)

Durban industry rides tides of a rebirth

CT (198) 28/5/99
28/5/98 (192)

RAVIN MAHARAJ

Durban - Shipbuilding, a financially risky and volatile venture, is attempting a rebirth at Durban, Africa's hub port.

The highly capital-intensive business was largely abandoned in Durban a few years ago, mainly because the return on capital investment was inadequate and the high-risk business became too expensive.

Dorbyl Marine, a subsidiary of Dorbyl, the engineering and manufacturing group, pulled out of shipbuilding in 1996. So did Elgin, Brown & Hamer, the shipping services company.

Dorbyl in turn ceded its leasehold rights to the fabrication sheds in the shipbuilding yard near the dry-dock in Bayhead, Durban.

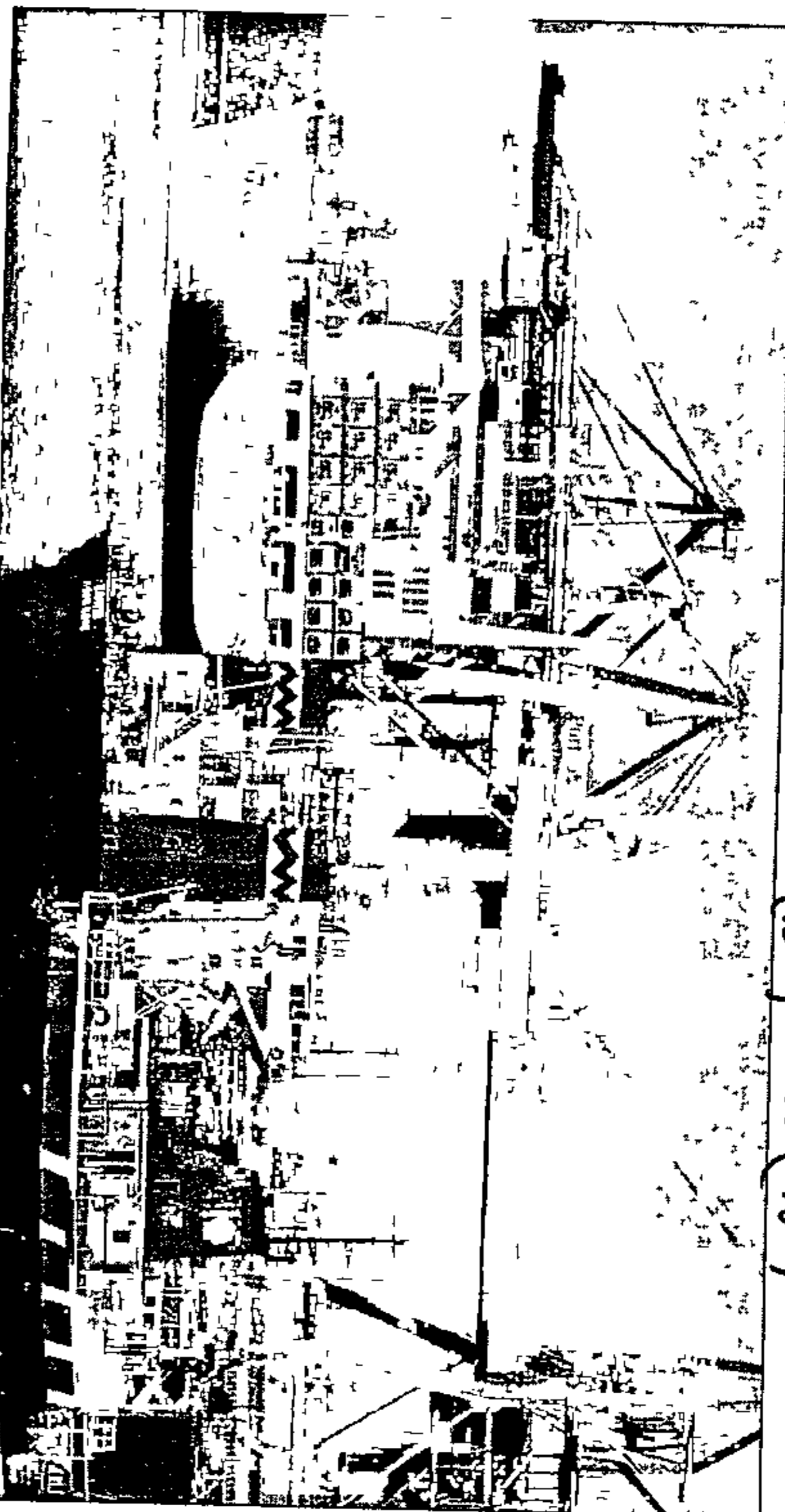
Ship repair, a niche downstream industry, has managed to survive, albeit through turbulent waters. But business slumped during the Asian contagion, slashing profits and placing cash-tight principals under budgetary pressure.

The ship repair industry is estimated to be worth about R200 million in Durban and between R400 million to R500 million nationally.

Rob Deane, the managing director of Elgin, Brown & Hamer, said expectations of the bottoming out of the depressed shipping cycle should buoy growth in 2000.

Shipbuilding initiatives could work hand in hand in boosting the shipping industry's gross domestic product contribution, and consolidating South Africa's strategic geographic location on international shipping routes.

While rand-hedged ship repair is expected to become an even more important economic benefit to South Africa, indications were that R100 million was needed to revitalise shipbuilding from its low technology base. Already 44 hectares of land had been set aside in the Durban port for shipbuilding.



It emerged this week that a local shipbuilding consortium had applied to the department of trade and industry for sectoral development funding, which would be applied to specific industrial studies to determine how best to develop the industry from its status of small specialist builder to large vessel shipbuilder in a structured and sustainable business.

The consortium comprised 19 companies, all from the marine engineering and shipbuilding fields. They formed the Durban Shipbuilding Cluster (DSBC), under the auspices of the South African Iron and Steel Institute.

At present, only two shipbuilding companies operate on a sustainable commercial basis in South Africa. Far Ocean Marine in Cape Town and Southern African Shipyards in Durban.

Both are involved in the building of high value small crafts, such as luxury

motor yachts, and specialist harbour craft like tugs, workboats and dredgers.

Mike Smith, the director of machinery and allied industries at the department, said shipbuilding would foster benefits, including the use of skilled labour, the beneficiation of South African steel, and the strengthening of South Africa's design capabilities. A major advantage was dollar-based export earnings.

Smith said the department would support DSBC's efforts. The idea was to watch it closely and evaluate critically proposals that emerged. Final action would depend on the perceived commercial viability of projects.

He said it was too soon to comment on viability at the moment, or to commit to any action, as the potential for the industry was still being explored, and projects identified.

"The department's present level of

support is to encourage this process so that robust proposals can be developed," Smith said.

While these plans gain momentum, shipbuilding initiatives are proceeding in Durban. Sabuild, a joint venture between Southern African Shipyards and Safreight, earlier signed a R100 million contract to build two tugs for Portnet in Durban and Richards Bay.

The ports authority signed a R7.5 million contract with Far Ocean for a work boat for Durban to be used for tug purposes or pilot duties.

Clarifying some of the difficulties, Smith said business risk was a big issue. Past experience indicated a good order book was "crucial." This could be difficult for a new venture.

Past experience indicated a stable product range would decrease risks substantially. Added complications included technical ability, particularly on

the design side, and the ability of the industry to survive without state support. In addition, the pool of highly skilled human resources was shrinking. Without some injection, it could soon be lost, Smith said.

Mike Hawes, the chairman of the DSBC, said the primary objective was to create an internationally competitive and sustainable shipbuilding industry in South Africa.

This should lead to the creation of hundreds of jobs. Each shipyard employment opportunity had a multiplier effect in excess of 8:1 in direct and indirect supply-side industries.

The present estimated manpower complement (people directly employed in the local shipbuilding industry) was in excess of 400 people. The total man-hours of work for 1999 would amount to 650 000 man-hours, with an estimated turnover of R350 million.

Considering the majority of this work is to produce semi-finished motor yachts for export, the job creation potential for expanding the product range in the industry is significant.

One of the DSBC's objectives was to develop the industry to an established workforce of 2 000 people over a period of five to seven years.

Industry leaders said a strategic shipbuilding co-operative would allow the group to bid for large shipbuilding projects, without undue financial risk and the need for development capital from internal resources.

Jurgen Cobary, the general manager of Oceano South Africa, said "Shipbuilding has huge potential as a job creator." "Now is the time for government and relevant stakeholders to act together and move quickly.

"The window of opportunity to rebuild the industry on the back of other capital projects is within the next two years. Its either make or break. After that there is very little chance."

Popular small cars head for scrapyard

Car makers forced to cut back models

BY LESLEY VAN DUFFELEN

ET (00R) 31/6/99

(192)

Durban - Vehicle manufacturers would be forced to cut their 40 vehicle model ranges by half in the next five to seven years in line with the motor industry development programme, motor manufacturers said at the weekend.

The mid-term review, which extends the programme from 2002, would essentially force manufacturers into one- or two-volume production lines.

Matt Gennrich, the general manager of communications for Volkswagen (VW), said the programme would force manufacturers to reduce the number of platforms produced. VW would take a critical look at this, taking consumer demand into account.

Among the models most likely to be chopped were the Citi Golf, Tazz, Midge and Uno.

The mid-term review, published earlier this year, extended

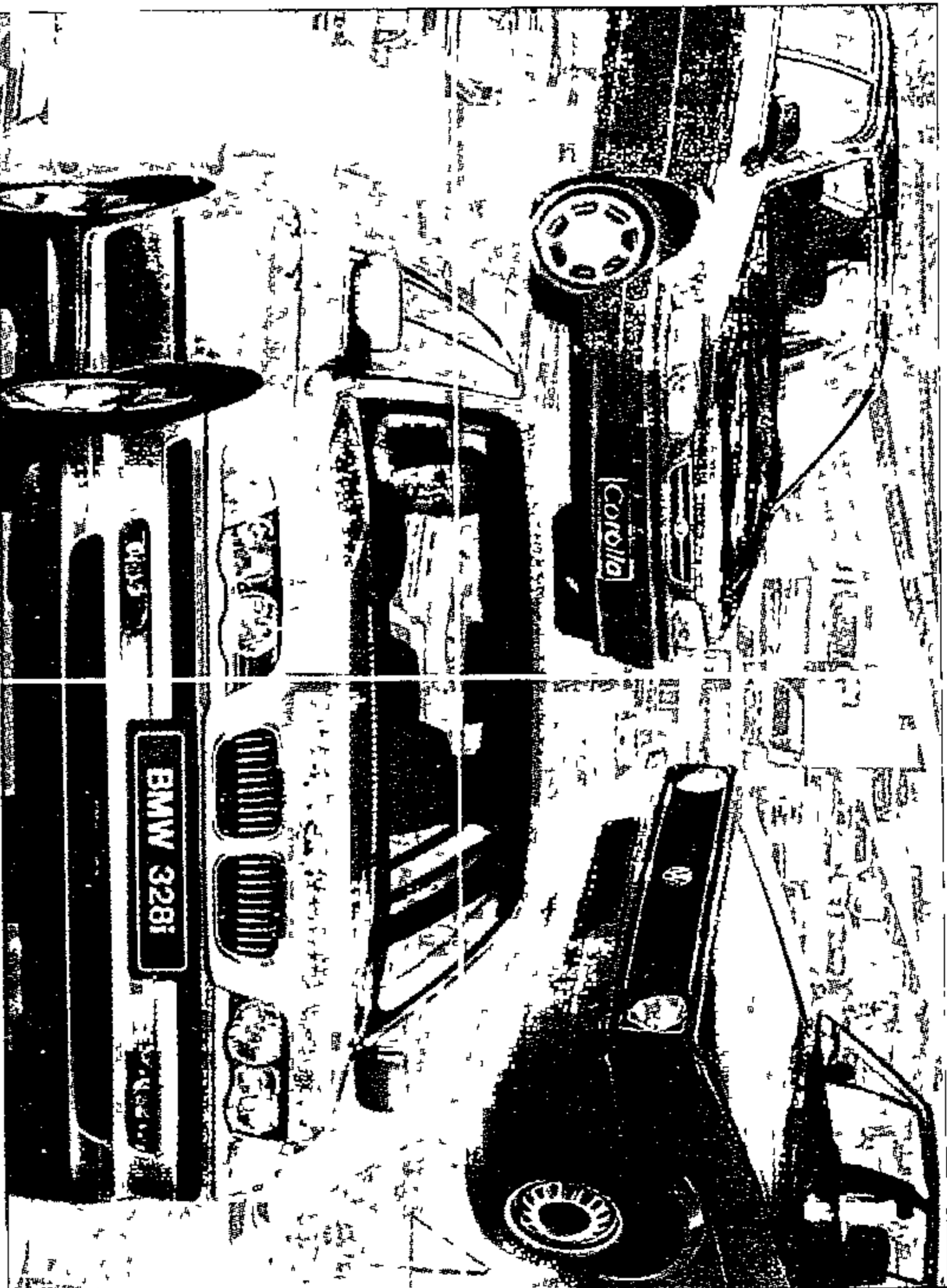
the programme to 2007, but this change is still being discussed at government level and has not yet been signed off.

Nevertheless, if the extension is approved, manufacturers have from 2002 until 2007 to meet its requirements or lose their duty-free allowances on those vehicle lines that do not capture up to 5 percent of the domestic market. This market is about 15 000 to 20 000 vehicles a year, including exports.

Ralph Broadley, a consultant for Toyota, said major changes would start as soon as 2003, when some manufacturers could start phasing out models based on life cycle.

VW is among the few manufacturers positioned to survive the shakeout, with its Golf range, as is Toyota with its Corolla, Hilux and Conquest, and BMW with its 3 series.

Mercedes has said it would concentrate on manufacturing



its C series range.

For Toyota, the Camry is past its model cycle, the Hiace may be saved by a government backed rejuvenation of the taxi industry, the Landcruiser pickup could be imported as a completely built up unit, and the Venture could be a lower volume concession allowed by the programme.

Volkswagen could theoretically be a one or two platform manufacturer by 2007, with its current 100 000 vehicle production capacity. It could then

import to fill niche demand.

Samcor (Ford and Mazda), with nine or more lines producing low runs, is devising a plan to cut model duplication.

Brand Pretorius, the chief executive of McCarthy Motor Holdings, said the tooling and equipment needed to manufacture a vehicle was amortised over the life of the vehicle.

For instance, the last tooling for a Camry, Mazda or Mondeo cost R180 million, today it would cost R350 million. Management had to decide if the costs

outweighed the benefits.

The emerging black consumer market has the potential to grow to half a million vehicles. With a glimmer of turnaround in the recession, manufacturers believe now is the worst time to pull out.

Whatever the consequences of the shakeout, manufacturers say they will not vacate the bottom end of the market as this makes up about 40 percent of sales volume.

□ Industry growth, Page 6

NEWS

'Strong source of growth needs stable policy'

Car industry must be a priority sector, says council chief

ROY COKAYNE

Pretoria - The automotive industry was seen as a strong future source of growth in the economy and in this sense it was a priority sector, Anthony Black, the chairman of the Motor Industry Development Council said last week

The council advises the government on policy

The current high levels of support for the automotive industry through tariffs and export rebates benefits would be phased down, in terms of the Motor Industry Development Programme (MIDP) but would still be significant, Black said at the official opening of the new R50 million Lemforder South Africa axle assembly plant in Rosslyn

Black said policy stability was extremely important. The mid-term review of the MIDP would create a certain policy environment to 2007 and would continue in the current direction with some adjustments thereafter

He said this would allow investors to make long-term decisions

"What the policy is trying to achieve is some balance between assemblers and component suppliers, and an incentive structure for export and the domestic market," he said. "One objec-

ET(MR) 31/5/99 (192)

tive is to achieve higher volumes, as BMW is doing, which has created viable volumes for component suppliers"

Black added that sight was sometimes lost of the progress that had been made by South Africa's automotive industry. He said component exports had increased from R2,1 billion in 1994 to R7,8 billion last year, making it one of the largest sectors of manufactured products exports

Black said light vehicle exports had also increased from 14 000 units in 1994 to an estimated 90 000 units this year

"There has also been international tie ups and considerable investment in the motor industry, which has been one of the largest recipients of investment since 1994," he said

Black said productivity in the industry had grown by 32 percent from 1994 to 1996 and the price of vehicles had declined in real terms. "The only major problem is the weak domestic market. But I think the market is going to grow"

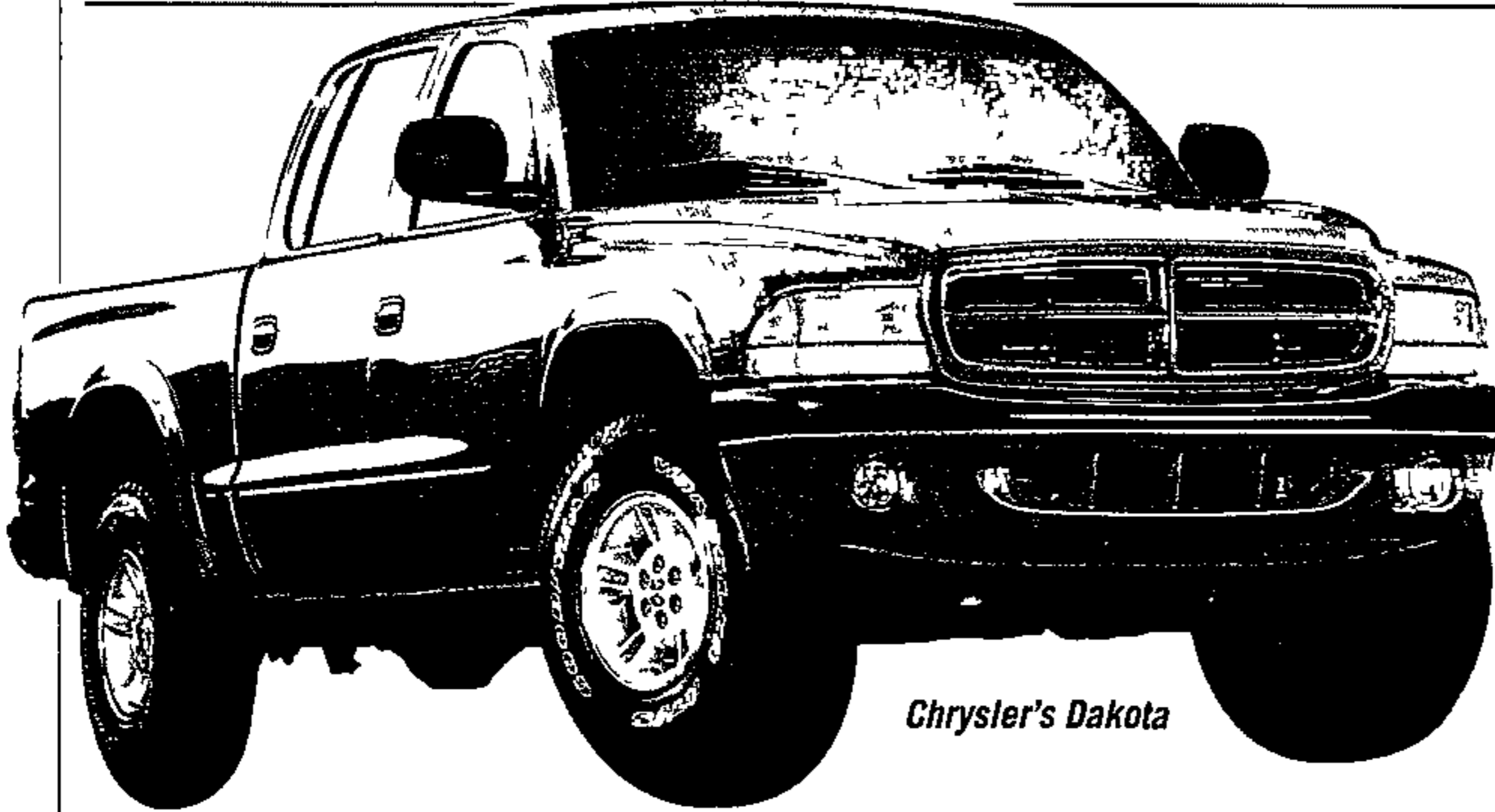
The Asian crisis was largely a thing of the past, interest rates were declining and there was pent-up demand for vehicles because South Africa was an "old-car park", Black said

"The foundation has been laid for growth ahead"

(192) pm 2/4/99

A NEW CAR SAFARI

American and French car firms are talking to SA-based assemblers



Chrysler's Dakota

What is it about Dakota? SA Breweries recently launched Dakota beer on the local market. Now US vehicle manufacturer Chrysler is thinking of building a vehicle of that name in SA.

At the same time Automakers, the Japanese-controlled manufacturer of Nissan and Fiat vehicles in SA, is preparing to add Renault to the international cocktail of

products at its Rosslyn, Pretoria, assembly plant.

The moves are the most visible early results in SA of new mergers and alliances among global motor companies. Industry analysts expect this rationalisation to result in no more than five or six big global companies (see *Economy & Business* February 12). At present there are about 40

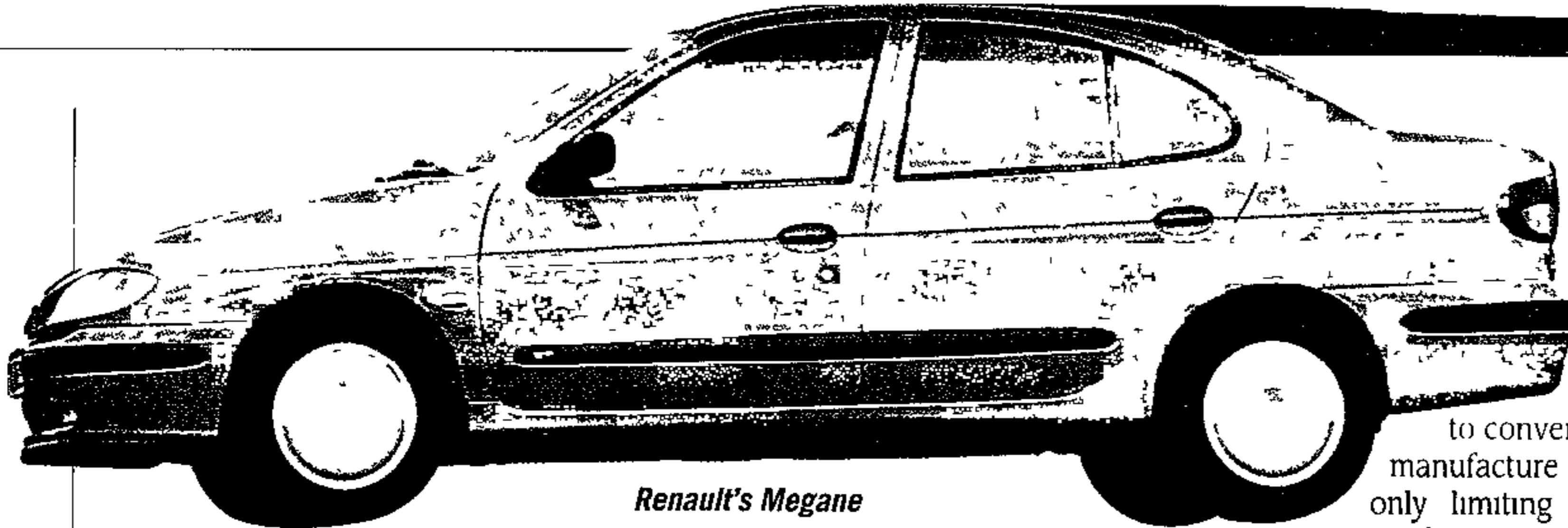
competing in a market where production capacity exceeds demand by 22m cars and trucks a year.

Senior Chrysler officials are in East London this week to evaluate the Mercedes-Benz assembly plant.

If they are satisfied it can handle the job, the likeliest vehicle to be built there is a right-hand-drive version of the Dodge Dakota pick-up. The vehicle, slightly bigger than most local pick-ups, or bakkies, is currently built in the US and South America, and is available only in left-hand drive. As the only world producer of a right-hand-drive Dakota, Mercedes would build the vehicle mainly for export, though it would probably also be available locally.

Chrysler is part of the recently merged DaimlerChrysler motor group, of which Mercedes-Benz is a component. Local Chrysler management, including GM Tom Ford, have already moved into Mercedes' Pretoria HQ, and Chrysler products are being offered through Mercedes dealerships.

In addition to its own cars and trucks, Mercedes builds Honda cars and Mit-



Renault's Megane

subaru Colt bakkies in East London.

At the moment, all Chrysler products are imported into SA. They include the Jeep, Voyager and Neon ranges. These will all remain imports, because they are already built in right-hand format elsewhere. The Dakota isn't, and it may be easier and more cost-effective to build it in East London than to adapt existing production lines to a version that is low-volume by international standards but worthwhile by SA ones. DaimlerChrysler co-chairman Juergen Schrempp, a former chairman of Mercedes-Benz SA, is also keen to protect and expand his group's SA involvement.

Nevertheless, Chrysler insiders stress this week's visit by their team is no more than a preliminary scouting mission. The visitors have to be convinced not only that East London has spare capacity — which it does — but also that it can guarantee quality and delivery standards. Only then will they move on to the practical questions of starting local assembly.

Automakers, on the other hand, has all

but confirmed it will build Renault cars after the weekend announcement that Renault has agreed to spend US\$5.4bn to buy 36.8% of Nissan Motor and 22.5% of its truck producer, Nissan Diesel. Renault vice-president Carlos Ghosn is to become chief operating officer of Nissan, which is an estimated \$30bn in debt. DaimlerChrysler and Ford had also expressed an interest in the Japanese company.

As a result of the global agreement, Automakers CE Toshio Tanaka says his company has opened talks with Renault, which is 44% owned by the French government, on building Renault products here. Automakers will continue to build for Fiat.

Nissan SA chairman John Newbury says he hopes Renault and Automakers can finalise a joint product plan within two months. "By the end of May we should have a clear direction of what this company will look like in future."

Because of lead times, however, particularly in redesigning the Rosslyn plant,

it will probably take a couple of years for Renault production to begin.

Newbury says there is plenty of production line capacity available at Rosslyn. The options are to convert existing lines to Renault manufacture or build new ones. The only limiting factor at this stage is paintshop capacity.

Tanaka says Automakers will "look at synergies for manufacture of Renaults and how they fit in with Nissan and Fiat." Newbury says he wants "product complementation, not competition." He says Automakers does not expect the changes to create significant numbers of new jobs.

Renault cars are currently imported into SA and marketed by Associated Motor Holdings, part of Bill Lynch's Imperial Group. The cars will probably be marketed mainly through the Nissan dealer network, though Newbury doesn't rule out some existing dealers being allowed to continue.

Tanaka hopes Renault will make a significant direct investment in Automakers. At the moment, Nissan Motor holds 50%, Sanlam 37%, and Japanese companies Nissan Diesel and Mitsui the remaining 13%. If Renault does buy a stake, he thinks it will be in the form of additional shares, rather than reducing the stake of an existing shareholder.

David Furlonger

Costs kill release of 'Baby Benz' in SA

(192) CT(AR) 21/4/99

ROY COKAYNE

Pretoria - DaimlerChrysler South Africa had decided against introducing the A-Class, the "Baby Benz", to the South African market, Miekie Liebenberg, the product manager, said yesterday.

Liebenberg said the decision followed intensive research and cost calculations.

"Even though research has

shown that the vehicle has huge appeal with the general motoring public, as elsewhere in the world, a realistic price could not be arrived at."

The company did not specify what the A-Class would have cost in South Africa. However, according to Internet listed car prices for the UK, the A-Class 140 Avant garde, the base model, sells for £15 990 while the 170i Elegance,

the top of the range, sells for £17 890.

Excluding import and any other duties and costs, this means that at current exchange rates the price would be between R155 000 and R173 530.

