MANUFACTURING - MOTOR INDUSTRY

1989

JANUARY - APRIL
CURRIE Motors (Curries) is in the midst of negotiations which have sparked interest in the share. But, regardless of the outcome, the motor group appears to offer sound value based on fundamental considerations.

Executive chairman Mackie Brodie will not reveal the nature of the talks which sparked a cautionary announcement last year, but says negotiations are only in the "preliminary stages" with most lawyers and accountants still away on holiday, a final announcement is, therefore, not imminent.

But looking at market reaction, investors seem to be betting that a deal will be successfully concluded. Curries has not traded since the announcement, but lately purchasers have been willing to pay 1250c as indicated by the share's closing buyers price, which is substantially above its last trade of 1075c.

If they are right, those paying the higher prices could reap an instant profit if buyers enter the picture. Even if the talks are unsuccessful, Curries offers potential value to purchasers.

Curries operates exclusively in the motor industry. As earnings within this industry have been on a roller coaster in recent years, investors have a tendency to rate these shares conservatively.

This is clearly shown by the market rating assigned to the group. Based on the last traded price of 1.075c, the shares provide an earnings and dividend yield of 18.9% and 11.6%, respectively. This compares with the average 11.6% earnings yield and 3.9% dividend yield for industrial shares.

Curries has a respectable track record over the past 12 years, during which time the dividend was only cut once. In the latest financial year to June, the company produced record results as earnings climbed to 203c (127c) and the dividend jumped to 125c (85c).

A major reason for the firm's performance is that its balance sheet has been debt-free for many years. At the end of June, Curries was sitting on a cash pile of R18m, which is producing interest income in excess of R1m. In addition, its R18m property portfolio does not have a single mortgage against it.

The net asset value a Curries share was slightly above 1080c at the end of the latest financial year. The highest level the share reached was 1560c at the height of the bull market, while it could not rise above 1520c during 1985.

In fact, over the past five years, as the accompanying graph illustrates, Curries has failed to trade above net asset value, which has been no lower than 1497c during this period.

Investors wanting further proof the share is undervalued should take into account the generous dividend. Even by purchasing the share at the 1988 high of 1250c, Curries would be providing an historic 10% dividend yield.

Brodie says that the group's performance has been satisfactory "across the board" during the first-half of the current financial year. He expects financial 1989 earnings to at least match those of the previous year, which in turn would translate into a generous dividend yield at current levels.

Brodie rules out the sale of any portion of the property portfolio as being the basis for the talks. But, regardless of the final outcome to the negotiations, Curries' share appears to offer value due to its strong balance sheet and the wide range of motor-related activities in which the group is involved.
Midas: more than an average touch for gold

Stephen Richter

ANALYSIS
Barlows may do nice business with Curries

It now seems that Barlows is the party involved in negotiations with Curries and that the negotiations concern Curries' motor operations only and do not involve the group's property and other interests.

A cautionary statement issued by the group some weeks ago led to market speculation that Curries was negotiating with either Saficon or Barlows. But now it seems that the field has narrowed to one—Barlows which has an established motor retail operation.

Barlows would not comment and Curries' executive chairman Mackie Brodie would only state that he hoped to make an announcement by the end of this week. He indicated that it was uncertain at this stage whether that statement would announce a deal or announce the termination of negotiations.

Caution advised

Mr Brodie seemed concerned that market talk might encourage buying of the share and lead to a higher share price and he advised caution in dealing in the share.

Since the announcement the share has risen from R11,50 to R13 but only 300 shares were traded. This reflects the tight holding of the share.

Currie holds 52,48 percent of Curries and institutional investors the bulk of the remainder.

Major shareholders in Curfin are Gresham Trading, which has around 32 percent, and the Jaffe family which has had a long association with Curries.

At R13 the share is on a price/earnings rating of 6.4 times and a dividend yield of 9.6 percent compared with the motor sector averages of 4 times and 3.2 respectively. McCarthy's, in the same sector, is on a P/E of 5.2 times and a dividend yield of 6.8 percent.

Motor operation

Market talk is that the deal involves only the group's motor operations which provides the bulk of the profits.

The group also has finance and leasing operations and truck and car hire business. It seems that neither these nor the group's property portfolio, valued at around R16 million, will be bought by Barlows.

One of the major assets in Curries' motor operation is its Delta franchise. The group has been involved with General Motors since the late 1940s.

However in 1985, the then chairman Abe Jaffe, noted that although the motor division had turned in an excellent performance and increased its market share, it had to close a number of outlets. Jaffe blamed this on manufacturers who debased franchises by having too many dealers.

Just after the close of financial 1987 Curries sold its furniture division for R6.5 million. At end-financial 1986 the group was sitting with cash of R8.8 million.

Record profits

In his annual review Mr Brodie stated in reference to the 1986 performance: "It is no coincidence that in this financial year under review, the first year in which nearly all its trading energy and expertise was devoted solely and only to the motor business, that record profits were recorded."

If the motor operations are sold, Curries in effect becomes a cash shell with the R9 million existing cash and the proceeds from the sale of the motor operations. There is speculation that the property portfolio, valued at around R16 million, would be sold to Curfin.

At present the group is estimated to have a net asset value of around R16 per share.

The property and R9 million cash account for some R11.50 per share which means that the other interests, chiefly motor, are only being valued at around 450c. But this valuation presumably does not include goodwill.
IN SPITE of gloomy predictions for the motor industry in 1989, the year would not be a repetition of the 1985/6 recession, Naamsa executive director Nico Vermuelen said yesterday.

Naamsa predicts a mild downswing with total vehicle sales declining by between 7.5% and 9% Vermuelen said the most significant decline was expected in the passenger car sector. Light commercial vehicles and medium commercial vehicles sales would not be affected to the same degree because of pent up demand existing in that sector.

New car sales were expected to drop from last year’s estimated 230,000 to around 205,000 in 1989.

Motor industry expects ‘mild downswing’

Motor Industries Federation (MIF) executive director Janie van Huyseleen, said there would be a great demand for motor vehicle spares in 1989 as people would be more inclined to upgrade or re-build their vehicles than to buy a new vehicle.

This trend had become apparent in the heavy vehicle sector and would spread to light commercial vehicles this year.

Vermuelen said fleet buying had contributed significantly to a high vehicle sales figure last year, making up 75% to 80% of total car sales.

Most corporations made good profits last year and were thus able to replace ageing car fleets, said Vermuelen. But as the economy cooled this year and company earnings declined fleet buying was likely to decrease.

Used cars sold extremely well last year with a monthly sales average of more than 40,000, rising sharply near the end of the year to almost 47,000 a month, said Vermuelen.

The industry was anxiously awaiting the implementation of the local content programme designed to reduce foreign exchange usage and promote the exporting of vehicles and spares.

"Component manufacturers are looking to meet the opportunities likely to be provided by the local content programme. The key to continued viability and success in the motor industry will be the ability to adapt to conditions dictated by the economy and to the local content programme rules," he said.
Imperial still rules roost

Imperial today is one of South Africa’s largest Toyota dealers

Its three divisions — vehicle rental, motor trading and transport — produced excellent results in 1986, leaving King Percy Abekop’s crown still firmly on his head.

Buy-out conditions assisted the motor trading division, while the rental division merger with Hertz has firmly established Imperial Car Rental as the second-largest in the industry, fast challenging Avis for the top spot.

Six acquisitions during the year also helped growth. Debt has declined, with cash resources increasing.

The low tax rate was due to assessed losses being used, but the origin was hard to find as there was no balance from the prior year.

The amount for vehicles for hire has increased dramatically, while a significant part of accounts receivable has been pledged as security for facilities granted.

Balance sheet

The bottom line trend for the past four years has fully justified management’s decision to list on the JSE — investors have certainly not been disappointed.

However, the latest balance sheet presents four unanswered questions:

Turnover increased to R321,4 million (1987 R219,2 million), with operating profit before interest R18,16 million (1987 R12,47 million).


Helped by the assessed losses, tax was only R4,86 million (1987 R2,51 million). After deducting outside shareholders’ interest of R2,5 million (1987: R11,9 000), net income attributable to shareholders was a healthy R8,57 million (1987 R4,43 million), giving earnings per share of 51,2c (1987: 38,7c). The annual dividend was upped to 25c (1987 17,3c).

June 1988, I have four questions:

1. Vehicles for hire totalling R48,53 million (1987 R18 million) are financed by an unconsolidated joint finance company.

Who owns this company and does this mean that Imperial is doing some major off-balance sheet financing to hide true debt?

A substantial part of accounts receivable of R5,14 million (1987 R10,97 million) out of the total R21,79 million (1987 R12,44 million) has been pledged to bankers as security for facilities granted. Just what are these facilities as I could only find debt of R2,5 million (1987 R3,68 million), unless they relate to vehicle leases?

3. Tax losses available for set-off against future taxable income amounts R3,68 million (1987 nil). Which companies produced these losses and do they originate from the Hertz merger or other acquisitions where tax losses were a prime factor in the purchase negotiations?

4. Tax losses

The tax losses were extensively used to lower the tax rate in 1988 down to 31,5 per cent (1987: 48,6 per cent).

The holding company has issued guarantees on behalf of its subsidiaries, but no amounts are stated, thereby hiding the full exposure.

Apart from these unanswered questions, working capital improved significantly to R29,41 million (1987 R17,36 million), which includes hefty cash resources of R5,79 million (1987 R2,29 million).

With a net asset value of R2,18 million (1987 R1,65) per share, the group’s impressive four-year growth history and good management certainly justify the R4,50 PER share price.

Management is cautiously optimistic for 1989.

Provided the economic austerity measures introduced in 1983 do not put the brakes on and SA can operate in a fairly stable socio-economic environment, steady growth in sales and earnings is the prediction.

Management should be more than capable of maintaining its growth pattern.
SAMCOR employees, who own 24% of the company's equity, have received some R4m in dividend payments, the first dividend paid since the shares were transferred into an employee trust as part of Ford's divestment deal a year ago.

Samcor chairman Les Boyd said yesterday all of the 4,500 employees who had been in service for the full year each received a cheque for R940 in mid-December.

Beneficiaries include all wage and salary earners.

A dispute which blew up among workers last year over whether the fund's dividend income should be channelled into community projects or distributed to the workers themselves has apparently been resolved.

Boyd said the trustees had changed the rules in order to give each worker the choice of accepting the money or handing it back for use in community projects.

He said none had taken up the latter option.

Employee trustees have not yet been elected as provided for and the trust is still being run by three outside trustees — two lawyers and a Ford representative.

Boyd said the decision to change the rules was taken after extensive consultation between the trustees and employees.

Spokesmen for the National Union of Metalworkers of SA (Numsa) motor section, who negotiated the original deal, could not be reached for comment.
Samcor workers get first dividend

Own Correspondent

Johannesburg. — Samcor employees who own 24% of the company's equity have received some R4m in dividend payments, the first dividend paid since the shares were transferred into an employee trust as part of Ford's disinvestment deal a year ago.

Samcor chairman Les Boyd said yesterday all of the 4 500 employees, who had been in service for the full year, each received a R940 cheque on the day the plant closed for the Christmas break in mid-December.

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20% vehicle price hike likely

TOYOTA says at least seven out of every 10 cars sold this year will be light cars -- a complete reversal of the situation a few years ago.

"The swing to light cars has been under-way for some time, but the latest steep increase in the price of fuel is certain to give additional thrust to the move towards the light, economical car," said Toyota Marketing Company MD Brand Pretorius.

Pretorius says government's value-based local content programme had exciting prospects and offered challenges to manufacturers' creativity and efficiency, but could have a negative effect on pricing.

Good news: Pretorius forecast a 17%-20% price rise in vehicles this year, with sales decline of about 20% on the 1998 total of 250,000.

He said the sagging value of the rand against Japanese and German currencies was chiefly responsible for car price increases, something manufacturers had no control over.

"The SA motor industry was generally making a disproportionately high investment in improving the quality of its products and in the quality and excellence of after-sales service," he said.

MARC HASENFUSS

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"Good news."

Pretorius forecast a 17%-20% price rise in vehicles this year, with a sales decline of about 20% on the 1988 total of 230 500.

"Good news is that while motorists can expect to pay more for their vehicles they will receive better quality, better value for money and a better service than ever before."

MARC HASENFUSSE

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Pretorius said government's value-based local content programme had exciting prospects and offered challenges to manufacturers' creativity and efficiency, but could have a negative effect on pricing.
Year of consolidation looms but... 1988 new car sales up 14.7%  

MARC HASENFUSS

NEW CAR sales in 1988 were up 14.7% over 1987 sales, reaching 239,400 units, Naamsa figures showed yesterday.

New car sales for December 1988 increased marginally by 1.4% to 16,196 from 15,967 in December 1987. Total sales for the combined motor industry in 1988 were 317,853, a 13.8% increase, compared with 280,158 in 1987.

The heavy vehicle category recorded the highest sales increase in 1988, improving by 32.3%.

Naamsa figures showed a 22% decline in December 1988 sales compared with November sales in 1988. Volkswagen public affairs GM Ronne Krüger attributed the decline to seasonal factors. He said there were fewer sales in December because factories closed down for the holiday season and less sales days were available due to public holidays.

Krüger said he was satisfied with Volkswagen's performance last year and the company intended to improve sales in 1989.

Toyota marketing MD Brand Pretorius said the December car sales contained no nasty surprises considering it was such a short month.

Pretorius said the motor industry was not heading for catastrophe, but for a year of consolidation.

Nissan SA marketing MD Stephanus Loubser said the strength of demand throughout 1988 took the motor industry by surprise. "In fact, many of us did not succeed in catching up with the demand and we still have waiting lists of several weeks on many models."

Loubser felt positive about 1989 and believed demand would outstrip supply for the next six months. "Competition in the industry will intensify, but even so, we can expect prices to increase by up to 10% by the end of the year."

Delta Motor Corporation chairman, Keith Butler-Wheelhouse, said he was pleased with his company's performance last year. "It was certainly the best year for a long time, increasing total sales by one third."

Nissan, Toyota domestic sales show marked growth

TOKYO — Fuelled by strong consumer spending and Japan’s economic expansion, domestic motor-vehicle sales by both Nissan and Toyota posted double-digit year-to-year growth last year, statistics released yesterday by the two makers disclosed.

Toyota was also able to boost exports for the first time in three years. But Nissan’s shipments to overseas markets tumbled because of its efforts earlier in the year to reduce massive inventories in the US market.

Toyota’s 1988 Japanese sales totaled 2,120-million units of cars, trucks and buses, up 13% from the year before. It was the first time Toyota was able to sell more than 2-million vehicles in the domestic market on a calendar-year basis. Nissan sold a total of 1,160-million vehicles, showing 13.5% year-on-year growth — AP-DJ.
Samcor fund's trustees broke rules — Numsa

TRUSTEES of the Samcor employee trust fund had violated the fund's rules by amending them to pay dividends directly to employees, a National Union of Metalworkers of SA (Numsa) spokesman said yesterday.

Numsa motor section chief Fred Sauls said Numsa officials had read with deep concern yesterday's Business Day report that about R4m had been paid out, at R940 a person.

He said the deed of trust contained specific provisions for democratically amending the fund's rules — a secret ballot supported by 75% of employees.

The rules initially required that dividends earned by the fund's ownership of 24% of Samcor equity be channelled into community projects.

Sauls said Numsa would demand that Samcor pay R4m to the fund to reimburse it.

Further, Numsa had referred the matter to its attorneys with a view to possible legal action against the trustees.

"This violates our agreement with Ford and will have serious repercussions," Sauls said.

The amended rules allow employees to decide whether to keep the money or return it for use in community projects.

Asked whether the fact that none had returned their cheques showed workers favoured the new rules, Sauls said to give a worker nearly R1 000 and to ask him or her to return it was an unsatisfactory way of canvassing opinion.

See Page 3
SAMCOR workers, who this month received R90 each in dividend payments from the 24% of the company’s equity they own, are complaining that the money is too little and say they expected at least R3 000 each.

The workers who talked to Business Day at Samcor’s Pretoria plant yesterday said they suspected the dividend payments had been “rigged.”

One worker said: “The R90 paid out to me is one of the most serious disappointments of my life. I know I am entitled to much more than the sum of money they have paid me. However, we have delegated our representatives to take the matter up with management.”

Several other workers, who did not want to reveal their names, expressed anger and disappointment at the R90 and vowed they would not rest until they were paid R3 000 each.

The dividend payments, the first since the funds were transferred into an employee trust as part of Ford’s divestment agreement, total about R4m.

The controversy surrounding the 24% equity owned by workers came into the open last year when many workers rejected the idea that the dividends should be channelled into community projects.
Johannesburg mining profits drop

JOHANNESBURG — Johannesburg Consolidated Investments (JCI) after-tax profits on its three main mines has dropped for the quarter ended December

The group announced yesterday that the main reasons were a decline in the gold price and increase in costs.

At Randfontein net after-tax profit was R55.06m (R71.23m). Profit from gold fell to R8.49m (R25.25m). However, capex rose to R60.12m (R21.03m), as it is the first quarter in the financial year.

Working costs at Randfontein rose sharply to R30.18 a ton milled (R25.95).

One of the reasons given for the rise in costs was the expense involved in shutting down and mothballing the uran-
mium plant.