Liebenberg said the huge appeal generated would definitely inspire some customers to import the vehicle on their own.

"This is not possible as the

vehicle has not been through the homologation process, and the registration of a new unit would therefore be impossible.

"Furthermore, the Daimler-Chrysler dealer network in South Africa would not be training technicians or stocking tools and parts. With the A Class being such a different concept in motoring, this would result in no service backup being available."

Dented motor industry employment tops the agenda

Numsa makes ready for tough bargaining

CT(BR) 8/4/99 (193)

FRANK NXUMALO

LABOUR EDITOR

Johannesburg — The National Union of Metalworkers of South Africa (Numsa) warned employers yesterday to expect tough bargaining this year as its National Bargaining Council, which identifies issues for collective bargaining, kicks off in Johannesburg this morning.

Numsa said thousands of jobs had been lost in the past few years and its members were "now lying in the unemployment heap".

"In the engineering sector, 22 954 workers had been dismissed since 1995," said Dumisa Ntuli, the Numsa spokesman.

"The sector shed 12 600 jobs last year and this year alone, 2 300 workers have been retrenched.

"In the car assembly sector 4 600 have been retrenched since

1995, 1 000 were dismissed last year and further job losses of 2 500 workers are expected this year.

"In the car component sector, 6 300 lost their jobs since 1995, 1 354 in the tyre manufacturing sector and in the motor sector 3 214 workers have been flushed down over the last two years."

Ntuli said collective bargaining would focus on narrowing the apartheid wage gap.

It would push for inflation related increases plus improvement factor, increases on actual rates of pay, limited wage negotiation rounds and long-term agreements in certain sectors.

Numsa called on the government to introduce proactive measures to protect the local motor industry, develop strategies to deal with job losses and the rationalisation of industry,

tariff reduction competitiveness, foreign exchange and vehicle affordability.

On education and training, the union would campaign for massive commitment to literacy, a skills-based grading system, education and training during working hours and the transformation of the current training structures, criteria, systems and procedures.

Ntuli said employers had to agree in principle to restructure the current bargaining formations into a megabargaining council for all sectors.

He said the union also wanted the motor component sector to stop plant negotiations.

Numsa wanted employers to give advance notice of any restructuring plans and to negotiate work reorganisation to avoid unnecessary job losses.

SABS to get tough on vehicle imports

Stan Maphologela *BD 15/4/99(192)*

SA BUREAU of Standards (SABS) is planning to crack down on imported vehicles which do not comply with bureau standards

Although these imports are not necessarily illegal, the fact that they have been manufactured for foreign markets can make them unroadworthy in SA.

The so-called grey import market in cars is threatening to undermine SABS standards

It also affects local vehicle manufacturers. Minibuses and trucks can be imported cheaply from southeast Asian countries and sold for a huge profit in SA. Consumers are also at risk because of technically inferior products, the absence of services after vehicle sales and vehicle parts

John Nimmo, a manager of Toyota SA, says his company is aware that a large number of grey imports of Toyota products are being sold in the country

The SABS has drawn up a set of proposals to ensure that only vehicles meeting standards, or those for which a full justification for importation is provided, will be allowed into the country

These proposals will be adopted on May 1

From this date, customs officials will be empowered to refuse entry to any vehicle not issued with a letter of authority from the SABS

Wimpie Lyons, manager of the bureau's electrotechnical and automobile department, says a five-day period of grace will be allowed for the letter of authority to be produced by the consignee

"If the letter is not produced the vehicle will either be returned to the source country at the shipper's expense or forfeited to the state," he said

A letter of authority can be obtained only on application from the SABS. Applications must be made in good time and will be granted only if full justification for the import is provided and proof of compliance with bureau requirements is produced

Immigrants to SA who wish to import their vehicles to the country will have to obtain a personal letter of authority before their cars arrive

This category includes diplomats and foreign employees who may have bought their vehicles for a lower price on offshore markets

Lyons said motor assemblers have been issued special and renewable letters of authority valid for 18 months. However, registered importers of prototype vehicles and those which will be modified for local conditions require a prototype letter of authority

Delegation is looking but not talking

Peugeot to set up shop again, says council report

CT (MR) 19/4/99

ROY COKAYNE

(192)

(~~192~~)

Pretoria - Peugeot, the French motor company, had taken a decision to once again establish an assembly-manufacturing facility in South Africa, according to a Greater Pretoria Metropolitan Council report

The facility was likely to be on a contract-assembly basis said the report, which was compiled by the executive director of metropolitan economic development after an investment recruitment visit to Europe and the UK in June last year

The report said Peugeot was considering Delta Motor Corporation in the Eastern Cape and Samcor or Nissan, near Pretoria, as possible contract-assembly partners

"The awaited announcement of the final motor industry development programme (MIDP) will influence the Peugeot group's decision to re-enter the small South African market and the manner of re-entry"

The report also said the Peugeot team had visited the BMW plant in Rosslyn and was having discussions with Samcor

"Samcor is quite willing to consider a contract-assembly venture with Peugeot but is concerned that there may be clashes in the respective product range as well as the production volumes envisaged by Peugeot"

Lewis Booth, the group managing director of Samcor, said last week he had met a Peugeot delegation socially and had allowed the delegation to inspect Samcor's plant

But Booth said there were no negoti-

ations taking place with Peugeot about contract assembly "We continue to have approaches from other car companies about opportunities and look at them on their business merits

"But we don't expect anything to come of this while the MIDP is still in discussion and the economy so poor"

Peugeot is imported and distributed by McCarthy Motor Holdings (MMH)

Mike Lowman, the project manager for MMH on Peugeot, said there was nothing definite on Peugeot's contract-assembly plans

Lowman said Peugeot was merely involved in an exercise to look at possible long-term opportunities

"They have had a couple of missions out here to investigate and work out the viability The missions have visited other car plants in South Africa for their opinions and spoken to the trade and industry department and the National Association of Automobile Manufacturers of South Africa to update themselves regarding the MIDP

"We think they are mad and they agree The climate is currently not right and there are a lot of problems in the industry," Lowman said

"However, we can't stop them looking around and assessing the situation It forms part of their long-term planning and to comment on whether it happens or not would be pure conjecture"

Delta Motor Corporation spokesmen did to respond to a request for comment Johan Kleynhans, the director of group affairs and communications at Nissan South Africa, confirmed a Peugeot delegation had visited Nissan's plant but had not entered into any negotiations

Zimbabwe loses VW investment to SA

DD 26/4/99

(192)



Michael Hartnack

HARARE — Zimbabwe has lost a R50m Volkswagen (VW) assembly plant to SA, Industry and Commerce Minister Nathan Shamuyarira confirmed last week.

"VW expressed an interest in setting up an assembly line in Bulawayo," Shamuyarira said "However due to a variety of reasons the Germans changed their minds and opted for South Africa.

"This is a sad situation because it means many jobs have also been lost," he said.

Local newspaper the Sunday Mail has reported VW is planning a 20% expansion of its plant in Uitenhage.

Ferdinand Pieche, VW's chairman, mooted construction of a Bulawayo plant when President Robert Mugabe visited Germany in 1997. The company's tentative plans were announced as fact by the state-controlled media in Zimbabwe.

However, an unstable currency, soaring interest rates and an uncertain investment climate has already forced the temporary closure of the state-owned Willowvale Motor Industries' assembly plant in Harare.

Willowvale was reported at the weekend to have laid off 48 employees over an unofficial strike for a 20% pay rise in line with increases in the cost of living.

Meanwhile, a delegation representing Zimbabwe's motor industry will go to Pretoria next month to discuss protective tariffs and quotas in what has been designated a "sensitive area" of the pending Southern African Development Community's free trade protocol.

According to Zimbabwe's Motor Trade Association, sales dropped by 50% in the second half of last year.

'Make AZT affordable to all'

Pressure mounts on company to lower the cost of AIDS drug

ARL 28/4/99

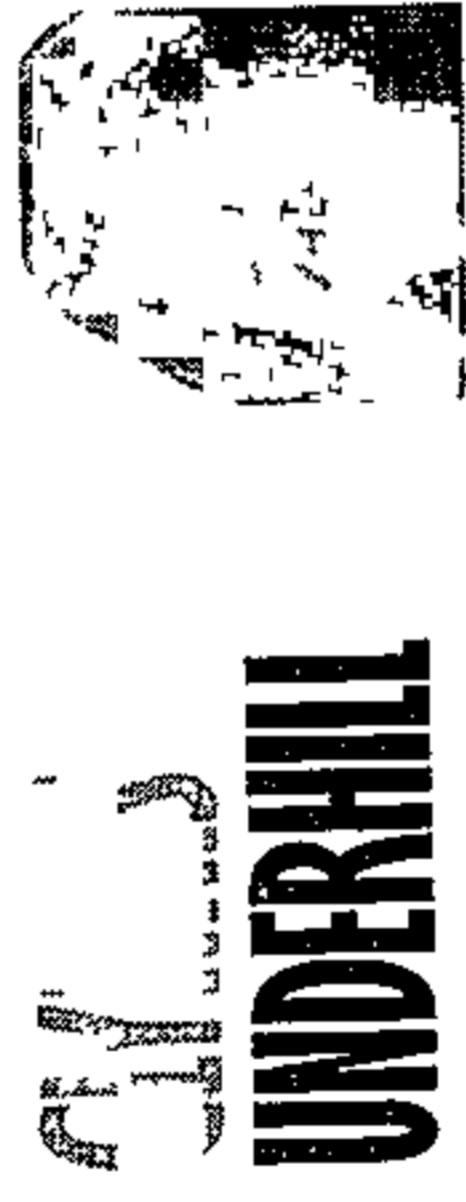
Pharmaceutical giant Glaxo Wellcome is coming under increasing pressure to urgently lower the cost of the AIDS drug AZT in South Africa.

A demonstration outside the company's head office in Midrand at midday today is being organised by AIDS activists from the Treatment Action Campaign to apply further pressure.

Representatives from the campaign will meet Health Minister Nkosasana Zuma in Cape Town on Friday to try to persuade her of the joint responsibility of the government and private pharmaceutical companies to provide the drug for pregnant HIV-positive women.

Mark Heywood, head of the AIDS law project at the University of the Witwatersrand, said yesterday it was necessary to bring home to Glaxo Wellcome, sole manufacturers of AZT, "the emergency state of affairs".

"We are not the government's friend on this issue but Glaxo Wellcome could be doing more to make



UNDERHILL

SPECIAL CORRESPONDENT

AZT available at cost price," he said.

Dr Zuma stunned AIDS activists with her announcement at the end of last year that the government would not, due to budgetary constraints, supply AZT to pregnant women infected with the HIV virus.

The controversy was fuelled by the results of a clinical trial in Thailand which showed that giving the drug to pregnant HIV-infected women during the last few weeks of pregnancy reduced the rate of HIV transmission to infants by 51%.

In South Africa, HIV/AIDS is the second most common cause of death among pregnant women, especially those under 25.

Dr Zuma has been offered a 70% reduction on the cost of AZT for HIV-positive pregnant women by Glaxo Wellcome, which is the lowest price being offered in the world.

But Mr Heywood said it was believed Glaxo Wellcome could go a lot further, and could offer it at cost in emergencies.

The pharmaceutical company has been asked the "real cost of producing AZT".

Glaxo Wellcome's director of corporate affairs, Vicki Ehrlich, said the question on the real cost of producing AZT was a complex one, as vast research was involved, but the company would supply the answers today.

"We welcome the actions of the group of demonstrators because we are all working towards accessibility and affordability of the medicines for HIV/AIDS."

Meanwhile it is hoped pharmacies and trauma units will begin stocking emergency AZT combination therapy "starter packs", which are used by

some rape survivors to try to prevent the possibility of the transmission of AIDS.

The need for the ready availability of the drug was highlighted recently by the traumatic search for anti-viral drug AZT by Weekly Mail & Guardian correspondent Charlene Smith, who was raped at her home in Gauteng.

Hours after the attack, the journalist was still trying to locate AZT, which has to be taken as soon as possible to try to prevent transmission of the disease.

Glaxo Wellcome is now giving away 5 000 HIV combination-therapy starter packs for the treatment of needlestick injuries to pharmacies and trauma units.

Glaxo is hoping the pharmacies and trauma unit will start ordering in supplies of the AZT starter packs at R170 each after they have received free samples. The rest of a 25-day triple therapy treatment will cost around R3 500 - a sum most rape survivors in South Africa will be unable to afford.

Motor trade's 1998 net profit driven down 20,6% CT (BR) 28/4/99 (199)

ROY COKAYNE

Pretoria - The motor trade's net profit plunged 20,6 percent last year compared with 1997, according to figures released this week by Statistics South Africa.

The statistics bureau said, however, the profitability ratio of the motor trade remained unchanged in the fourth quarter of last year compared with the corresponding quarter in 1997.

The profitability ratio of the motor trade, a key economic indicator, dropped from 0,002 for the third quarter of 1998 to 0,001 for the fourth quarter of 1998.

Tony Twine, a motor industry analyst and director of Econometrix, said sales volumes in the fourth quarter of 1997 were extraordinarily weak compared with the third quarter of 1997 and the first quarter of 1998.

"I'm not sure what the surprise was the fact that the fourth quarter of 1997 was so weak or that the first quarter of 1998 had perked up so strongly.

"With that in mind, the fact that the fourth quarter of 1998,



STALLED John Fisher-Hill waits for customers at his secondhand car lot in Johannesburg. He says his sales have fallen about 40 percent since the beginning of the year. PHOTO JOHN WOODPOOF

which was even weaker in terms of volume than in 1997, showed unchanged profitability is not altogether surprising," he said.

"This is because when you lose turnover to the extent that the motor trade had done in 1997, a further loss of turnover does not necessarily further demolish your already wrecked profit."

Twine agreed that the rationalisation and restructuring of dealerships would have limited

the decline in their profitability.

Statistics SA said interest paid by the motor trade had increased 8,5 percent. Capital expenditure on new assets dropped 16,8 percent in 1998 compared with 1997.

Brand Pretorius, the chief executive officer of McCarthy Motor Holdings, said last month that motor dealership rationalisation was accelerating. The number of franchise dealers had declined by 20 percent from 1 425 in 1996 to 1 136 last year.

Pretorius said there were likely to be more casualties.

The net profit before tax as a percentage of turnover of franchised dealers dropped from 3,1 percent in 1994 to 0,9 percent in 1998, he said.

Meanwhile, the net profit percentage before interest of new vehicles had dropped from 4,5 percent in June 1995 to 2,6 percent at February 28 this year.

The seasonally adjusted total motor trading revenue of retailers in motor vehicles and accessories had increased 0,2 percent in February this year compared with the previous month, said Statistics SA.

The seasonally adjusted motor trading revenue for the three months up to February 28 this year reflected an increase of 4,2 percent compared with the previous three, it said.

Record month posted by ailing Alloy Wheels

(192) CT(BR) 29/4/99
FROM REUTERS

Johannesburg - Murray & Roberts, the industrial holding and multi-faceted global contractor, said yesterday its ailing Alloy Wheels International (AWI) unit had posted a profit in March, setting the platform for the group's financial recovery.

But Dave Brink, the executive chairman of the group, declined to give an indication of the size of the profit.

"It (AWI) has just had a record production month in March," Brink said.

"Although it's a company that's been a loss maker for some time and has been hurting Murray & Roberts, we made a profit in March, which means it's completely on track on its recovery programme."

Brink said figures would be released at the end of the group's financial year in June.

AWI recorded a loss of R79 million before interest in the six months to December 31, pushing the group into the red.

Murray & Roberts reported an attributable first-half loss of R150 million. "It really means we are on track," said Brink. "We said in our prospectus statement we expected to do better in the second half and some of this would be attributable to AWI doing better."

Murray & Roberts, which is busy rationalising non-core operations, is mulling over disposing of AWI.

"We have had Deutsche Morgan Grenfell looking at disposing of the business, but to date we haven't seen any results that are of interest," said Brink.

Murray and Roberts' shares had rallied in recent weeks on market speculation that the group was ready to sell AWI.

"We are not in any negotiations or close to concluding any deals," Brink said. "We are still think of selling it. We always intended to fix it, turn it into a saleable product and dispose of it, and we are on track with that."

Star 1/2/99

Taxi body seeks state help to import Russian minibuses

By EDDIE JAVIYA

The South African National Taxi Council has asked Deputy President Thabo Mbeki for a three-year relaxation of import duties to enable it to sell 5 500 imported Russian minibus taxis to its members for up to R30 000 less than Japanese-origin models.

The Gazelle minibus, used in London and popular in the US, is a 20-seater which can be modified for local conditions. The rear-wheel-drive vehicle has a four-cylinder in-line petrol engine which gives it a top speed of 115km/h.

Taxi council managing director Joe Bowen confirmed that his organisation had sent a request to Mbeki asking for import-duty relaxation. Mbeki has referred the letter to the Department of Trade and Industry.

"We are appealing to the



Lower duties sought ... the taxi industry is looking to the Russian "Gaz" as a cheaper replacement for Japanese minibus taxis.

Government to grant us a three-year 'save' on import duties. We want a special dispensation and we hope the Government will help us," Bowen said.

The 5 500 vehicles are due to arrive in March. The council has clinched a R97-million part-

nership deal with a Russian company to set up an assembly plant at Hammanskraal in North West province. South Africans will own 60% of the company.

Bowen said the project would create employment for 4 800 South Africans. Russian

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technicians would arrive in the country next month to train workers.

Bowen said high maintenance costs and escalating prices had forced his organisation to look elsewhere for reliable and cheaper vehicles.

The import-duty request is likely to run into opposition from local car manufacturers.

"Anyone who imports a car pays import duties (50,5%) and we expect these guys to do the same," a spokesperson for the National Association of Automobile Manufacturers of SA said. "They must ensure there is after-sales service and technical backup. The operational costs of the car's lifespan should also be taken into consideration."

He warned it did not make sense to import a cheaper vehicle only to find out it was difficult and expensive to obtain parts and accessories.

Renault stalls on local production

(197) CT(COR) 3/2/99

ROY COKAYNE

Pretoria — Renault, the French car manufacturer, had delayed a decision on producing vehicles locally because of its bid to buy Nissan of Japan, Manny de Canha, the managing director of Associated Motor Holdings (AMH), said yesterday

AMH, a subsidiary of Imperial, has Renault's local distributorship

"They are stalling everything to see what happens," he said "If the deal goes through, then they will probably use Nissan's facility here But we're not sure what is going to happen yet."

De Canha said in October that Renault would decide whether to produce vehicles in South Africa within the next six months

He said then that local production was on the cards, with South Africa becoming a hub for the rest of Africa There was also the chance of making right-hand drive vehicles for export to Australia

There has been speculation internationally about Renault making a bid for Nissan The Japanese company has denied any planned link

Nissan South Africa's spokesmen would not comment on the

speculation, referring questions to a statement put out by Nissan and DaimlerChrysler, the US-German company, on January 22

The companies said Yoshikazu Hanawa, Nissan's president, and Jurgen Schrempp and Robert Eaton, the chairmen of DaimlerChrysler, had discussed Nissan Diesel and explored possible cooperation with Nissan Motor

"With the aim of strengthening its international competitiveness," the companies said, "Nissan is positively pursuing the possibility of forming an alliance with foreign manufacturers"

Electric powered vehicle to be seen on Durban city streets

Nicola Jenvey

DURBAN — Eskom and Durban Electricity entered into a joint venture project yesterday to operate and maintain an electric motor vehicle around greater Durban, to analyse and market the long-term potential for alternative, energy-saving transport.

The vehicle, a Ford Bantam Dakkie, has been fitted with a US 150KW electrical system and will be used as a light delivery vehicle and for demonstrations by Dur-

ban Electricity. Eskom, which has been spearheading the research, into electric motor vehicles in SA, will monitor and assess the potential of the car for long-term intracity transportation.

Battery technology means the vehicles can operate for only about 70km before having to be recharged.

Eskom manager electric transport Carel Shyman said the electric vehicle benefited niche market customers, including business and game parks — Kruger Nation-

al Park uses a 20-seater electric powered game viewer — industrial parks and underground mines.

The technology has already been substantially tested internationally and in Los Angeles, California, environmental legislation dictates that electric vehicles account for 10% or about 200 000 of all the new vehicles entering the market by 2003.

Eskom executive director Sam Mosikili said the retelling costs amounted to 400c/100km, which was substantially cheaper than

PD 8/2/99

(192)



Car makers under the whip

(192) ET(BK) 9/2/99

ROY COKAYNE

Pretoria — South African motor manufacturers needed more than export contracts alone to be viable in the long term, Standard Bank's economic division said yesterday.

"It is also necessary for the domestic market to be profitable," the bank said.

Domestic car sales were expected to be weak this year, but they could rise almost 26 percent from last year when exports were taken into consideration.

This included Volkswagen SA's contract to supply 60 000 fourth-generation Golfs, which meant the other manufacturers were expected to export about 30 000 passenger cars.

The bank said global overcapacity would provide a challenge to local firms. "Manufacturers often have to compete with sister

companies abroad to win supply contracts," it said. "Unit costs, reliability of supply and labour become critical to the decision to award these contracts."

"In addition, off balance sheet considerations such as the personal safety of international executives, effective ethical governance and quality of life are taken into account."

A number of factors had squeezed margins.

Overcapacity could cost the industry \$70 billion this year. Last year global car making profits were about \$100 billion. Capacity this year is estimated at 22 million units. In South Africa, capacity utilisation fell from 66,6 percent in the second quarter of last year to 55,6 percent in the third quarter.

Inefficient supply chains were costing the global industry about \$40 billion a year.

A global economic slowdown this year would hurt demand and cause sellers to follow more aggressive pricing tactics in order to keep volumes up and factories producing at viable levels. The phasing out of the small vehicle incentive scheme and the weakness of the rand would probably raise small car prices.

Advances in production technology had improved the quality of vehicles, which meant that parts lasted longer and cars needed to be serviced less regularly.

The bank said dealers' returns on sales had fallen from 3,9 percent at the beginning of 1997 to a low of 2,9 percent last year but had since recovered slightly to 3,2 percent.

"Manufacturers and dealers will have to deal with the possibility that profitability could be under pressure for a number of years," it said.

MOTOR INDUSTRY MERGERS

(140) FM 12/2/99

MARRIAGES IN HEAVEN AND HELL

SA's car industry will be rocked by the global merger-mania now under way

Remember Pacman, the computer-game gizmo that gobbled up everything in its path? Games are more sophisticated these days, but Pacman's still alive and well and managing a motor company

How else to explain the flurry of real and predicted takeovers now reshaping the auto industry all over the world? Once there were dozens of vehicle makers. Even now there are close to 40. But by the time the current merger/takeover process is finished, there could be fewer than 10 — perhaps only five or six, as some analysts predict.

And if there are so few in the world at large, what will happen to them in SA, which has eight? Will they be able to stay in business when their parents have been absorbed? Clearly, the local motor industry is also heading for a shake-out.

Shareholders of Swedish group Volvo are deciding whether to accept Ford's US\$6,45 bid for their car business. Volvo CEO Leif Johansson has no doubt which way shareholders should vote next month. He says Volvo simply isn't big enough to fund the enormous sums required to remain at the forefront of technology, product development and distribution.

Volvo's not the only one. Thanks to economic decline, particularly in Asia, and shrinking global markets, more and more companies are facing financial hardship. Costs are out of control. With too many companies chasing too small a market, the global industry is operating at less than two-thirds capacity. It is estimated to have the capacity to produce 22m more cars and trucks each year than it sells — at a time when analysts are predicting a further cyclical market downturn within five years.

No wonder so many companies are losing money and becoming takeover targets for companies like Ford, which has cash reserves of \$23bn.

Toyota is similarly cash-flush. Incredibly, though, it is a rare bird in a country that once threatened long-term domination of the world motor industry. A few years ago, Japanese car makers swept all before them. US rivals Ford, General Motors and Chrysler seemed incapable of withstanding the Japanese tsunami, while European countries busily built barriers to keep the intruders at bay.

And now? Cushioned from competitive reality by the protectionist policies of Japan's Ministry of International Trade & Industry (Mitl), most Japanese auto com-

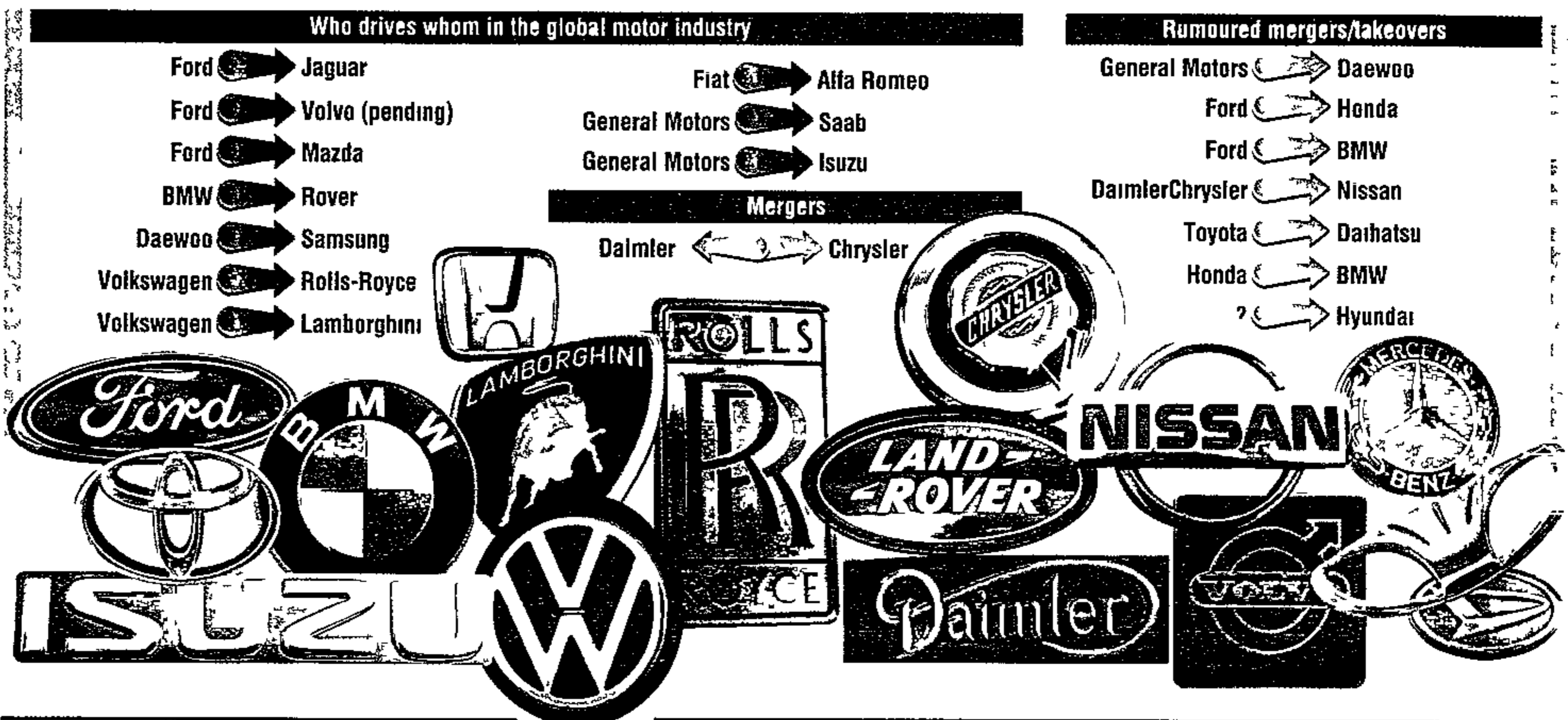
panies have suffered. Several years of economic stagnation have drained resources. Last year's collapse of Far East economies was just the final straw.