The group said another reason for the general rise in costs has been the imposition of the import surcharge.

It stated that while this amounts to 5% of the equipment, it did have to pay the sur-
charge on machinery.

Western Areas moved from a R1.25 profit to a R2.82m loss in the last quarter.

One of the main rea-
sons was the group in grade from 3.61 g/t to 3.18 g/t as well as the drop in the gold price.

Working costs were well contained and fell slightly to R112.71 a ton milled (R113.54). Capex was R10.70m (R13.74m).

AI Joel, ore milled.

re mained static but grade moved up sharply from 1.6 g/t to 2.0 g/t.

Capex was almost static at just under R32m (R33.1m).

JCI spokesmen said they expected costs to rise by 30% in the current financial year.

They stated that while inflation was not high enough for the mining industry as a whole, every effort was being made to keep costs under control.

Better than expected performance

New car sales rise by 14.7%

NEW motor vehicle sales were up for the second year in succession in 1988, to reach their highest level since 1986.

Benefiting from the continuing re-
cover of the SA economy in 1988 and boosted by strong replacement de-
sire from the corporate fleet and car-
rental sectors — new car sales in 1988 reached 230,500 units — an increase of 14.7% over 1987's 200,824 units.

Sales of new medium and heavy trucks and buses recorded the highest percentage sales increase, rising by 18.6% and 32.3% respectively compared to 1987 sales.

Demand for heavy trucks and buses remained particularly buoyant due to improved investment spending which was expected to continue in the first half of 1989.

Naamas said “On the whole, the industry’s performance in 1988 turned out better than most observers had expected at the end of 1987.”

In the short term, the industry expects reasonably buoyant conditions at least for the first half of 1989 — as outstanding orders for new vehicles still had to be fulfilled.

A modest downturn in demand for new motor vehicles in the second half of the year were reflected in Naamas’s current 1989 sales projections, which called for 310,000 new car sales, 105,000 new light commercial vehicle sales, 5,500 medium commercial vehicle sales and 9,500 sales of heavy trucks and buses.

Commenting on the figures released, Nissan MD Marketing, Stepha-

Houbour said, “The strength of de-
mand throughout the year took the industry somewhat by sur-
prise.”

In fact, many of us did not succeed in catching up with the demand and we still have waiting lists of several weeks on many models,” he added.

Louboer said volumes for 1989 are expected to decline by about 10%.

But, with price increases over the year, the total retail value of the mar-
ket might be higher than 1988’s R47.1bn, says Louboer.

He is very confident about the year ahead and believes that demand will outstrip the supply in the rural area.

In spite of increasing competition in the industry, Louboer says manufacturers seeking increased profits have been forced upon us by cost pressures and the continu-

ing weakness of the rand as well as the high cost of the dollar.

However he indicated that in cer-
tain sectors of the market discount-
ing could come strongly into play to ensure quick turnover.

He said that the in-the-street is playing a decreasing role in the new car market and only accounts for about 20% of sales as the rest is attrib-
uted to fleet companies or fleet sales.

Louboer stresses this is not a nega-
tive factor and has contributed to a healthy new car market which is developing into an important sector of the economy.

This year the motor industry heads into a new era with one of the most important changes to be made in many years.

The introduction of local content specified by value instead of by weight is to be phased in as it is not known how drastic the final impact on the what the immediate effects will be.

There are also positive aspects to the change in local content, especially the use of new, lightweight hi-tech materials for the bodies.

US firm buys Avdel Holdings

From ROBERT GENTLE

LONDON — The possibility of yet another British disinvestment emerged yesterday following the £140m takeover offer for Avdel Holdings by the American company, Textron Inc.

Caught in the middle of the deal is Avdel Bursnide (Pty), a SA company in which the Avdel group has a 46% share.

Neither Avdel in Britain nor Textron, based in Rhode Island in the USA, will give a definite state-
ment as to the future status of the SA operation, whose main business is also industrial fasteners.

Textron’s vice-president of corporate communica-

tions Ray Cauce, speaking from Rhode Island in the USA, and that it was premature to speculate on the future of Avdel’s SA operation.

“When we take over a company, we carefully re-
review all of its operations before deciding on any course of action,” he said, adding that the SA unit was not yet complete and would still take another month.
German firms won't move to the homelands

SIX major German manufacturers in SA, and the largest free world trade union, IG Metall, have signed an agreement which includes a clause forbidding the companies from making use of homeland structures and decentralisation benefits. Homeland governments offer little employment protection or labour union activity.

The 14-point agreement demands that all transfers of businesses to homelands be stopped.

The code could be adopted by all European Economic Community countries and be applied to EC companies operating in SA, the labour attaché at the German Embassy, Peter Ruthmann, told Business Day.

The German government was involved in discussions with other EC countries with the aim of getting the code adopted, but Britain was resisting the move, Ruthmann said.

The principal agreement, signed by the manufacturers in December, is now being implemented in negotiations between the SA Council of the International Metalworkers' Federation (IMF) and each manufacturer.

The six companies are Siemens, BMW SA, Mercedes-Benz SA, Volkswagen SA, Bosch and Hella.

There is deadlock in the talks with Siemens over one of the 14 points, involving picketing on factory premises. However, Ruthmann said there did not appear to be any other disagreements.

Business Day questioned MBSA MD Sep van Heusden on rumours that the Mercedes-Benz car assembly plant in East London could be vacated, with the company moving its plant closer to Pretoria, possibly in Bophutatswana. It had been suggested that the East London plant could go to a Port Elizabeth-based car maker.

MBSA has suffered extensive industrial action in East London over the past two years. The German parent company Daimler-Benz last year threatened to leave SA if the problems were not sorted out.

Van Heusden categorically denied the plant had been sold, and said the company was bound to the IG Metall agreement.

MBSA had 2,200 employees in the city and had an obligation to them, he said.
Swing to 1½ light cars predicted

By Sven Forsman

High interest rates, inflation and petrol-price increases will see a dramatic swing to light cars this year, says Toyota Marketing managing director, Mr. Brand Pretorius.

At least seven out of every 10 cars sold this year will be light cars, he predicts.

"The swing to light cars has been under way for some time, but the latest steep increase in the price of fuel is certain to give an additional thrust to the move."

"Increases in vehicle prices, however, could be marginally lower than last year's 23 percent."

Mr. Pretorius forecasts that prices are expected to rise by 17 to 20 percent, with total sales 10 percent lower than those of 1998, at about 325,000.

He is more bullish about commercial sales, which are less sensitive to fluctuating interest rates or changes in hire purchase regulations. In this area, he expects a decline of only six percent.

Higher prices should be cushioned by better quality, value for money and better service than before, he says.
DUKEL SHOWS
GOOD EARNINGS
GROWTH OF 56%

STEPHEN RICHTER

DUKEL reflected the motor industry's strong growth as earnings a share for the six months to December rose by 55.9% to 5.3c (3.4c).

Dukel is a holding company with subsidiaries involved in motor retailing, parts, accessories, service, repairs, panelbeating and painting.

The group has opened a Ford dealership in the Bellville/Kuils River area and the full effects of this expansion should be felt during financial 1990.

Management says second-half results are being budgeted at 4.7c, which means total earnings for the current financial year should approximate 10c a share. With a stated dividend cover policy of 2.5 times, Dukel should pay a dividend of roughly 4.0c for the year, which represents a 25% increase above its 1989 payout.

Turnover rose 37% to R31.7m (R23.1m), while pre-interest income advanced 62% to R1.4m (R870 000).

A drop in net interest payments saw pre-tax income advance 73% to R1.3m (R774 000). The tax rise was proportionally less at 64% to R352 000 (R225 000) and this caused taxed income to rise by an impressive 78% to R803 000 (R449 000).

Earnings rose at a lower rate because of an increase in the average number of shares in issue.
When R500m isn't enough

Vehicle manufacturers made an estimated R500m profit last year. But don't expect the benefits to be passed on to motorists.

Companies say the profits have no bearing on projected price increases of 17%-20% during 1989. With a weakening rand, increases could be even higher.

Industry executives say the profit — even when added to 1987's R200m — is only a small step towards wiping out the billions of rand's lost by the industry during the market slump of the mid-Eighties.

Estimates of overall losses between 1985 and early 1987 range from R2bn to R3bn — before taking account of inflation since those years.

Mercedes-Benz (MB) chairman Sepp van Hullen says the returns are barely enough for companies to meet investment needs and offer returns to shareholders.

MB has just invested R65m in its new Honda Ballade range and is investing a further R20m in production facilities for a new truck range due later this year. Van Hullen says companies' returns are "nowhere near" the level they need to be to cover such investment, and they are still digging into reserves to finance it.

"We need several more years like 1988," he says.

Spencer Stirling, Samcor MD and president of the National Association of Automobile Manufacturers (Naamsa), says: "The investment requirements to remain competitive are very substantial and profits are essential."

Each of the seven major manufacturers — BMW, Delta, MB, Nissan, Samcor, Toyota and Volkswagen — made a profit last year. For two, Samcor and Delta, profits reached record levels — though from a modest base.

Stirling describes his company's performance as "very satisfactory, in terms of profits. We had a very successful year, far in excess of budgets." Industry sources suggest Samcor's profit was about R100m, although Stirling won't put a figure to it.

Delta also made a record profit. CE Keith Butler-Wheelhouse says that in cash terms, the profit was the highest in the 62-year history of General Motors and then Delta, which bought out the US corporation's SA interests two years ago.

Chief executives say improved profits owed less to sharply increased sales volumes in 1988, than to continued cost cutting and better profit margins. Profitability breaks even sales levels are lower than ever before.

Delta says it is producing nearly double the number of vehicles GM did in 1986, with a smaller work force.

Butler-Wheelhouse estimates industry profits last year at about R500m. So does Naamsa director Nico Vermeulen. "The industry rebounded nicely in 1988." He says "I think the profits reported by companies in 1988 will be a hard act to follow in 1989."

In real terms, they will indeed be hard to follow.

Sales volumes are expected to decline, and companies say there is a limit to further cost cutting.

"Most companies have reached the point where, to function effectively, there's not a lot of additional fixed cost they can cut," says Stirling. "On the other hand, I think there's room in SA for 'variable cost reduction, through improved productivity and perhaps there, we can all make further progress in 1989.'"

He expects the industry to continue making profits despite reduced sales and certain imponderables, such as the effects of the new value-based local content programme, internal economic policies and likely further reductions in the rand's value against the D-mark and yen (several executives expect a minimum further 10% reduction) will also place further pressures on profitability.

Spencer expects these factors to limit profits, but not wipe them out. "We are talking of the level of profit, rather than any real prospect of losses."
Dukel lifts turnover 37.2%\(^\circ\)

Dukel Holdings turnover increased by 37.2 percent to R$1.7 million (R$2.1 million) which pushed up net income by 78.8 percent to R$500,000 (R$249,000).

As a result earnings per share rose 55.9 percent to 5.3 cents (3.4c). Due to expected short term product shortages in both Ford and BMW franchises and lower industry sales forecasts, second half earnings are budgeted at 4.7 cents a share, to total earnings of 10 cents a share for the full year (1988 3c).

Based on the dividend policy of 2.5 times cover, shareholders can expect a dividend of 4 cents for the year, up 25 percent, the interim report says — Sapa
UN bonanza for motor-makers

THE United Nations shopping list for its Namibian peace-keeping force promises a bonanza for SA’s motor industry

Among many other things, Untag wants to buy more than 1,000 vehicles from SA manufacturers – in a hurry.

UN headquarters sent a list of the peace force’s vehicle requirements to the Federated Chamber of Industries this week.

UN procurement chief Sven Sellberg says “Specifications are already on the drawing board for as many models as possible to improve the prospect of early delivery.”

Waiting

The windfall order will strain the industry’s resources to the max when waiting lists for some models are stretching into midyear.

National Association of Automobile Manufacturers SA executive director Nico Vroemen is confident that most of the orders will be met.

“We must treat this as an opportunity from a most unlikely source and make every effort to supply Untag’s needs.”

Manufacturers have been in touch with foreign suppliers to try to ensure that kits can be sent to SA as soon as firm orders have been placed.

Some assembly plants are also prepared to return to double-shift working to fill the one-off orders.

Toyota Marketing sales director Henk Maroe says “The biggest problem is that the shortage of parts is most severe in commercial vehicles and they are what Untag needs.”

Most manufacturers have no stock at their plants and dealer stocks are low.

Concern

Japanese manufacturers’ strict limits on supplies of CKD kits in line with the government’s efforts to reduce trade with SA are also causing concern.

Mr Maroe says “The fact that the vehicles are for the UN could mean that Japan

By Ian Smith

will treat them as special exports.”

Spin-off benefits will also be felt by body-builders because many of the vehicles will have to be specially fitted.

The motor industry is likely to have most trouble in meeting demand for 606 four-wheeled drive vehicles. In addition, Untag says it will need 84 cars, 59 light trucks, 53 medium trucks and 35 buses.

Special-purpose vehicles include ambulances, refrigerated and recovery trucks, water tankers, mobile workshops, communications vans and sewage-removers. Also needed are bulldozers, road graders, forklifts and two 20-ton mobile cranes.

Manufacturers have been warned that Untag is likely to place orders for 700 tents soon.

Prefabricated or mobile homes will be needed for about 1,000 civilians attached to Untag at 50 sites throughout Namibia.

More than 70 90 industrial walk-in freezers and refrigerators are likely to be ordered, and Untag is looking for suppliers of more than 500 petrol and diesel driven generator sets, ranging from 4.5 to 100 kva.

Potential

“This represents a major opportunity for local industry,” says Federated Chamber of Industries executive director Ron Haywood.

“We are urging potential suppliers to make direct contact with the UN as soon as possible.”

“Even if manufacturers and distributors cannot meet the demand they should negotiate with overseas suppliers.”

The UN has cleared the way for Untag to deal with SA companies in an effort to cut the cost of the peace-keeping operation. Delivery time is critical if Untag is to meet its April 1 deadline.

ILL Cashworths in new hands

TROUBLED Cashworths Fashion Holdings, the Cape-based clothing manufacturer and retailer, has been taken over.

Columbia Corporate Finance will help the new MAP consortium to build the group around.

Controlling shareholders Norman Schutz, Eli Gottschalk and their family trusts will sell 8.5 million Cashworths, representing 56.7% of issued share capital, to the MAP consortium for R25.8 million.

The consortium was formed by merchant banker Harry Span and Natial clothing manufacturer Yakob Paruk to take over Cashworths in a deal effective from January 1.

Mr Span will be chairman and Mr Paruk will be joint managing director with Mr Schutz.

The consortium says Cashworths will be used to expand interests in the clothing industry after unprofitable areas have been hived off.

Mr Span says “We are confident Cashworths can be turned around. It has about 30 stores and the computerised knitting equipment is modern.”

Prospects look good for the second half of the year.”

Cassworths was listed on the DCM in September 1987, but it failed to achieve its prospectus forecast profit in the year to last April because of an extraordinary loss on the sale of an associate company.

Attributable income jumped by 57% to R1.5 million and earnings were 11.6c a share compared with the previous year’s 7c.

The 1986 shares opened at 120c, but slumped to 30c this month. Recent sales have taken place at 70c.
Joffe moves
boost price
of Bidcorp

By Ann Crotty

Rumours of an impending move by the resourceful Brian Joffe
pushed Bidcorp to a high of 800c
last week — the first week in
which it appeared in the retail
sector of the JSE.

According to market speculation, Mr Joffe's Bidcorp is look-
ing to take control of the Cur-
ries cash shell, which will have
an estimated R40 million in cash,
and use it as a vehicle to im-
plement his acquisition strategy.

The deal between Curries and
Barlows, which involves Barlows' motor division acquiring Curries' motor operation, is expected to be signed today.

Following on this deal Curries' assets will include about R9 mil-
lion in cash, a property portfolio valued at around R20 million,
and the cash proceeds from the sale of the motor operation, expected to be about R10 million.

The property portfolio will be sold to controlling shareholder,
Curfin, which holds 56 percent of Curries.

Curries will then be a cash shell with around R40 million,
which is equivalent to just over
R17 a share, and higher if a pre-
mium for a cash shell is includ-
ed.

The immediate issue is how far above the R17 level the share
will move on the back of its assis-
tation with Mr Joffe. It is signif-
icant that since Mr Joffe took
over Icel Cycles last October, the
share price has moved from 300c
to last week's high of 800c (under
its new name Bidcorp).

This makes it highly unlikely
that any of the minority share-
holders will accept a R17 cash
offer from the new controllers.
It also provides scope for Bid-
corp to sell some of its control-
ing stake to help finance the deal.

The next issue is what Mr
Joffe plans to do with the cash.
From mass to value but cars will cost more

The motor industry will soon have to start local production of parts it previously imported. But who is going to pay for the new plants?

By BRUCE ALLEN

LOCAL vehicle manufacturers spent an estimated R5,5-billion last year on components supplied by other countries.

That's a big outflow of precious rands - and the background to new local content requirements for cars and other vehicles, expected to be introduced in March this year.

For consumers and businesses, the new regulations for vehicle manufacture could mean a round of price increases. The motor industry will have to produce many of the components it previously imported.