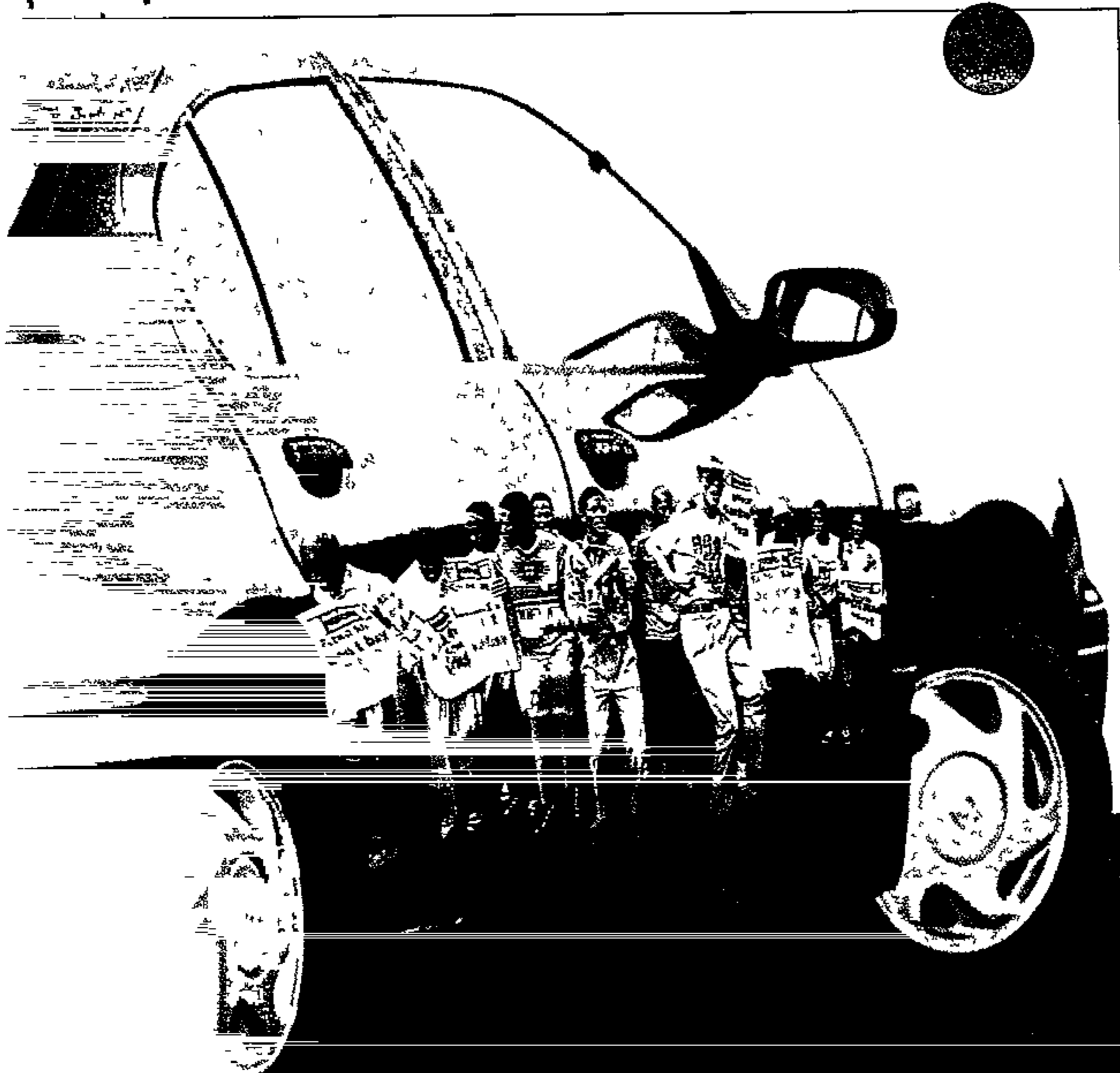
Only Toyota and, to a lesser degree, Honda have steered successfully through the crisis in Japan. Honda has cash reserves of \$3bn, but Nissan is estimated to be \$22bn in debt and Mitsubishi, \$18,5bn. The indebted ones are most vulnerable to takeover or merger, say analysts. What makes them more appetising to a foreign predator is that they offer access to the Japanese market — as a merger would, of course, also open the other company's home market to the Japanese.

DaimlerChrysler, with \$25bn available, is mentioned in connection with both Nissan and Mitsubishi. Ford, which already owns Japanese car maker Mazda, is considered a possible suitor for Mitsubishi.

But then nearly everyone is being mentioned in connection with someone else these days. In recent weeks, reports have linked Ford alone with Volvo, Nissan, Mitsubishi, Fiat, BMW and Honda. BMW is

THE MOTOR MERRY-GO-ROUND





Cause for reflection . . . will mega-firms tolerate low output and labour unrest in SA plants?

particularly popular the rumour mills have also named Honda and Volkswagen as possible buyers, and a partnership between BMW and Italian car maker Fiat has also been suggested

Perhaps they should be cautious in view of BMW's own takeover experiences. Senior management heads, including that of chairman Bernd Pischetsrieder, rolled at the weekend because of continued losses at Rover, which BMW bought in 1994

Whatever the rumours, there is no doubt that the total number of auto companies will fall. Whether it's major alliances, like a DaimlerChrysler-Nissan deal to span three continents, or smaller agreements like Toyota's growing control of Daihatsu, the trend will continue

It will do so at all levels. Daewoo, which has agreed in principle to take over the car-making operations of fellow Korean company Samsung, is itself in line for rescue by General Motors. GM recently upped its stake in Japan's Isuzu to 49% and bought 10% of Suzuki. Another debt-ridden Korean car maker, Hyundai, has confirmed it too is looking for a Western sugar-daddy

Bob Eaton, DaimlerChrysler's co-chairman, says only 10 of the 40-odd auto companies in the world today are making money "and perhaps half of those earn back their cost of capital

"That number will get smaller. Consolidation is a fact of life in our industry. DaimlerChrysler was the first but there will be more. Everybody seems to be looking for someone to dance with. I think we'll see some marriage announcements shortly"

Eaton blames protectionism for most of the industry's over-capacity problems. The dismantling of trade barriers and breaking down of economic "nationalism" is allowing companies to consider cross-border alliances — once unthinkable

Some countries will hold out against this idea longer than others — the French spring immediately to mind — but in the end, survival and economic reality will prevail, says Eaton

So who will survive? The Japanese experience of the past few years proves nothing should be taken for granted, but it's hard to look beyond GM, Ford, Toyota and DaimlerChrysler as the automotive powerhouses of the early 21st Century

Volkswagen, having overcome financial difficulties in recent times, also looks a safe bet and is expanding, having already bought "boutique" brands like Lamborghini, Bugatti and Bentley. Honda, too, is in good shape. But does it have the resources to stand alone against merged global competitors? Some analysts suggest Honda may enter the takeover/merger market

sooner rather than later, while it can still negotiate from a position of strength

Though consolidation will sift out companies, it won't necessarily sift out their names. Just as GM has retained brands like Opel and Saab, and Ford will never give up Jaguar and Aston Martin, so Volvo and others will remain familiar marques

What does that mean for SA, where total domestic vehicle production is less than the volume for a single model in the big markets? There is no economic rationale for eight domestic manufacturers (counting Hyundai in Botswana). But then, there never has been. One local CEO goes as far as to say there is no justification for any manufacturer at all. Socio-economic factors, and fear of what their departure will do to the regions in which they operate, is all that keeps some companies here

That may have to change. Even without global mergers, imminent new SA motor industry rules penalising low-volume production runs will make it harder for manufacturers to stay in business. By 2007, it is predicted, any model whose local production volumes are not at least 5% of the total SA market will lose all duty-free allowances. The number of models that meet that standard now can be counted on one hand. Reduction of export incentives and scrapping of duty benefits on small cars will make it harder for SA companies to continue as they are

Toyota SA chairman Bert Wessels says "rationalisation will force us all to build fewer models. Of the 43 models built locally now, by 2007 there may be only 15". And if there are fewer models, will there not also be fewer manufacturers?

Global mergers are driven in part by unused capacity, and will result in plant closures and layoffs. That being so, can the international mega-companies justify production in low-volume SA plants? On a double-shift basis, on which most foreign factories work, many SA assembly plants operate at below 40% capacity

"Global rationalisation will be reflected in SA," says Wessels. "We must align with global alliances and that will mean fewer manufacturers in SA"

It probably will also mean a realignment of local alliances. At present, Nissan builds Fiats, Mitsubishis are built by both Mercedes-Benz and the Ford-managed SA Motor Corp (Samcor), Mercedes also builds Hondas, and Hyundai builds Volvos. Daewoo officials, whose cars are imported, talk longingly of local assembly at Delta Motor Corp, part of the GM stable

Changes are already taking place. Toyota SA last week announced it will no

longer build and market American Peterbilt trucks so it can concentrate on its Japanese supplier's products. And Chrysler SA has moved into Mercedes' HQ in Pretoria and its vehicles are being sold from Mercedes dealer floors.

This, surely, is just the beginning. When foreign parents merge, local rationalisation can't be far behind. If the merged international company ends up with two SA plants, each operating at 40%, surely it

makes sense to consolidate into one. It still makes more economic sense to close them all down, but that won't happen, the political and social fallout would be too traumatic.

By 2007, the reduction of import duties on built-up cars is expected to fall to 30% — a figure at which local manufacturers will find it hard to compete unless both the domestic and export markets accelerate into overdrive.

There is certainly movement in the industry, but one can't be too sure of the destination. A few weeks ago, when rumours began to circulate about Ford's interest in Volvo, Ford's senior European spokesman responded: "When I heard the rumour linking us with Volvo, I spent some time trying to work out what we could gain from such a move. Needless to say, it was a rumour with no basis in fact at all."

David Furlonger

EXPORTS, VAT & FRAUD

REVENUE BEATS THE BADDIES BY BLOCKING VAT LOOPHOLES

Insistence on upfront Vat payment saves SA millions

The SA Revenue Service's tough stand on Vat evasion at border posts with four key neighbouring states seems to be paying off. Up to 90% of the losses previously suffered on Vat refunds on indirect exports to Botswana, Lesotho, Namibia and Swaziland (the BLNS countries) have already been staunched, says Revenue's director of Vat policy, Peter Frank.

Revenue estimates that as much as R100m a month in Vat takings was being lost through fake export transactions, where the goods never left SA. In just one case of fraud uncovered late last year — involving Zamar Trading and Cordless Phones — around R59m in fraudulent Vat refunds was claimed.

Indirect exports are transactions where a SA-registered Vat vendor sells goods to a middleman who claims the goods are for export and thus entitled to a zero-rating or refund of the Vat paid to the original vendor. The refund is paid once the middleman produces fraudulent Customs documents "proving" the goods' export, often with the collusion of crooked border officials. In this way, billions of rand worth of goods — ostensibly transported across a border, mostly to the BLNS states — never actually leave SA. Instead, they are resold here with Vat added on, and the seller claims a full Vat refund from Revenue, thereby pocketing the 14% tax.

BLNS have been more prone to Vat abuse than other export points (such as international airports, Zimbabwe and Mozambique) because the SA tax authority was unable to post officials at BLNS border posts when Vat began in 1991. Customs officers generally handle Vat doc-

uments at borders but, as member countries of the Southern African Customs Union are exempt from duties, customs officers were not stationed at BLNS posts.

The new export incentive scheme for Vat began last November, and Frank says it has worked so well that Revenue is now refunding only about R9m of Vat a month,

VAT SCAM

Size of the problem

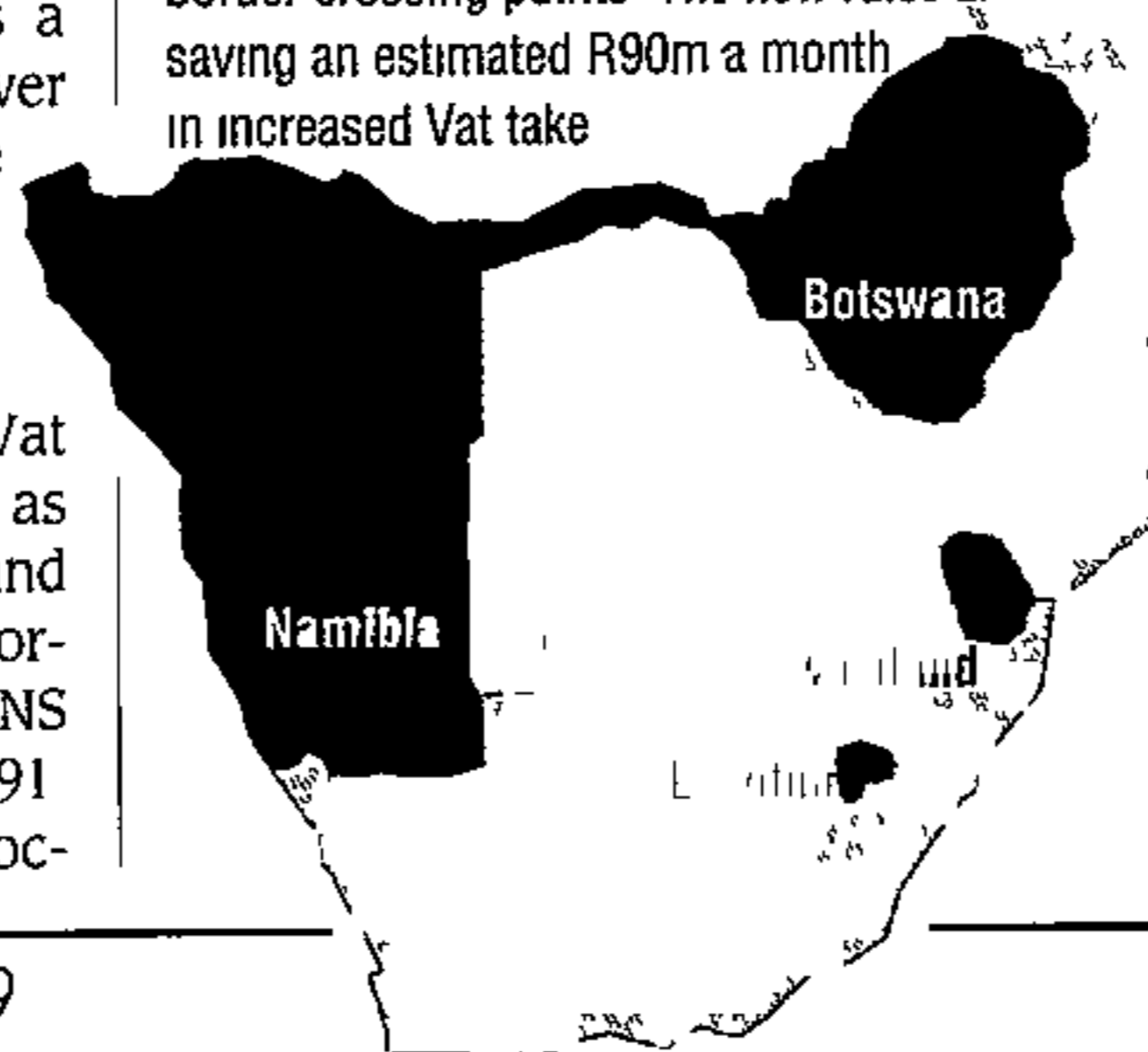
SA Revenue Service estimates evasion on exports to Botswana, Lesotho, Namibia and Swaziland was costing R100m a month in lost Vat.

How it was done

A middleman would buy goods from a vendor on the undertaking that the Vat will be refunded. Once the goods have been exported to one of these countries the middleman would produce fraudulent export documents and claim a Vat refund. But the goods never leave SA and are resold, allowing the seller to pocket the 14% Vat.

What's changed?

Since November last year, exporters have had to pay the 14% Vat upfront. Refunds are authorised by customs officers at authorised border crossing points. The new rules are saving an estimated R90m a month in increased Vat take.



suggesting 90% of previous "exports" to BLNS were falsely described.

Under the new Vat export rules, zero-rating is not allowed. The Vat must be paid upfront and the export refund can only be made by Customs officers at designated export crossing points, with far better supervision than in the past.

On the import side, Revenue expects to net about R100m a month in Vat, though the initial take has been lower. In the two weeks since implementation on January 4, Revenue netted only about R33m. In this case, though, fraud was generally not the issue. Revenue was always capturing about R20m a month in Vat from subsequent transactions with final purchasers.

Revenue's intention is to capture Vat in an earlier leg of trade — the actual import transaction, not the final transaction. It means there can be no input tax credit, because the preceding transaction has taken place outside SA. The more Vat that can be captured at the import stage, the better for cash flow to the treasury.

Frank says meaningful statistics are not yet available for so-called direct exports, transactions where the SA supplier itself transports the goods over the border and claims zero-rating or a Vat refund.

Problems persist, though, with livestock and red meat exports, as Revenue is still allowing local sales to be zero-rated. The same source of fraud — fictitious exports

— has not yet been blocked. Nor has failure to levy Vat on imports. These are politically delicate areas, but Revenue is engaged in negotiations with interested parties and intends reaching an agreement.

A private-sector grouping, the Customs & Vat Enforcement Caucus, helped to lay the foundation for these reforms through meticulous detective work. Caucus chairman Richard Ferrer and convenor Lee Dutton have uncovered several networks responsible for export fraud. But the Vat miscreants haven't given up, says Dutton. Already, new styles of Vat fraud are beginning to appear.

Robin Friedland

Economy & Business

longer build and market American Peterbilt trucks so it can concentrate on its Japanese supplier's products. And Chrysler SA has moved into Mercedes' HQ in Pretoria and its vehicles are being sold from Mercedes dealer floors.

This, surely, is just the beginning. When foreign parents merge, local rationalisation can't be far behind. If the merged international company ends up with two SA plants, each operating at 40%, surely it

makes sense to consolidate into one. It still makes more economic sense to close them all down, but that won't happen, the political and social fallout would be too traumatic.

By 2007, the reduction of import duties on built-up cars is expected to fall to 30% — a figure at which local manufacturers will find it hard to compete unless both the domestic and export markets accelerate into overdrive.

There is certainly movement in the industry, but one can't be too sure of the destination. A few weeks ago, when rumours began to circulate about Ford's interest in Volvo, Ford's senior European spokesman responded: "When I heard the rumour linking us with Volvo, I spent some time trying to work out what we could gain from such a move. Needless to say, it was a rumour with no basis in fact at all."

David Furlonger

SA car parts industry a magnet for Japanese traders

PETER FABRICIUS

Johannesburg — Japanese car companies were ready to invest in and buy from the automobile parts industry of South Africa if it boosted its productivity and quality, Noburu Hatakeyama, the chairman of the Japan External Trade Organisation (Jetro), said this week

Japan was also investigating the possibility of sourcing its large demand for electronics and processed foods from South Africa

All three of these industries held potential for a badly needed increase in South African employment if they could overcome productivity problems, Hatakeyama said, in a meeting with Alec Erwin, the trade and industry minister, on Monday

A team of Jetro experts had visited South Africa recently and discovered room for improvement in the auto parts industry.

Jetro accepted that because of the low industry volume of production, production costs were relatively high. The costs were higher than necessary.

One of the problems Jetro identified was that the export



EASTERN PROMISE Noburu Hatakeyama urges strong links

incentives in the Motor Industry Development Programme could spoil the auto parts industry and make it less competitive globally in the long term.

Hatakeyama told Erwin that Japan would be assured if the South African government promised the phasing out of incentives over a definite period. Erwin dismissed his concerns.

Another cause of high production costs was material wastage because of poor organisation of production lines.

Provided these sorts of problems could be overcome,

Japanese motor vehicle companies were ready to source substantial quantities of auto parts from South Africa and invest in this expanding industry.

He said it would take longer for South Africa to develop an electronics industry to the point where Japanese manufacturers would buy from it in substantial quantities as it was barely developed.

Jetro was interested in electronics because it held the potential to make a major dent in South Africa's 33 percent unemployment problem. Jetro had done the same for Malaysia, where it had played a major role in achieving full employment.

Jetro would also be sending experts to investigate increased purchases of processed foods, particularly organic foods which were popular in Japan.

Hatakeyama said in Japan this year Jetro would be holding a "reverse" exhibition for Japanese buyers of African export products and a seminar on Japanese investment in Africa.

He expected South Africa to figure prominently in both events — Independent Foreign Service.

(192) CT(BR)18/2/99

COMPANY NEWS

Tiger Wheels increases interim attributable earnings by 57%

CT(MR) 18/2/99 (192)

SHIRLEY JONES

KWAZULU NATAL EDITOR

Durban — Tiger Wheels, the aluminium wheel and passenger tyre group operating in Germany, Poland and South Africa, lifted attributable earnings 57 percent to R28,9 million in the six months to December 31, the company said yesterday.

This translated into a 36 percent increase in headline and attributable earnings to 53,3c a share because of an increase in the number of shares in issue to 54,3 million from 46,5 million in the comparable period during last year.

The interim results mirrored the 57 percent rise in attributable earnings achieved for the year to June 30, 1998.

Although group turnover shot up 154 percent to R691 million (R273 million), Eddie Keizan, the chief executive, said the inclusion of the contribution from ATS Beteiligungsgesellschaft, which the company had acquired for R175 million from January 1, 1998, meant the two figures were not directly comparable.

Tiger Wheels' pre-interest income was 66 percent higher at R40,6 million as opposed to R24,4 million at the 1997 half-year. Interest for the six months was R3,4 million, up from R511 000 a year earlier, because of expansions.

This left pretax profit of R37,2 million (R23,9 million).

The balance sheet reflected a reduction in gearing from 58 percent at year-end to 52 percent, which Keizan said was still comfortably within the parameters set by the board.

Net asset value at the halfway stage was 624,9c a share compared with 378,8c a year earlier.

Keizan said that while production at the soon-to-be-phased-out Babelegi wheel plant had been a hurdle during the half-year, development of the new megaplant in Babelegi, which would take its place, was on track and commissioning would take place in April for a July start-up. This would

significantly ease pressure to fill local and export orders.

Keizan said Tiger Wheel and Tyre Retail stores continued to trade successfully, albeit in a tough South African market.

Results at ATS were below budget because of production problems, but management was confident this would be rectified by the second half of the financial year.

The new wheel manufacturing plant in Poland was successfully commissioned.

"What bodes well for the bottom line in the medium term is that both of these new plants will enjoy tax holidays."

Keizan was optimistic about profit growth for the rest of the financial year. But he warned that results for the second half could be tempered by continued poor performance at the old Babelegi wheel plant before the company's far-reaching manufacturing transition in South Africa was successfully implemented.

'Second-half results could be tempered by the ailing Babelegi wheel plant'

Nissan allowed to go ahead with retrenchments

CT(BR)19/2/99 (192)

ROY COKAYNE

Pretoria — Nissan South Africa the motor manufacturer, would proceed with the forced retrenchment of about 200 of its workers, Johan Kleynhans, the group affairs and communications director, said yesterday

An arbitration hearing had found that Nissan SA followed all

the required procedures and it therefore set aside an interdict application by the National Union of Metalworkers of South Africa (Numsa), said Kleynhans

Nissan had planned to let 450 employees go, but those employees who had accepted a voluntary retrenchment package had already left the company

The decision of the arbitrator

follows Numsa's application to the labour court in Johannesburg in November for an interdict to get Nissan SA to disclose strategic plans for the company because of the retrenchments

Agreement was subsequently reached between Nissan SA and Numsa in the court, in terms of which there was a moratorium on forced retrenchments by the

company until the end of January, while Numsa agreed not to oppose the voluntary separation package

Dumisa Ntuli, a spokesman for Numsa, said the union was not satisfied with the outcome of the case. He said the arbitration had taken a narrow and legal view and did not understand the issues at stake

Labour Court sets aside Numsa's interdict ruling

(192) *Sowetan 22/2/99*

By Mzwakhe Hlangani
Labour Reporter

THE National Union of Metalworkers' interdict which sought to force Nissan SA to disclose its financial plans before retrenching 200 employees, has been set aside by the Johannesburg Labour Court, a spokesman for the union said yesterday.

A further 450 Nissan employees who also faced retrenchments had already accepted a voluntary separation package, it was also established.

Numsa spokesman Mr Dumisa Ntuli expressed the union's dissatisfaction with the Labour Court's ruling, saying it showed a narrow view of the conditions which led to the application.

"It is a blow for the union," Ntuli said.

He revealed that the Durban Labour Court is expected to make a ruling this week on another application by Numsa forcing Toyota to disclose its financial

and strategic plans before considering the retrenchment of about 600 workers from its Prospecton plant.

Ntuli pointed out that it had been agreed between the union and companies to disclose information to allow the unions to contribute positively in the debate aimed at improving the companies' operations.

Nissan group communications manager Mr Johan Kleynhans confirmed the arbitration hearing had set aside Numsa's interdict which sought strategic plans to be disclosed.

It was found that the company had not transgressed any retrenchment procedures and will go ahead with its retrenchment plans.

Agreements were subsequently reached at the Johannesburg Labour Court between the union and Nissan in terms of a moratorium on forced retrenchments until last month. It was agreed that Numsa would not oppose the company in court.

SA catalytic converter industry sales rising fast

(192) BD 26/2/99

Stan Maphologela

THE SA catalytic converter industry is booming, with sales surging 77% to R1,478bn last year from R835m in 1997

Most of the local players in the industry are local subsidiaries of multinationals which have made substantial investment in this rapidly growing sector of the SA automotive components industry

Gavin Young, chairman of the Catalytic Converter Interest Group, points out that SA produces more than 70% of global platinum output, most of which is exported as bullion. Catalytic converter manufacturing is the only SA industry that fully beneficiaries that strategic resource prior to export, earning significant foreign exchange

Platinum content amounts to 40% of the value of catalytic converters. Those made in SA account for 8% of world output. North America's share is 40%, and the rest come from Asia and Europe

The reason for high output in North America and Europe is stricter legislation there which demands a dramatic reduction of emission from cars with spark ignition engines

Young said the industry was critical to the growth of stainless steel manufacturing in SA as it was the largest consumer of

stainless steel, converting more than 30 000 tons of locally produced material from Columbus Stainless. Consumption was growing

As the domestic market has become more competitive, exports of catalytic converters have increasingly been seen as the major growth area with expansion encouraged by the import complementation scheme

Car manufacturers, like BMW, DaimlerChrysler and Volkswagen had entered the export market on a large scale, so their vehicles had to be fitted with catalytic converters

With the midterm review of the Motor Industry Development Programme under way, the trade and industry department is looking at ways of sustaining expansion

Catalytic converters control harmful gases from emission systems. Catalysts eliminate substances which contaminate the atmosphere. Emission control catalysts neutralise dangerous engine pollutants from a wide range of fuels, including petrol, diesel, natural gases and alcohols. Catalysts transform the pollutants into harmless gases within a catalytic converter before releasing them

Industry analysts said there were no emission laws in the country to force assemblers to use such systems

Motor industry faces uphill start to 1999

(192)

Star 5/1/99

ROY COLAYNE

Pretoria — The annual shut-down for the motor manufacturing sector, after the woes of last year, probably came not a moment too soon for most in industry bosses. And the outlook for this year is hardly any brighter.

The National Association of Automobile Manufacturers of South Africa (Naamsa), expects the total vehicle market to reach 201 000 units for 1998, a decrease of 19,6 percent from 1996. Total local vehicle sales for 1997 — excluding sales estimates for manufacturers not reporting to Naamsa — slumped to 239 762 units from 249 884 units in 1996.

The plunge in sales, particularly in the second half of last year, was largely caused by record high interest rates. With rates unlikely to drop below 20 percent until after the first quarter of this year at the earliest, a revival in sales only seems likely in the second half.

Manufacturers and analysts are forecasting a total market of between 210 000 and 225 000 units for 1999.