The new requirements, expected to be introduced in March, will limit the imported value of each vehicle (measured at wholesale prices) to a maximum of 50 percent of total. Over a period of several years, this value-based figure is expected to drop to around 25 percent.

Until now the local content requirement has been based on mass, rather than value. That system will cease at the end of February.

According to Peter Whitfield, chairman of Nissan SA, while this is the broad outline of what is expected, details have not yet been finalised.

Negotiations between the National Association of Automobile Manufacturers (Naamsa), the National Association of Automobile Component and Allied Manufacturers (Nacama) and the Board of Trade and Industry are still under way. An announcement is expected next week.

Behind the new ruling lies the weakening rand, which has led to imports contributing a disproportionate amount to the total cost of vehicles.

By basing the new programme on foreign exchange values, the government is trying to force manufacturers to use the local components manufacturing industry more extensively.

Manufacturers will also be able to offset money earned on exports against their import bills.

Towards the end of last year, some car manufacturers complained that the March 1 deadline was too soon. Nacama, on the other hand, was understandably keen to have the new rulings implemented as soon as possible.

A Naamsa spokesman says the programme will be implemented slowly. Nissan's Whitfield agrees, saying that measures will be phased in, to cause as little disruption as possible.

Car buyers now face another sharp hike in prices.

Vermooten explains: "The industry experienced a downward phase in the early 1980s, but around 1986 sales have subsequently improved, but the poor conditions of earlier years saw a reduction in capital investment."

"As a result, the industry will have to invest large sums to upgrade manufacturing facilities. Prices will have to rise to generate the required capital needed to fit plant and machinery, and the consumer can expect price increases in excess of the consumer price index."

Vermooten adds that if the programme is implemented over a period, the motor industry will have little difficulty in meeting demand and required standards.

Car prices spiralled last year - but that didn't stop the public from spending an estimated R7,4-billion on 357,898 new vehicles.

Most manufacturers expect demand to outpace sales during the first six months of this year.
Car-makers back in black after lean years

ALL of South Africa's major motor manufacturers are back in the black.

The seven manufacturers made "exceptional" profits estimated at R500-million to R600-million last year after a consolidation in 1987.

But industry sources say the good performance must be viewed against a traumatic 1985-1986 when losses were about R300-million a year.

The first firm evidence of the industry's health will come next month when the only motor manufacturer listed on the JSE, Toyota, publishes its 1988 results.

By Ian Smith

A harbinger came from Anglo American Industrial Corporation's Samcor, which paid R4-million in dividends to workers who inherited a 24% stake in the company from Ford.

Chairman Leslie Boyd says it is safe to assume that Samcor paid a total dividend of R16-million.

A five- or six-times dividend cover in the cyclical motor industry is not unusual, indicating total profits for Samcor not far short of R100-million.

Toyota shares have risen from their September low of 5 600c to 8 000c on high expectations. Last year Toyota, paid 300c on earnings of 1 000c a share to give dividend cover of nearly seven times.

Toyota is the market leader, and even in the darkest days of the industry's worst recession four years ago its only setback was caused by uncovered foreign-currency losses.

The good performance of motor manufacturers in the past year is largely attributable to buoyant sales immediately after a spell of rigorous cost containment.

All manufacturers benefited from measures put in place in the sales slump. Improved demand has resulted in waiting lists for many new cars extending to mid-year.

Mercedes-Benz has an order book extending well into the second half of the year, and a year's production of the new BMW 5 Series has been almost sold before the launch.

Confident

Delta, which took over the operations of disinvesting General Motors two years ago, has had its best financial year in 20 years, says chairman Keith Butlet-Wheelwright.

"We are pleased with our results," he says.

Post-acquisition managing director of Volkswagen, is also pleased with his company's performance.

"We have also benefited from increased market share for the fourth year in succession."

The industry is reasonably confident about this year, says Nico Vermeulen, executive director of the National Association of Automobile Manufacturers of SA.

"We have weathered the worst recession in the industry's history, but we have a lot of ground to make up."

Mr. Vermeulen says business confidence is relatively high, and order books are strong.

The ageing profile of SA's car park is also considered bullish. The average age of the national fleet has moved up from seven years to more than eight, indicating that replacement will become increasingly important to the industry.

Shoals

High corporate profits are providing momentum to the important company fleet market.

But there are shoals ahead. The likelihood of a slower economy and the higher cost of credit are causing some concern. Higher vehicle prices — estimated to rise between 16% and 18% this year — will depress demand.

Bert Wessels, managing director Toyota, says: "We have learned to live with lower exchange rates for the rand, but we do not know the implications of the Government's new local-content requirements. They could have an important effect on the motor industry this year."
Motor industry predicts good business sales

DURBAN — South African motor manufacturers have entered the new year in a mood of optimism and most having increased their prices, or on the point of doing so, have long waiting lists for various models.

They see 1989 as a year of slight stock shortages which will nevertheless maintain profit levels.

But for the person in the street, the hope of buying a new car seems more distant than ever with new models starting at R18 000 before tax and likely to go up around 20 percent this year.

Dealers are basing their hopes for an excellent year on business sales, Natal MMI chief executive, Mr Mike Moon, said.

Good earnings

"Most companies had very good earnings last year and are now in a position to replace their fleets from profits.

"At the same time, fewer car units are likely to be available and Samcor, for instance, is forecasting a reduction in car sales as they believe fewer cars will be available." Mr Moon said he expected many companies would continue to contain prices by buying down from medium to smaller vehicles.

Toyota is hard-pressed to meet the demand for its new Corolla/Conquest range, the evergreen Cressida, or their bakkes and minibuses.

Volkswagen, which hopes to make 1989 the year it overtakes Toyota in total sales, is equally hard-pressed with a waiting list for its Jumbo and Citi Golfs, Audis, especially the new turbo, and Kombi minibuses.

Mercedes is rumoured to have sold its entire annual quota for some models while waiting lists for their German and Honda cars stretch for months. Certainly few can remember when it was last possible to buy one of their makes off the floor.

BMW is in a similar position being unable to supply the popular Three Series off the floor. The Seven Series is sold out for the year while the Five Series is due to be launched soon.

Indications are that Nissan and Delta are equally encouraged by the heavy demand with Nissan to launch its Italian Uno minicars early next year and Delta due to replace the Isuzu bakkes soon.

Horse switch case: Beatrix gives opinion

JOHANNESBURG.—Springbok showjumper Gonda Beatrix told the Johannesburg Magistrate's Court it was possible to change a star on a horse's forehead or even to get rid of it.

She was giving evidence in the hearing of Mr Cornelius van Baalen, 52, head of the Jan van Riebeek Primary School at Springs, and Mr Willem Barnard, 50, a businessman from Putfontein near Germiston.

They are facing charges of two counts of fraud involving race horses.

Mr Van Baalen and Mr Barnard deny that they were involved in switching horses on September 24 and 29, 1987. The alleged offences occurred during races at the Vaal and Newmarket courses.

The State alleges that the horse, Kiev, took part in a race at the Vaal under the name of Have a Deal and won.

Mrs Beatrix said she had been active with horses for 30 years. When somebody wanted to determine the specific characteristics of a horse, the horse should be viewed from all angles.

Asked if she had come across two horses with precisely the same characteristics, Mrs Beatrix replied she had not. She said the star on the forehead of a horse could be changed and even eliminated.

Mr Van Baalen said Have a Deal did not run for 11 months before the race at the Vaal.

"The course was very hard and when Have a Deal started off he was bumped from both sides."

"In the race he experienced a number of problems. His hooves were very sensitive, sore, something which had troubled him for some time."

The hearing continues — Sapa
Motor industry predicts good business sales

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Indications are that Nissan and Delta are equally encouraged by the heavy demand with Nissan due to launch its Italian Uno minicar early next year and Delta due to replace the Isuzu bakkes soon." — The Argus Correspondent.
McCrystal warns on local content plan

JOHANNESBURG: The proposed new local content programme for the motor industry, based on value instead of weight, will allow manufacturers to claim credits for exports.

But BTI chairman Lawrence McCrystal stressed last night that the recommendations "carry no force or effect" until government made its decisions. These could be different from the recommendations, and anyone who acted before an official announcement would do so at his own risk.

The scheme is expected to come into effect on March 1, if government accepts the recommendations of the Board of Trade and Industry (BTI).

Details of the plan, intended to reduce the pressure on the balance of payments of motor industry imports, are due to be announced later this month.
By CLAIRE GEBHARDT

USED cars have become money-boxes on wheels — especially if they are a Mercedes Benz.

For example, a 300 SE bought in April 1987 for R104 000 can be sold for R130 000 today, whereas the price of the new model is R114 000. This translates into a premium of R16 000 on the new price.

The reason why the 1987 model has a higher resale figure is because no dealer in the country can sell you a Merc because of the huge backlog of demand.

The 230 E bought today for some R78 000, can be sold tomorrow for R94 000, say businessmen.

In yet other examples, a 1984 280SE bought for R46 000 was sold three years later for R55 000. Today you could get R70 000.

An immaculate 1982 200 bought second-hand for R28 000 in 1987 was resold for the third time in 1988 for R44 000.

Waiting lists stretch for 12 months or more, confirms Mercedes's Dlsene McFarlane. She attributes the delay to the upturn in the economy coupled with the labour unrest experienced last year.

Customers, however, believe Mercedes is manipulating supply.

Not so, says Miss McFarlane. Steps have been taken to increase production by a further 10 percent but she declines to disclose the actual number of units coming off the production lines.

The result is a flourishing secondary market in new and used Mercedes cars of all makes and models.

Those with an eye to the main chance are buying up stocks of two or three cars for immediate resale to a horde of eager buyers, allege disgruntled customers.

These buyers, they say, are prepared to pay a big premium on the price in the knowledge that the cars can only get dearer with the passage of time.

Price increases far outstrip the inflation rate and though Mercedes concedes that most models are likely to be 20 percent more pricey by the end of the year, research shows a much faster appreciation.

In November 1982 a Mercedes 200 automatic with air-conditioning was selling at R19 715. To have kept pace with inflation, it would have to be retailing at R44 775 today. In fact, it is selling at R65 725 — a 253 percent increase over six years compared with a CPI increase of 127 percent.

The 230 E automatic which retailed at R22 430 should, on the same grounds, be selling at R50 938. The price today is R77 319 — a 245 percent increase over the same period.

This makes the cars one of the best investments around and, say businessmen, gives them the ability to be turned into a liquid asset within an hour.

Dealers stand accused of accommodating important clients by allowing them to buy several cars at a time to beat the inflationary bogey. But a Sandton car dealer, who wishes to remain anonymous, explains that this would be quite contrary to Mercedes-Benz policy.

His dealership does give preference to Sandton customers, but this is where it stops.

Other dealers admit this practice was rife in the past but they have taken steps to curb it. They do their best to discourage speculation, they say, by insisting that cars be registered in the prospective owner's name.

"What he does after that is his business," says one dealer.
Agreement holds promise for the textile industry

While the Western Cape textile industry teetered on the edge of a strike, in dispute and with two disputes meetings producing no progress, industrial action was averted when the two parties, the Amalgamated Clothing and Textile Workers' Union (Actwusa) and the Cape Province Textile Manufacturers' Association, reached agreement on wages and other conditions of employment at the third and final disputes meeting of the industrial council this week.

Dispute had been declared late last year when the employers refused to mandate an agreement thrashed out by the negotiating teams. The dispute threatened not only industrial action, but also the fledgling industrial council, which had been restructured during 1989 following its virtual collapse after renegotiation of the main agreement broke down in 1987.

For about a year, the industry ran without an agreement and in the meantime Actwusa concluded plant-level agreements with employers.

Before this, until the merger which brought them together in Actwusa during 1987, the National Union of Textile Workers (NUTW) and the Textile Workers' Industrial Union (TWIU) had had a fairly combative relationship as NUTW sought to break into the industrial council over the TWIU's veto.

It took a Supreme Court ruling for NUTW to be allowed a seat on the industrial council.

But by 1988, in addition to the industrial council being in disarray, by the time Actwusa and the employers' association sat down to restructure and re-vitalize the council, the Labour Relations Amendment Bill was with Parliament, along with the unfair labour practice clause that would compel employers to negotiate with minority unions.

This threatened the majoritarian principle of unions negotiating for a complete bargaining unit.

That Actwusa, a Congress of South African Trade Unions affiliate, was negotiating an industrial council agreement was itself interesting, because there was a strong antipathy to industrial councils among unions in the federation.

But the agreement reached accepted the principle of single-tier bargaining, which was against the trend in other industries where unions were fighting for two-tier bargaining, and created a closed shop — thus protecting Actwusa's back against minority unions.

The other interesting aspect of the agreement was the all-or-nothing principle, with all issues negotiated at the industrial council (except by specific agreement) any strikes or lockouts were to be on an industry-wide basis, not at individual plants or groups of plants.

Although the agreement removed disputes from the workplace to the council, it also meant that both parties would have to be aware that any industrial action had to involve the whole industry.

The stresses generated by more than a year of rieggitation and dispute had strained the employers' association. Some major employers had withdrawn, others had joined.

Failure to reach settlement, followed by industrial action, could have strained the forum beyond survival.

But that settlement could finally be achieved holds promise for the viability of the council and a stable relationship between employers and the union and, finally, a stable industry.
Bidcorp acquires Curries

By Sven Forssman

Bid Corporation (Bidcorp) has acquired a controlling interest in Currie Motors with effect from March 1, it was announced today.

Curries has disposed of its motor trading interests to Barlow Motor Investments for approximately R15 million.

Currie Finance Corporation (Curfin), which currently owns 56.56 percent of Curries, has agreed to sell Bid Corporation a minimum of 793,414 ordinary shares of 50c each in Curries.

SHAREHOLDING

This represents 60 percent of Curfin's current shareholding, at a price of R17.06 per share.

The total purchase consideration for this minimum number of shares is R15.58 million, which will be settled by the issue of 841,018 ordinary shares in Bid Corporation at an issue price of R6 per share and the payment of R8.48 million in cash.

The purchase consideration of R17.06 per Curries ordinary share is based on a total net asset value of R39.3 million.

Bid Corporation will make a similar offer to Curries minority shareholders.

In terms of the deal, Bid Corporation will acquire 56.56 to 60 percent of Curries at the effective date. Curries will own land and buildings with a market value of R15 million and have R24.3 million in cash.

Curfin has secured an option to buy the land and buildings from Curries for cash at their market value, while Curries has an option to sell these assets to Curfin at market value (R12).

According to a company statement, it is Bid Corporation's intention to become and industrial holding company focused largely on the distribution sector, with each operating company in the group being independently listed on the JSE.

The acquisition of Curries provides the group with a strong and liquid base from which to seek and conclude further major acquisitions to stand alongside current food distribution operations, which are housed in Walter A Chapkin.
Car sales decline

By Sven Forsman

Car sales of 16,315 in January were 205 fewer than in the corresponding month last year, but 117 up on the December figure.

Light commercial, medium commercial and heavy commercial sales were down on their corresponding December figures, as were combined new vehicle sales (24,596 compared with 24,916).

National Association of Automobile Manufacturers of South Africa (Naamas) director Mr Nico Vermeulen said yesterday that while new car and light commercial vehicle sales had started the year on a weak note, demand for new motor vehicles in all sectors remained strong.

The industry's annual shutdown from mid-December 1988 to mid-January 1989 had exacerbated an existing low stock position and this had been the main reason for the lower-than-expected January sales.
Cape dealers battling for new stock

New car sales figures down

By AUDREY D'ANGELO
Financial Editor

NEW car sales for January were described as "disappointing" by the National Association of Automobile Manufacturers of SA (Naamsa) last night. But Cape Town car firms said demand was strong and they were battling for enough new stock to meet orders.

They said manufacturers had underestimated the demand in 1988 and it would take months to fill backlogs of orders given last year.

Announcing that sales of new cars totalled 16,313 in January this year — 1.24% below the figure for January last year — Naamsa said in a statement issued yesterday that this was not an auspicious start to the year.

It said sales of light commercial vehicles were 5.8% lower than in January last year.

Commenting on this, Josse Lipshitz, MD of Schus Nissan, and Conrad Baudert, executive director of Brian Porter Holdings, pointed out that sales were heavy in December and the factories had been closed for the holidays for part of January.

Baudert said: "We had a very reasonable January, but there is a shortage of the most popular vehicles." One fleet owner was very upset when I told him I could not promise delivery of the light goods vehicles he wanted before March or April.

"Sales of prestige cars died on us in December until halfway through January because the type of people who buy them were all away. But they are back now and demand has picked up."

We have little to complain about." He said the heaviest demand was for light commercial vehicles and 1300cc hatchback cars. "But the manufacturers simply have not built enough."

His firm's franchise director for Mazda and Mitsubishi, Jack Kirby, agreed: "Our sales were about the same as in January 1988 but stock has been a major problem. Sales would have been better if we had been able to get more cars."

"We had such a good December that dealers were sold out and the factories reopened only on January 9. New stock is only just starting to trickle through."

Lipshitz said: "There is a tremendous pent-up demand, especially for commercial vehicles and the cheaper cars."

"I think all the manufacturers underestimated the buoyancy of the market last year and we are still meeting orders given in September and October. I don't think we shall have met the backlog of orders and have stock freely available until August."

Naamsa director, Nico Vermeulen, said it was generally expected that, in the short to medium term, manufacturers would experience reasonably buoyant conditions.

These would last at least for the first half of 1989, as outstanding orders for new vehicles had to be fulfilled and order books remained reasonably strong.

But longer-term prospects for the industry depended on the overall performance of the SA economy.
MMG boasts 51% income boost

Financial Editor

The Market Motor Group (MMG) has lifted net pretax income for the six months to December by an impressive 51% to R4.6m (R3.1m). This was achieved on a rise of 18% in turnover to R82.1m (R69.4m) indicating a widening of margins.

Attributable earnings rose to R2.5m (R1.9m) and the interim dividend is 3c (2.1c).

Executive chairman Barney Sank says that Market Toyota, in particular, has turned in excellent results.

"However, as the economy tightens and personal disposable income continues to shrink, more consumers will be opting for used cars. Consequently Market Cars is likely to improve its performance further in the second half of the year."

"The recent expansion in Claremont, one of the Peninsula's busiest trading areas, should also boost sales in this division."

Sank said the group would soon bring the used car reconditioning workshop, the retail panel shop, the new car pre-delivery service department and the truck service division under one roof in new premises in Woodstock.

"This rationalization would have a significant impact on group efficiency and profitability."
Market Motor Group (MMG) shares reached a high of 105c this week ahead of interim results to December.

The Cape group operates the region's largest Toyota dealership as well as MarketCars, one of the oldest used-car operations. Pretax profits climbed by 31% to R4.5-million and attributable earnings were R2.56-million.

Earnings a share were 11.5c — 28% higher than in the previous comparable time, and the dividend was increased by 45% to 3c a share. Turnover rose by 16% to R82-million.

Higher interest rates did not harm the group, which has a strong balance sheet and no debt. Tight cost control and aggressive marketing boosted turnover.

PREMISES

MMG is confident that the current buoyant conditions in vehicle sales will continue for the rest of the year.

Even if sales of new cars drop, MMG has a large interest in the used-car market. MarketCars has expanded into Claremont, one of the Cape's busiest trading areas, and expects higher sales.

Chairman Barney Sank says four of the group's service-related divisions will be consolidated at new premises in Woodstock.

Mr. Sank says, "This should have a significant impact on group efficiency and profitability."

"It will reduce the movement of vehicles throughout the group, bring the used-car reconditioning workshop, including a panel shop, the retail panel shop, the new-car pre-delivery service and the truck service division under one roof."

The shares rate a price-earnings ratio of 4.6 at the current price, and the dividend yield is 8.6%. 
Economists at odds with motor-makers

By Don Robertson

National Association of Automobile Manufacturers of SA (NAAMSA)

Demand, nevertheless, remains strong and it is expected that buoyant conditions will be experienced in the short to medium term.

Stock shortages have plagued the industry since June 1987. Strikes, shortages of completely knocked-down (CKD) kits from Japan and demand higher than production schedules were the main causes.

Some models have a waiting list of six to eight months, although the backlog on volume products is between three and six weeks.

Marginally

Car sales in January at 18,313 were marginally higher than the December figure of 18,186. Light commercial sales dipped to 7,412 from 7,623.

Medium commercial sales were also lower at 223 compared with 294, and heavy commercials dropped to 686 from 774.

No decision has been taken as to whether NAAMSA will again give a full breakdown of sales by manufacturer. Motor executives will meet in March to discuss the matter.
The amazing increase in price of cars

By JOHN YLD
Staff Reporter

THE price of South Africa's most popular cars has increased nearly fivefold in 10 years.

An investigation undertaken after a report from Australia claimed that the cost of owning a new family car had trebled in the past decade, while incomes in Australia had doubled.

Ten years ago, the report said, Australia's most popular car — General Motors' Commodore — cost just over R44 000. The Commodore now sells for R43 000, an increase of just over 200 percent.

In South Africa, however, the price of the most popular family car — the Toyota Corolla 1600 sedan — has increased nearly fivefold, or 373 percent, in just nine years.

In January 1980 the Corolla cost R5 190. One year later it was up to R5 750 — an increase of 11.3 percent — and in June 1982 there was another sudden jump of 6.4 percent when the five-speed version was introduced.

Thereafter the price climbed steadily, with further increases four times a year on average.

Bad year

In January 1986 there was sudden eight percent increase, by which stage the car was costing R14 185, or 173 percent more. It seems 1986 was a bad year for Corolla buyers, with the price being increased no fewer than six times, once (and then only by 0.5 percent) as a result of modifications.

One year later, in January 1987, it was selling for R17 625 — up 243 percent in seven years.

Last year the price was increased five times (including a six percent increase when the model was again modified), to reach R23 645 — a 355.1 percent increase on the January 1980 price and it appears there's more to come. Last month the price hopped up another four percent to R24 590 — a staggering 373 percent increase in nine years.

By contrast, inflation has averaged around 15 percent, dropping to a low of 10 percent in early 1984 and soaring to above 20 percent in early 1986.

If the Corolla's price had increased at the rate of inflation, the car would cost just over R21 000 today — some 14.5 percent less than at present.

Plummeting rand

Toyota, which claims a local content of about 88 percent by mass, says factors influencing car prices included the exchange rate (for example, the rand plummeted after President Botha's 'Rubicon' speech in 1985), inflation, the local content programme and duties and taxes levied on the industry.

A spokesman said steps to combat price increases included improved productivity at the manufacturing plant. In addition, expediting localisation programmes for locally manufactured vehicles and the replacement parts market would cut the effect of exchange rate fluctuations, he added.

Other costs for motorists have also risen steeply. Comprehensive insurance coverage for the Corolla rose from R89 89 in 1979 to R1 355 this year, while petrol has almost doubled from 54.4 cents a litre in April 1980 to the present 99.9 cents a litre.

The major effects of the overall increase in the price of cars has been to drive away private buyers and more than 70 percent of new passenger cars are now bought by companies, the Toyota spokesman said.

Racism Down Under

MELBOURNE — A document on racism issued by the Catholic Church says the situation of Australia's Aborigines is similar to blacks under apartheid because they are "relegated to limited territories" — The Argus Foreign Service.
CAPE TOWN — Brian Porter Holdings has lifted operating profit by 32% in the six months to December to R3,2m (R2,4m).

This was achieved on a 14% rise in turnover to R122,2m (R106,9m).

The interest bill was 16% higher at R69,000 (R44,000), due to increased borrowing as well as higher interest rates. The tax bill was 17% higher at R2,3m (R2m).

This left net income after tax 15% higher at R1,3m (R1,1m).

Earnings were 24% higher at 47c (37,5c) a share and the interim dividend was raised 27% to 14c (11c) a share on a slightly reduced cover of 3,36 (3,41) times.

Chairman Brian Porter said the improvement in operating income was due to effective cost controls as well as wider margins.

The increased level of borrowings was due to the "substantial increase in the price of cars". Although he expected further increases of between 12% and 15% in car prices in the current financial year, Porter was confident the group would continue to do well in the second half. He said a shortage of stock had limited the rise in turnover.

Pointing out that a car was a necessity and not a luxury, he said order books were still full.

"Although forecasting in the current volatile market is difficult, earnings for the second six months should be comparable with those of the first half."
Price shock looms for jalopy-owners

Most cars in SA are run for about 11 years and heavy-duty trucks for longer. They need a succession of spare parts.

Mr Norwitz believes that if SA wants to build up a motor industry it should follow the Atlantis Diesel engine (ADE) way.

The Government ruled some years ago that manufacturers of vehicles equipped with diesel engines would have to fit engines made in the Government's ADE plant. The ruling was criticised at the time.

But today few in the motor industry would challenge the decision. The ADE engines have proved themselves in many ways.

Garages and workshops need to carry a smaller range of spare parts, thereby freeing a lot of money.

Mr Norwitz says the Government should rule that at the most only two car engines should be used locally and that plans should be laid to make them.

He suggests that one of the engines selected should be the one most widely used in SA today - the Ford engine.

Adco, which imports 60 percent of its lines, is planning to increase its local output. Mr Norwitz says Adco is hoping to enter into a joint venture with one of its major European suppliers, which would reverse the disinvestment trend.

Adco has had a good six months trading. Mr Norwitz says turnover rose by 35 percent, operating income by 34 percent to R2 378 000, attributable income by 39 percent to R84 000 (year ago R60 000) and earnings a share by 30 percent from 4.4c to 5.5c.

Mr Norwitz says business has remained strong and that in line with the historical trend, earnings in the second half should be higher than in the first.
Brian Porter profits accelerate by 32%

By Audrey d'Angelo
Financial Editor

BRIAN Porter Holdings has lifted operating profit by 32% in the six months to December to R3,2m (R2,4m). This was achieved on a 14% rise in turnover to R122,2m (R106,9m).

The interest bill was 10% higher at R859,000 (R413,000), due to increased borrowing as well as higher interest rates. And the tax bill was 17% higher at R2,3m (R2m).

This left net income after tax 15% higher at R1,3m (R1,1m). Attributable income was 25% higher at R1,3m (R1,1m). Earnings per share were 24% higher at 47c (37,9c) a share and the interim dividend has been raised 27% to 14c (11c) a share on a slightly reduced cover of 3.36 (3.41) times.

Chairman Brian Porter said the improvement in operating income was due to effective cost controls as well as wider margins.

The increased level of borrowings was due to the "substantial increase in the price of cars."

But although he expects further increases of between 12% and 15% in car prices in the current financial year, Porter is confident that the group will continue to do well in the second half.

Pointing out that "a car is a necessity not a luxury today", he said order books were still full. "Although forecasting in the current volatile market is difficult, earnings for the second six months should be comparable with those of the first half."

He said a shortage of stock had limited the rise in turnover. There was a critical shortage of both new and used light commercial vehicles and "the fact that we have a wide spectrum of franchises is helping us a lot.

"The public are less brand loyal than they used to be if they have to wait for their first choice, they are often prepared to take another. We can get more quickly."

Although the shortage of stock has meant that most dealers have waiting lists, Porter admitted that this might be due to duplication of orders. "Some people may have ordered from more than one dealer and will take the first available."

But he is not worried by the possible cancellation of some orders. "Demand is such that cancellations will just mean some people will not have to wait so long."

"People realize car prices will continue to go up — by much depends on the strength of the rand."

He said high prices, and the fact that car prices have risen more than the inflation rate in recent years, was not killing off demand. About 70% of new car sales were to companies, providing them as "perks" in order to retain good senior staff. Sales of expensive cars to wealthy individual buyers were still good.

Porter said his group had many black customers, some of whom had been dealing with him for 20 years and had upgraded to better cars. "Some have done well in business and when they have money they are prepared to spend it."
Schus in R5.5m deal with Martin Jonker

SCHUS Holdings, the vehicle distributor and management group in a Robbros group, has acquired a major new deal, which will further strengthen its position in the motor industry. The deal is another indication of the group's growing strength in the industry.

Schus, a consortium, will own a majority of the new group, which will be known as Martin Jonker. The consortium includes Martin Jonker, the largest Nissan dealer in the country, and Schus, which is the largest Nissan dealer in the country.

The deal will see Schus share the profit and loss of the new group, which will be known as Martin Jonker. The new group will be controlled by the Schus consortium, which will own 60% of the new group.

The Schus consortium is controlled by a consortium, which will own 40% of the new group. The Schus consortium will include Schus Holdings, Schus, and Schus, which are all Nissan dealers.

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Curnow's restructuring dilutes profit

RATIONALISATION and resettlement costs diluted profit growth of Cape-based Curnow M & G, SA's largest distributor of auto-refishing products.

In the year to December, the turnover improvement of 24% to R27,5m (R22,2m) was not matched by operating profits which grew by 14% to R2,7m (R2,4m).

Directors say that in the second half of the year the duplicated Johannesburg branches were merged into a stronger unit and development started on a major outlet in Paarden Eiland, near Cape Town, which incorporates the small number of head office staff.

Curnow, which moved from the DCM to the main board in September, increased its earnings marginally to 8,5c (6,4c) a share as a result of an increase in the weighted average number of shares in issue.

A final dividend of 2c was declared bringing the annual total to 3c a share, unchanged from last year.

Net interest received fell by 51% to R1,000 from the R10,000 in the 1987 income statement which was raised from the group's listing and only put into operation in the latter half of the year.

Attributable earnings rose 12% to R1,4m (R1,3m) and the net asset value increased 17% to 23,7c (20,2c) a share.

Directors say during the second half of the year significant steps were taken to strengthen the company's management and enhance its ability to produce high earnings growth in both the long and short term.

Marketing efforts were stepped up and the focus on customer satisfaction was redoubled.

A sophisticated training centre has been established to educate customers and the sales staff has been increased to further market penetration, says MD Mervyn Bloom, who joined the group in August.

The group is budgeting for higher turnover this year and looking for tremendous growth, says Bloom.

The share, currently trading at 42c, reached a peak of 68c in April before falling to a low of 30c in August last year.

It is on a p/e ratio of 8,5 and dividend yield 7,1% against the retail and wholesale sector average of 13,2 and 4,5%.
'Ominous' truck price hike

A 275% truck price hike since 1986 was ominous for SA's road freight industry, Information Transfer Group (ITG) chairman Jonathan Harrod said in a statement yesterday.

The rig price increase from around R80 000 to R300 000 effectively precluded small operators from buying equipment, and with the 11% petrol price hike and road transport deregulations, they would soon be squeezed out of business or consolidated into larger operations.

Despite a near-20% increase in the sale of new trucks of over five tons since 1987, there had been a less than 2% increase in rolling stock on the roads.

Most rigs over five tons lasted between three and 11 years, and older rigs were dropped at about the same rate as new rigs were purchased.

Motor Industry Federation executive director Janie van Huysteen said increased truck prices would not force small operators out of business as old vehicles were extensively upgraded rather than replaced.

Road transport deregulation would open the market, and not disadvantage smaller operators, he said.
MJM seeks listing on the JSE via reverse takeover of Schus

By Roy Cokayne

Martin Jonker Motors (MJM), one of Pretoria's oldest and best-known motor dealers, is to be listed on the Johannesburg Stock Exchange soon.

The listing of MJM, which is one of the largest Nissan dealers in South Africa, will take place via a reverse takeover of the Cape-based Schus motor group and make it a new force in the South African motor industry.

Schus' name will change to Martin Jonker Holdings at the same time although a change is not planned in the control of the present Schus.

The full issued share capital of the Martin Jonker Group in the Martin Jonker Trust has been obtained by Schus for R5.481 million, payable through the issue of 15.66 million new shares of no par value in Schus.

Prior to this transaction, a consortium of three prominent Pretoria businessmen, including Martin Jonker, Schus Holdings chairman Leendert Dekker and Michael Jordan, gained control of Schus in May last year.

Schus, which at that stage had incurred six successive years of financial losses with a negative effect on ordinary shareholders' interests, was fundamentally reorganised.

The company was recapitalised through the conversion of preference shares into ordinary shares and the disposal of non-profitable assets.

The possible resumption of dividend payments was mooted following this reorganisation.

MJM sales director and managing director designate Hannes Jansen said it seemed likely taking into account the group's current profit performance.

Schus chairman Leendert Dekker said the main reason for the transaction was that by integrating the operations of Schus and MJM, valuable synergies could be achieved in the areas of administration, marketing and service.

He said the merger will facilitate the expansion of the capital base of the company to make acquisitions in related fields.

Mr Dekker said the financial effects of the transaction on Schus, based on the management accounts and a budget of results for the year to February 26, 1989 and presupposing the transaction had come into force on March 1 last year, was a net asset value of 13.3c a share after the takeover (15.6c before the takeover) and earnings of 10.6c a share after the takeover (10.7c before the takeover).

Schus had earnings for the six months to August 31 last year of 3.6c a share. At present Schus has 12,338 million issued ordinary shares.

The 15.6 million new shares to be issued represent 55.9 percent of the total issued share capital after the transaction.
Motor industry in for a realignment

The vehicle and components industries are set to change when the new local content programme starts on March 1. This gives the Trade and Industry Department only nine days to announce the new formula.

After being based for many years on mass it will switch to value content.

The motor industry looks like being penalised for excessive use of foreign exchange and one way to counter this will be by export earnings.

The new local content scheme will probably allow component manufacturers to sell export credits to motor makers so it will make sense for motor makers to have components companies in their own folds. Now a wave of acquisitions is expected.

Motormakers talk about joint ventures with components companies to start local manufacture of items such as gearboxes and drive shafts.

Toyota MD Brand Pretorius said there was a possibility motormakers would consider taking over component companies because they needed prompt delivery of quality items.

This increased the likelihood holding companies such as Sancorp, Metair and Anglo American Industrial Corporation would increase component manufacturing investments.

Nissan is a wholly owned subsidiary of Sancorp. Toyota links with Metair through Wesco Investments and Sancor is wholly owned by Amcor.

Sascor MD Spencer Sterling believed the capital needed to acquire component manufacturers was excessive for motormakers and there would be problems with vertical integration.

The temporary incentive of 9% rebate on every R1 exported has spurring some component companies to ship more overseas and they have started double shifts to fill contracts.

Pretorius said in the past month some motormakers have had stoppages and serious quality problems because some suppliers have made short deliveries.