Tony Twine, a motor industry analyst and director of Econometrix, expects lower interest rates and a brighter year for sales overall. But he warned that the first half would be tight

and stressed that forecasts for vehicle sales would depend on the outlook for economic growth.

In contrast to the past three years, when the motor industry experienced virtual industrial peace, strikes hurt the industry again last year.

A new three-year agreement was signed between the National Union of Metalworkers of South Africa (Numsa) and the Automobile Manufacturers Employers Association. But this was achieved only after a strike. The industry was then subjected to a five-week sympathy strike because of a deadlock in negotiations between Numsa and the SA Motor Industry Employers' Association, which represents the motor sector.

The prospects for industrial peace in the motor industry in 1999 do not appear good given the weak demand for vehicles and intensely competitive local market, which has prompted manufacturers to investigate ways of reducing costs and overheads.

With the exception of the few manufacturers that have managed to secure major export contracts, virtually all the motor manufacturers have launched voluntary and/or forced retrenchments programmes. This does not bode well for industrial peace, while

sympathy strikes are likely to become more widespread because of retrenchments in allied industries.

Numsa maintains that employment in the motor industry has fallen in the past 10 years from 50 282 to about 26 862 and has given notice that it will continue to "fight the scourges of retrenchments".

Despite weeks of negotiations, the mid-term review of the government's motor industry development programme has still not been concluded. There has been much speculation about what modifications were being contemplated, some of which were apparently fairly drastic.

The deadline for the publication of the mid-term review has now been extended several times and it is likely to be published early this year.

Investment decisions by the motor industry are long term and certainty about government policy towards the industry is vital for its survival and prosperity — and the jobs it creates.

Exports of locally produced vehicles as well as the prices of vehicles, which have increased by less than the consumer price index in the past few years because of the intense competition, are the only bright spots in an otherwise

fairly bleak motor industry landscape.

Both Volkswagen and BMW South Africa have secured major vehicle exports contracts and Mercedes Benz South Africa is expected to announce a similar export programme. Samcor has secured another major engine contract, while all the other manufacturers have export programmes in place.

Nico Vermeulen, the director of Naamsa, expects South Africa's total industry exports to rise to R14 billion this year from an estimated R7,65 billion in 1998.

Vehicle exports are expected to rise to 100 000 units worth R7 billion in 1999 from a forecasted 24 300 units worth an estimated R1,45 billion last year.

Talk of a shake up in the industry has been doing the rounds for the past few years. But to date there have been no major casualties. For the locally based manufacturers, the key to survival is their export programmes and becoming integrated into the global supply networks of their parent companies.

For this reason, the first casualties are likely to be importers of fully built up vehicles. No industry spokesman or analyst, however, is prepared to go on the record about when or who the first casualty will be.

Illegally imported used cars a customs headache

Linda Ensor

(192) (7435) 6/11/99
CAPE TOWN — The illegal importation of second-hand motor vehicles from the Far East is proving a headache for customs and excise, which has sought reinforcements from the SA Police Service to help stem the tide.

Customs director Gavin Collinet said that state warehouses were full of illegal imports, but the major problem at present was second-hand motor vehicles.

The importation of such cars, sold very cheaply overseas, was prohibited in SA to protect the local motor industry.

Only immigrants were entitled to bring their second-hand cars into the country, and this took place on a limited scale, Collinet said.

By falsely claiming that the cars were in transit through the country, illegal importers were avoiding the various custom and ad valorem duties due on imported cars which started at 70% of their market value.

Instead of exiting the country to Zambia and Zimbabwe, the vehicles were being sold on the SA market and then licensed.

Collinet said it was difficult to estimate the extent of the enterprise until a full-scale audit was completed. The cars involved were mainly

Japanese, and entered SA through Durban harbour.

Customs was constantly involved in a bid to improve controls in a manner which did not adversely affect the flow of genuine consignments and had been particularly successful in curbing the illegal import of cigarettes from neighbouring countries, especially Zimbabwe.

Whereas 7,1-million cigarettes were confiscated and destroyed in 1997, last year this figure plunged to 715 000.

Two sales of 1 000 tons of confiscated textiles last year to buyers from countries north of the equator had realised R5,1m.

Illegally imported used cars a customs headache

Linda Ensor

(192) (1997)

SD 6/11/97

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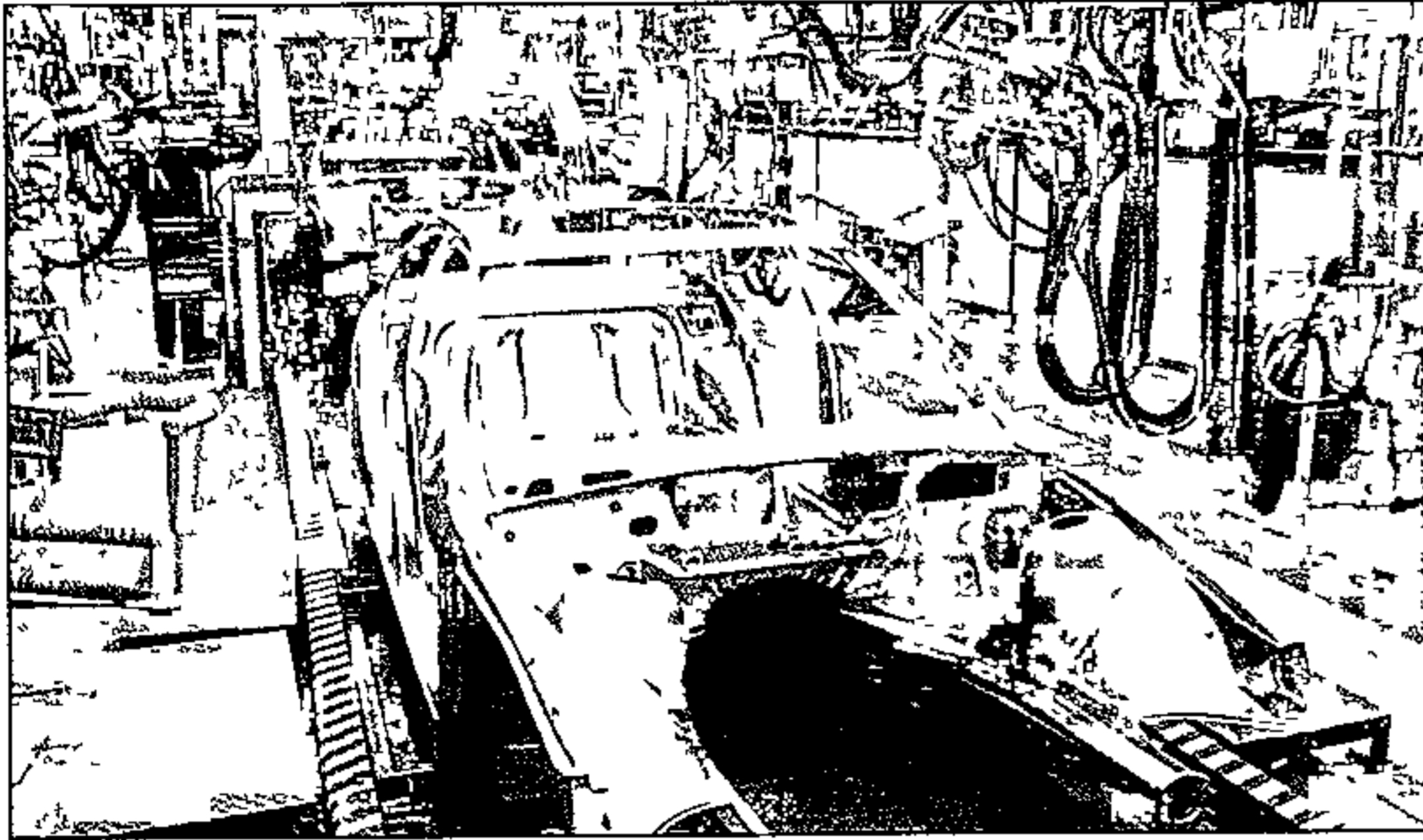
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Waiting for Godot DTI dithering is stalling investments worth billions

MOTOR INDUSTRY POLICY

(1992) FM 15/1/99

DTI STALLING MAKES INVESTORS JUMPY

Vehicle and components manufacturers are becoming impatient for the Department of Trade & Industry to make up its mind on an updated policy for the local motor industry. Billions of rand in potential investments are on hold until clear direction is given by the DTI.

The department last year carried out a mid-term review of the Motor Industry Development Programme (MIDP), which runs from 1995 to January 1 2002.

Through several measures, including stripping away protection, the programme aims to make the industry internationally competitive, and so secure jobs, create export markets and reduce domestic vehicle prices.

The review is intended to iron out shortcomings within the MIDP and make recommendations for the next stage of the programme, to 2007.

The DTI was expected to publish its proposals as early as October last year, then allow a brief period for further proposals before announcing a final policy, possibly before Christmas. Instead, it could be March or even later before a decision is made. The DTI circulated a general outline of its

thinking to the industry on December 15, with a promise that full proposals would be published this month. After, or if, that happens, it will allow six weeks for comment before going back to determine a final policy.

built-up cars, currently 50,5% and due to hit 40% in 2002, should fall to 20% by 2007. Under pressure from the industry, the final figure is likely to be amended to 30%. Duty on components will probably settle around 25%.

The DTI has also signalled that it will reduce export-complementation values. At present, manufacturers can claim import duty rebates equal to

"Even March may be optimistic," says a leading industry analyst. "My understanding is that the department's staff really don't know what to do."

What is certain is that some key elements of the MIDP will change. The small-vehicle incentive, which offers duty rebates to small cars below a certain price, will be phased out by 2002.

The DTI had proposed that import duties on

the full value of exports. The result has been to sharply increase the level of imported components, so the DTI will probably reduce the rebate level, possibly to around 75% of export earnings, by 2007.

One area in which the MIDP has certainly failed so far is in reducing the numbers of locally built models. Manufacturers are waiting to hear if the DTI will introduce production

>> Even March may be optimistic. My understanding is that the department's staff really don't know what to do >>>

Industry analyst

volume targets for individual models, below which they won't qualify for duty rebates. Betting is that the DTI will insist models claim a minimum share of the local market. This is likely to be phased in by 2001, aiming at around 5%-6% by 2007. **David Furlonger**

Govt outsourcing will boost SA motor sector

DD 26/1199 (192)

WesBank deal likely to lead to savings for the state, analysts say

Robyn Chalmers

OUTSOURCING the management of government's fleet of about 11 500 vehicles will shave millions of rands off the R1bn annual cost of operating government garages and inject this into the motor sector, say analysts

Transport Minister Mac Maharaj said at the weekend that WesBank had won the tender to provide R750m of vehicle finance to national and provincial government employees who qualify for car allowances

The two-year contract, which kicks off in March, is one of the largest vehicle financing deals yet done in SA

Analysts said yesterday the deal would provide a boost not only to WesBank but to the vehicle financing industry as a whole

"It's a big move for government

and should ultimately lead to improved efficiencies and savings for the state," said one analyst

Previously the financing of government-subsidised cars was through the capital expenditure budget of each department or province, which then recovered the amount from the employee over three to six years, depending on the individual vehicle contract

Government finances 11 458 vehicles and enters 3 000 new financing agreements a year. The WesBank contract will cover all new agreements as well as a backlog of about 3 000 vehicles

Under the new system, the employee will enter into an individual contract with WesBank, which will include the capital repayments and the maintenance of a vehicle purchased from the manufacturers on a

separate government contract. WesBank has outsourced maintenance of the vehicles to Avis Fleet Services

Maharaj said the deal was part of the transport department's restructuring of government's use of vehicles to improve efficiency

Government had inherited an inefficient system which was open to abuse, and it was generally agreed that radical reform was needed

"In the deal we have successfully transferred the risk for the financing of motor vehicles to individual government employees from the public sector to the private sector

"Furthermore, this streamlining of the car finance will lead to greater efficiency as the administrative burden of the previous system, which was borne by departments and provinces, will now be carried by WesBank," he said

Bad outlook fails to deter Mercedes-Benz

DD 27/1/99
Stan Maphologela

MERCEDES-Benz SA intends to continue expanding its product range to offer customers transport solutions and the latest technology despite the difficult year the transport industry is facing

Geoff du Plessis, GM for commercial vehicles, said the intended expansion would be achieved through a solid dealer network.

"Our outlook is for a 10% contraction in the overall commercial vehicle market," he said

The economic situation

(1998)
pointed to a decrease of about 5% in the light commercial vehicle segment, one of the prime growth areas in the past few years

With the cooling off of the economy, this segment and the heavy-duty vehicle sector would be hardest hit

The light commercial sector would not be able to maintain the growth it had displayed in the past few years. Customers or businesses which bought these vehicles were the most price-sensitive, were normally heavily geared and had cut back on spending

Also, the commercial vehicle industry had been severely affected by the high interest rates and the devaluation of the rand

The company expected its total market size to be about 10 775 units. It intended to remain a market leader in buses and in the 16 ton-plus commercial vehicle segment

At the same time it would increase its performance in the medium segment with the introduction of a new light truck range later in the year

Sales in the heavy sector market were marginally above that of 1997, ending at 3 044 units.

Sales figures flash green for idling motor industry

MARKET CONDITIONS
By DON ROBERTSON

THE motor industry is on the mend. New vehicle sales during May finally reversed a 27-month declining trend, with private buyers returning to the market in response to lower interest rates.

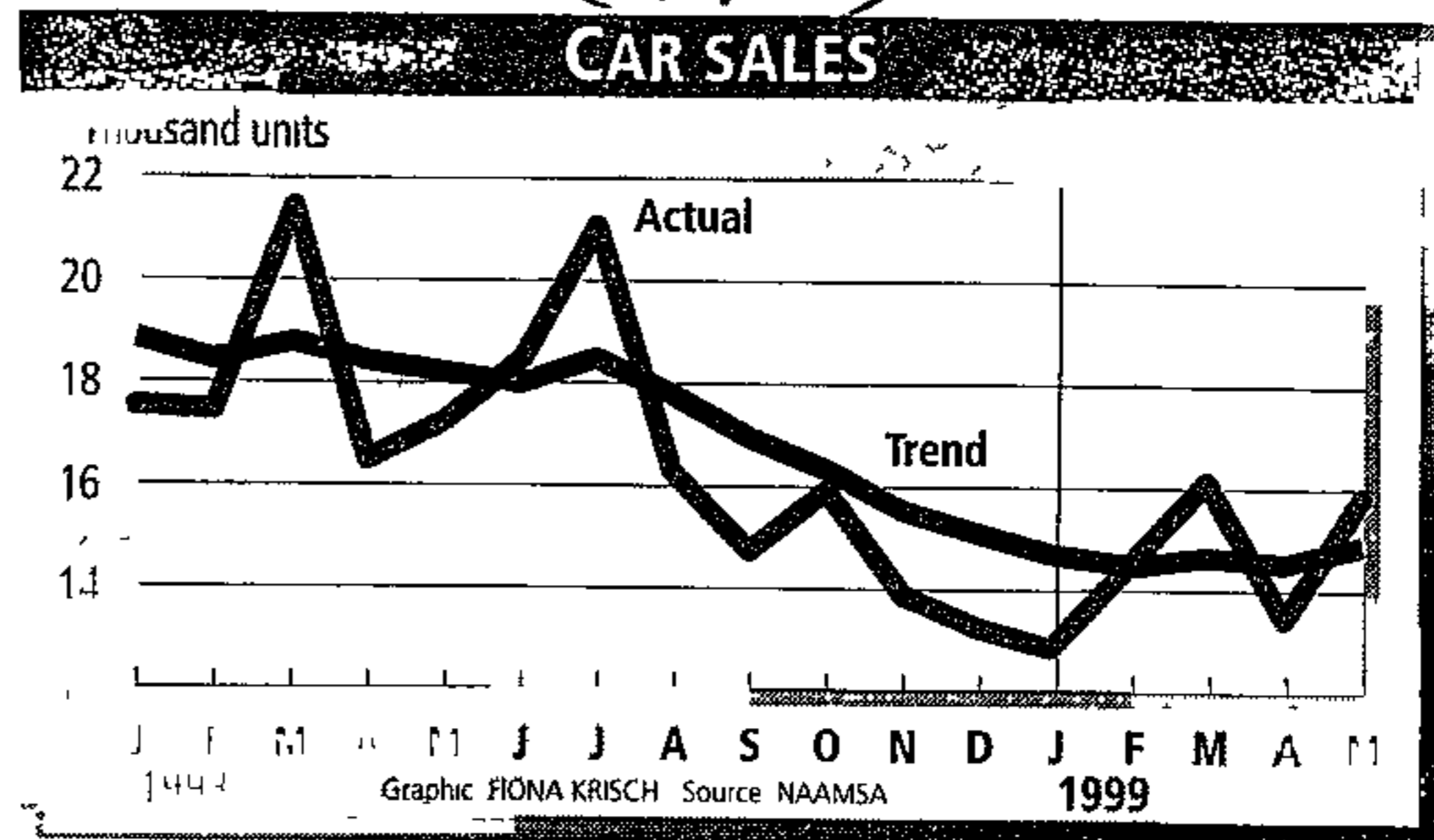
Motor manufacturers and economists are cautiously optimistic about prospects for the rest of the year. They feel that with an incident-free election over, business confidence, a major factor in the new vehicle market, will start picking up.

May sales were substantially higher than April's — except for heavy trucks, which showed a small decline — though still lower than sales in May last year. This has reversed the declining sales trend of the past two-and-a-half years, and reduced the percentage falls for the first five months of the year compared with last year.

Total vehicle sales in May rose to 24 657 from 21 136 in April, although they were lower than the 26 537 recorded a year earlier.

This left the total for the year to date at 114 749 compared with 137 038 last year — a fall of 16.2%.

A similar pattern was reflected in passenger sales, with May's



ST(BT) 6/6/99

15 915 representing a 18.1% improvement on April, but down only 7.6% on May last year.

Volumes in the entry level sector represented 35.5% of the total passenger market compared with about 31% in the previous four months, suggesting that private buyers are returning.

Tony Twine, economic consultant at Econometrix, says the market is "on the doorstep of better times ahead", and predicts an improvement in new car sales to over 21 000 in July and August, with only marginally lower volumes in the last quarter.

Nissan SA Marketing director John Jessup says last month's recovery could signal an improvement in sales if interest rates continue to decline. Samcor MD Lewis Booth says the smooth running of the elections should be positive for the economy.

McCarthy Motor Holdings CE Brand Pretorius says that now the election is over, business conditions should return to normal, and this will definitely benefit the industry.

"We are expecting a further improvement in monthly vehicle sales to be recorded in June."

Hope for motor industry despite drop in sales

ARG 5/6/99 EFGA

(192)

ROY COKAYNE

Pretoria - South Africa's motor vehicle industry was "on the doorstep of better times" despite a decline in sales in all four market segments last month compared with last year, said Tony Twine, a motor industry analyst at Econometrix, yesterday

The National Association of Automobile Manufacturers of South Africa (Naamsa) yesterday reported that new car sales declined by 7,6 percent or 1 312 units to 15 915 units in May this year compared with the 17 227 unit

sales recorded in the corresponding month last year

But car sales recorded last month were 18,1 percent or 2 442 units higher than the 13 473 units sales in April this year

Twine said car sales in the first five months of this year were bottoming out at the 15 000 units a month level, which considering where the economy has been "is an achievement in itself"

He expected "quite a bit of confidence" to be injected back into the economy following the general election earlier this week

Twine said light commercial

vehicle (LCV) sales, which tended to lead passenger vehicle sales, were moving sideways and indicated some inherent strength of the LCV and passenger vehicle markets

He said medium and heavy commercial vehicle sales indicated fixed investment and "some fat sales" were possible in these two segments in the next few months

Twine warned that his forecasts were far more optimistic than the medium term Naamsa forecasts but nevertheless believed an acceleration of vehicle sales in the second half of this

year could result in more vehicles being sold this year than in 1998

Naamsa also reported that sales of new light commercial vehicles, bakkies and minibuses dropped by 4,3 percent or 360 units to 7 967 units last month compared with 8 327 unit sales in the same month last year LCV sales in May this year were 15 percent or 1 038 units higher than in April this year

Nico Vermeulen, the director of Naamsa, said the figures confirmed the continuation of the recessionary trend in the auto industry over the past two and-a-half years

NATIONAL

Despite pressure, motor industry is driving better

Exporting parts and vehicles is where the future lies, say those in the industry

Stan Maphologela

WHILE the motor industry is under enormous pressure with losses and dwindling margins, there is significant long-term potential for the industry, says Brand Pretorius, CEO of McCarthy Motor Holdings.

The industry has shown little improvement this year with worrying factors such as lack of business confidence, which continues to undermine sales, intermittent labour unrest, and a degree of negativity towards the latest round of proposals for the next stage of the Motor Industry Development Programme.

Pretorius says that against this gloomy picture, there were some positive developments during the year, such as a slowdown in price inflation, and a growth in the export of vehicles and components.

This year, 90 000 vehicle exports are ex-

pected against last year's 26 000. Component exports increased to R8bn last year, from R5,1bn in 1997.

"Vehicle and component manufacturers must turbocharge their productivity and efficiencies. They should expand their export bases and become part of their parent companies' global supply chains."

"It is vital they create a stable labour environment which encourages positive relationships between management and workers. The mobilisation of information technology is vital, as are lean distribution structures and partnerships between manufacturers and dealers," Pretorius says.

Capital investment in the SA motor industry was expected to increase this year to well over R2,5bn, nearly double the 1997 figure, but this year started with decreasing employment, production capacity utilisation at historically low levels, and a

highly depressed domestic market.

Signs that vehicle sales were recovering were imminent after the release of May sales figures by the National Association of Automobile Manufacturers of SA on Friday. Sales improved by 16,7% on the previous month, with 24 657 total units sold compared to the 21 136 sold in April.

Although the increase in sales compared with April's was mostly a function of the higher number of selling days, the association said the outlook for the balance of the year was for a gradual improvement.

This was due to expected further cuts in interest rates and assumes a greater degree of political and economic certainty following the elections.

Analysts predict future purchases from the car rental industry and new government structures could reasonably boost sales figures in coming months.

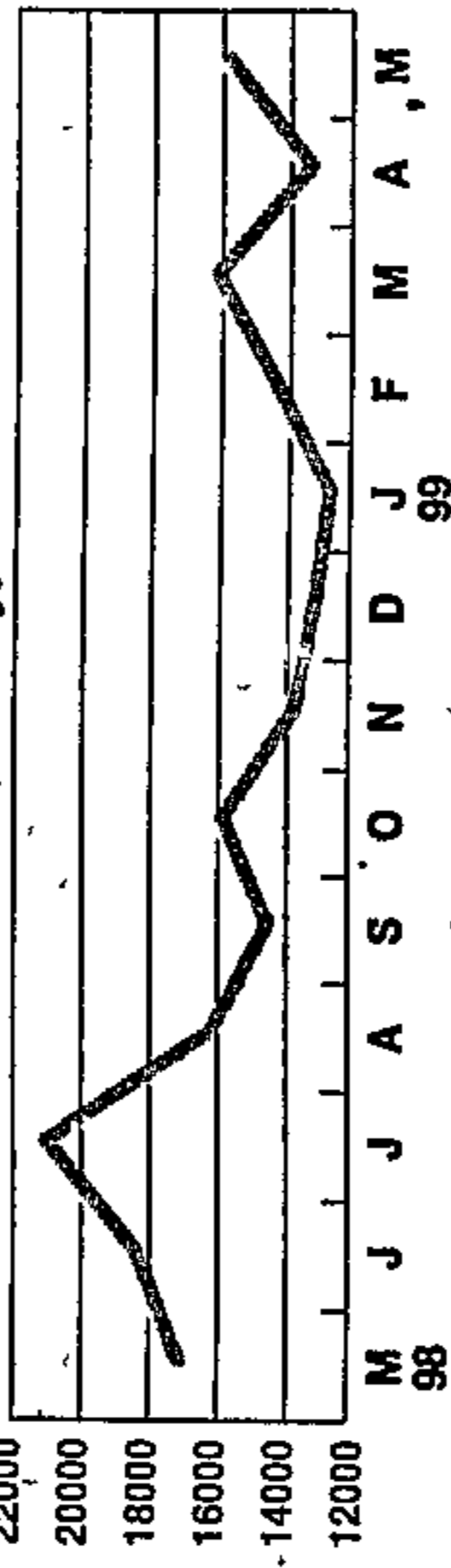
car sales

Top selling cars: May 1999

Toyota Conquest	1 647
Toyota Corolla	1 263
Tracer/323Midge	1 200
Polo Classic/Playa	1 153
Citi Golf	1 117
BMW 3-Series	1 089
Kadett Astra	900
Corsa	893
Honda Ballade/Civic	643
Sabre/Sentra	526



Total number of cars sold (monthly)



Graphic: KAREN MOOLMAN Source: NAAMSA

Naamsa quarterly shows exporters created jobs

ROY COKAYNE

(192)

(~~173~~) (~~216~~)

Pretoria - Two motor manufacturers involved in vehicle export programmes created 756 jobs during the first quarter of this year, according to the latest quarterly review of business conditions in the new vehicle manufacturing industry

Although the manufacturers were not specifically mentioned in the review, it is widely known that Volkswagen South Africa won a lucrative export contract for the Golf IV, while BMW South Africa invested more than R1 billion to gear up for its 3 Series export programme

Despite the creation of these jobs, the number of people employed in the country's new

vehicle motor manufacturing industry declined by 779 to 31 350 during the first quarter of this year to March 31

Nico Vermeulen, the director of the National Association of Automobile Manufacturers of South Africa, which compiles the review, said the industry's monthly average complement last year was 33 658 against 37 082 in 1997

He said average capacity utilisation levels during the first quarter had remained at "historically low levels" This reflected the depressed conditions in the domestic vehicle manufacturing industry

Domestic and global fundamentals pointed to a continuation of subdued economic activity in the short term

CT(MR) 8/6/99

MOTOR MANUFACTURERS

Caught between economics and the MDP

(192) CT (AR) 15/16/99

ROY COKAYNE

South Africa's motor manufacturing industry is parked on the horns of a dilemma. Sales appear to be about to improve, say analysts. However, should this happen, the industry will be unable to react quickly enough to meet the additional demand - and will thus not benefit as much as it could have from increased requirements.

Tony Twine, a motor industry analyst and director of Econometrix, says the sector is "on the doorstep of better times" despite vehicle sales registering declines last month in all four segments of the market compared to May last year.

Twine's views are echoed by many manufacturers and commentators. Len van Niekerk of Standard Bank's economics division maintains that May's sales confirmed a turnaround in the downward sales cycle.

"Consumers are starting to experience the benefit of lower interest rates and correspondingly higher levels of disposable income," Van Niekerk says.

"Lower sales in the middle car segment and better sales in the entry-level market, however, indicate the effect of consumer balance sheet restructuring.

"Although sales are forecast to increase, a further shift to entry-level vehicles, which have lower margins, means that lean distribution and a first-class used vehicle programme will remain critical to dealer success."

The National Association of Automobile Manufacturers of South Africa (Naamsa) has persistently said a sustainable



Affordability is the key to exploiting the lower end of the market. But government proposals in the mid-term review of the motor industry development programme (MIDP) seem unlikely to aid this process.

One of the government proposals involves phasing out by 2002 the small vehicle incentive (SVI), which helps reduce small vehicle prices.

Alec Erwin, the trade and industry minister, says the government believes the SVI has outlived its usefulness. A negative side effect of the SVI is the way it has encouraged proliferation of low-volume models into the entry-level segment of the market. This practice is not conducive to reducing production costs.

Erwin says that despite the phasing out of the SVI, the government believes declining tariffs will maintain competitive pressures on the industry and continue to exert downward pressure on vehicle prices in real terms.