The rebate will, however, end when the new local content programme starts.
Car parts package to boost industry

By TOS WENTZEL
Political Correspondent

A NEW local content programme for the motor vehicle industry was announced today by Minister of Economic Affairs and Technology Mr Danie Steyn.

He said the government had accepted recommendations from the Board of Trade and Industry to replace the existing programme.

The new programme — to be known as Phase 6 — was based on value as opposed to mass and incorporated a system which should stimulate exports of motor vehicle components.

Phasing out

The new programme would come into operation on March 1. Some of the details still had to be considered.

There would be a phasing out period of three months when the old and new programmes would run concurrently.

The Minister said it would usher in a new era for the motor vehicle industry in that it incorporated the entire industry in a single programme and placed the emphasis on the earning and conservation of foreign exchange.

The motor industry was one of the major users of foreign exchange and its negative effects on the balance of payments would have increased under the existing scheme.

The new programme consisted of a series of local content targets set over nine years.

Manufacturers who achieved the set target could claim rebates of duty while non-achievement was penalised through additional duties.

Since one of the aims of the new scheme was to save foreign exchange, the surcharge on replacement parts, on which a customs duty of 50 percent was levied in terms of the scheme, could be exempted from such a surcharge.

It was felt that the new rules would bring renewed interest and increase manufacturing activity to the industry. Additional opportunities for smaller firms to participate in the local manufacturing of motor vehicle components were expected.

Iran snub

NICOSIA. — West European states today began withdrawing top envoys from Iran over calls for the killing of British writer Salman Rushdie, as Iranian Muslim leaders urged Tehran to cut ties with London.

The European withdrawal, agreed to by the 12-nation European Community in Brussels yesterday, responded to an edict by Iranian spiritual leader Ayatollah Khomeini that Rushdie be killed for writing the novel The Satanic Verses.

Khomeini, and many Muslims around the world, consider the book blasphemous Islam.

In a joint declaration, community Foreign Ministers de-
172% interim profit jump for Sondor

Lesley Lambert

Sondor, the Cape-based company which manufactures special materials for the building and motor industries and dabbles in the film industry, has exceeded both turnover and earnings expectations for the six months to December and expects a further huge increase in earnings for the year.

An extraordinary item of R540 000 which relates to proceeds from the export of locally manufactured films, boosted Sondor's interim taxed profit by 172% to R1.76m. Thus converted into earnings a share of 7.34c (2.7c).

Financial director George Copeland expects year end profits, after extraordinary items, to be about R4m. Turnover grew by 44% to R8.37m, prompted by economic buoyancy in the sectors Sondor supplies with its core product - a plastic closed cell material with a high polyester content.

Debentures

The company cuts, moulds and tailors the material for a variety of applications in the commercial, motor and building sectors.

Import replacement has contributed to the steady growth in business, says Copeland. "Users used to import the product because it was light and fitted into a container. Now the weight factor has been overtaken by value and it has become far cheaper to buy the locally produced material."

Sondor shareholders are benefiting from a provision that, as it was a close corporation before being converted into a public company in 1987, all dividends paid to private investors were tax free within a specified period.

Directors have decided to convert dividends, using all the company's profits and reserves until December, into non-interest bearing debentures which will then be credited to the shareholders' loan account.
Local content switch announced

Huge forex savings bid in car plan

CAPE TOWN — Government hopes to slash the motor industry burden on foreign exchange reserves by at least 50%, from R6bn-R8bn a year to less than R2.5bn, with the switch in the local content programme from a mass-based to a value-added system.

The changeover comes into operation next Wednesday.

Board of Trade and Industry (BTI) chairman Lawrence McCrystal said it was hoped the saving would be achieved within nine years — the period set for the industry to achieve the optimum of between 55% and 75% in local content by value.

In view of the stimulatory effect the value-added system is expected to have on local component manufacture, it is also hoped the new programme will assist the motor manufacturing and component industry achieve annual volume growth of 5% to 6% a year.

McCrystal said it was also hoped the new scheme would stimulate the industry's export performance, which had only been in about R200m a year in forex.

The new system, which generally has the support of the motor industry, is linked to excise duty, with the excise value of locally manufactured vehicles during an excise quarter based on the ex-factory invoice price.

HELOISE RENNING reports car manufacturers were taken by surprise when the local content programme was announced with higher targets and excise duties than expected for the first year. They could not immediately say how the changes would affect them.

The original BTI report had suggested that 50% local content measured in terms of value should be achieved in the first year. This has been increased to 55% in an addendum to the report.

Manufacturers said it was also not clear if the subsequent targets were being adjusted accordingly.

The National Association of Automotive Component and Allied Manufacturers (Naaecom) welcomed the programme. A member, Tiger Wheels MD Eddie Keizian, said the higher local content targets meant more business for local suppliers than originally allowed for.

The system will apply rebates on excise duty to encourage local content which will have the effect that full excise duty is rebated when the target of local content is achieved — the target minimum local content by value.

Local content: huge forex saving plan

McCrystal said the programme was designed to be flexible in the sense that it would not be applied to each model manufactured, but enabled the company concerned to build up export credits.

The scheme is designed to favour smaller, low-valued vehicles. It is, therefore, likely to put upward pressure on more expensive vehicles as it comes into operation.

McCrystal said the first 12 months were destined to be a "no hurt year" for manufacturers in terms of the size and cut-off of the rebate. The price-ramping effect should be minimal during that period.

The scheme would be reviewed after the first year, with the BTI holding the right to adjust it where necessary.

Economic Affairs and Technology Minister Dame Steyn said during the first three months, the new programme would run concurrently with the existing "mass" programme, thus creating a phasing in period that would also be used as an information-gathering exercise.
Govt hopes to slash motor industry’s forex needs

By Sven Lunsche

The Government yesterday accepted recommendations by the Board of Trade and Industry (BTI) that the new local content programme for the motor industry will be based on value instead of mass.

The Government hopes that once the programme has been fully implemented — the BTI has set a period of nine years — the motor industry will have slashed its foreign exchange requirements from the current level of about R4.5 billion to R2.5 billion.

But the Minister of Economic Affairs and Technology, Mr. Canoe Steyn, yesterday also stated that the programme could stimulate exports of vehicle components, which last year only totalled about R200 million.

"The Government has accepted the recommendations in principle. They will take effect next month," the Minister said in a statement yesterday.

Some details have still to be considered and the industry would be informed of these, but the programme basically stipulates that within nine years vehicle manufacturers should achieve a minimum of 55 percent in local content by value.

The first three months of the programme would run concurrently with the existing one, thus creating a phasing-in period, Mr. Steyn said.

The Government’s decision was welcomed yesterday by the President of the National Association of Automotive Component and Allied Manufacturers (NAACAM), Mr. Harry Marston.

"Increased local content in the long-term will manifest itself in the saving of foreign currency, the creation of jobs and a slow-down in the rate of vehicle price increases," he said.

Vehicle manufacturers, however, were reportedly upset that the original local content target of 50 percent, as outlined by the first BTI report, had been raised to 55 percent.
Delta, VW well placed to reach targets

PORT ELIZABETH — Recent multi-million rand expansions by Delta Motor Corporation and Volkswagen mean the two Eastern Cape motor manufacturers are well placed to reach targets set under the new local content programme, which comes into operation from March 1.

Since taking over from General Motors at the beginning of 1987, Delta Motor Corporation in Port Elizabeth has carried out an extensive toolroom expansion programme.

Bennie van der Merwe, media relations manager for Delta, said yesterday that this formed part of a R30m upgrading programme, which was completed at the end of last year — all of it financed by the new company.

Ronnie Kruger, public affairs manager for Volkswagen in Uitenhage, said yesterday that VW started gearing up to reduce its dependence on overseas suppliers “long before the new local content programme was mooted.”

He said the company’s new R40m tooling manufacturing facility at its Uitenhage plant would be completed in about July this year.

This facility is part of an investment at VW of some R270m over the past four years.
New local content plan

Move to reduce motor industry forex burden

By Chris Cairncross

Government hopes to reduce the heavy burden the motor industry imposes on SA’s foreign exchange reserves by at least R2.5bn with a switch in the local content programme from a mass-based to a value-added system.

It is hoped that the changeover, which comes into operation next Wednesday, will reduce the current burden of up to R5bn by at least 50%.

The saving is targeted for nine years hence, the period set for the industry to achieve the optimum of between 85% and 75% in local content by value, Board of Trade and Industry chairman Laurence McCrystal told a press conference in Cape Town yesterday.

In view of the stimulating effect the value-added system is expected to have on local component manufacture, it is also hoped the new programme will assist the motor manufacturing and component industry achieve annual volume growth of 5% to 6% a year, expanding by as much as 50% over the nine years.

McCrystal said the new scheme should help stimulate the industry’s export performance, which currently brings in forex earnings of about R200m a year, a dismal track record given the size of the sector.

The changeover system, which generally has the support of the motor industry, is linked to excise duty, with the excise value of locally manufactured vehicles during an excise quarter based on the ex-factory invoice price.

The system will apply a system of rebates on excise duty to encourage local content, which would have the effect that full excise duty is rebated when the target local content is achieved — the target minimum local content by value amounting to 25%.

Government has specifically accepted requests from manufacturers to simplify the definition of foreign exchange content by excluding the cost of insurance, freight and commission value. These changes are incorporated in a supplementary report released with the principal document.

What will be particularly of concern to manufacturers is that in view of the adjustments made in determining value for excise duty purposes, the entry point into the scheme has been increased from 50% to 55% local content by company in the first year. The excise duty is accordingly adjusted upwards to 39.5% less R3 000 for motor cars and 27.5% for all other motor vehicles.

McCrystal said the programme is designed to be flexible in the sense that it will not be applied to each model manufactured, as has previously been the case, but enables the company concerned to build up export credits.

This leaves the manufacturer with the choice of substantially building up the local content of one model, accumulating rebate credits as a result, which could be used to offset the costs of another model which has a higher value-added imported component.

The scheme is designed to favour smaller, low-valued vehicles. It is therefore likely to put upward pressure on more expensive vehicles as it comes into operation.

The scheme will be reviewed after the first year, with the BTI holding the right to adjust it where necessary.

Economic Affairs and Technology Minister Danie Steyn said in a statement released yesterday that during the first three months of the new programme it will run concurrently with the existing “mass” programme, thus creating a phasing-in period that will also be used as an information-gathering exercise.

The new value-added scheme is to be called Phase 6 of the local content programme, and will usher in a new era for the motor vehicle industry in that it incorporates the entire industry in a single programme and places emphasis on the earning and conservation of foreign exchange, Steyn said.

Government has indicated in the same report that it has decided to accept in part the requests from certain manufacturers that there be a phasing-in period for the amortisation of tooling imported by manufacturers for the purpose of exchange accountability.
Untag: Japan asked to ease restrictions

MOTOR manufacturers Toyota and Nissan are to appeal to their Japanese suppliers to relax restrictions to enable them to supply vehicles to the soon-to-be-deployed United Nations forces in Namibia.

Toyota SA director of vehicle sales Henk Maree told Business Day: "We want additional CKDs (completely knocked down kits) from Japan. It is not fair to expect the SA consumer to suffer." There are already delays in production because of the limitations on the number of kits we can import.

Maree said Toyota would not divert local supplies to Untag, which was expected to be in the market for several hundred vehicles.

Nissan SA CEO John Newbury also said he would apply to Japan for more imported kits so that the company could bid for Untag business.

Maree said Untag's organisers had left their orders very late. The first forces are to be deployed on April 1. Waiting lists for cars and commercial vehicles in SA range from three months to a year.

UN supplies official Dermot Hussey is due in Windhoek today. He has told the Federated Chamber of Industries he will buy from the cheapest supplier, and would not hesitate to import.

Maree said importing was not that easy. Besides the added customs costs, the motor industry world-wide operated on waiting lists.
Cash-flush
carmaker set
to diversify

HELOISE HENNIN

DELT is Motor Corporation was cash-
flush and poised for diversifying its cen-
tral business of building cars through
acquisitions, chairman Keith Butler-
Wheelhouse said yesterday.

The only local car manufacturer with
no overseas or SA parent is already
involved in talks to buy up a "pirate"
component retailer in the aftermarket.

Under the new local content pro-
gramme, components imported for the
aftermarket will be subjected to a 50%-
import duty (compared with a 20% sur-
charge now scrapped), which would push
up the running costs considerably on
older model vehicles of which parts
cannot be sourced locally.

Butler-Wheelhouse confirmed a
Finance Week report but said he would
not elaborate because the report was
sufficiently vague to protect the confi-
dential discussions he had been having
this week.

Because the company is private, he
would also not elaborate on the fact that
Delta had no gearing. He said being
cash-flush made the corporation ac-
quise. The "extremely keen to invest
in synergistic companies" that would
increase their local content, export op-
opportunities and better return on assets.

He said the corporation was already
"fairly integrated". It already has suf-
cient in manufacturing among others
all its own sheet metal work, brake
pipes and radiators.
By CHIARA CARTER

TWENTY Atlantis Diesel Engineering workers were dismissed last week after they refused to work until management took action against a supervisor whom they claimed was drunk.

According to a spokesperson for the National Union of Metalworkers of South Africa (Numsa), the workers alleged that when they arrived to begin their shift on Monday evening a night supervisor was visibly intoxicated.

In terms of the company’s safety procedures any worker suspected drunk is sent for a test.

When the workers asked the foreman to send Richter for a test the foreman refused.

Racial discrimination

The workers were unhappy because they felt the decision not to test Richter was a case of racial discrimination.

They decided after their tea break not to continue working until management took action against Richter.

The departmental head and a Numsa shop steward came to the plant.

According to ADE public affairs manager Mike Eaton, the workers were repeatedly warned the work stoppage was illegal but continued to refuse to return to work.

A disciplinary hearing the next day found that the stoppage was illegal and the workers were therefore dismissed.

Eaton said no trade union issues were involved in the stoppage and production had immediately resumed.

He denied that Richter had been protected, saying that the company’s safety procedures applied to all equally.

“Healthy industrial relations has always existed at ADE and management is satisfied the dismissals were fair,” he said.

All workers would receive their full wages and leave pay due to them.

Numsa is considering appealing against the dismissals.
Local gearbox first on the cards

THE gearbox is the imported component most likely to be manufactured in SA soon, owing to the new value-based local content programme, say motor industry sources.

Component manufacturers and car makers were still doing their sums yesterday on the new targets for local content announced by government. They said it was too early to talk of industrial developments, but discussions on local component (LC) manufacture are likely soon.

National Association of Automotive Components and Allied Manufacturers (Naacam) director Denzyl Vermooten said that from bumper to bumper, car parts not yet manufactured in SA were transmission boxes, dashboard instrumentation, carburettors, fuel injection pumps and engine-management computers.

To this list, National Association of Automobile Manufacturers Association (Naamsa) president Spencer Sterling added transaxles, solenoids and relays, steering columns and some body stampings. Certain plastic mouldings were also not manufactured locally.

Although many parts were already made locally, specifications differed vastly between vehicle manufacturers, with many not using local components suppliers.

Sterling said a certain amount of rationalisation was inevitable to make LC manufacturing viable. Investors would seek economies of scale and export opportunities.

Partners

Vermooten said he did not believe it necessary for capital to be invested in a plant like ADE for the development of a transmission plant. Manufacturing capabilities were not lacking and licence agreements would pay royalties to overseas partners.

Holding companies and component manufacturers with foreign partners would all be investing in new plants, as long as they had guarantees of volume offtake and growth.

Delta chairman Keith Butler-Wheelhouse said the value of transmission in a manual car was around 2%. Sterling estimated that in some cars it could go as high as 10%.
Vehicle prices on up and up

Aside from a brief respite during 1987 when vehicle manufacturers managed by virtue of a marginally stable rand, to keep price increases at a level close to that of the annual inflation rate, prices of new vehicles have soared ahead at an alarming pace over the past four years, often at the expense of sales.

Over the past four years vehicle prices have risen far more rapidly than those of other commodities. This is despite the fact that the two major source countries for our local motor industry have experienced minimal inflation.

To bring this point home one only needs to look back a few years. Looking at a vehicle price list produced during the third quarter of 1984, one finds that the cheapest car on the market carried a retail price of R7 456. A true reflection of the extent of price increases over the period can be gained by comparing the price of a model that existed both then and now like the Volkswagen Citi Golf 1300. In August 1984 a Citi Golf would have cost you R7 995. Four years down the road essentially the same vehicle cost R18 210 — nearly 2.3 times as much.

Such has been the effect of inflation that today’s base entry level model equates to a mid-range executive medium-size car of 1984. The outlay for a Citi Golf 1300 today would have bought a Toyota 2 litre GL, just four years ago. Today the equivalent Toyota costs as much as a BMW 735i diesel in 1984.

For the future, the prospects are even more bleak. While the motor industry would dearly love to see the end of the inflationary spiral, there are few who believe that prices will be contained anywhere near the anticipated levels. Inflation it is generally accepted that motor vehicle prices will rise at the rate of between four and five percent per quarter in the short to medium term.

The average price of vehicles at Fleet Maintenance Lease Systems in currently about R30 000. This could rise to R35 000 before long.