But Hans Maergner, the managing director of Volkswagen South Africa, believes the only advantage local motor manufacturers have over their overseas counterparts is protection such as the SVI. "Without it, there won't be a motor industry in the country," he says.

Exports and the increased efficiency from longer production runs are regarded in some quarters as the solution to many of the local motor industry's ills.

However, excess production capacity is increasing internationally, limiting the extent to which local manufacturers will be able to export.

Brand Pretorius, the chief executive officer of McCarthy Motor Holdings, believes South Africa's vehicle market could reach 500,000 units sold by 2008 despite an industry forecast of only 234,000 units this year, the number of sales achieved in 1992.

While most analysts and manufacturers tend to regard exports as the local motor industry's survival plan, Pretorius also believes there are domestic market opportunities.

He says the current vehicle population comprises very old cars and bakkies. Heavy trucks are typically 15 years old.

recovery in new vehicle sales during this year could materialise during the second half. But it warns that this would depend on the extent of cuts in bank lending rates and a recovery in levels of gross domestic expenditure and fixed investment.

"All facts considered, the projected domestic vehicle market for 1999 would, probably at best, match the industry's 1998 performance," it says.

Total vehicle sales reported to Naamsa last year totalled 314,406 units, 14.3 percent less than the 366,875 units in 1997. Twine says car sales in the

first five months of this year were bottoming out at 15,000 units a month, "an achievement in itself" considering how the economy had performed. He expects confidence to return to the economy now that the general election is over.

He believes an acceleration of vehicle sales in the second half of this year could result in more vehicles sold in 1999 than in 1998. However, he warns that his forecast is far more optimistic than the medium-term forecasts of the Naamsa players.

But other major industry players share Twine's optimism

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Forza to roll Web bandwagon into SA's motoring industry

CATHY POWERS

Johannesburg - Forza, the e-commerce-based motor retail and service company which listed on the JSE yesterday, would open a major South African motor portal on the Internet, it said yesterday

"Forza will create the motoring portal of South Africa," said Richard Uria of Irish & Menell Rosenberg, the sponsoring broker "No one's ever done this before"

Jumping on to a Web sales bandwagon which rocketed 600 percent in the last six months in South Africa, Forza planned to offer Web-based car sales within the next three months, Uria said

Similar to search engines like Yahoo!, forzaweb.com would provide a search engine for its range of services and auto products, online transactions and support services for its underlying businesses

In the US last year, Uria said,

16/06/99 (192) CT
6 percent of car sales were transacted over the Web

Forza listed in the Transport sector through a reverse listing via the delisted Bergers Trading Holdings (renamed Forza Group) with a market capitalisation of R230 million. The shares were initially placed privately at 40c, opened at 50c, and closed at 60c after a day's high of 65c

Ian Bell, the managing director, said "We've taken really good businesses and given them the vision and opportunity to transact on the Web"

Listing enabled the group to give its acquired businesses the e-commerce edge and enhance cross-selling within the group, he added. Future growth would be both organic and acquisitive

"The Forza Group aims to

deliver superior sustainable returns on investment by integrating well-established real and innovative e-commerce business opportunities"

The group forecast earnings after tax of R31,8 million for the year ended August 31 2000. Earnings for the period ended August 31 1999 would be R10,9 million, a 29,7 percent increase over the estimated earnings for the same period last year. Turnover from e-commerce had not been factored into these forecasts, Bell said

The group had identified expansion opportunities into a wide range of transport services. Forza intended to further penetrate the pre-owned vehicle industry. The group's retail flagships are Investment Cars, BMW Lyndhurst and BMW Hyde Park

forzaweb.com
will provide a
search engine
for its range of
services and
auto products

BMW tight-lipped on reviving Rover locally

ROY COKAYNE

(197) CT(MR) 25/6/99

Pretoria - A BMW South Africa (BMW SA) team was continuing its investigation into the possibility of reintroducing Rover into the South African market, Richard Carter, BMW's general manager of communications and public affairs, said yesterday.

Carter said it was originally anticipated that the initial investigation would take six months to complete, and the team was currently only about three months into that process.

"We won't be saying any more on the subject until the six months are over at a minimum."

Industry analysts said the announcement of the investigation meant BMW SA had already decided in principle to reintro-

duce Rover to the market.

Ivan Honeyborne, who left his position as the marketing and planning manager at BMW SA, is heading the investigation.

BMW, BMW SA's parent company, recently decided to focus on rejuvenating the Rover marque, and on Wednesday the UK government pledged \$242 million support in a long-term investment deal with BMW worth \$5,3 billion to revamp Rover.

BMW SA recently invested R1 billion in upgrading and increasing production capacity at its Rosslyn assembly plant to handle its large 3-Series export contract. However, the plant has excess capacity, creating opportunities to assemble Land Rovers and Rovers locally, provided domestic demand warrants it.

Motor workers set deadline

MORE than 50 000 motor industry workers will go on strike by mid-July if negotiations between the National Union of Metalworkers of SA (Numsa) and the SA Motor Industry Employers' Association fail to resolve continuing disputes

(1992)
Numsa motor sector co-ordinator Hosea Morapedi said there were still meetings scheduled during the next two weeks, but "if there was no progress, the workers would strike"
ED 17/99
He said workers were hardening their attitudes towards employers because transformation of the motor sector was lagging — ECN

Naamsa cuts car export forecasts

ET (BR) 7/7/99

(192)

ROY COKAYNE

Pretoria - The National Association of Automobile Manufacturers of SA (Naamsa) had scaled down its forecast of completely built up car exports from 90 000 to 70 000, Nico Vermeulen, the director of Naamsa, said yesterday

Vehicle export figures released on Monday showed that only 15 178 cars had been exported in the first five months of this year. But this still was 46 percent higher than the 10 390 completely built up passenger vehicle units exported last year.

Vermeulen attributed the low level of vehicle exports so far this year to "an element of under-reporting", which Naamsa needed to rectify. He said the under-reporting was apparently a problem with computer systems and invoicing procedures.

Vermeulen said Volkswagen

South Africa (VWSA) was probably responsible for nearly the total number of car exports recorded so far this year.

Even allowing for accurate reporting, Naamsa would probably have to revise its car export forecast further downwards to 60 000.

"However, in relation to the about 18 000 units exported in 1998, this was still a remarkable performance."

Vermeulen said reporting of vehicle exports was not subject to the same stringent reporting requirements for local sales and was intended more as a general information item in Naamsa monthly vehicle sales reports.

"The second half of the year will provide a much truer reflection of the industry's export performance," he said.

Vermeulen said the benefits of BMW South Africa's 3-Series export programme had not been

felt yet and were expected to kick in next month.

BMW SA is planning to export about 11 500 units this year.

VWSA, which had secured a major Golf IV export order to the UK, had exported just fewer than 20 000 units in the first six months of this year, said Michael Lange, a spokesman.

Lange said VWSA always anticipated building more units for export in the second half of the year and the company was still on track to export its targeted 50 000 to 60 000 units for the year.

Lewis Booth, the group managing director of Samcor, said the export programmes of VWSA and BMW SA were "windows of opportunity" and South Africa's motor industry should not be basing its future on exports to Europe but on becoming competitive with South American and South Korean producers.

Vehicle exports continue to grow, but below expectations

Stan Maphologela

(74F) (192) BD 12/7/99

SA's exports of built-up vehicles continue to show good growth, but the overall numbers have remained below earlier industry expectations, according to the National Association of Automobile Manufacturers of SA.

Naamsa director Nico Vermuelen says the recent sluggishness in exports was caused by two factors — a lag in export orders for Volkswagen SA and BMW SA and the depressing economic conditions surrounding the industry.

Total vehicle exports for the first five months of this year rose to 17 638 units compared with 13 902 from January-May last year, with cars showing growth of nearly 5 000 units. Commercial vehicle exports, affected by unfavourable economic conditions in other African countries, fell back from last year.

VW SA spokesman Matt Gennrich said most of VW's exports last year went to African countries.

"We have shipped close to 20 000 units already to Europe to date and the

original forecast export order of 50 000 units for 1999 remain realistic. Bigger order volumes will start to come in the latter part of the year," he said.

Production targets called for 300 export Golfs to be built a day, in addition to the full range of VWSA vehicles assembled for the local market. The company is operating three shifts of eight hours each on the Golf IV assembly line.

BMW SA spokesman Deon Ebersohn said there was a steep ramp-up phase with new production infrastructure, which started three weeks ago and was producing up to 200 cars a day, with 60% for export and 40% for local needs.

"We still plan to meet our export target of 11 000 units, but there is a good chance of that number being exceeded," he said.

Analysts say there has been an overall decline in exports from SA. There has been a drop in demand in the UK, the main market for VWSA exports.

However, this is expected to change in the second half of the year when demand in Europe is expected to improve.

Row among workers leads to VW strike

Reneé Grawitzky

(192) (172)

VOLKSWAGEN has been caught in the middle of an internal dispute within the National Union of Metalworkers of SA (Numsa).

Workers went on strike yesterday, allegedly demanding that the union reinstate eight shop stewards who had been expelled from the union. It is not clear why the shop stewards were expelled.

The union said its national leadership would go to Volkswagen today to try to resolve the matter.

Numsa acknowledged that the union had been approached by the company in recent weeks to intervene in the matter.

Volkswagen's communications GM Matt Gennrich said the company had appealed to the union to resolve the problem as deep divisions had developed between Numsa officials at local level and a group of shop stewards. He said the company had appealed to the union to intervene before it led to conflict on the shop floor.

After the expulsion of the eight shop stewards the company asked that they resume their normal duties.

After a meeting yesterday supporters of the eight shop stewards embarked on an unprotected strike. As a result the company had to close its plant.

Volkswagen will consider applying for an interdict if workers do not return to work today. Various attempts are being made to resolve the conflict.

BD 20/7/99

New board members at

car maker
(192) 20/7/99
ROY COKATNE

Pretoria - DaumlerChrysler South Africa (DCSA) had promoted two executives Fritz van Olst and Geoff du Plessis to new positions on the company's management board effective from August 1 this year. Christoph Kopke, the chairman of DCSA, said yesterday.

Van Olst has been appointed the management board member responsible for sales and marketing and Geoff du Plessis as the management board member responsible for sales and marketing of commercial vehicles.

As DaumlerChrysler SA approaches the millennium we have broadened our focus from a regional perspective to a more global one. To further focus on our growing customer base, we have aligned our top management structure to reflect this approach, Kopke said.

Van Olst was previously the divisional manager for Mercedes Benz passenger cars and Du Plessis was divisional manager for Mercedes Benz commercial vehicles. They were promoted to those positions in November 1995.

The other members of the management board are Kopke, the chairman, Wilfried Porth who is responsible for manufacturing, Johann Evertse who is responsible for human resources and Rudi Borgenheimer who is responsible for finance.

Kopke said further senior appointments would be confirmed as the company rolled out its restructuring plans.

Annelise van der Laan a company spokesman said John Tangeman had been appointed the general manager of DCSA's Chrysler division. His appointment follows Tom Ford taking up a position at DaumlerChrysler in South America.

Fiat making Unos for Africa

Stan Maphalagela

FIAT Auto SA is planning to make major investments in Africa following an agreement with Mozambican company SIR Comercio Internacional Lda to assemble 3 000 Fiat Unos over five years.

According to the agreement, SIR would import semiknocked down components for the Uno from Fiat SA to be assembled and sold in Mozambique.

Fiat initially plans to export 300 units a year to Mozambique, which will be increased in keeping with the demand and macroeconomic factors affecting the motor industry.

Fiat Auto SA MD Bruno de Morn said his company was currently operating one workshop in Mozambique. The export of 300 units to that country would guarantee 10% of the market share there. Fiat Uno exports from SA already go to Botswana and Namibia.

The company said the Mozambican agreement would at first involve only Fiat Uno vehicles.

Fiat's other models the Palio, Palio Weekend and Siena could follow in about 12-18 months after being introduced to the SA market early next year.

Fiat intends selling 600 to 700 of its new Palio range in Mozambique over the next three or four years, presumably

ably sourced from its assembly contract at the Nissan SA plant in Rosslyn. The company currently has a production capacity of 7 000 vehicles a year for the SA market.

Analysts said foreign markets often viewed unrest problems in a regional context rather than in a country-specific context.

As a result they said motor companies had been taking a cautious approach to investments although still making investments in Africa.

In terms of the Motor Industry Development Plan, local automotive manufacturers can accumulate credits based on exports as rebates for the duty paid on imported cars and components.

Analysts said exports were expected to increase sharply in future once the African continent stabilised from the effects of civil wars and political instabilities that weakened economies.

Most SA exports go to Zimbabwe, Mozambique, Malawi, Kenya, Tanzania, Uganda, Ghana, Gabon, Cameroon and Angola and are mainly from major companies such as BMW SA, Toyota SA, Nissan SA, Volkswagen SA, Delta and most component manufacturers.

SA's manufacturers back up African sales with dealerships, parts and service facilities.

(192) (218) BD 20/7/99

PE moped destined for world market

MD 21/7/99
(192)
Stan Maphologela

A MOTORISED engine plant in Port Elizabeth is soon to be established, supplying markets in Beijing and Amsterdam

Production of the engines for motorised bicycles could potentially run into millions of units a year, outstripping other automotive exporters in the region

The motorised engine will be a retrofit motor and gear box that fits on a standard bicycle. It is the equivalent of a moped that combines the features of a motorcycle and bicycle.

The plant at the old Ford plant in Struandale will be the second engine plant in the Eastern Cape after Samcor's contract to build 1600cc single overhead cam engines for the emerging market.

Michel Lascot, an entrepreneur and the owner of a computing company, is launching the project.

The 38cc engine, which was developed in Ireland, drives the cycle through the chain and makes use of the normal gears.

Lascot said the engine had taken nine years to be developed and negotiations with patent holders and the Irish inventor George Goodwin had already taken place.

"We thought manufacturing it in Britain would cost more than in SA. Most of the plans are still at premature stage and we expect the government and interested parties to join, and make the plans a reality."

Lascot said 51-million people in India owned bicycles, many more in China and even more in the rest of the world. If the new plant can get even a small percentage of the market, it would help the company's bottom line.

It was estimated that exports of the engine would generate substantial foreign currency earnings and provide much needed job opportunities in the Eastern Cape region.

"We expect the first two years production will be sold before we even start," he said.

As an alternative to cars and motorcycles, the bicycles would be convenient, fuel efficient and relatively inexpensive to maintain and operate.

Each unit is expected to cost about R2 000. The main sales drive will be for export.

Court interdict terminates Volkswagen strike

(19a) (152) 08 21/7/99

Reneé Grawitzky
and Sapa

PRODUCTION at Volkswagen is expected to resume today while strikes continue at Columbus Stainless Steel in Mpumalanga and the Oryx gold mine in the Free State.

Volkswagen obtained a labour court interdict yesterday ordering striking workers to return to work today or face possible dismissal. A one-day strike was sparked on Monday by an internal dispute within the National Union of Metalworkers of SA (Numsa) allegedly because of the expulsion of eight shop stewards. A group of

workers were demanding that the union reinstate the shop stewards.

Volkswagen's communications GM Matt Gennrich said the strike had resulted in the loss of production of 800 car units a day. He said this did not bode well for confidence "in our ability to supply to the international market". Volkswagen won a R5bn contract to export 68 000 vehicles to the UK last year which was later extended.

Meanwhile, the strikes at Oryx gold mine as a result of retrenchments and the

wage strike at Columbus Stainless Steel continued despite renewed attempts to resolve the disputes.

Numsa met Columbus management to discuss the arrests of hundreds of its members for defying a labour court interdict preventing workers from picketing on company premises without rules being in place. The picketing rules were also discussed at the meeting.

Negotiations resumed between Oryx management and the National Union of Mineworkers (NUM) in a bid to end the

week-long strike against retrenchments as the gold price continued to fall.

Gold closed at a new 20-year low of \$252.80 in London. Gold Fields indicated yesterday that it planned to appeal against a labour court decision that denied the company's application for an urgent interdict declaring the strike unprotected.

Meanwhile an agreement on wages and working conditions has been reached by Impala Platinum and NUM.

The two parties said the overall settle-

ment averaged 9.7% and was on a declining scale of 9% for skilled workers and 10% for the lowest-paid workers. The parties said the talks had established a firm foundation for a vastly improved working relationship in the future.

Other issues were referred to various forums for resolution. They included job grading and evaluation, the issue of a housing allowance, the negotiation of the re-trenchment agreement a formula for a two-year wage agreement unpaid leave and other conditions of employment.

Comment: Page 11

Work resumes at VWSA as Numsa stewards settle

CF (PR) 22/7/99

Roy Cokayne

Pretoria - About 4 000 members of the National Union of Metalworkers of South Africa (Numsa) employed by Volkswagen South Africa (VWSA), the motor manufacturer, had agreed to resume work, Dumisa Ntuli, a Numsa spokesman, said yesterday.

Ntuli said Numsa's leadership had agreed to lift the suspension of eight shop stewards, which had triggered the strike on Monday, on the amicable under-

standing" that all shop stewards in the plant would abide by certain conditions.

The conditions were stated as follows:

All shop stewards should accept the authority of the union in respect of decisions, policies and the constitution of the union.

Numsa would not tolerate any unprocedural conduct and/or act against its policies and would take disciplinary measures against those members trans-

gressing its constitution;

The Shop Stewards Committee would act in the best interests of Numsa and its members to promote unity of workers and the viability of the company; and

Any structure that existed within VWSA rather than those established by the company must be abolished with immediate effect.

VWSA spokesmen were unavailable for comment yesterday.

Workers at VWSA downed tools on Monday over the dis-

missal of eight shop stewards, which was later amended to a suspension pending a disciplinary hearing.

The shop stewards refused to accept their suspension and mobilised the workers at the plant in support of their reinstatement.

On Tuesday VWSA obtained a Labour Court interdict that in effect prevented its employees from striking or refusing to work. The company confirmed that production at the plant would now

return to normal (192)

Economy & Business

BEARING INDUSTRY

ROLLING ON A WORN RACE

Makers find new spheres

Gone are the days when Gross Domestic Product was the only reliable yardstick of economic performance. The bearing — an antifriction device to facilitate the turning of parts attached to each other — features in virtually every sector of the economy and is "a very sensitive indicator of the economy", says Rohan Kemp, MD of Swedish-owned bearing manufacturer SKF-SA.

As if to illustrate his point, the bearing industry nowadays is in something of a slow grind — rather like SA's economy. The industry turns over R900m to R1bn a year and employs about 5 000 people in manufacturing and distribution. It is a specialised business with high margin products — which makes it also a high-profit business. Now, those profit margins are under pressure as sales volumes decline.

"It's rare nowadays to hear of com-

panies opening or expanding," says Greg Till, MD of bearing distributor Bearing Man, a subsidiary of JSE-listed Anglo Vaal Industries. Gill says this has harmed bearing industry margins. The group reported a 19% fall in operating profit last year.

But there is hope in the industry's ubiquity. After all, every industrial machine has one or more bearings in it, industry players say there are more than 20 000 types of bearings in the world market.

Industry players take heart from signs the European and Asian markets are starting to pick up. They expect this to trigger more industrial activity in SA and hence higher demand for bearings.

SA's automotive industry was long the key customer for local bearing makers. But the auto industry's decline since 1998 has prompted leading bearing and steel producer Timken-SA to close its automotive bearing division. The negative impact of this was offset by increased demand for Timken's railway bearings following Spoornet's recapitalisation and higher demand from other rolling stock users.

Timken-SA exports railway bearings to Africa and India. Company MD Jochen Peiffer says the domestic market has shrunk in volume by about 25%, but that his group

has been able to sustain overall performance by raising export revenue. It now exports 40% of its products and serves 80% of its domestic market with imports from its US parent company SKF-SA, at its Uitenhage plant, manufactures a range of deep-groove ball bearings for general industrial use. With a workforce of 510 people, its presence in SA dates back to 1914, and it supplies about 22% of market volume. Most of its products, too, are imported, only about 20% is made in SA.

Since the bearing industry is largely dollar-denominated, local producers have a rand-hedge advantage, costs are in rands. But Peiffer says SA labour, the highest cost item next to raw materials, makes locally manufactured bearings more costly than those from Asia. "Our products may be comparatively expensive, but their quality and that of our management give us a competitive advantage," says Peiffer. "Our productivity levels are high and we are able to offset the labour costs."

The depressed trading environment is prompting many companies to opt for re-manufactured bearings. Timken recently established a remanufacturing facility at its Benoni plant. Management expects it to be a big money spinner.

Percy Mthimkhulu

Motor industry job-shedding hits accelerator

(192)
ROY COKAYNE ET (PR) 26/7/99

Pretoria - The level of employment in the South African motor manufacturing industry had fallen by 20 percent in three years to 31 350 in March this year from the last peak of 39 300 in March 1996, Len van Niekerk, of Standard Bank's economics division, said in the bank's latest report on the industry

The prospects for South Africa's motor industry would probably be damaged by highly disruptive industrial action, Van Niekerk said

However, he said the drop in employment in the motor industry had to be seen in a broader context of about 500 000 job losses across formal sector employment in South Africa since 1994

He said South African businesses had been forced to restructure.

"The hope is that the restructuring process will lay a solid foundation for future economic growth, which could create jobs down the line."

Van Niekerk said a key determinant of the success of the motor industry development programme was for South African manufacturers to secure significant and sustainable export contracts

Without these contracts, vehicle model rationalisation could fail because fewer models needed higher production volumes

RONNIE GOVENDER

THOUSANDS of illegally imported luxury vehicles, worth millions of rands, are rusting away at uncovered state warehouses around the country because the government doesn't know what to do with them

In Durban alone more than 300 vehicles — ranging from exotic limousines to expensive trucks and buses — were seized and impounded by South African Customs officials because they did not have import permits

According to the Import Control Act, second-hand vehicles may not be bought overseas simply to be sold in South Africa

Marius Collins, assistant director at the Department of Trade and Industry in Pretoria, said that with the growing influx of illegally imported second-hand foreign vehicles, mostly from Japan, state warehouses around the country were bursting at the seams

He said the vehicles were accumulating because there were no clear guidelines on how to dispose of them.

"It is now a political matter and the issue has reached ministerial level," said Collins "The Minister of Trade and Industry, Alec Erwin, the Minister of Transport, Dullah Omar, and the Minister of Finance, Trevor Manuel, are discussing it

"They have two options," he explained "The first would be to destroy the vehicles because they're not fruitful to the South African economy and the local motor vehicle industry

"The second would be to export the vehicles on tender Those who bought them would be forced to export them. We cannot allow these vehicles to be used in South Africa."

Among the vehicles exposed to the elements at the New Pier state warehouse in Maydon Wharf, Durban, is a Rolls-Royce confiscated from the showroom of a local car dealer, luxury Mercedes-Benzes, Porsches, Mitsubishi Pajeros and two fully fitted ambulances

Wayne Tonkin, assistant director for Customs Port Control in Durban, said "We have to get rid of these vehicles because we need the space, but we cannot sell them because the Department of Trade and Industry is not prepared to concede on the import permit These vehicles are useless to anyone who buys them because they cannot be

End of the road for illegal imports

Cars and trucks worth millions rust away as officials ponder what to do with them

ST 11/8/99
(74F) (192)
registered in South Africa without proper permits."

He said his department had auctioned 49 vehicles two years ago but had to return the money to the buyers because the vehicles could not be registered

Tonkin urged potential buyers to be wary of imported second-hand vehicles.

"We can easily identify foreign vehicles on the roads," he said "We can ask anyone with a foreign car to produce their import permit. Cars without permits are seized immediately."

He pointed out, however, that a third party could not be prejudiced under the Import Control Act if he was not aware that the vehicle he had bought was imported illegally. "But the onus still rests with the third party to prove he did not know it was an illegal import," he said

Tonkin said most of the second-hand cars entered the country from Japan via the United Arab Emirates, while the used trucks came from the United Kingdom and the US, where they could be bought "extremely cheaply".

"The Japanese vehicles are routed via the United Arab Emirates because they have duty-free ports," he explained

"This makes it difficult for us

to determine the true value of the vehicle because it will come with a new set of documents from the United Arab Emirates We've found that there is some type of syndicate involved"

He said the owners of the vehicles were allowed into the warehouses to wash the vehicles and start their motors.

Collins said the import of second-hand vehicles into South Africa was prohibited to protect the local motor industry

"We have enough vehicles in this country for our local second-hand market," he said

"Only immigrants with permanent residence and residents returning to South Africa are allowed to bring in their second-hand vehicles. But they are obliged to keep these vehicles for at least two years before selling them."

He said the storage of illegally imported vehicles was a problem in Pretoria, Cape Town, Bloemfontein and Port Elizabeth, but that Durban had been worst hit

Importers bringing brand-new vehicles into the country face a customs duty tax of 50,5 percent of the vehicle's value. There is also a luxury tax duty — up to a maximum of 20 percent of the value

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Strike hits

car giant

(152) (192)
East London - Production at the giant Daimler/Chrysler motor assembly in East London came to a halt for nearly three days as workers went on strike in protest against last week's dismissal of five of their colleagues, a company spokeswoman said here.

Annelise van der Laan said the company had lost a substantial amount since Monday afternoon when a number of workers engaged in an illegal strike.

She said management had dismissed hourly-paid employees on "normal disciplinary grounds".

"The strike then spilled over to various sections and we were compelled to stop production altogether," she said.

Sapa
ARJ 6/8/99

Dealers rate BMW number one

(192) UJ(BR) 7/8/99

ROY COKAYNE

Pretoria - BMW, the luxury German car manufacturer, was head and shoulders above the rest of the industry, according to the latest National Automobile Dealers' Association (Nada) motor dealer survey released this week.

Paul de Vantier, the managing director of Market Intelligence Resource Group, which together with auditors Deloitte & Touche and Nada developed and implemented the national dealer satisfaction index, said the results represented a "snapshot in time" and the survey was designed as a catalyst for improvement.

The overall product quality had improved dramatically, particularly the new generation vehicles, but some brands still had major problems with specific models.

"There's been a huge

improvement in the quality of vehicles produced by BMW and significant improvements by Ford, but Delta seemed to have parts problems," said De Vantier.

Nissan, Ford, Toyota and Mazda received "fairly reasonable" scores, but the report said "Mercedes (DaimlerChrysler South Africa), Volkswagen and Delta should be deeply concerned with their performance levels

"These manufacturers should engage in urgent consultation with their dealers in an effort to improve their relationships and address current perceived shortfalls," the report said.

Gafy McCraw, the director of Nada, said the annual dealer satisfaction survey examined the views of dealers on the service they received from manufacturers in various key performance

Manufacturers expected First

World dealerships, McCraw said, but dealers were not making First World margins.

Dealers' perceptions of their viability would be clouded by economic circumstances, he said.

De Vantier said Volkswagen had management problems four years ago and was coming off a very low base.

"Although it is still low, it has shown continuous growth over most areas."

De Vantier said anything below their target level of 75 per cent, which had been determined on the basis of research and their judgment, was poor.

"The longer-term viability was seen positively. Ninety-seven percent of BMW dealers were saying they were going to make more money next year than this year."

"Delta was worried about their long term viability," said De Vantier.





Car industry shows signs of recovery

(192) Drop in interest rates and expected price increases encourage buyers to return to the market 00 5/8/99

Stan Maphologela

A FLEDGING recovery in vehicle sales has begun to emerge, with new vehicle sales rising 11,8% for July over June.

National Association of Automobile Manufacturers of SA (Naamsa) vehicle sales statistics for July show a continued trend towards recovery in the motor industry with total sales of 27 310 units, the highest sales figure recorded so far this year.

This was largely due to the pre-emptive buying of vehicles in anticipation of price increases and recent interest rate cuts. However, year-on-year vehicle sales fell 16,8% against sales in July last year.

Analysts believe that last month's passenger vehicle sales were boosted by significant deliveries to car rental companies and increased fleet buying due to the start of a new financial year for many companies. SA's economic fundamentals have turned progressively more positive in recent weeks. The positive influence of interest rate reductions coupled with the benefits of demutualisation and the new PAYE tables are expected to boost personal disposable incomes in SA.

Brand Pretorius, CE of McCarthy Retail, says another general factor which led to the increase in sales in July was the increased number of selling days. There were 24,5 selling days in July compared to 22 in the previous month.

The most encouraging news to emerge out of last month's sales figures was the upturn in used vehicle sales, said Pretorius.

In July altogether 17 549 new passenger vehicles were sold against 15 641 in June and 21 084 in July last year. In the light com-

mercial sector, July sales rose to 8 862 units from 7 980 in June and 9 727 in July last year.

The medium commercial sector showed a similar trend with sales of 411 units in July against 398 in June and 482 last July. Sales of heavy commercial vehicles in the same three months totalled 488 units, 409 units and 591 units respectively.

"Although the market, when compared to a year ago, remains weak, we are gratified to see the recovery compared to the first half of this year and expect the trend will continue, especially with the further 1,5% points decline in the interest rate structure during the month," said John Jes-sup, director of Nissan SA Marketing.

Toyota SA, MD Johan van Zyl said the total vehicle market was better than expected in July. "Further observations are that the entry level segment continues to assert a heavy influence on the market and the established manufacturers are gaining momentum ahead of vehicle importers," Van Zyl said.

"The commercial segment also showed increased strength and this is hopefully an indication of both a return of the small business user and commercial fleet operators," said John Cuming, Delta Motor Corporation's director of sales and marketing.

Analysts said heavy commercial vehicle sales improved and this sector of the market — which has long been dragging its heels — increased its sales month on month by 19,3%. This was a sign that companies were starting to commit to a higher level of capital expenditure.

Naamsa said that towards the end of July there were clear signs of improvement in

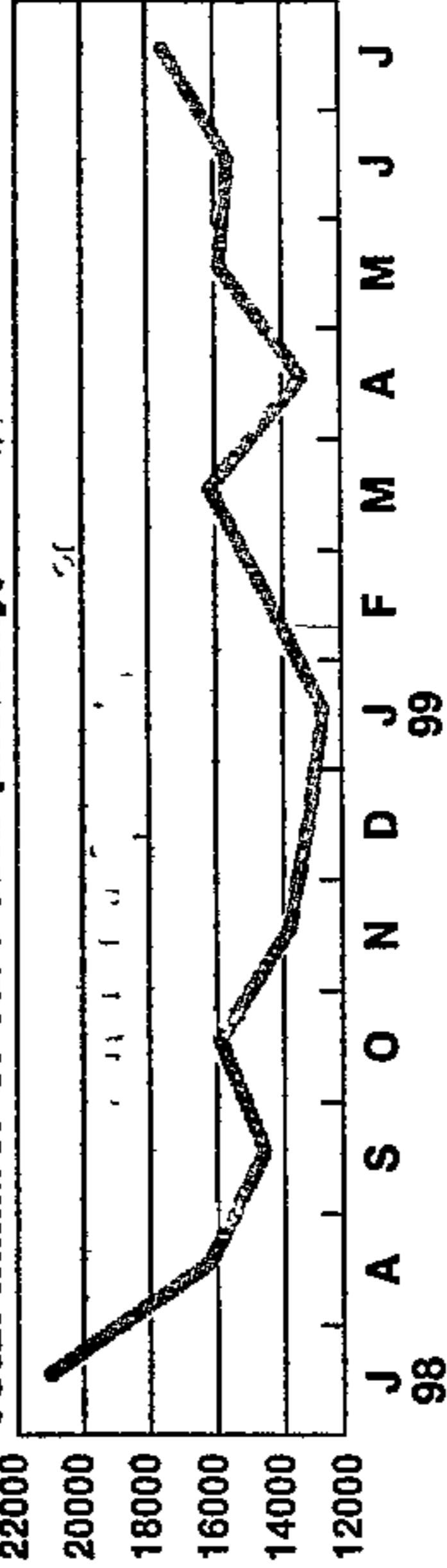
Car sales

Top selling cars: July 1999

Toyota Conquest	2 228
Toyota Corolla	1 616
Polo Classic/Playa	1 349
Citi Golf	1 165
BMW 3-Series	1 053
Tracer/323 Midge	1 039
Corsa	1 023
Kadett Astra	760
Uno	575
A4 Golf	568



Total number of cars sold (monthly)



Graphic: KAREN MOOLMAN Source: NAAMSA

activity at retail level. It expects that the pace of economic activity in SA will pick up during the months ahead leading to the advent of the long-awaited, albeit gradual

turnaround in the automotive industry. However, overall new vehicle sales this year were expected to be lower than those achieved last year.

Numsa does not condone the 'unprocedural action'

Strikers bring halt to DaimlerChrysler SA

CT(MR) 6/8/99 (152) (192)

ROY COKAYNE

Pretoria - Production at the East London plant of DaimlerChrysler South Africa (DCSA) had been suspended since lunchtime on Monday because of unprocedural industrial action, Annelise van der Laan, a company spokesman, said yesterday

Van der Laan said the protest followed the dismissal last week of five hourly paid employees

She said four of the five dismissed employees were in the plant's paint shop. They had been dismissed for "late-coming" that resulted in non-attendance at 10-minute meetings. The fifth dismissal was for non-performance.

Employees in the plant's paint shop had embarked on a sympathy strike. Other hourly paid employees had progressively joined the strike until production was suspended.

Van der Laan said the strike resulted in the loss of production of between 80 and 85 units a day.

Members of the company's management and the National Union of Metalworkers of South Africa (Numsa) had been engaged in negotiations for the past three days to resolve the dispute.

Van der Laan said both parties had agreed that the strike was unprocedural. Numsa said it did not condone the strike.

She said the company's recognition agreement with Numsa provided for disputes about disciplinary issues to be referred to arbitration for resolution.

On Wednesday two issues remained under debate. Agreement still had to be reached about an expedited process to resolve the dispute and about a commitment from employees to adhere to the collective agreement and the company's policies and procedures.

"Numerous positions and counter-positions were put forward by DCSA's management and Numsa without reaching consensus," Van der Laan said.

She said Numsa, after consulting its membership, had informed management yesterday that employees fully agreed to adhere to the collective agreements and the company's policies and procedures.

Numsa further advised DCSA's management that the workers would resume normal production while negotiations continued to find a solution on how best to resolve the dispute about the dismissal of the five employees," she said.

"Management, however, advised Numsa that they could not accept this proposal because the issues that had resulted in unprocedural industrial action were not resolved, and agreement had not been reached on an expedited process to resolve the dispute.

"DCSA management regrets that the suspension of production has not been resolved, and the impact this will have on the company's employees and their families."

She said the company was committed to finding a "lasting solution" to the issue "within the structure of the agreement", and relations between management and the union were cordial.

Numsa spokesmen were not available for comment.

Collective agreement with the union provides for the resolution of disputes

Daimler, Numsa differ over dispute resolution

(192)
FROM SAPA

CT (BR) 10/8/99

East London – Daimler-Chrysler has disputed a statement by the National Union of Metalworkers of South Africa (Numsa) that the union's demand for mediation-arbitration was embedded in the union-employer recognition agreement

Production at the local plant came to a halt for four and a half days last week as a result of a dispute arising from the dismissal of five hourly-paid employees. It was agreed on Friday that workers would go back to work today, pending mediation of the dispute.

Lord Gusha, a Numsa shop steward, said on Friday the union wanted the dispute resolved through mediation and arbitra-

tion, as this process was embedded in the recognition agreement.

Johann Evertse, a member of Daimler-Chrysler's management, said on Sunday that mediation-arbitration was not mentioned in the recognition agreement.

"What was finally agreed upon on Friday is exactly what is contained in the agreement namely, mediation to agree on the process to resolve the dismissal first and, if mediation is not successful, then the parties will go to arbitration."

Evertse denied Gusha's assertion that workers were set to resume production on Thursday but that management had "made this impossible by being specific that it will continue suspending production until we agreed to go straight to arbitration."

Production resumes at Daimler Chrysler

(192)
(192)
ct (MR) 11/8/99
ROY CORAYNE

Pretoria - Workers at Daimler Chrysler South Africa's (DCSA) East London production plant would return to work today after five and a half days of an unprocedural strike, said Annelise van der Laan, a DCSA spokesman, yesterday

Dumisa Ntuli, a spokesman for the National Union of Metal workers of South Africa (Numsa), confirmed that workers would resume production at the plant today

Van der Laan said the company's management had expressed "great disappointment" at the fact that the company's hourly paid workers who had turned up for a general plant meeting yesterday were not able to resume work afterwards "as per agreement reached on Friday"

She said Numsa had explained that the many workers who had turned out for the morning meeting were unaware of the resumption of production

The union also said that many other workers in the distant rural areas had not received the radio and print announcements released by DCSA's management over the long weekend

"The union has however, reaffirmed its commitment to the agreement reached on Friday and signed a memorandum of agreement capturing the terms of the agreement," she said

The strike started on Monday last week. The union called the strike to protest against the dismissal of five hourly paid employees

Van der Laan said four of the five dismissed employees were in the plant's paint shop and had been dismissed for "late coming" that resulted in non attendance at 10 minute meetings. The fifth employee in the dispute was dismissed for non performance.

The suspension of production because of the strike had resulted in the loss of about 450 units

Van der Laan said the plant had spare capacity, which would be used to catch up on lost production without the company having to resort to overtime.

She also said the dispute that caused the strike had not yet been resolved. However, the company's management and Numsa had reached agreement on the process to be used to resolve the issue

Ntuli said Numsa placed the blame for the industrial action on the company because it had failed to consult the union holistically and in an appropriate manner on the dismissals

He claimed the dismissed workers had not been given written warnings

He said the matter would be "taken to an arbitration meeting to get some form of mediation around the whole issue"

Ntuli said the meetings to try and resolve the dispute would probably take place "this week or next week"

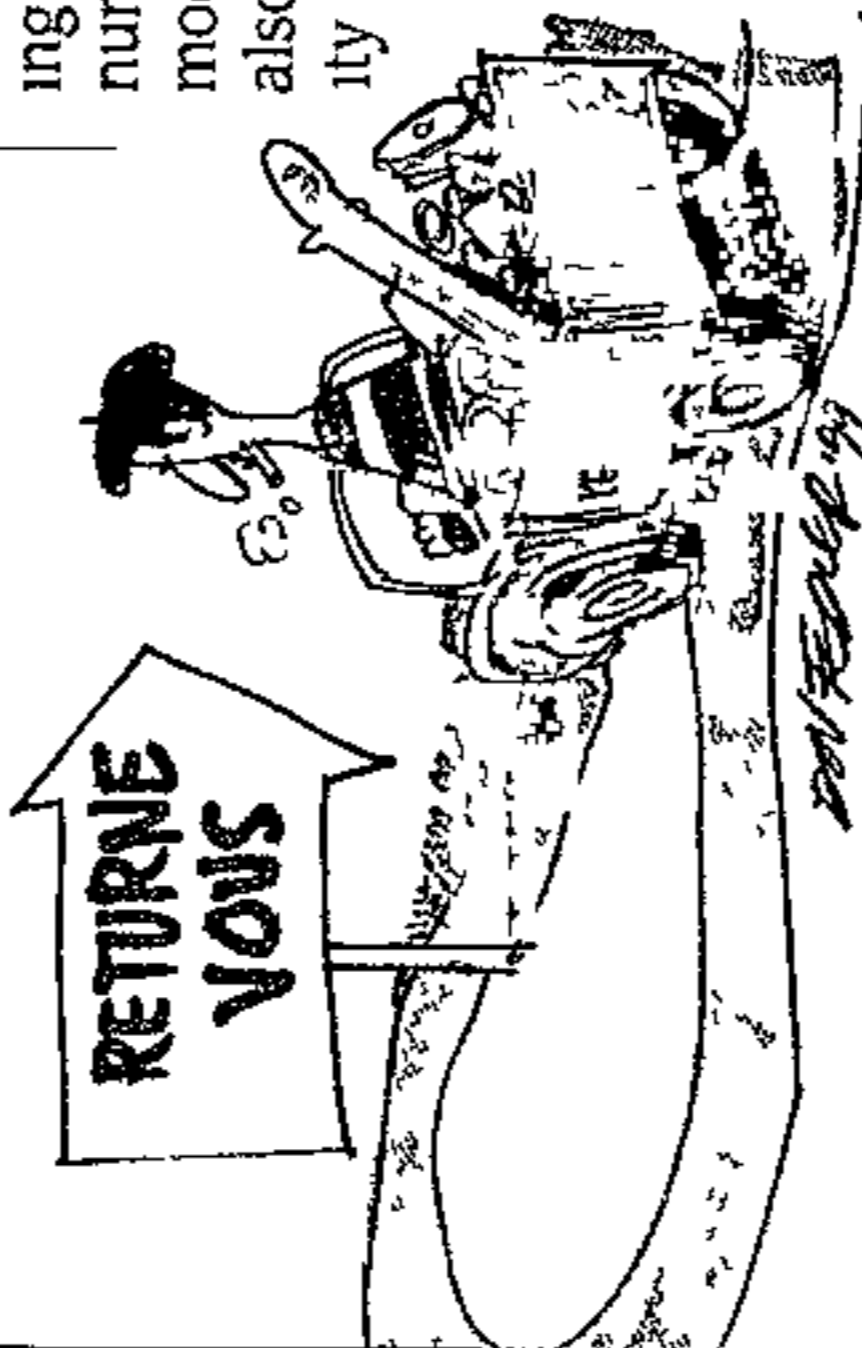
192

PEUGEOT

'NON' TO A FRENCH CONNECTION

French carmaker Peugeot is being discouraged by its local partner from plans to build vehicles in SA. Peugeot has spoken to several SA vehicle manufacturers, including BMW, Toyota and Samcor, about using their spare capacity to assemble its cars.

But McCarthy Motor Holdings, which imports Peugeots



into SA, says potential sales volumes simply don't justify the effort. Though McCarthy's would probably become the marketing arm of any SA-based Peugeot company, executive director Erroll Richardson says "I don't think it makes economic sense."

McCarthy's aims to sell about 550 Peugeots this year, and 700 in 2000. Most of the

growth is expected to come from the new 406 range, which has just been launched in SA. Even allowing for long-term growth, executives say the numbers don't add up to local assembly — particularly when government is expected to introduce motor industry legislation withholding duty-rebate benefits from low-volume vehicles soon.

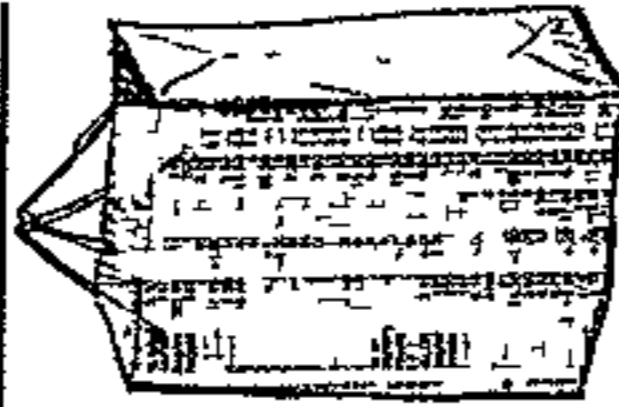
Richardson adds that as import duties on built-up vehicles continue to drop in coming years, it will make even more sense to continue importing. With consumer trends changing in response to the growing number of mainly imported models available locally, it will also allow marketing flexibility

"If the public doesn't like one model, we bring in another," says Richardson.

Christian le Roy, Peugeot's deputy director for African territories, insists the company is still interested in local assembly. "We have studied the market and it remains an option," he says, adding that the decision is not yet urgent. Peugeot has spare manufacturing capacity elsewhere in the world, and its immediate market priorities are South America, central Europe and Asia. The company sold 1.3m cars internationally in 1998. In the first six months

INVESTOR PERKS

SORRY, FOLKS, OUR MARKET'S TOO TINY



It's tough being an SA investor. Not only are we faced with a weak currency and volatile economic conditions, but the distinguished companies of the Johannesburg Stock Exchange generally don't — as do some in the UK, for example — offer shareholders perks for holding their shares.

Perks — the froth on any investment portfolio — can be a worthwhile money-saver, says Britain's *Investors Chronicle* (July 30 1999). Homeowners, holidaymakers and the like "can enjoy discounts galore," it enthuses.

Grocery retailer Selfridges, for example, offers an effective 10% discount on purchases of up to £500 to investors holding 500 shares. First Choice Holidays knocks 10% off selected tour prices, City Centre Restaurants discounts meals at its chains, and builder Sharpe & Fisher offers discounts for work done by its tradesmen.

SA investors, don't hold your breath, JSE-listed companies won't bite. Pick 'n Pay CEO Sean Summers, for instance, says his group doesn't offer discounts to "special interest groups."

"If we were to offer discounts, who better than to our loyal customers?" asks Summers. "We sell at discount prices already. Price cuts aren't even on the laundry list of issues we discuss with unions."

Michelle Joubert

of 1999, it sold 767 500, 15% up on last year.

Peugeots are already made in southern Africa. A small, locally owned assembly plant in Harare is building the Peugeot 406 for the Zimbabwean domestic market.

There's little chance of production being expanded for SA needs because Zimbabwe is not part of the SA Customs Union and its vehicles are subject to the same import duties as those from Europe.

David Furlonger

192
20/8/99

Only 200 000 vehicles will be sold in South Africa this year

Motor retailers put on alert by manufacturers

ET (PR) 20/8/99

(192)

ROY COKAYNE

Pretoria - Motor manufacturers would take over the retailing of vehicles in the future if franchised dealers did not improve service levels and add value, Brand Pretorius, the chief executive officer of McCarthy Motor Holdings (MMH), warned this week.

"The motor dealer industry in South Africa has got a very bad image," he told the AHI motor and transport congress. "Maybe this is undeserved in some cases but in others it cannot say it provides world-class service."

Pretorius said the profitability and viability of dealerships had been under pressure but there was light at the end of the tunnel.

He said meaningful gross domestic product growth of 2,5 to 3 percent next year should result in new vehicle sales increasing by up to 15 percent to as many as 320 000 units.

"It is a fact that the motor industry overreacts," he said. He added that sales fell by 18 percent during a recession but increased sharply when there was a revival in the economy.

However, Pretorius said it was

estimated that 280 000 vehicles would be sold in South Africa this year, the worst performance since 1986.

He said the net profit before tax of franchised dealers had dropped to unacceptably low levels, from 3,1 percent in 1994 to 0,9 percent this year.

Pretorius attributed this to the dramatic reduction in the profitability of new vehicles, which in the past had contributed to the bulk of dealers' profit.

The net profit on new vehicles before interest had dropped from 4,5 percent in 1995 to 2,6 percent this year to date. The holding costs of vehicles had become expensive, with the prime rates recently peaking at 25,5 percent.

"This means that if dealers hold a new vehicle for two months or longer, they make no profit from the sale of that new vehicle," he said.

Pretorius said that with the profit structure of dealers changing dramatically, it was not a surprise that dealer rationalisation had increased.

"There was a 20 percent reduction in the number of dealerships from 1 425 in 1996 to 1 136 last year," he said.

"I estimate that there will not be more than 1 050 franchise dealers by the end of this year."

Pretorius stressed that the rationalisation of dealerships was not a phenomenon unique to South Africa, it was happening all around the world.

Dealers must embrace change and be proactive to survive, said McCarthy

He said the probable motor industry scenario was of increased competition, an oversupply of stock, further mergers of manufacturers, a sharper focus on sales and distribution costs, a meaningful increase in black clients, quick

growth in used vehicle sales, and a decrease in aftersales income, growing Internet sales and intense focus on value and client interaction and retention.

Pretorius said for dealers to survive in the new environment of a highly competitive new vehicle market and low profit margins, they had to embrace change and react proactively.

Cellular firm aims to add to Africa's rebirth

West Cape insolvency

First improvement since 1996

Jobs rising in motor industry

CT (MR) 27/8/99 (192)
ROY COKAYNE

Pretoria - Aggregate employment in the motor industry increased by 608 in the second quarter of this year to 31 958 jobs at the end of June, according to figures released yesterday by the National Association of Automobile Manufacturers of South Africa (Naamsa)

This is the first quarterly increase in motor industry employment since the first quarter of 1996, when 148 jobs were created

But the number of people employed by the industry in the second quarter was still 1 700 fewer than the industry's monthly average employment of 33 658 for last year. Average monthly employment in 1997 was 37 082

Tony Twine, a motor industry analyst and director of Econometrix, believed that the increase in employment by the new vehicle manufacturing industry was due to the increased employment required by manufacturers for export contracts starting to flow through

"Although the new vehicle market was marginally better in terms of domestic demand in the second quarter of this year compared with the previous quarter, it wasn't by any chalk sufficiently better to have required an increase in manpower"

Nico Vermeulen, the director of Naamsa, said a single production shift remained the norm in the industry

"Various manufacturers, however, operate a double shift in selected areas - machining areas, press shops, paint shop operations and body shops. One major manufacturer operates on a three shift basis to produce motor cars for export markets"

Vermeulen was referring to Volkswagen South Africa's Uitenhage plant, which was working three shifts a day to fulfil an export order for 60 000 Golf IV units a year for the life of the vehicle

Commenting on the state of the market, Vermeulen said second quarter passenger car sales totalled 45 029 units, a decline of 16,5 percent compared with the corresponding quarter last year. Combined commercial vehicle sales during the second quarter of this year declined 10,1 percent compared with the same quarter last year

Vermeulen said South Africa's gross domestic product growth rate for past year was 0,1 percent, down on the 3,2 percent growth rate of 1996 and 1,7 percent of 1997

"Expectations are that the economy will expand 1,1 percent during 1999 and by 2,5 percent in 2000. As a result, the prospects for 2000 look more promising and current projections are that new vehicles sales volumes next year, in aggregate terms, will grow by about 10 percent"

Vermeulen added that average capacity utilisation levels during the period under review remained at relatively low levels, reflecting the difficult conditions in the domestic vehicle manufacturing industry. Naamsa has projected that capital expenditure would total R,508 billion this year compared with R1,342 billion last year and R1,265 billion in 1997

Trade liberalisation sets motor industry on a better road

(19a)
ST (PT) 5/9/99

AS THE country's first motor industry development plan (MIDP) reaches its midpoint and the industry awaits its mid-term review, South Africa has already felt some of the positive effects of trade liberalisation.

Exports have increased dramatically, investment levels have improved and there have been some positive structural changes within the industry. Consumers have benefited from real-term falling vehicle prices.

The results of the mid-term review – and the announcement of changes to the MIDP – were expected late last year. However, these were delayed because, according to one industry source, many different interest groups were asked for input. This can be considered a positive sign even though the industry would prefer operating in an environment of policy certainty.

Radical changes to the current term of the MIDP are not expected, although after 2002 there may be some dramatic changes.

Industry sources have warned that unless investors are properly incentivised to come to SA, the local auto industry will be put at risk by heavily slashed tariffs – the MIDP's main policy tool.

Matt Gennrich, Volkswagen

Investment has improved and there have been good structural changes in the industry, writes **QUENTIN WRAY**

SA's communications general manager, said for a viable local motor industry to exist, investors should be given incentives which outweighed the high logistical costs associated with doing business in SA.

He said in the absence of heavy tariffs protecting SA-based manufacturers from foreign competition, SA manufacturing plants relied on investors being given incentives which outweighed the high costs of doing business here.

If SA wanted to compete with other countries, it had to be able to compete with them on an equal footing. In the present economic framework this was not happening and the problem was not sufficiently addressed by the MIDP.

Gennrich said SA labour and freight costs were higher than those of other "developing world" competitor nations. It is, for example, cheaper to ship vehicles to Australia from Eastern Europe than from SA even though it is twice the distance.

Eastern European and Asian countries are also closer to their markets and to suppliers

of critical hi-tech inputs.

Gennrich said low domestic production volumes did not always warrant investment into high-tech component manufacturers.

Anthony Black, special adviser on the motor industry to the Department of Trade and Industry (DTI) and an economist at the University of Cape Town, said among the MIDP's strategic aims was the rationalisation of the industry by increasing volumes manufactured per model platform.

The MIDP wanted to encourage the supplementing of local production with imports to tie SA into world trends of international specialisation.

Black said the MIDP hoped to achieve these aims mainly through reducing tariff levels over time. He said in 1992 tariffs on vehicles were 115% while in 1995, when the MIDP kicked off, the rate was 65%. By 2002, when the programme has run its course, tariffs on vehicle imports will be 40% and tariffs on component imports will be 30%, down from 49% in 1995.

Nico Vermeulen, chief exec-

utive of the National Association of Automobile Manufacturers of SA (Naamsa), said the MIDP had served as an important catalyst to bring local car and component manufacturers into the "global automotive sourcing arena".

Vermeulen said that while it was still unclear what changes would be made to the MIDP after the mid-term review, the industry's long-term needs were for SA to become a globally competitive production base and an attractive investment destination.

He said as an international player, SA could not escape the consolidation and rationalisation brought about by the globalisation of the auto industry in the past 10 years.

In 1964 there were 52 independent motor manufacturers worldwide – now there are about 16. By 2005, it is estimated this will be less than seven.

Vermeulen said 10 years ago there were about 4 000 tier-one system integrators; 7 500 tier-two module suppliers and 9 000 tier-three component suppliers to the industry. By the end of 1998, these numbers had shrunk to less than 1 000, and about 2 000 and 2 500 respectively. Vermeulen said now there were about 240 global suppliers – a decade ago there were none. — *ECN Weekend*

Vehicle industry to shift to SKD

(192) CT(BR) 9/9/99

ROY COKAYNE

Pretoria - South Africa's commercial vehicle industry was likely to shift from completely knocked down (CKD) to semi knocked down (SKD) assembly and completely built up (CBU) imports because of proposed import duty changes next year, Henk Maree, the director of Toyota SA Trucks, said this week.

Maree said, in terms of current mid-term review proposals of the Motor Industry Development Programme, CBU commercial vehicle import duties would drop to 20 per cent from January 1 next year and to 15 per cent for European CBU commercial vehicle importers.

He said it was also proposed that duties on commercial vehicle component imports, including tyres, would drop to zero from the same date.

In 1995, 40 per cent duty was payable on CBU commercial vehicle imports and 30 per cent on commercial vehicle component imports.

Maree said the shift to SKD assembly and reduction in import duties was likely to result in the local content in commercial vehicles assembled in South Africa dropping from the present about 50 per cent to only 15 per cent.

"This will obviously have a negative impact on employment by local component suppliers," he said.

However, Maree was cautiously optimistic about an upturn in the market.

Everything not going right for Toyota

Stan Maphologela

THE dismal interim results of SA's largest car manufacturer Toyota, released yesterday indicate that the effects of depressed trading conditions in the motor industry have been worse than expected, say analysts.

A combination of striking workers, a sharp drop in SA's new vehicle sales, a deteriorating rand exchange rate, high interest rates and a highly competitive market sent the company reeling in the six months to June.

The group suffered an operating loss of R68.4m compared with an operating profit before tax of R133m in the previous first half.

Turnover dropped to R2,6bn compared with R3,1bn last year.

Executive chairman Bert Wessels blames the poor results on the weakened rand-yen exchange rate which dropped from an average of ¥25,7 to the ¥19,8 to a rand in the first six months of last year, and to high interest rates and low economic growth aggravated the problem.

The consequent drop in volumes had a detrimental effect on fixed cost per unit. Losses could not be recovered through increased pricing due to

Striking workers and other factors hit car maker's figures

the very competitive situation in the market," he said yesterday.