Behind this high forecast lies the pressure of local inflation and a weak currency. Add to this the fact that manufacturers are faced with the need for mass investment for import replacement on vital components and the need to comply with a revised local content programme which, although still undefined, comes into effect at the end of the first quarter of 1989, and the scene is firmly set for increases of a magnitude.

Projecting prices through 1989 and on to the end of 1990, the expected price increases come into an even sharper focus. At the current rate of increase new vehicle prices could be set to rise by a compounded rate of 48 percent over the next 24 months (See table for examples of projected prices).

All things considered, this is a pretty horrific picture, especially if one takes into account the implications of providing credit to a market already beset by high interest rates and a high level of vehicle ownership.

The South African motor industry is all too aware of this factor and is investigating every possible method of cost containment.

Model lives are likely to be extended with a view to more realistic amortisation rates on very expensive new model introductions.

The mini car that had for so long been shunned by the local industry is about to become a reality, with Nissan SA taking the lead by announcing its intention to launch the Fiat Uno early in 1990. This model will usher in a new era in South African motoring with other manufacturers expected to enter this market as well.

Vehicle prices going up

From Page 3

These small cars of the future are expected to come in basic and high specification variants.

The fact remains, however, that by the time they get here, their prices will probably have already outstripped those of the cheapest models available today.

The finance houses will have to new, more than ever, come up with innovative packages to ease the financial burden of motor vehicle ownership and protect their trade.

Fortunately for a large pool of motorists in line for new vehicles — the average 70 percent who qualify under company car or business usage schemes — vehicle lease schemes provide the best answers to the problem of capital replacement costs.

Going a step further into a full maintenance lease programme, the vehicle operator enjoys the additional benefits of being able to accurately budget for vehicle expenses over the intended life of the vehicle without the need for unforeseen expenditures.
Samcor reduces some of its parts prices

Samcor, builder of Ford and Mazda in SA, has announced price reductions on replacement parts for Ford tractors, and Ford, Mazda and Mitsubishi vehicles, some of which are in excess of 70 percent.

Sourcing parts and negotiating lower costs, both locally and abroad, to lessen the burden on vehicle owners, has become of vital importance.

Samcor have reduced the price of a range of parts for some of their vehicles by sourcing from lower cost suppliers in the Far East.

Varying

The parts include sheetmetal items, clutch components and lamps and lenses. The extent of these price reductions vary, but in some instances are as high as 40 percent.

For Ford tractors, the prices of ZF axle parts have been reduced by an average of 58 percent.

They have reduced prices on approximately 3300 other parts for Ford tractors and 7000 automotive parts for models in their entire range. In some cases, these reductions are in excess of 70 percent.

Many of the parts are of earlier models, enabling owners to keep vehicles running for a longer period of time.
Local content scheme will test car makers

The programme to have 75 percent local content by value in locally produced cars by 1997 will not have much initial effect but after 1994 manufacturers will find the requirements of the scheme pretty onerous,
TIGER WHEELS ZOOMS IN WITH TOP PERFORMANCE

MARC HASENFUSSE

TIGER Wheel Holdings marked its interim debut on the main board of the JSE with a 64% increase in taxed earnings on a 50% turnover rise.

Attributable earnings for the six months to end December were R1.24m compared with R757,000 at the same stage in 1987, while turnover leapt to R20.8m from R13.3m.

Earnings increased 35% to 4.9c a share against 3.2c. T
ger Wheels — which manufactures, distributes and imports wheels, tyres and accessories — transferred from the DCM to the motor sector of the JSE in early February.

Tiger Wheels CEO Eddie Kezan said yesterday current year profits were expected to significantly exceed those of the previous year. He expected benefits from the group's local acquisition and its foreign investment, made in 1988, to show during the next financial year.

Net asset value rose to 23.9c a share against 21c in 1987, reflecting the acquisition of Ephraim Parts Centre in June 1988 boosting Tiger's wholesale distribution network and a R779,000 foreign investment in the tyre and wheel industry to buttress group exports.

Kezan said the financial period was characterised by a strengthening of the group through the expansion of domestic market share, growth of exports, bedding down of acquisitions, improved quality and productivity on greater manufacturing capacity.

A key feature of the period was the contribution of group profits from a 50% offshore investment in a tyre and wheel enterprise that should begin flowing through in the next financial month.

Kezan said: "We expect to reach break-even this year, start-up expenses, which have all taken place during this reporting period, should be recovered during the second half."
R87m for new import plan

TOYOTA Manufacturing SA expects its early decision to embark on a three-pronged import replacement programme to result in components being sourced locally at no extra premium.

The programme, which takes place over two years, will increase Toyota's local content on the new value base significantly.

It will stand Toyota in good stead after government gave the go-ahead last week for higher local content in motor vehicles.

Based mainly on the yen having appreciated strongly against the rand and the anticipated higher local content move, several industries will get a shot in the arm from the initiative.

The company reckons this expenditure will also create about 1 000 new jobs countrywide and save about R12bn in forex over the next two years.

While cheaper good quality components for both original equipment and the vehicle after market are assured, Toyota MD Ralph Broadley says benefits won't stop there.

"Our owners can look forward to a greater range of locally made spares at more stable prices, particularly if the rand continues to lose ground against the yen," he says.

The R87m is purely for import substitution and does not take into account other capital expenditure.

With Toyota having to consider increased "in-house" or "in South Africa" manufacture, its first priority is for R36m to be spent on replacement of original equipment components presently obtained m completely knocked down (CKD) packs from Japan.

This will take the form of tooling-up for the manufacture of components in SA and will be spread among many suppliers. Here some savings are about R20m.

About R10m of the R36m will be used to make returnable CKD boxes to replace the CKD boxes now made in Japan and shipped with CKD to SA.

New returnable cases will be used for at least four or five round trips and will be made of local wood with metal interiors.

Toyota is considering making the cases in-plant for its new import plan.

The remaining R87m in the first prong will be used to develop local content to the "break-even point" — that is to where Toyota can make selected parts at no premium to the company or the country as a whole.

Examples under consideration include certain plastic components, headrest assemblies, clutch discs, air cleaner assemblies and oil filters.

Second prong is an R11m programme for in-plant manufacture of many of the after market components and subassemblies, currently being imported from Japan.

A typical example would be crash panel assemblies for Corollas and Cressidas.

RALPH BROADELEY

The R11m will also be used in its export drive for certain Toyota-made components.

Finally, R11m will go towards establishing a toolroom to make press dies at the Prospecton, Durban manufacturing plant. These will replace many of the imported dies on new models.

"This programme is especially important as it is the introduction of a new hi-tech tool making facility that will make use of the most advanced techniques available in the world today," says Broadley.

The new technology for the toolroom, which will be associated with CAE/CAM design and manufacture of the dies, is expected to save about R6m a year. It has been highly researched by Toyota of Japan.

Toyota will train people locally, including 60 apprentices on-site, in new skills to enable them to operate this facility.
Vehicle prices set to rise 20%

SPURRED by the cumulative effects of on-going inflation and other constraints, passenger car and other vehicle prices could go up about 20% this year. Motor industry spokesmen say prices are expected to rise three or four times this year, but overall could be marginally lower than last year.

However, price rises uncertainty prevails amid expectations of continuing high interest rates and the possibility of the rand value sagging against the yen and Deutsche mark. This is further complicated by the possible effects of the anticipated increases in local content for vehicles.

Governments' value-based local content policy, expected to come on stream soon this year, promises to be highly capital intensive for the motor industry.

Some vehicle manufacturers have already increased prices and others are expected to do so shortly.

Predicting that vehicle price hikes could be marginally down on last year's 23% high, Toyota Marketing Company MD Brand Pretorius says imported components constitute about half of the total cost of its cars and rand/yen exchange rate as a major factor in price increases.

Forecasting rises between 17% and 20%, he says a reaction to price increases is that at least seven out of 10 passenger cars sold will be light cars (excluding medium cars) - a major reversal of the situation a few years ago.

"The swing to light cars has been under way for some time, but high interest rates, inflation and the latest, fuel price increase, give additional thrust to the move towards the light economical car," says Pretorius.

He maintains that while motorists can expect to pay more for their vehicles, the blow to their pockets should be cushioned by better quality, better value for money and superior service to that of the past.

"The SA motor industry in general is making a disproportionately high investment in improving the quality of products and in the excellence of after-sales service."

Mercedes-Benz SA (MBSA) expects prices on new passenger cars to rise, about 20% this year - somewhat less than last year's average industry rate of 20% to 25%.

However, exchange rates, which have a major influence of local price increases, have stabilised and may offer some relief in vehicle prices, says MBSA management board member Foor Cleary.

"Against the average industry rise in 1986, we priced our passenger car products at a lower level, namely 17% for Mercedes-Benz and 17.5% for Honda."

Volkswagen sales planning manager Neil Bruton's assumption is for price increases in line with inflation, with the over-
FORD PLANS TO UP ITS MARKET SHARE

AFTER a hectic year, the Ford division of Samcor plans to increase passenger car market share following the launch of more models and of the all-new Sapphire at the beginning of second-quarter 1988.

With its new marketing drive for Sierras, Lasers and Meteors well underway, Ford has started to reap some benefit arising from a major restructuring after the upheaval of relocating to Pretoria from Port Elizabeth.

Known for their powerful but simple engines, the Ford division is backed by its venerable dealer network and is steadily regaining some of the market share lost due to relocation problems.

The company reports that 1988 was most active and rewarding while last month's sales of Sierras were also encouraging.

Samcor's Ford division GM Paul Vorster reckons 'true blue' Fords offer top value for money in today's market and coupled with model expansions should ensure growing demand.

About to be launched will be the Ford Sapphire, ranging from a 1.6i to a 2.0i. Sierras are also to get a minor facelift this year and, says Vorster, Ford Lasers are due to be fitted with different engines.

In September, the Ford Meteor 1.3 LX received a number of improvements while the appearance of a no-frills, no-nonsense affordable Ford Sierra 2.0 LX - its medium sized car at the price of a small car - was also made that month.

Last year, the Sierra made a renewed impression when two months after the launch of the four-cylinder Sierra 3.0 LX it snatched best-seller honours in SA's C/D segment.

Powered by the legendary V6 133 kW Essex engine, the Sierra 3.0 LX provides comfort for long journeys and is regarded by many as an excellent choice for towing caravans and boats.

Based on the interior of the Sierra 1600L, powered by a four-cylinder, 92 kW engine, the bigger engined 3.0 LX has added features, including warning lights, rheostat controlled instrumentation, a central console, two-side mirrors and digital clock.

Since its inception in the medium car market the flashy 3.0 GLX has become the best priced luxury car of its class, says Vorster. Renowned for its sporty character, it offers the many extras found in the Sierra GLX Estate.

"Offering a choice of five-speed manual or four-speed automatic, the GLX comes at almost R10 000 less than its nearest power-matched rival," he says.

Further up market the Sierra XR6 has at 114 kW, V6 Essex engine that matches its sporty looks with silver alloy wheels, sports stripes and rear spoiler and decals.
Demand for cars 'should be strong'

Sales frontrunner Toyota expects orders for its latest range of Corollas and Conquests, which have moved up market compared with their predecessors, to remain strong this year.

"Delivery delays of up to three months on certain models are being experienced," says Toyota marketing MD Brand Pretorius.

Dealer orders, aided by the network's R15m expenditure which helped launch the new range, are double Toyota's monthly production volumes.

The model with the longest waiting list is the Corolla flagship GLi Twin Cam Executive — the SA Guild of Motoring Journalists Car of the Year in 1988.

"Production of all models will continue at a high level this year while we'll be increasing the local content of Corolla and Conquest models significantly during the next two years."

BMW marketing manager Mike Honeyborne forecasts annual sales at around 215 000 units. He says with the increased cost of fuel and motoring in general, higher prices will be placed on factors such as fuel efficiency — without sacrificing performance, maintenance costs with maintenance contracts continuing to become more popular, financing options which best suit individual requirements.

Sales of Volkswagen and Audi vehicles soared in 1985 with passenger car increases of 22.5% exceeding the motor industry totals (17%) as a whole.

Demand outstripped supply most of last year and waiting lists for certain models vary between six weeks and almost eight months.

VWSA's star performer was the Jetta GLi 16-valve luxury/performance sedan and its sales increased by 325%.

Apart from the Fox small car range being the choice of first-time buyers, with sales rocketing, 251%, the Golf GTI showed a sales increase of 65% on 1987.

In the luxury car sector, the Audi range sales improved 70% as a whole. Here the star-performing Audi 80 SE automatic sold 214% more units than in 1987.

Other stars in the VW firmament include the Caravelle 2/L sales up 86% and the Microbus up 34% — for a minibus average upsurge of 47%, while 38.5% more VW commercial vehicles were bought in 1988 as against the total industry improvement figure of 16%.

DEMAND for late model cars, particularly manufacturers' leading lines, could remain strong this year in spite of forecasts of a tighter economy.

Aiding sales momentum is that most manufacturers are still battling to eliminate outstanding orders, some stretching to eight months.

Ford's Sierra range production is one of the few exceptions where supply now meets demand in spite of a 2.8% drop in monthly new car sales (24 596 units) in January.

Naamsa chief executive Nic Vermeulen says the industry will experience reasonably buoyant conditions — at least for the first half of the year.

With a modest downturn in demand forecast during the second half, Naamsa puts total sales for the year at about 211 000, compared with 220 500 last year, and ranging to 217 000 in 1990.

Volkswagen sales planning manager Neal Bruton sees a market similar to 1988's "Fundamentally demand was not met last year, so we believe there will be a carryover."

Nissan Marketing MD Stu Naamsa Eather says indications are SA's seven motor manufacturers have had good profits last year, somewhere between R500m-R600m. The 2.8% (688 units) sales drop in January is not a true reflection.

"Demand for new vehicles remains strong. If backlogs orders could have been met these sales figures would have been much higher."

Last year, production levels at Mercedes-Benz SA (MBSA) were 25% higher compared with annual returns of the previous three years. Demand continues to outstrip supply, says MBUSA management board member Peter Cleary.

"Forward planning for this year will increase production another 10% in an attempt to meet demand."

Although MBUSA's Honda car sales were similar to 1987's, this was due to a run-out of the old Ballade model for the new version launched last month.

However, Japanese export restrictions to SA means that in 1989 MBUSA will only be able to supply about 10 000 Hondas — about equal to its average annual sales of the past five years.

Cleary says the most significant recent trend to have taken place in SA has been the inability of the private buyer to buy a new car because of high prices.

Most cars (some sources say 85%) are bought by fleets and this has changed the composition of the segments within the market.

At the opposite end of the market there has also been growth in the demand for more expensive cars and this trend recognises principally the need to reward managerial employees because of the scarcity of qualified personnel in this country.
MOTOR INDUSTRY

Changing the rules

The Board of Trade and Industry (Bti) has made last-minute changes to its new local content programme for the motor industry, one week before it comes into operation.

In the most notable departure from its original plan, the Bti has raised vehicle manufacturers' starting point to a minimum 55% local content value, from 50%. The change is the result of a decision by Customs and Excise to revise its basis for determining vehicles' excise duty value.

However, the Bti appears to be adhering to its longer-term aim of raising local content levels to 75% by 1997. Manufacturers must attain the 55% minimum by February 28, 1990, then face step-by-step increases towards 75% over the remaining seven years of the programme.

The rate of increase has not been determined yet. As revealed first by the FM two weeks ago, it will be another year before the programme takes final shape. The Bti has retained the right to adjust the system during the first 12 months—a decision not popular with vehicle manufacturers.

Nico Vermeulen, director of the National Association of Automobile Manufacturers, says: "Once you start playing with the parameters of the scheme, it prevents vehicle manufacturers from putting in place financial or strategic measures in the next 12 months."

He adds: "This is a difficult time for the industry. We have entered uncharted waters."

Components companies, however, generally welcome the terms of the new programme. Denzyl Vermooten, executive director of the National Association of Automotive Component and Allied Manufacturers, says it is in SA's interests to reduce its foreign exchange spending, and welcomes the Bti's decision to spend a year "fine-tuning" the programme.

He cautions: "It is vital that all participants adhere strictly to the spirit of the programme.

The 55% starting point and other changes came as a surprise to senior industry officials, who learnt of them from the FM. They are contained in a supplementary Bti report, released as part of its long-awaited announcement on the industry's future.

The supplementary report accepts an industry request that exports of second-hand tools be included in the assessment of foreign exchange earnings, and has agreed to refund customs duty paid by component suppliers on imported goods they then sell to motor companies, who are also liable to pay duty on those goods.

In a further concession, vehicle manufacturers have been allowed a phasing-in period to cover tooling amortisation costs.

The programme has been accepted in principle by government Economic Affairs and Technology Minister Danie Steyn. Some details are still being considered and the industry will be informed about them "in due course." The new programme will run concurrently with the existing one for three months, to allow a phasing-in period.

Bti chairman Lawrence McCrystal says: "From March 1 to the end of May, the current scheme will continue to operate and will be used as an information-gathering period by the Department of Customs and Excise. The new scheme will operate on its own from June 1 with local content being assessed on the basis of information gathered in the first quarter.

The programme replaces the current mass-based valuation of local content, with one based on foreign exchange usage that allows export earnings to be offset against import spending. The more a company exports, the more it will be allowed to import within limits. Manufacturers must maintain a minimum 25% local content value across their vehicle range, whatever the level of export earnings.

The programme is intended to overcome problems caused by the weakened rand, which has resulted in the existing 66% local content minimum by mass, translating into less than 40% by value. The motor industry ran up a foreign exchange bill of R3bn last year in imports of vehicles and components.

The local components industry has argued for years that it has the capacity and expertise to meet nearly all local industry's needs. It points out that importing costs have drastically narrowed the unit-cost gap between mass-produced imported components and those manufactured locally for the limited SA market, and later for export.

The new programme is Phase VI in a series of local content steps dating back to 1961. Unlike the existing mass-based formula, which applies only to cars and light commercial vehicles, Phase VI will eventually apply to assemblers' entire vehicle range. For the first time, it will also include parts and accessories for the after-sales market.

Vehicle manufacturers are assessing the immediate impact of the programme on their investment plans. Most claim it is still more expensive to source locally, and the programme will have an inflationary effect on vehicle prices in the longer term—a claim disputed by components manufacturers.

Vehicle manufacturers may agree with McCrystal that the effect on prices will be "minimal" in the first year because many of them are already close to the required level, but they say difficulties will come later as they are forced into major restructuring.

One group that will feel an immediate effect are the owners of older and limited-production vehicles. Local component companies aren't interested in tiny production runs, so parts will still have to be imported. Even though the previous 20% import surcharge has been removed, the new 50% duty on imported parts and accessories will result in an immediate 30% price rise.
Car prices to rise with local content plan

by HERMAN FOURIE
Motorin Editor

HUGE additional investments by motor companies, a drastic rationalisation of products and an inevitable rise in the price of cars

These are some of the predicted consequences of South Africa's local-content-by-value plan for the motor industry, released in its final form this week by the Board of Trade and Industry.

Another likely consequence is longer model lifespans - with SA-made cars falling behind the rest of the world, technically and aesthetically.

The plan has been welcomed publicly by SA's motor manufacturers. Privately, it has been described as "scary".

It has been touted as a measure to encourage the local component industry and to make South Africa strategically less dependent on imports.

But its main thrust is to stem the flight of foreign exchange.

The motor industry is one of the main consumers of forex and car components are said to be the biggest single item in the country's import bill.

In 1986, for instance, car makers imported foreign components to the value of R2,7-billion. Since then increased car sales and a further drop in the value of the rand have raised this figure to an estimated R4-billion plus.

The local-content-by-value plan will be implemented gradually, starting with a target figure of 55 percent by June this year, working up to 75 percent by 1997.

The government estimates that the industry will by then have slashed its foreign exchange requirements from the present figure to about R2,5-billion.

Spokesman for the industry have been cautious about the implications of the latest report, but the consensus is that it is going to cost money, and lots of it.

It has been estimated that manufacturers are going to have to double their asset base over the next five to seven years to achieve the required percentage.

One leading car maker talks of up to R150-million a year being invested in additional tooling, increasing exponentially as the higher levels are reached.

The price of cars is going to rise, but no-one knows by how much. There are two factors exerting upwards pressure on car prices.

- The huge manufacturing investments which have to be amortised.

- The small numbers of vehicles and components produced, leading to high unit costs.

Even with an advanced level of rationalisation, manufacturing the relatively small numbers of increasingly sophisticated components will be vastly expensive and the consumer will have to pay.

Most SA manufacturers are locked into licensing agreements with their overseas principals or suppliers, which means enforced model changes according to foreign, not local, market requirements. These short periods typically five to seven years - won't allow SA manufacturers to recoup the costs of building new models.

This will mean longer model lifespans, with SA-made cars falling behind the rest of the world, technically and aesthetically.
Full maintenance leasing on used commercial vehicles

PERKINS Carriers Truck Hire offers savings of between 25 percent and 30 percent on vehicle leasing costs with the introduction of a full maintenance leasing option on used vehicles.

The plan, approved by Toyota, is being introduced against a backdrop of staggering increases in vehicle prices and running costs, and the need to optimise utilisation of national resources.

Mr Eugene Herbert, managing director of Perkins Carriers Truck Hire, said the price of a European-sourced, medium-sized freight carrier jumped from R22 000 to R121 000 between 1989 and 1993. The price of an average LDV went from R3 500 to R19 455 over the same period.

Simultaneously, fuel, maintenance, insurance, leasing and other running costs increased equally steeply.

 Overseas manufacturers of vehicles and components are coming under growing pressure to curtail shipments to this country, requiring South African companies to adopt strategies which capitalise on local resources.

For their part, South African component manufacturers have been caught short by unforeseen demand, causing industry-wide stock shortages.

"Limited new vehicle availability and high purchase cost has caused many companies to adopt less-than-ideal strategies as far as their fleet is concerned," Mr Herbert said.

"However, amendments to current legislation will put pressure on companies to take a long and serious look at their requirements. These and other issues have created a pressing need for an alternative leasing option."

Perkins' full maintenance leasing plan for used vehicles - claimed to be the first such manufacturer-approved scheme in South Africa - involves the remanufacture of selected vehicles.

At a multi-million rand workshop, a team strips down and re-builds each unit, checking, restoring and renewing powertrain and running gear.

Only trucks guaranteed suitable for remanufacture by Probuilt, Gearbox Exchange and Motor Body Construction are chosen.

The FML plan, guaranteed by Perkins and backed by Toyota, offers several benefits, Mr Herbert said.

From a national point of view, it ensures better utilisation of local resources, relieves pressure on local manufacturers and saves foreign exchange.

For individual owners, the FML option offers reduced purchase, financing and running costs.

Perkins has introduced a toll-free service - telephone number 0100000104 - for fleet owners requiring more information about FML.
Multimillion Investment For Mores
Two Foden S106Ts... Botswana deal fuels hopes for further inroads into neighbouring countries

The latest sale of five Foden truck tractors to Botswana has heightened interest in the relaunch of the vehicles by Sureparts, a division of the Sure Group.

The R1.8-million contract for five Foden S106Ts — placed by bulk fuel, livestock and food haulers Oanon Store — has delighted Sureparts managing director John Sanders, who is hop

mg to make further inroads into neighbouring countries.

Oanon's buyer Reg Vaze said: "The Fodens are 30 percent lighter than comparable vehicles and have 30 percent improved fuel consumption."

"Apart from those two most important cost-saving factors, my drivers say the Foden cabs are the best and most comfortable they have ever operated," he said.

"Because of the rugged terrain over which the Fodens have to operate in Botswana, Sureparts fitted the trucks with larger tyres and wheels, bull bars, long range tanks and heavy-duty ancillary equipment."

The Botswana order, one of the biggest to date, puts at 25 the number of Fodens sold since last July. Among buyers are Cargo Carriers and Petroco.

With the financial year ending in March, Sureparts is confident of meeting its target of 30 Fodens and is also confident of meeting the budgeted sale figure of 50 vehicles in the next financial year.
Remanufacturing hit by personnel shortage

HOT on the expansion trail, VFP is to plough some R5 million into its business of remanufacturing engines.

According to MD Fred Glaus, the budgeted turnover is R740 000 a month and six engines a day for 1989.

The company was started by Mr Glaus in 1987 after a five-year trade restraint agreement with Mercedes-Benz.

"The main drawback to expanding this type of business in South Africa is finding trained specialists," Mr Glaus said.

"There is a critical shortage and remanufacturers have suffered by employing poorly trained or inexperienced personnel.

"We have an in-house training programme which brings our staff up to the high standards required for this business."

"But unfortunately, we can only do so much and, to maintain quality, we are turning away export orders."

In 1972 Mr Glaus launched MEP in his backyard and built it into a big business, which Mercedes-Benz eventually bought from him.

The plant at Arode, Alberton, remanufactures Mercedes-Benz truck engines and Fiat and ADE tractor engines.

Saving

It has been designed on an assembly line basis. An engine is rebuilt in 40 hours compared with more traditional methods which take up to 70 hours.

With the engines being sold for R15 345 — compared to a new price of R47 000 — a considerable saving is made. Engines are supplied on exchange from stock, and carry a new engine warranty.

Mr Glaus said there has been a proliferation of engineering shops producing reconditioned engines.

"This is really a route which gives the customer a false sense of economy as reconditioning usually means replacing only those parts showing immediate signs of wear," he said.

"This decision is at the discretion of the reconditioner, who is not compelled to work in strict conformity with factory tolerances."

Mr Glaus said "Reconditioning shops don't have to machine to factory tolerances — nor are they compelled to fit original parts. These factors are critical in achieving new-unit performance and economy."
Producers optimistic over sales

TRUCK manufacturers will remember 1988 with affection.

It was the year the recovery, which started in 1987, accelerated and enabled them to shake off some of the effects of the three-year decline, which bottomed in 1986 and cost them billions.

They made — and this figure includes profits from car sales — an estimated profit of R500-million in 1988 and about R200-million in 1987.

As important as the profit was, there was sufficient momentum left in the market to ensure their improved fortunes should last to at least until the end of the second half of this year.

Manufacturers sold 11 288 medium and heavy commercial vehicles valued at R736.2-million in 1988, according to the National Association of Automobile Manufacturers of SA.

In 1987, they sold 11 560, with a market value of R1 035-million. This rose to 15 524, valued at R1 460-million, in 1989.

Demand

Based on information provided by the manufacturers, Naamsa estimates that 15 640 medium and heavy commercial vehicles, with a market value of R2 700-million, will be sold this year.

The signs are good. Their improved prospects will not disappear in a flurry of sales.

All manufacturers started the year with full order books. There is still a shortage of trucks and demand in growing. Aging trucks will have to be replaced.

Manufacturers can plan easier now than they could a year ago. Problems they had then with component manufacturers, when the sudden upturn caught them by surprise, have largely been overcome. Even engines, axles and gearboxes are now more freely available.

Five years ago, before political sentiment and the recession sorted out the men from the boys, there were 16 manufacturers competing for market share.

There are only six now, four of which — Mercedes-Benz of SA, Toyota Marketing Company, Nissan SA and Delta Motor Corporation — are volume manufacturers.

The other two, ERF, a specialist heavy-duty truck manufacturer, and MAN which also makes and markets heavy trucks, are low-volume producers.

Mr Des Guhl, director of Toyota’s truck division, said he was confident “despite fuel price hikes and soaring prices, the dramatic improvement seen throughout the commercial vehicle market last year will be maintained well into 1989, and I hope much longer.”

A somewhat circumstantial Mr Adolf Moosbauer, a member of MBSA’s management board, commercial vehicle marketing, said 1988 was not a boom year.

Sales improved, but the industry didn’t recover fully from the mauling it took in 1985, 1986 and early in 1987.

He was, however, more optimistic about the future than his competitors. He forecast 10 000 heavy commercial vehicles would be sold this year, 1 000 more than his competitors’ forecast.

And, he forecast that the market would hold well into 1990, where they believed it may start declining in the second half of the year.

Mr Dave Scott, Nissan SA’s director truck division, is pleased with his company’s performance in 1988, but cautions that things can go wrong this year.

“We are dealing with the increased cost of imported components due to the drop in value of the rand against the yen and the D-mark, inflation-driven increases of local components, and all this compounded by CST.”

Mr Scott said “I believe truck prices will increase by at least 15 percent this year — maybe by as much as 22 percent.”
Motor-makers go flat out to reduce backlog

By Don Robertson

MOTOR manufacturers are at last responding to the backlog in the supply of vehicles and capacity use has been increased in most sectors of the industry.

Five manufacturers are now working a second shift in the plant. A nine-hour shift is being worked elsewhere, says the quarterly report from the National Association of Automobile Manufacturers of SA (Naamsa).

However, there could be additional pressure on prices.

Plant use in the car sector in the last quarter of 1988 was 96.5% compared with 92.4% in the three months to September.

Prospects

On light commercial vehicle (LCV) assembly lines, plant use was 78.2% compared with 76.4%. But plant use for medium commercials (MVC) was down at 61.6% against 63.3%. Use of plant for heavy commercials was 67.1% compared with 66.25%.

The average for the industry was 74.1% compared with 73% in September and 71.2% in the three months to December last year.

The steady rise in plant capacity, better trading conditions in the retail market because of higher car prices and improved service conditions as well as continued demand for original and replacement parts from the component supply sector give the industry prospects of a better year than most expected in January.

Fuel

However, prospects will be affected by high interest rates, an expected slowdown in the economy, measures to reduce credit, higher fuel prices and the possibility of increased taxes in the budget.

Naamsa predicts car sales this year of 210,000 (206,000 last year). Sales predictions for LCVs are 105,000 (112,107), MVCs 5,300 (5,619) and HCVs 9,509 (9,580).

Pressure on prices became evident in the last quarter of 1988.

Foreign-currency exchange rates were reasonably stable and inflation rates abroad remained low.

However, the introduction of the 20% import surcharge and the 5% rise in customs duty resulted in the cost of imported components rising by between 3.9% and 19% in the quarter.

Manufacturers taking components from Japan were subject to supply restrictions.

Shortages of many components made in SA were also experienced and longer lead times occurred for HCV transmissions and wire harnesses.

Employment in the manufacturing sector improved.

Staff numbers rose from 32,735 in January to 36,457 in December—a rise of 11.2%. It is expected that employment gains will decline this year.

The cost of imported plastics and steel increased.
DIESEL CITY, part of the Racy Group, has introduced an innovative method of financing engines in conjunction with Wesbank. Heavy performance demands on large diesel engines often result in their having to be replaced long before the bodywork of the truck or engine housing is ready for scrapping.

Diesel City has reconditioned engines for many years and they are delivered with an as good as new warranty. "If users expect 10,000 hours or one million kilometres of service from a new engine, we will guarantee the same on our reconditioned models," said MD Allan Jacobson.

"It is a one-stop shop for all aspects of diesel engine and transmission engineering," he said. "We undertake work on machines as small as 30 horsepower to more than 1,500 horsepower — and all makes and types."

The new Diesel City lease-rental plan was introduced to give clients peace of mind, said Mr. Jacobson. "A fleet or truck owner's living depends on his trucks being on the road all the time," he said. "Downtime means losing money and our service means it can now virtually be eliminated."

Diesel City either manufactures new engines or leases or rents a reconditioned engine ex-stock for instant replacement at any time.

Capital

"The major advantage is that there is no capital outlay when an engine is needed. South Africa's weak currency has put the price of new, imported engines beyond the price of many transporters and operators," said Mr. Jacobson. "A large heavy duty engine which can cost R65,000 to buy can be substituted with a Diesel City reconditioned engine costing R35,000."

"That represents a cost saving of nearly 50 percent. Even then the buyer need not pay cash."

"Instead of the familiar system of leasing a complete truck we can now offer an engine only."

Mr. Jacobson estimates that for an engine rental of R1,200 a month, a vehicle could be kept in service and earn R7,000 a month in revenue — clearly cost effective.

The rental is directly linked to bank prime overdraft rates, but the user's income will rise every year on inflationary and other considerations.

"An outright purchase of a R65,000 engine in 10 or 60 days cripples cash flow," Mr. Jacobson said.
Toyota SA rethinks model mix

GOVERNMENT'S new value-based local content for motor vehicles would mean a company such as Toyota SA would have to reconsider its model mix. Toyota CE Bert Wessels said in a speech in Durban on Friday.

He said government's target of 75% by value of an SA-assembled motor vehicle would mean Toyota SA would nudge its volume sales towards those models where the company had already established a reasonably high local content and away from the high forecourt usage models with a relatively low local content.

He said the most important changes people would see with Toyota's products would be the extension of model lives. Speaking on the effect of the new local content programme on cost of vehicle production, Wessels said in the short to medium term competition would stop prices escalating beyond inflation.

"After two to three years, the local cost pressures will start biting"
VW SA 1988 commercial sales rocket 36.5%

SALES of Volkswagen and Audi vehicles increased well in excess of the totals for the motor industry as a whole in 1988.

VW SA sales in 1988 leapt by 22.5% over 1987 while total industry passenger vehicle sales for 1988 increased by 15%. In the commercial sector VW recorded a 36.5% rise as opposed to the total industry increase of 16%.

VW SA reported significant increases in sales on virtually all models, with demand outstripping supply for most of the year.

Strong sales performances came from the Jetta CLi 16 valve, where sales rose by an astounding 325%, and the Audi Automatic, where sales increased by 214%.

VW attributed its 1988 sales success to its commitment to quality and customer service to the motoring public.
FSI good for Gentyre

A stronger than expected second half has enabled FSI subsidiary, Gentyre, to post a 41% increase in earnings to 296c (12c) a share for the 12 months to end-December.

Total dividend payment for the year is 67c a share which is 40% up on the previous year's 46c.

The performance is well ahead of most analysts' forecasts — the market was looking for earnings of around 175c a share and a dividend of 60c.

Most significant about the strong earnings performance is that it was achieved off a fairly pedestrian 17% increase in turnover.

A sharp improvement in operating margins, from 12.1% to 14.4%, converted this into a 41% surge in operating profit from R39.9 million to R56.2 million.

Attributable profit was 41% ahead at R31.1 million (R22 million).

The strong improvement in margins was considered ahead of market expectations. Feeling was that after a number of consecutive years of advances on this front, the scope for continued improvement was limited.