Despite the weak financial performance in the first six months the group says it expects that its total income before tax for the full financial year could be at a break-even level.

Wessels said that labour relations were stable despite an 11-day work stoppage arising from a dispute regarding bonus pay-outs.

This year's increases were implemented in terms of the three-year industry agreement concluded last year.

The group is implementing various action plans aimed at counteracting the negative effect of factors that led to the poor performance of the group.

Wessels said that he was confident that Toyota would return to acceptable profitability over the medium to longer term.

"A significant aspect of the actions being implemented is to reach agreement with the franchiser, Toyota Motor Corporation of Japan, for access to substantial export markets."

Toyota's share of the total sales in the local vehicle market for the period under review is

23,4% compared with 23,9% in the first months of last year, but it plans to achieve a 25% local retail market share for 1999.

The group forecast the total local retail market for the whole of this year at 280 000 units, which would be 10,9% less than the 314 410 units sold last year.

Analysts say that in the short term a further modest recovery in new vehicle sales is expected to materialise as a result of a combination of positive factors.

These they say, include the benefits of recent interest reductions and the positive effect of demutualisation as well as an expected turnaround in the inventory cycle.

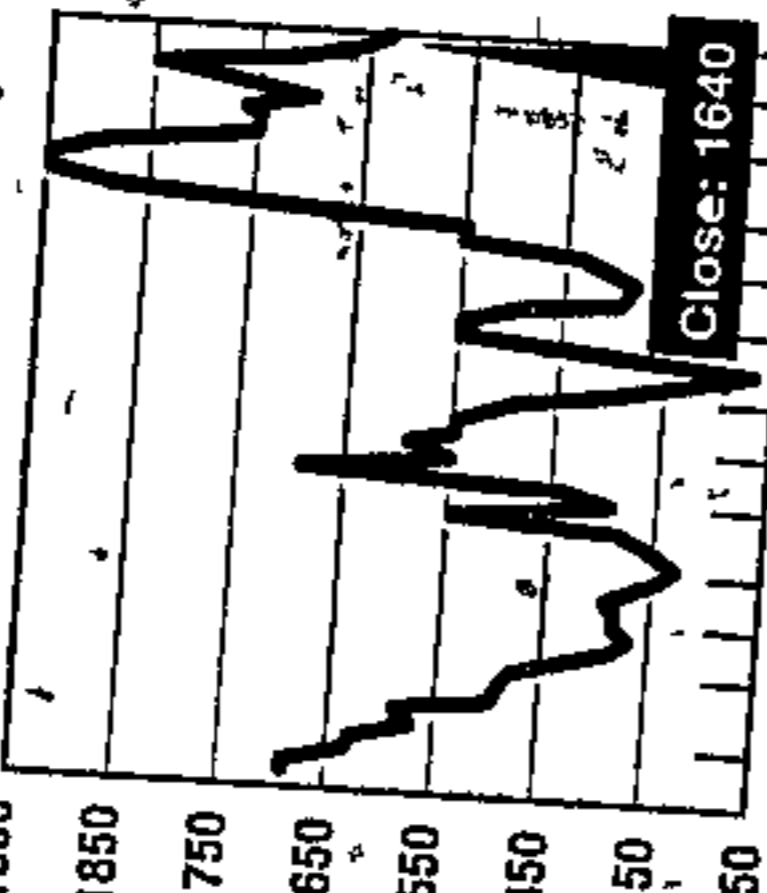
In the medium term, with SA's economic fundamentals turning progressively more positive, prospects look more promising.

For the year 2000 industry projections are that new vehicle sales volumes, in aggregate terms, should grow about 10%.

Toyota's share price shed 5c to close at R16,35 on the Johannesburg Stock Exchange yesterday, bringing the loss for the month to 165c or 9%.

Toyota

Share price, weekly close (cents)



S O N D J F M A M J J A S
98 99

RUBY-GAY CAETANO Source I-NET BRIDGE

Chairman expects to break even at full year

Toyota suffers operating loss of R63,8m

ET (MR) 23/9/99 (192)
ROY COKAYNE

Pretoria - Toyota South Africa, the only JSE-listed motor manufacturer, suffered an operating loss of R68,3 million in the six months to end June compared with an operating profit before tax of R133,02 million for the corresponding period last year

"Despite the weak financial performance in the first six months, the group expects that total income before tax for the whole of 1999 could be at approximately break-even level, said Bert Wessels, Toyota SA's executive chairman

"This takes account of income of some R45 million to be generated by the sale of shares obtained as a result of Old Mutual's demutualisation"

Wessels said Toyota's management was confident of returning to acceptable profitability over the medium to longer term

"A significant aspect of the actions being implemented is to reach agreement with the franchisor, Toyota Motor Corporation of Japan, for access to substantial export markets," he said

Group turnover was lower at R2,6 billion in the six months to end June compared with R3,08 billion. Losses per share of 112,2c compared badly with a

profit of 238,1c last year

The net loss attributable to shareholders was R46,6 million compared with a net profit of R96,8 million last year

An interim dividend was not declared

The group's total debt to assets dropped to 35,6 percent from 37 percent last year

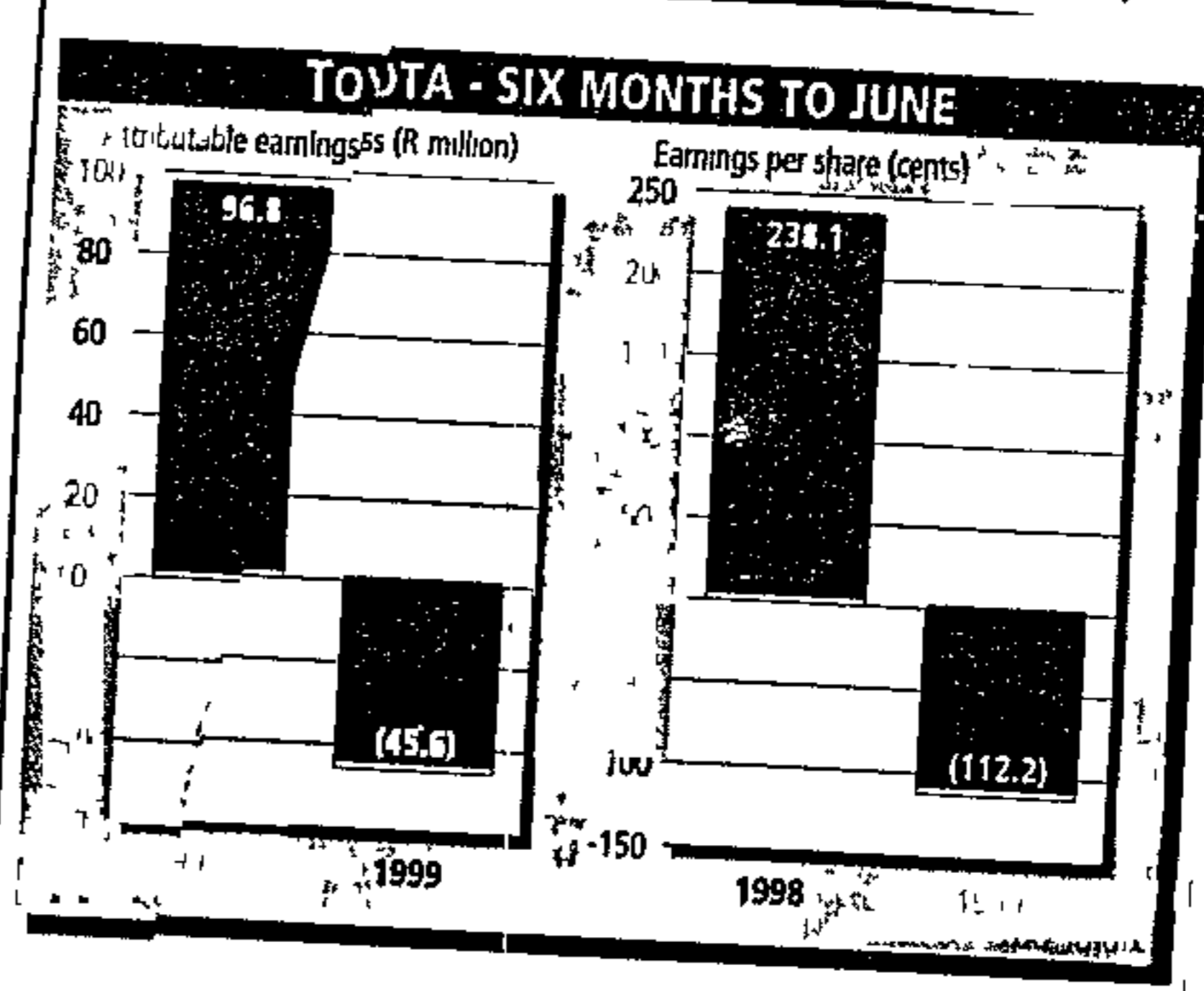
Wessels said the exchange rate of the rand against the yen weakened from an average of ¥25,70 to the rand during the first six months of 1998 to ¥19,80 to the rand on average during the first six months of 1999

"This was a major factor. High interest rates and low economic growth depressed the market. The consequent drop in volumes had a detrimental effect on fixed cost per unit

"Losses could not be recovered through increased pricing due to the very competitive situation in the market," he said

Wessels said Toyota's share of the total reported local vehicle market for the period under review was 23,4 percent compared with 23,9 percent for the first six months of last year, but the group aimed to achieve a 25 percent local retail market share for 1999

Toyota shares closed unchanged at R16,40 yesterday



Toyota crashes into depressed economy

MOTOR INDUSTRY
By DON ROBERTSON

THE dismal state of the motor industry was starkly presented this week by the plunge from profit-maker into loss-maker by Toyota SA, the country's largest manufacturer.

In the six months to June this year, the group declined to an attributable loss of R45.6-million compared with a profit of R96.8-million in the first half of the previous year.

Earnings accordingly showed a loss of 12.2c a share compared with a profit previously of 238.1c a share and the R8 interim dividend of 24c, covered 2 times, has been passed.

A 15.7% decline in turnover to R2.6-billion from R3-billion was partly responsible for the loss.

The major reason, however, was a collapse of selling margins as a result of a decline in the value of the rand against the yen — from 25.7 yen to the rand in the first six months of 1998 to 19.8 yen to the rand in the first half of this year.

This, together with high interest rates and reduced sales, had an effect on the fixed cost of each unit produced. Theoretically, Toyota suffered a taxed loss of R1 400 on each unit sold.

These losses could not be recouped by increasing prices because of the

very competitive nature of the market. Sales during the six months fell 17.4% to 32 549 units against 39 391 last year, in a total market that declined by 15.7%. These sales left the group with a marginally lower market share of 23.4% against 23.9%, but chairman Bert Wesels is confident that the company's share of the market will increase to 25% for the full year.

The performance of Toyota, the only listed motor group in SA, suggests that its six manufacturing competitors — with the possible exception of BMW — could be facing even worse problems.

However, management at Toyota has introduced various plans aimed at counteracting its difficulties.

The main thrust of the strategy will be to persuade its parent company — Toyota Motor Corporation of Japan — to give it greater access to export markets, which in the past has been severely restricted.

However, it is expected that results for the full year should about break even, although this will include income of about R45-million from the sale of its shareholding in Old Mutual following demutualisation.

(192) ST(BT) 26/9/99

4 Sunday Times Business Times
September 26 1999

Samcor wins export contract

VEHICLE manufacturer Samcor has won a substantial engine export contract which will earn the beleaguered Eastern Cape economy more than R200-million a year in foreign exchange and establish it as a world supplier of engines for Ford products.

The refurbished Struandale plant in Port Elizabeth, which has created jobs for about 400 people, was recently commissioned. Export of 55 000 fuel-injected 1.6 litre engines a year will begin next month. The first shipments are destined for India where they will be installed in a Ford Icon to be launched in November.

Samcor has invested R160-million to upgrade the equipment at the plant and will be only the second country, after Brazil, to produce the new power plant which was developed by Ford in Cologne, Germany, as a true world-class engine.

A total of 55 000 engines will be produced in the first year, rising to 85 000 by the year 2002 and to 120 000 a year within

A world-class Ford engine will be manufactured in SA for worldwide sale, writes DON ROBERTSON

ST(BT) 26/9/99 (192)

three years. Local content is already at 65% by value, but will rise to 90% when the plant is running at full capacity.

It is expected that the life of the engine will be at least eight years. Reaching the 120 000 level, however, will require the installation of equipment to forge cylinder blocks which are currently imported from Brazil. This in turn will depend on proposals contained in the mid-term review of the Motor Industry Development Programme which suggests that import rebates on the export of components, including engines, be reduced

South Africa has the required world-class energy and labour costs for engine manufacture

and fabricated camshafts are now being produced.

The engine is ideally suited for various applications, specifically in emerging markets. Both low- and high-compression versions will be made locally, says group managing director Lewis Booth. Samcor's order for the Indian market stipulates that Indian fuel be imported for engine testing locally.

Although it is intended to use the engine in Ford products in SA, most of the production is destined for worldwide markets.

Charlie Shearer, director of engine and component manufacturing, says Ford is treating the Port Elizabeth engine plant as if it were a true international Ford facility with the same support and expectations as any other place in the world.

"South Africa has competitive world-class energy and labour costs for engine manufacture."

The intention is to entice the world's top component suppliers to South Africa and eventually to develop a robust engine supply source, he says.

The new RoCam engine — short for roller camshaft — will be used in various Ford products around the world. SA and Brazil will be responsible for producing 1-litre, 1.3-litre and 1.6-litre formats. Production of the engine has given local component suppliers a boost — technologically advanced plastic intake manifolds

VWSA reviews export target after falling short ⁽¹⁹²⁾

BD 28/9/99

Stan Maphologela

VOLKSWAGEN SA (VWSA) has revised its targets for its Golf IV extended export order after failing to reach the initial forecast of 60 000 units, but the arrangement to continue producing for overseas markets will not be jeopardised.

VWSA GM communications Matt Gennrich, who confirmed the company was "slightly behind", said initial production targets for the year were revised to 50 000 units from 60 000. This was in line with global pressures in the motor industry.

"We will now realistically export 42 000 units for the year," he said.

Up to the end of August the company managed to export 26 091 vehicles, or half the initially planned 50 000 units for the full year.

Gennrich said there were several factors that had led to the delay.

The European vehicle market had softened causing a low demand for vehicles from foreign markets, and continued labour problems which affected production.

In addition, Gennrich said, the delay was aggravated by the fact that the company had a model year change for its Golfs during this year and introduced a new line of the Jetta IV for the local market.

Analysts cited recent unstable industrial relations environment in the component and manufacturing industry, which had a negative effect on investor sentiment, as a problem that caught the manufacturer off guard.

With the motor industry in a serious slump, analysts said such delays would endanger future willingness by foreign parent motor companies to inject further investments into SA.

However, Gennrich said the review of targets were arrived at jointly with VWSA's foreign par-

ent company, given the softer outlook in the European market.

Early last year VWSA was awarded a R5bn contract to export 68 000 vehicles to the UK for two years, a deal which meant doubling its production and made it the largest vehicle exporter and manufacturer in Africa.

During October last year at the Auto Africa Show, the company announced that its export contract to manufacture Golf IV units had been extended to the lifespan of the model.

Analysts say an estimated life cycle of a model is between five and eight years. The initial VWSA export order was meant to last only 18 months.

This year, in addition to 48 000 vehicles for the local market, the firm was to produce 60 000 vehicles for export, bringing the total at the Uitenhage plant to 108 000.

Production targets were reviewed to 50 000 for this year.

Illegal truck imports concern car makers

(192)
ST (NT) 3/10/99
Faltering Asian economies added to SA manufacturers' headaches, writes DON ROBERTSON

THE illegal importation of trucks to SA is causing concern for domestic manufacturers who are losing thousands of sales each month to unscrupulous distributors.

Dermot Herron, chairman of the vehicle crime prevention committee of the National Association of Automobile Manufacturers of SA (Naamsa), says the position has reached frightening levels and in spite of efforts to counteract the problem, it is getting worse monthly. He claims that unscrupulous dealers beat the system either by importing vehicles for eventual sale in countries within SA's common customs union or for sale in countries outside the customs union. No import duties or VAT is required to be paid on these vehicles, says Herron.

In most instances, though, the vehicles never reach these countries and are sold inside SA.

There are also claims that vehicles being imported from a number of South East Asian countries are being dumped on the domestic market, while the illegal importation of second-hand trucks is also on the increase.

The situation is aggravated

by the lowering of import duties on trucks which is now pegged at 24% in terms of the Motor Industry Development Programme and will fall further to 20% in January.

This has resulted in a sharp increase in the number of trucks now available to industry and commerce. Since 1994, the number of truck models available in the country has more than doubled from about 14 to more than 30, most of which are imported from countries such as India, China, Indonesia, Korea and Thailand.

The number of truck models available in the country has more than doubled since 1994'

This has put further pressure on an already highly competitive market and has largely prevented domestic truck makers from increasing prices, with the result that manufacturers and dealers are suffering.

This has occurred during a particularly grim period for the industry. Sales of medium and heavy trucks are expected to reach only 11 000 units this year compared with 12 760 last year.

Herron says the number of illegal imports varies, from about 800 a month to as high as 2 000 a month, while as many as 700 second-hand trucks are reaching these shores each month. Henk Maree, director of Toyota Trucks SA, says currencies in countries such as Korea, Indonesia and Thailand virtually collapsed as a result of the economic crisis in South East Asia. Sales in these countries tumbled by as much as 80% in some cases and manufacturers were forced to rely on exports to survive.

"It is almost certain that products are being dumped on our shores at exceedingly low prices. The landed value declared is extremely low, which makes the duty minimal," says Maree.

"In many instances, these

trucks do not comply with domestic regulations or standards set up by the SA Bureau of Standards."

Maree says trucks such as the Dina and Hino — which are distributed by Toyota domestically — as well as Mitsubishi, Isuzu and Nissan are being imported by distributors, many of which do not have backup facilities or spare parts. Maree lists one dealer involved in this practice of buying large numbers of spare parts from Toyota.

"On one occasion this created a shortage for us and we had to buy the spares back

from him," he says.

A Naamsa spokesman says the vehicle crime prevention committee investigated two incidences of alleged dumping, but found that it was rather a function of the exchange rate than actual dumping. "This, however, does not mean dumping is not happening and if the domestic industry believes it is continuing, they can approach us again," says Maree.

Also putting pressure on local manufacturers is the illegal importation of second-hand trucks.

Permits are required for

the importation of second-hand trucks, but the Department of Transport seldom provides these.

"This practice is rife and can cause problems for people who buy these trucks as the domestic, officially appointed franchise operator will not service these vehicles," says Maree.

One method of combating the increase in the number of illegal imports is to register all vehicles reaching South Africa on the National Traffic Information System (Natis), which notes items such as body and chassis numbers



UNDER STRAIN. The importation of trucks from South East Asia has put pressure on SA's competitive market

Car industry makes R116-m this year ⁽¹⁹⁹²⁾

THE South African motor industry employed 250 000 people this year and had revenues of more than R116 billion accounting for 5,4 percent of gross domestic product

This was said in a report by the Department of Trade and Industry's Motor Industry Development Council (MIDC). It said in terms of production and new vehicle sales, South Africa ranked number 20 in the world with domestic production of passenger and light commercial vehicles estimated at 316 000 units in 1999

This included 65 000 units for export. Production of medium and heavy commercial vehicles would top 10 700 units, 700 of them for export

Last year more than 250 000 used cars and minibuses were sold and nearly 49 000 used commercial vehicles and buses changed hands. Vehicle assemblers and component suppliers made fixed capital investment in excess of R15,3 billion

Apart from the seven manufacturers in South Africa, the industry was supported by 5 500 garages and filling stations, 900 used vehicle outlets, 450 tyre dealers and retreaders, 500 engine reconditioners, 80 vehicle body builders, 650 parts dealers and about 300 farm vehicle and equipment suppliers

The MIDC said investment in the assembly industry had increased after

several firms announced investment programmes mainly to support the introduction of new models as well as to accommodate export contracts

Developments in the international auto industry had also impacted on local manufacturers and component suppliers. The report said the National Association of Automobile Manufacturers of South Africa reported that in 1995 manufacturers had invested R847 million. This year it had increased to R2,5 billion - R1,3 billion on products, local content and export investments, R835 million on plant machinery and production facilities, R55 million on land and buildings and R248 million on support infrastructure, research and development and engineering

Domestic vehicle assemblers spent R60 million on training in 1998. But despite major strides in addressing structural problems, plant level productivity and workers' skill levels, productivity still did not compare well with international norms

"The main reasons for this can be attributed to relatively low levels of automation and the complexity of most assembly plants which produce a range of models in relatively low volumes"

But increased automation at low volumes was far more costly than labour intensive production methods -

ECN

66/10/1992
secure

Mercedes export deal brings SA R1bn

ART 16/10/99 (19A)

REUTERS AND ROY COKAYNE

Pretoria - DaimlerChrysler, the German motor manufacturer, said yesterday it would switch production of its right-hand drive model of its C class Mercedes-Benz to South Africa from Bremen in Germany.

The company said the move reflected a long term commitment to South Africa - which wants to attract long term investment but suffers from perceptions of crime - and was part of a broader strategy to specialise operations to gain better economies of scale.

"This represents a major challenge for the company and for South African industry in general," Christoph Kopke, chairman of DaimlerChrysler South Africa (DCSA), said.

President Thabo Mbeki said the decision was an endorsement of South Africa and significant because it showed that those who understood the country were not fearful of making commitments.

The company said there

would be no German job losses and that staffing levels in South Africa would not change.

The plan will create a tremendous amount of jobs among DCSA suppliers and is expected it to lift investment by R1 billion (\$162 million), said Kopke.

Economists said the news was positive for the country and, because more vehicles put together here would be exported, it could help South Africa's crucial balance of payments position.

"It should be a big positive for the economy because it is expanding operations, which implies more fixed investment. Exports will clearly go up because the plants will be adding value," said Dennis Dykes, Nedcor's chief economist.

BMW and Volkswagen also have production plants in South Africa and make a number of right-handed units for export.

DaimlerChrysler will spend an additional R120 million on training.

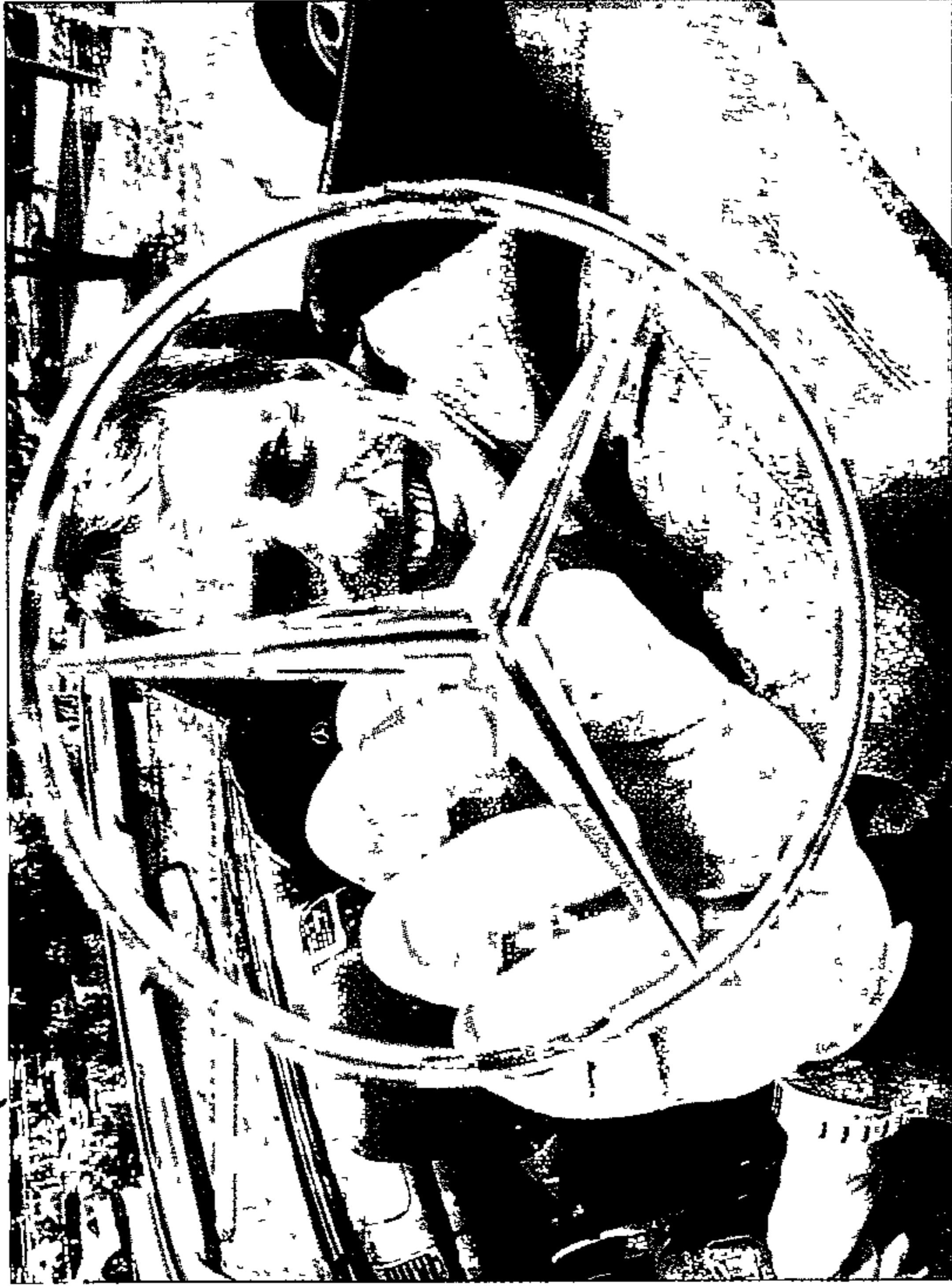
Kopke forecast an increase in the local company's turnover from R6,2 billion this year to

R7,8 billion next year and R12 billion in 2001, said Kopke. "Export business will give us that astronomical growth but that growth is needed to make our factories viable," Kopke said at a function at which it was announced that DCSA had also increased investment by expanding its East London plant by R1,3 billion.

"DCSA's mission and strategy for the new millennium is to be the No 1 motor company in Africa," he said.

Wilfried Porth, DCSA's management board member responsible for manufacturing, said the investment coincided with DCSA significantly altering its strategy, which would result in an increase in its volumes as the company increased its emphasis on exports.

He said production of the C-Class Mercedes-Benz would quadruple from about 7500 annually to between 40 000 and 45 000, the majority of them for export to right-hand drive markets worldwide. Porth would not name the export markets.



RIGHT HAND MAN Christoph Kopke, the chairman of DaimlerChrysler SA, smiles after announcing a brand new export order for right-hand Mercedes-Benz C-Class cars. PHOTO: JOHN WOODROOF

Major SA motor boost

By Shadrack Mashalaba

DAIMLER Chrysler South Africa (DCSA) has announced an investment injection of R1,3 billion in its East London-based plant to manufacture the new four-door C-class Mercedes-Benz sedans

While the manufactured cars will be sold to local market, the majority of the immediate target volumes – of between 40 000 and 45 000 units annually – will be exported to countries such as Australia

Addressing a media briefing in Pretoria on Friday, DCSA chairman Christoph Kopke said his company has taken a positive outlook on South Africa “No car assemblers can survive in the next millennium if they do not commit their

resources into tapping the export market

“I believe that part of the problem which hinders investment in South Africa is psychological perception,” he said

Kopke said DCSA’s strategy in the next millennium is to be the number one motor manufacturing company in Africa.

He projects that this year’s turnover of the company will top R6,2 billion, while he puts figures at R7,8 billion and R12 billion for the years 2 000 and 2 001, respectively. He argues that this is a medium term strategy that will ensure the company stays viable.

The investment represents a major challenge for the company and for the South African industry, in general, and we will now have to prove our ability to produce cars that are globally competitive in quality and delivery

standards,” Kopke added

Wilfried Porth, DCSA management board member responsible for manufacturing, says R100 million will be spent on information technology, another R100 million in the supply industry, R120 million on assembly operation, with another R120 million on skills development and R320 million on a new paint shop

While a number of jobs will be created out of the investment, Porth said “Stating how many jobs will be created out of the venture at this stage would be irresponsible”

He said 250 people – selected from management and other staff levels – will be sent to Germany to undergo six months’ training. In turn, they will also send 85 German trainers to come to South Africa and train local people

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(192) *South African 28/10/99*
Car maker pours R1,3-bn into E Cape

DAIMLERCHRYSLER South Africa's R1,3-billion investment in its East London plant will have major spin-offs for the South African economy, with a potential of adding R200 million to the tax base in 2000. It could add R400 million in 2001 and exports generated would "enhance confidence in the rand", according to South African Chamber of Business chief executive Kevin Wakeford.

Wakeford said this to about 300 East London business people invited by the company to a briefing session held at the weekend to highlight opportunities their investment would bring to local business.

The investment will get DCSA in line to become the only producer of the right hand drive C-Class Mercedes Benz in the world. Production

will increase from current levels of 10 000 units a year to around 55 000 units annually from 2002.

Wakeford said the investment would not add significantly to the plant's labour force, but would create indirect employment "both up and down stream".

He said the investment would lead to a net improvement in the balance of payments of R4 billion.

The R1,3 billion investment represented four percent of domestic corporate savings and would contribute 0,1 percent to gross domestic product (GDP) in 2000 and 0,2 percent in 2001.

He also welcomed the news that R120 million had been allocated by DCSA for training. Wakeford said DCSA had adopted business' new "core imperatives" of international-

sation and the adoption of new business models in the digital age.

He said Eastern Cape should take advantage of the investment and examine the whole supply chain to look for competitive edges.

He called on business people to use the Border-Kei Chamber of Business as their "rallying point" and to find ways of collaborating and pooling resources to make the DCSA investment "bear the fruit it should".

He lauded both East London and DCSA "for a job well done".

Eastern Cape finance and economic affairs MEC Enoch Godongwana congratulated DCSA for making the investment and said it would have a major impact on job creation in East London and the province in general. *ECN*

New body to service SA motor industry

A BREATH of fresh air is expected to be breathed into South Africa's motor industry following the restructuring of the Motor Industries Federation (MIF) and the South African Motor Industry Employers' Association (SAMIEA) into a new umbrella body - the Retail Motor Industry Organisation (RMI)

Briefing the media in Johannesburg yesterday, new RMI chief executive Derrick Dixon said the leadership of the old organisations missed the crucial stage of maturity six years ago ending up with a "dead formula which would not have taken us into the future"

Outlining RMI's goals, Dixon said the new organisation, representing more than 130 000 employees and 12 organisations, will be pro-active, cost-efficient and the lead voice for the entire retail motor industry

He said the restructuring will include reducing paperwork, meetings, having three regions as opposed to six, a new code of conduct and an accredi-

(192)
tation programme

Each region will have a complaints committee for consumers to report their grievances "It is our aim to assist people from all sectors of the population wanting to enter the motor business

"We shall assist them to become better qualified to service the huge demand for motoring services to world class standards"

But membership will exclude those in the informal sector because they need to have a set business address

The new RMI organisation structure consists of a national office in Johannesburg and three regional offices in Cape Region, Central Region and KwaZulu-Natal

RMI will have a board of directors representing labour and business chambers and three captains of industry

Dixon said RMI will be run as a business Restructuring will take 18 months - Sapa

9/11/99
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AIDS, AZT AND MBEKI

PRICE, NOT EFFICACY, IS THE ISSUE

The AZT scare triggered by government is a red herring — and a setback in the fight against Aids, say the experts

Aids does not exist HIV does not cause Aids. The traditional Aids hypothesis is a wholesale fraud. In fact the world's most commonly administered Aids drug AZT causes Aids. Who would have thought that at the epicentre of the HIV/Aids epidemic where 1 600 people contract the HIV virus each day and the numbers of Aids orphans and Aids fatalities are mounting, these fallacies would be taken seriously?

But the aspersions President Thabo Mbeki has cast on the safety of AZT have opened Pandora's Box and out have



A large volume of scientific literature claims that the toxicity of this drug is such that it is in fact a danger to health ←
President Thabo Mbeki

because it doesn't want to pay for it. But it's backfiring, because there is no evidence they will find nothing.

Many others in the medical profession including ANC members and officials regard Mbeki's statements as a setback in the fight against the disease which infects 3.5m-4m South Africans.

"I've had a patient coming off AZT in trials because of all the publicity. It's irresponsible the statements being made. We are losing a lot of the ground we've gained. It means government still doesn't want to take responsibility for the epidemic," says National Convention of SA (Nacosa) chairman Dr Ashraf Ginnwood.

AZT is being singled out because government is trying to defend its decision not to provide it for mother-to-child transmission. Says the head of Groote Schuur Hospital's HIV/Aids Unit Prof Gary Maartens: "It's pathetic the MCC is loading to the President. There's no medical or scientific reason whatsoever for the MCC to review the material. I'm sure the MCC will come out with a balanced report but it's nauseating that they're even looking at it."

Dr Peter Moore, medical director of Glaxo Wellcome, the drug's manufacturer, says that as the Health Department is unable to put any new evidence on the table Glaxo regards the MCC's review as unnecessary and unjustified.

On the contrary, says MCC chairman Dr Helen Rees, "we were in the process anyway starting a few months ago of looking at all the Aids drugs. They have been introduced at huge speeds and for good reasons and when you do that you have to look at safety. AZT is being used for things like needle stick injuries and mother-to-child transmission which is not what it was originally intended for."

She says the MCC will take an in depth

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Further advice and study are needed ←
Manto Tshabalala-Msimang

Public concerns about AZT are said to be coming from scientific studies. We want to trace those studies and dig out the evidence rather than dismiss it off-hand," he says before asking whether the FM knows the source of the controversy. When he says it all comes down to Duesberg then I think if it all comes from Duesberg can't even convince his peers in his own country. The problem is South Africans are so gullible. This takes away from all the good things we are doing in this country (to fight Aids).

Ten years ago Duesberg was a challenge but his outdated theories have been buried under masses of incontrovertible scientific evidence. At the 1992 International Aids Conference in Amsterdam delegates sported badges stating "It's the virus Duesberg's theory that HIV doesn't cause Aids. Then he was the butt of international jokes now SA is with the story making headlines in the US."

We're making a laughing stock of ourselves warns HIVCare International head Dr Ruben Sher. Government is discrediting the drug

As a result of Mbeki's comments his instruction that the Medicines Control Council (MCC) review AZT and Duesberg's resultant appearance on prime-time television HIV-positive patients have been thrown into confusion.

Medscheme's Aids benefit management programme Aid for Aids supports 3 000 HIV positive members of whom just over half are taking AZT. The programme's clinical co-ordinator Dr Leon Regensberg is being inundated with calls from



SA's history of addressing Aids is the most appalling debacle we have shot our allies knifed our neighbours and, instead of attacking the enemy attacked each other ←
Dr Ashraf Ginnwood

people have had access to AZT or other antiretrovirals. Aids-related deaths halved in the US from 1996 to 1997 because of highly active antiretroviral therapy also known as triple therapy where three antiretrovirals are administered simultaneously. AZT is commonly one of the three. Other Western nations experienced similar results to the extent that they now regard Aids as a chronic manageable disease, not a death sentence.

"More importantly," says Southern African HIV Clinicians Society president Dr Des Martins, "published studies have shown that patients on combination therapy with AZT and 3TC have been able to maintain or improve their quality of life. There are 12 antiretrovirals licensed in SA. All have side effects except for Lamivudine and some have as many side effects as AZT if not more. If AZT was not beneficial and well tolerated or was under genuine suspicion doctors would switch to alternatives and their peers in the linguist US would be too scared to prescribe it. AZT was first licensed in 1987 in the US."

look at all data on AZT's safety and efficacy and will review the drug's registration status. The council will either tighten up on certain conditions or confirm the status quo. It should take at least a month in the interim. Health Minister Manto Tshabalala-Msimang has recommended that people continue using the drug.

The World Health Organisation recently added AZT to its Essential Drugs List. The British government last month approved its use to reduce mother-to-child transmission of the virus.

Many people aren't aware of the background to Mbeki's statements on AZT — not that he found his speech material on the internet but government's long-standing row with Glaxo.

About three years ago Glaxo met government in an attempt to dissuade it from parallel-importing AZT (getting it from a country where it is sold cheaper than in SA). Glaxo offered government a 75% discount but government wanted the drug at cost. Glaxo's response was that this was not feasible. It expressed fears that AZT would be stolen from the State's porous warehouses and find its way on to the open market — a legitimate concern, but government was not amused.

Relations deteriorated further when the pharmaceutical industry took government to court to halt subsequent legislation providing for the parallel importation of drugs.

It was always about price never efficacy, says an ANC source close to the talks. "The debate about the merits of AZT is a red herring. The real issue is how to get Glaxo and government to work together to get AZT to the people."

Providing HIV positive people with AZT (at R600/month) in accordance with European monotherapy guidelines would cost about R5 6bn/year — a quarter of the entire health budget. No-one was suggesting government do this but the clamour from pregnant HIV positive women and

rape victims for free AZT was becoming deafening and government's refusal difficult to defend.

Rees concedes that the MCC's investigation into Aids drugs did not start with AZT but with a newer class of anti-HIV (antiretroviral) drugs called protease inhibitors. This approach makes sense because AZT is the oldest most tested, studied and commonly used antiretroviral in the world. More than 30 000 people have received AZT in clinical trials and about 300 000 are now taking it worldwide.

It is one in a class of five antiretrovirals licensed in SA called reverse transcriptase inhibitors. They prevent the virus from replicating in the same way. Therefore dissidents who decry AZT because of its action (they claim it destroys the immune system and its effects are indistinguishable from Aids) should be denouncing all the drugs in its class.

Their argument also ignores the fact that the epidemic is worst in sub-Saharan Africa where few



Dr Mark Cotton

THE TRUTH ABOUT AIDS

- Myth 1:** HIV doesn't cause Aids. **Fact:** There is no credible scientific evidence that HIV is not the cause of the Aids epidemic.
- Myth 2:** AZT is a failed, toxic drug. **Fact:** AZT is licensed by some of the most stringent medicine regulatory authorities in the world. Numerous scientific studies demonstrate its safety and effectiveness, though it has side effects.
- Myth 3:** The HIV virus has never been isolated. **Fact:** All the virus's genetic material has been isolated.
- Myth 4:** The HIV test is not accurate. **Fact:** The ELISA tests are among the most reliable in modern diagnostic medicine.

COMMONLY USED ANTI-HIV DRUGS LICENSED IN SA

France and US followed by SA in 1989. It is now licensed in more than 100 countries and the Centers for Disease Control in Atlanta (the world authority on communicable disease control) recommends its use by HIV-infected pregnant women. Glaxo Wellcome is unaware of any medicine regulatory authority, other than the MCC that is reviewing AZT on safety grounds and says there are no legal challenges under way or pending against it.



The Southern African HIV Clinicians Society has come out in support of the drug AZT as a valuable drug, says Maartens. We recognise that there are serious toxicities involved with AZT and all other antiretroviral drugs as is the case with certain cancer drugs and that patients on AZT therefore need to be monitored carefully."

Somerset Hospital HIV/Aids Clinic head Dr Rob Wood has 200 patients on AZT. "It's not a toxic drug I avoid," he says. "Its side-effect profile is reasonable. I have many patients whose lives have been greatly helped from using it."

Aid for Aids has 1 500 patients on AZT. "Over the past 18 months fewer than 5% have reported significant side-effects or had to be taken off the drug for toxicity," says Regensberg. "There's ample evidence of AZT's efficacy and we don't believe its toxicity is a major problem if monitored. Some of our patients have been on low doses of AZT for more than 10 years and are still doing well."

Though doctors are comfortable using AZT all have high hopes for Nevirapine and about R25/month and was found in a Ugandan study to be more effective than AZT in preventing mother-to-child transmission.

Large clinical trials using Nevirapine are under way in SA. The results should be presented at the International Aids Conference next July if they are positive and the drug is licensed in SA from the medical profession will swing away from AZT for the treatment of mother-to-child transmission says Dr Mark Cotton, a specialist in paediatric infectious diseases at Stellenbosch University.

Antiretroviral therapy does have severe limitations however it cannot cure HIV and patients are required to take multiple drugs for prolonged periods. There are also well publicised concerns about long term toxicity involving fat and glucose metabolism in some patients.

Press photographer Tyrone Arthur (34) is not alone in rejecting antiretrovirals. He was injected with HIV about six years ago. His last CD4 count was 135 compared to over 800 in a healthy adult. This means he qualifies for triple therapy under the rules of his medical scheme which will cover the cost. But Arthur refused after learning about the side-effects of AZT, Zalcitabine and Crivivan which could include diabetes and damage to the bone marrow. His homeopathic pills and oxygen therapy cost more than he would have paid for triple therapy.

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therapy but have no nasty side-effects and, besides he feels well. Arthur should be sick in bed by now with Aids, but he's productively employed.

I am here to love life, not just to be alive. I still have fun and party hard, and I'm effective in the workplace," he says.

Those who argue that HIV doesn't cause Aids or that AZT makes you more sick, often use the example of long-term survivors. But studies show that less than 5% of those who test positive do not show evidence of declining immune function for about eight years and may survive 20 years without treatment.

All the medical experts interviewed by the FM say there is no credible scientific evidence to disprove the theory that HIV is the cause of the Aids pandemic sweeping the world. It is an exceptional case they say for someone to have a rare, Aids-defining illness but not the HIV virus. Before the appearance of

Some potential side effects: Nausea, diarrhoea, paronychia, inflammation, peripheral neuropathy. Usually none. Peripheral neuropathy. Mouth inflammation, paronychia, inflammation. Nausea, headache, anaemia, neutropenia (reduced levels of neutrophil white blood cells), weakness, insomnia.

Generic name (other names)	Typical dosage	Some potential side effects
Didanosine (Videx, ddI)	2 pills, twice a day	Nausea, diarrhoea, paronychia, inflammation, peripheral neuropathy
Lamivudine (3TC)	1 pill, twice a day	Usually none
Stavudine (Zentri, ddT)	1 pill, twice a day	Peripheral neuropathy
Zalcitabine (HIVID, ddC)	1 pill, three a day	Mouth inflammation, paronychia, inflammation
Zidovudine (Retrovir, AZT)	1 pill, twice a day	Nausea, headache, anaemia, neutropenia (reduced levels of neutrophil white blood cells), weakness, insomnia



HIV, Aids-like syndromes were rare today they are common and epidemiological evidence shows a staggering rise in immunosuppression among individuals who share one characteristic - HIV infection.

Some dissidents argue that Aids is a behavioural disease, hence its explosion in Africa. They like to quote Dr Gordon Stewart professor of epidemiology at Glasgow University, as saying "Aids is a behavioural disease. It is multifactorial brought on by several simultaneous strains on the immune system -- drugs (including recreational) sexually transmitted diseases multiple viral infections."

But Stewart was merely a professor of public health at the University between 1972 and 1984 and has no published work on Aids in any reputable medical journal. His theory fails to explain why babies infected with the HIV virus develop Aids and uninfected babies do not or why these age-old patterns of behaviour have caused the emergence of Aids only in the past 20 years. Another fallacy is the contention that the HIV virus has never been properly isolated. The entire genome of the

Some of our patients have been on low doses of AZT for more than 10 years and are still doing well. Dr Leonard Regensberg

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virus has been isolated and analysed for many different HIV types. This has enabled scientists to begin to create Aids vaccines using pieces of the virus genetic material.

Some also question the accuracy of the HIV test claiming it cross-reacts with pregnancy thus explaining the high HIV rates in SA antenatal clinics. Others say the test is flawed because a co-founder of HIV Dr Robert Gallo wrongly identified HIV's markers (proteins) in 1984. The truth says Clark is that the initial tests were not based on the wrong markers but were too narrow to detect the broad range of HIV types known to exist. The current HIV Elisa tests are among the most reliable in modern diagnostic medicine.

The internationally standardised Elisa test used in SA has a sensitivity of 100%. This means it will not fail to detect a single HIV-positive result. It is followed by a second confirmatory test to weed out any false positives that is 99.9% accurate.

The dissident faction's allegations go on. Refuting them is like convincing remaining members of the Flat Earth Society that the earth is round.

"SA's history of addressing Aids is the most appalling debacle," says Greenwood. "We have shot our allies, knifed our neighbours and instead of attacking the enemy, attacked each other."

Maartens agrees. "In Uganda they're winning the war against the epidemic because they had the political will to do so not by believing in conspiracy theories."

What Mbeki has done is to politicise a state scientific debate. The medicines regulatory authority

in any country should be fiercely independent. Mbeki has crossed that line again. He did it by supporting Virodene and accusing former MCC Chairman Prof Peter Folb who refused to bow to political pressure to license the industrial solvent of professional dishonesty Former Health Minister Nkosazana Zuma to renege on the line when she pioneered legislation restructuring the MCC and replacing certain members with her own officials. Now Mbeki is casting aspersions on AZT.

It's like Virodene and *Sarabing* 2 again. This time fewer people will confuse political manoeuvring with hard facts.

Clare Basseler



>> AZT's side effect profile is reasonable. I have 200 patients whose lives have been greatly helped from using it <<

Dr Rob Wood

SA motor industry is upbeat (192)

190 24/11/99

SA's motor industry, gently recovering from record low sales and turnover volumes, will grow by between 12% and 15% next year, analysts and manufacturers believe

"We see the year 2000 as potentially a much better year (than this year) for the automotive industry both in terms of growth of the SA and export market," a spokesman for the National Association of Automobile Manufacturers of SA said yesterday

High interest rates, following last year's emerging markets crisis, sent sales and turnover volumes for the country's seven major manufacturers tumbling to record lows, stirring debate on the need to rationalise the motor industry

However, with lending rates declining to 15,5% now, from a decade high of 25,5% at the height of the crisis, a mild recovery has started and analysts said this would extend into next year

Toyota SA, the country's only listed manufacturer reported a 112,2c a share loss in the first six months of the 2000 financial year and warned of flat full year earnings

Analysts said an improvement in the economy and export deals would help turnaround the industry's fortunes and save thousands of jobs

DaimlerChrysler announced last month that it would shift the production of the right-hand drive model of its C class Mercedes-Benz to SA

It hopes to produce 40 000 to 45 000 cars, the majority of which would be for export

"The (Daimler) Chrysler deal is a hefty dose of the right kind of tonic the SA motor industry needs," said Econometrix analyst, Tony Twine

DaimlerChrysler joins compatriots Volkswagen and BMW which have awarded multimillion dollar export contracts to their SA units

Analysts said the Volkswagen

contract would push their SA vehicle exports to 70 000 units this year, from 19 000 last year

"When (Daimler) Chrysler and BMW kick in, we will be exporting close to 140 000 units next year," said Anthony Black, an economist at the University of Cape Town

Black, a former adviser with the government's Motor Industry Development Council, said the export orders would also have a positive spin-off for the components sector

"Some of the components required are not available in SA

"We might see some component suppliers forming joint ventures with SA companies," said Black

Despite the tough conditions, the National Union of Metal Workers of SA said only between 200 and 300 jobs were lost from January to October this year and most of the workers had taken voluntary packages — Reuters

Toyota told to reinstate workers

FRANK NXUMALO

LABOUR EDITOR

Johannesburg - In a landmark ruling, the Durban branch of the Independent Mediation Services of South Africa (IMSSA) on Friday ordered Toyota South Africa to reinstate more than 400 National Union of Metal workers of South Africa (Numsa) workers dismissed last year and reimburse them wages estimated at R15 million.

The arbitrator upheld Numsa's right to refuse to engage in consultations at the expense of the company because management had "considered the determination of the number of employees to be retrenched and the identification of individuals to be part of a managerial prerogative and, as such, beyond the scope of consultation".

IMSSA said: "The obligation to consider alternatives meticulously becomes the more

pressing in a mass dismissal of this kind. The employer is obliged by the National Framework Agreement and the Labour Relations Act to consider alternatives that might minimise the number of dismissals and change their timing.

"Even if the company could not avoid retrenchments altogether, some of the alternatives could well have saved a few jobs or secured employment for a little longer.

Numsa welcomed the arbitration award and said the employer had broken all established procedures governing retrenchments.

"The finding that the dismissal of 404 Numsa members last year was unfair comes as no surprise. The unilateral and paternalistic manner in which an exercise of this magnitude and social consequence was conducted cannot be conceivably be countenanced in

contemporary industrial relations," said Craig Tanner Numsa's attorney.

"The award confirms that questions concerning alternatives to retrenchment and the numbers and identities of casualties are not the exclusive prerogative of management," Tanner said.

Toyota confirmed the award but said it needed time to study the arbitrator's arguments.

"We have received notification of the arbitrator's award but haven't as yet received the written findings. We have reserved our right to have the ruling reviewed once we have studied the arbitrator's reasoning," said Harry Gazendam, a spokesman for Toyota.

The arbitrator said the flaws in the consultation process had originated from the company's attempts to "rush" the process at the end of October last year.

NEWS

Scania lands R240m bus contract

ROY COXAYNE

Pretoria - Scania SA, the wholly owned subsidiary of Swedish truck and bus manufacturer Scania, had clinched a R240 million deal to supply Great North Transport, the Northern Province transport company with 340 buses Jan Jarlhage, Scania SA's managing director, said at the weekend.

Speaking at the official signing of the contract, Jarlhage

said it was one of the country's largest transport deals.

He said Scania SA had also entered into a partnership agreement with Great North Transport to build a bus assembly plant near Pietersburg.

Plant equipment would be imported from Sweden, he said. Jarlhage said delivery of the buses would start in April 2000 and would be carried out over the following 18 months. He said the process was the beginning of

a partnership rather than an isolated deal.

"We've established a deep partnership that will hopefully flow over into other provinces with them making use of the facility we are building."

Jarlhage said the capacity of the plant would initially be 20 buses a month but it could increase its output.

Steve Mashalane, the chairman of Great North Transport, said the buses would upgrade

safety and comfort levels and create 100 jobs at the assembly plant and 600 jobs via the multiplier effect.

He said the partnership came at a very opportune time in terms of new transport legislation.

Scania SA Great North Transport and empowerment companies would be the major shareholders in the assembly plant but the exact shareholding of each of the partners had not

yet been finalised.

Jarlhage said transfer of technology meant the introduction of modern concepts and the training of local workers.

Jarlhage said Scania SA would also offer Great North Transport a complete vehicle management system and control of the after-market bus business, including repairs, service and training. He said it was hoped the new plant would attract other investors.

CT (M) 29/11/99 (199)

Retrenchments were within law — Toyota

Simphiwe Xako (192) RD 30/11/99

TOYOTA SA had adhered to all provisions contained in the Labour Relations Act when it retrenched 403 employees in December last year, company spokesman Harry Gazendam said yesterday.

This view is contrary to the ruling by the Independent Mediation Services of SA at the weekend that Toyota SA should reinstate all retrenched employees and reimburse them wages estimated at R15m.

National Union of Metalworkers of SA (Numsa) spokesman Dumisa Ntuli said the union welcomed the arbitration award but would not be surprised if the company contested the matter as it did not appear satisfied with the ruling.

"The arbitration ruling is currently being studied by Toyota management and our legal advisers and the company will make a more detailed announcement in due course," Gazendam said.

Ntuli said more than 200 employees were reinstated yesterday. The union anticipated problems in recalling the remaining workers as they had returned to their homes in rural areas after the retrenchments. He said Numsa would still try to consult the workers and inform them of the new developments.

Gazendam said the arbitrator argued that the company did not disclose sufficient information regarding the economic reasons for the retrenchment or why alternatives were not implemented.

Arbiter says reinstate workers

sowetan 30/11/99

TOYOTA SA Manufacturing's legal advisers are studying the findings of an arbitrator regarding the retrenchment of some 280 employees at its Prospecton branch in Durban and will make a detailed announcement in due course, group human resources director Harry Gazendam said yesterday (192)

The workers were retrenched in December 1998

Arbitrator John Grogan ordered the reinstatement of the employees on Friday, stating that Toyota management did not provide sufficient economic reasons for the retrenchments.

The company had also apparently failed to state sufficiently clearly why alternatives to retrenchment were not implemented, Gazendam said

"Toyota management is of the view that all the provisions of the Labour Relations Act and other collective agreements were adhered to during the 18-month consultation process

"The arbitration ruling is being studied by Toyota management and our legal advisers and the company will make a more detailed announcement in due course"

The retrenchments followed months of arbitration with the National Union of Metalworkers of South Africa (Numsa), who declared a dispute. The matter was referred to an arbitrator who made his ruling last week.

Numsa officials could not be reached for comment yesterday. Union members at the Durban office said officials were meeting with workers to explain the situation - Sapa

MOTOR INDUSTRY

(192) FM 10/12/99

BMW CHIEF OUTLINES A MINI PLAN FOR NEXT YEAR

SA plant raises production but must close cost gap to prosper

Soaring export volumes are allowing BMW SA, the German-owned car company, to consider bringing the latest range of Rover cars to SA. The new Mini Cooper is already a certain starter in SA after its international launch late next year. Others, like the Rover 75, could follow.

Exports of BMW's 3-Series, which started in May, will total about 11 000 this year and about 30 000 in 2000, with the addition of the US, Japan, Canada and Taiwan as export destinations. Domestic demand for the 3-Series is about 12 000.

In terms of the motor industry development programme, exporters are entitled to import-duty rebates equal to the value of exports. This means heavy exporters like BMW SA can substantially cut tariff costs on imported vehicles.

This is allowing the company to consider which Rover models to introduce to the SA market. The company also has firm plans to introduce new BMW models, such as a 3-Series stationwagon and the company's first offroad 4x4, the X5.

MD Ian Robertson says that, with the exception of the Mini, no final decision has been made on importing Rovers, but the growing international integration between

BMW in Germany and its UK-based Rover subsidiary, make it a strong possibility.

At first, BMW wanted Rover to operate independently. However, following a boardroom battle this year that saw the departure

of chairman Berndt Pitschetsrieder and product development head Wolfgang Reitzle, the German company has accepted the need for the two to integrate many of their operations.

Former BMW SA MD Peter Foster, now on the BMW main board in Germany and chairman of the SA company, says the integration process has been "radical". Sales and marketing have been combined, as has financial services. There is greater commonality between car vehicle platforms, and between components. Jobs have been lost at Rover in the UK. Foster hopes the productivity gap between the UK and Germany will narrow by two-

thirds before the end of next year. "We are in the middle of a major turnaround," says Foster. How major remains to be seen. He says it will take another two or three years for Rover to return to profitability.

Robertson says the BMW-Rover integration may be more advanced in SA than in any other subsidiary. Since his appointment this year, BMW has centralised control of activities such as sales and marketing previously handled independently by its local Land Rover division. Robertson denies claims this was due to the resignation of Land Rover SA MD Piet Rade-

meyer and senior staff. "As in the rest of the world, Land Rover SA was run on a bit of a shoestring," he says. "By bringing it into the mainstream, we can give it the attention it deserves."

Despite BMW SA's increased production of 3-Series, Foster says it still has to catch up with German plants. He insists quality is on a par, but not costs. "Our factory and suppliers are not as productive as they should be."

SA production costs for the 3-Series are about DM200 higher than Germany's, he says. "It's important we close the gap to achieve parity. Until we do, we will remain a borderline case in BMW's global production chain."

David Furlonger