Gentyre has seen a number of changes in its controlling shareholders over the past 6 years.

In 1984 the Khazan family sold control to Maxem Schemowitz' W&A group.

In 1987 the purchase of W&A by the FSI group meant that Gentyre was passed on to yet another controlling shareholder.

The Schemowitz era has seen major advances in operating margins as Gentyre management was forced to place greater emphasis on asset management. There were few in the market who believed that the FSI team could pull off the same sort of performance, particularly in view of the constraints imposed by the fact that Gentyre is operating at almost 100% capacity utilisation.

"The review figures show that for the first full year at the helm FSI has managed to nudge Gentyre on to even greater levels of performance.

More significantly, indications are that as highly efficient additional capacity comes on stream, there will be scope for even further increases in margins in the years ahead.

In hindsight, despite the October 1987 market crash, the acquisition by FSI could not have come at a more appropriate time.

The FSI head office team makes much of the fact that it can enhance the profitability of its W&A assets by attending to operational aspects and not merely concentrating on the financial picture.

This attention to operations has provided the Gentyre management team with the scope to deal very well with the problems associated with hi-tech production systems in SA where sanctions and a declining rand make it increasingly difficult and expensive to remain competitive.

MD, Clive Tuton believes that the current up-grading of production facilities should enable the group to show continued margin improvement. But he cautions about the possible, short-term, adverse impact on margins that could result from the need to change from a 2- to a 3-shift system in order to keep up with changing labour practices.

The balance sheet shows that the financial aspects are also being well looked after.

The share enjoys a rating above the motor sector average. But it is appropriately more in tune with BTR Dunlop's rating in the industrial holding sector.
SOPHISTICATED car-buyers were viewing top-rate luxury cars as inflation hedge investment options, owner of House of Sports Cars Klaus Grogor told Business Day.

Meanwhile, local luxury-model car-makers have discovered buyers are buying and selling "options" on car waiting lists. BMW has moved to block this secondary market.

Grogor said he recently bought a 1996/1 Mercedes 450 SLC that had done 9 000km for R130 000 — a 225% rise on the car's original R40 000 cost.

MARC HASENFUSS

He said imported luxury cars like Ferraris and Lamborghini were better investments than standard investment options like paintings, as cars could be used practically. A Lamborghini bought for R120 000 two years ago could be resold for approximately R250 000 this year.

Good profit could be made on such an investment if the vehicle was properly maintained. An added feature to such a deal was that no income tax was paid on profit made, said Grogor.

Mercedes-Benz spokesman Delene MacFarlane said mainly imported cars appreciated in value when sold, but it applied to some locally-produced vehicles, which led to speculation in them.

She warned that the situation was now extremely volatile. Analysts believed people were more likely to sell their place on a luxury car waiting list at a profit, rather than buy a luxury car as an investment.
Bidcor has R31-m cash in the kitty

By Derek Tomney

3rd Corporation, which entrepreneur Brian Joffe is planning to use as an industrial holdings company, expects earnings of not less than R3.95 million equal to 73.5c a share in the financial year ending June.

It also proposes paying its first dividend in August, the company announces in its first interim report issued today.

The report shows that the group is cash rich. The directors say that after current transactions are completed the group will have no borrowings and a net cash position of R35 million.

The report covers only the last two months of 1988, from the acquisition of Chipkans and Sea World on November 1. Before then it had only minimal income.

For this period the company reports a turnover of R38 million, an operating profit of R2.08 million and a taxed profit of R1.11 million equal to 20.8c a share.

Bidcor gives more details about its purchase of 60 percent of Currie Motors from March 1 for R24 million.

It says this acquisition will increase the group's net asset value by about 50c a share to 317c.

Assuming that Curries earns only 8 percent a year after tax, this will have little impact on the earnings a share for the year ended June 30.

It is intended that Curries will make an acquisition in due course.

Curries assets, say the directors, comprise primarily cash and near cash of about R40 million.

The directors say that after taking into account the R6 million raised by a rights issue, and after the payment of the cash consideration for the acquisition of Curries, the group will be free of borrowings.
'Don’t be caught unaware'

Toyota CE warns on embargo threat

Own Correspondent

JOHANNESBURG — While there was no immediate threat of a total embargo from Japanese suppliers to the SA motor industry, investors should not be caught unaware if pressures from the US became too severe, Toyota SA CE Bert Wessels said yesterday.

He said there were indications that gradually pressure would be exerted on SA if progress was not made with the new political dispensation.

Economic and technical isolation of the SA motor industry would be a disaster, he told the Capital Investment Conference yesterday.

Wessels said the local content programme, designed to save SA substantial foreign exchange, would hopefully make SA less vulnerable to overseas pressures and reduce the amount of international exposure of Japan as a major trading partner.

Investment in the car and component industry was essential for the new local content programme to become successful. At least R400m per annum would be invested by car and component manufacturers before 1990 to make the local content programme work. The impact of these investments would only be seen in five to ten years.

The most immediate effect will be a change in manufacturers model mixes. The more basic vehicles with high local content and less specifications would be manufactured. These would make use of a large degree of rationalised components.

Wessels said vehicle model lives would also be extended to enable manufacturers to amortise their tooling costs over longer periods. This had not been possible in the past as overseas suppliers would not allow subsidiary manufacturers to go out of phase with the new models they were launching.

However, the imbalance of trade between the US and Japan had brought about an arrangement with General Motors who were co-producing the Corolla under the name Nova, while in Germany Volkswagen and Toyota would start co-producing the Hilux.

These and other developments with established producers in Australia, the Far East and now SA had made Toyota Japan more flexible with model changes.

Wessels said while Japan changed models every four years, it would become necessary to extend model lives of locally manufactured vehicles to between eight and twelve years.

However, he said manufacturers could not afford to lower competitiveness in falling behind in technology or they would be forced to sell the product at a discount.

Competition, following the new local content programme, would prevent car prices from escalating too rapidly beyond inflation except for low volume or highly specified vehicles with high imported content. However, after two to three years the local cost pressures would start increasing prices.
Car rentals rocket -- but vehicle costs trim margins

The car rental industry continued its fast-track growth in the second half of 1988, but high holding costs put a painful squeeze on profit margins.

Releasing official industry statistics for the six months to December 1988, Tony Langley, president of the SA Vehicle Rental and Leasing Association, said the number of rentals had grown by 28% to 356,000 over the comparable period in 1987, while rental days had risen 24.5% to 1,069,000.

He attributed the growth to increasing demand from the business, travel sector as well as from local and inbound tourism. Greater utilisation over weekends, as a result of the development of the black market, had also been a contributing factor.

Revenue per rental day increased by 16.4% over 1987, but during the same period vehicle holding costs soared by 33% as a result of a 21% average increase in the price of cars and the 44% jump in interest rates.

"While the buoyant second-hand market to some extent offset the sharp rise in new-car prices, the widening gap between holding costs and the rate of revenue growth is having a deleterious effect on the profitability of car rental companies," Langley said.

The obvious implication of this trend is that in the current year the industry will not be able to contain rental rate increases at the 1988 level." He said the industry was expecting another busy year but it was unlikely the high growth rate of the past two years would be maintained. "We are anticipating about 8%-10%.

Rentals in January were up 26.8% on last year, while rental days grew by 28% -- Sapa
Can it go higher still?

How much further can vehicle local content go? In 1961, when government first stepped in, local content accounted for no more than 14%, by weight, of SA-produced cars.

Before this week, it had risen in stages to a 66% level. Now, vehicle manufacturers believe the industry can’t go any further than the 75% by value, planned under the latest local content programme. Component manufacturers argue it can’t. Neither side, however, wants it to go all the way to 100%. They agree that the penalties of an all-SA industry would be too great.

Nico Vermeulen, director of the National Association of Automobile Manufacturers (Namasa), hopes government doesn’t try to take local content beyond 75% once the new programme is completed in 1997.

He says the SA industry will always rely on overseas technology and design SA may have the potential to produce its own vehicles, but it carries a price.

“Besides the fact that the size of our market is too small to allow the successful economies of scale, there are tremendous benefits in being a follower rather than a leader,” says Vermeulen. “You don’t carry the same risks, but you have access to the latest overseas technological innovations.”

Denzyi Vermeulen, director of the National Association of Automotive Component & Allied Manufacturers (Naacam), thinks local content can go further. He thinks it is unrealistic to aim at 80% local content by value across the market. The industry would achieve benefits but we would still link with overseas technology.”

Thought he higher levels remain in the future. The immediate challenge is to come to terms with the new local content programme — Phase Six — which comes into effect this week.

Manufacturers must achieve 55% local content value in the first year, then increase this in stages to 75% by 1997. As part of the deal, companies will be given tax incentives against import costs.

No one is under any illusion about the impact this programme will have. For vehicle and component manufacturers alike, the strains involved in moving from a high mass/low cost local content programme to a high value one, will be considerable — as will efforts to increase export volumes. Neither side will emerge unscathed. Vehicle manufacturers, who have argued for years that local components are too expensive, say the cost to them will mean the new regulations will be huge.

The effect won’t be felt immediately by everyone, as most companies say they are already around the 55% level. But as it increases, so will the investment needs. Motarists believe that such costs will be passed on in the form of higher prices.

Component companies offer a different picture. They say more local content, coupled with increased exports, will raise local volumes to the point where unit costs match those of mass-produced imports.

Naturally, they approve of any legislation that will force vehicle manufacturers into an under-utilised components market. Most of them, that is.

Components companies which catered to the high mass/low value market, won’t find it easy to adapt to a new world where value is everything. Some may even go out of business. Others may be taken over by customers. Vehicle manufacturers are already looking at possible acquisitions.

In theory, one of the benefits of the value-based programme will be increased competitiveness — one producer supplying all vehicle companies with the same component in order to increase unit cost-effectiveness.

In practice, everyone knows what happens when a company supplies the whole industry. Look at ADE and Astas. Through little fault of their own, they could not supply truck engines and transmissions at the rate the industry required. Frantic truck-makers could not seek supplies elsewhere and had to wait their turn for new components.

By producing their own components — for cars and commercial vehicles alike — manufacturers are better able to satisfy their own needs, at their own pace.

Not everything can be in-house. Of course, Industry officials cite baktkie gearboxes and engine components for production by a central industry facility.

But there should be a choice. For example, with some extra investment, ADE and Samcor’s Ford engine plant in PE both have the potential to service the industry. Conceivably, Ford could concentrate on petrol engines as development, and DE on diesel.

That’s one development being cited by vehicle manufacturers, as they look at ways of turning the formula to their advantage. Indeed, it’s interesting to see the change of tune. Having been dragged kicking into the new dispensation, manufacturers are trying to look at the positive side. They say the foreign exchange base will give them greater leverage in negotiations with local component producers.

If local companies can’t beat a combination of the imported price, plus the 50% protective duty, manufacturers could rather continue to import. This is particularly so, in view of the deletion allowance on imported vehicle kits, which enables SA manufacturers to receive allowances from overseas suppliers for those parts which aren’t needed.

“Previously, if a manufacturer was locked in to a supplier, he would think twice before discontinuing because of the mandatory mass contribution,” says Naamsa’s Vermeulen. “Now it’s purely price.” The 50% duty has been applied widely to components and to parts for the after-market. But it’s not a general level. The duty varies according to the ability of the local components industry to produce.

Therefore, fire-resistant mining vehicles, which could never be produced cost-effectively in SA, are free of duty. Likewise, racing cars and hearses attract limited duty.

Naacsma’s Vermeulen says the new programme offers the long-term commitment investors have been waiting for. “Few will invest if there’s no guarantee that this investment will be the basis for their total business,”
Isolation would be disastrous — Toyota

Investment in the car and component industry was essential for the local content programme to be successful. At least R400m a year would have to be invested by car and component manufacturers before 1990 to make the local content programme work.

The immediate effect would be a change in model mixes. More basic vehicles with fewer specifications would be manufactured.

Wessels said vehicle lives would be extended to enable manufacturers to amortise their tooling costs over longer periods.

However, the imbalance of trade between the US and Japan had led to an arrangement with General Motors, which was co-producing the Corolla under the name Nova, while in Germany Volkswagen and Toyota would start co-producing the Hilux.

These and other developments in Australia, the Far East and now SA had made Toyota Japan more flexible.
Longmile sets a hot interim pace

A SATISFACTORY 41% rise in attributable profits is announced in Longmile's interim results released today and the company is confident of achieving forecasts for all divisions this year. For the first time the group declared an interim dividend, 3c a share, covered 5.7 times.

At the end of the last financial year total distribution was 5.8c a share.

Earnings jumped 41% to 17.2c a share against 12.3c in December 1987. Attributable income profit rose to R8.6m (R6.1m).

Directors say the projected level of annual earnings per share will comfortably exceed those of the previous year.

Listed in 1987, the group's interests are spread over tyre manufacture, distribution and retail, silencers and towbars, industrial fasteners and four clothing divisions. Well-known brand names include Master-treads, Silencer Services, Utility Fasteners and Raoul.

A seasonal build-up of stocks of raw materials and finished products before factory shut-downs in December caused interest paid to double to R1.5m, but the directors say this situation is conventionally reversed in the second half of the year as cash flows improve.

Profit margins fell slightly as the 40% rise in turnover compares with a smaller percentage rise of 37% in operating profit to R27.7m (R20.2m).

The directors report that the group has begun exporting "a promising volume of products" which are expected to play a more important role in the future.

The company is already benefiting from a fall in the tax rate to 43% from 46% in 1987 as a result of export marketing allowances.

Longmile's earnings and dividend yields of 16.3% and 4.7% respectively are well above the 8.4% and 2.7% averages for the industrial holdings sector.

The shares are trading at 185c against a net asset value of 95c.

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Joffe's Bidcorp forecasts earnings of 73.8c a share

BRIAN Joffe's new venture, Bidcorporation (Bidcorp), is forecasting earnings a share of 73.8c for the year to June 1989.

Based on expected earnings of R3.9m after announcing its first reported results today.

The company has declared its results for the two months to December, with profits at R1.1m on turnover of R30m. Earnings a share are 20.8c. No interim dividend has been declared.

The results announced today are Bidcorp's first since the company entered the retailers and wholesalers sector in January through a transmitted listing of the Jief cash shell.

Although the results are for the six months to December, chairman Joffe said yesterday that because Bidcorp had minimal income from July until October last year, the results only reflect the earnings of the Jief group, Bidcorp's only operating subsidiary, for the two months to the end of December.

Bidcorp was a cash shell until it acquired the businesses of Chapline and Sea World on November 1. Consequently, comparative figures for the period under review were meaningless, Joffe said

Joffe said he thought the forecasts of Bidcorp's earnings for this year were conservative and he was very confident of meeting the forecasted earnings.

Bidcorp's share price dropped from 800c to 77c yesterday ahead of results.

A loss of R39,000, shown as an extraordinary item in the results, consists of costs incurred for the acquisition of trading assets and group restructuring, directors say in the interim statement.

Commenting on the fact that the company had not declared an interim dividend, Joffe said "obviously it is our intention to declare interim dividends but it would be a little silly to declare one after two months."

Bidcorp has purchased Currie's Motors (Currie's) for about R24m through the issue of 1.5-million Bidcorp shares and the cash payment of about R15m.

More Quantum users

IN BRIEF

Currie's assets comprise primarily cash and near cash of approximately R46m.

It is intended that Currie's will make an acquisition in due course, say directors.
Capital spending by car manufacturers to soar

By Sven Lunsche
The introduction of a local content programme based on value rather than mass will cost Toyota about R100 million a year over the next five years in model related investments.

Addressing the 1989 Capital Expenditure Prospects conference in Johannesburg yesterday, Toyota CE Bert Wessels said that the company was already spending R22 million on increased local content for existing models.

Turning to the estimated investment in new facilities, rather than model related expenditure, he said:

"I would guess that between ourselves and our suppliers we would be spending annually between R50 million and R75 million."

And based on the fact that Toyota accounts for about one quarter of South Africa's vehicle production, Mr Wessels estimates that the whole industry could be spending between R200 million and R300 million a year over the next five to seven years on new facilities.

These huge investment spendings will obviously exert upward pressure on the prices of new cars in the long run.

In the short to medium term, I think competition will prevent prices from escalating too rapidly beyond inflation except for low volume or highly specified vehicles with high imported content," Mr Wessels said.

After two to three years, however, the local cost pressures will start chasing prices unless we can perform a few miracles.

But the new local content programme will also affect the model mix.

Mr Wessels highlighted three areas of change:
- Volume sales could be nudged towards those models which already have a high local content
- Rationalisation of certain low volume models with imported petrol engines rather than the local ADE engines
- Model lives will be extended to increase the number of units over which tooling costs are amortised.
Further rises in new vehicle prices expected

JOHANNESBURG — New vehicle prices have risen far more rapidly than the price of other commodities and in the next two years is expected to rise by a further 48%, according to an industry analysis done by Prime Car Leasing.

Besides a brief respite in 1987 when a marginally stable rand kept vehicle price increases at a level close to the inflation rate, prices had increased dramatically over the past four years, often at the expense of sales, the statement said.

For example, a Volkswagen Citi Golf which cost R7 795 in 1984 increased 140% in price by 1988 to R18 210.

The average price of vehicles at full maintenance lease was currently R30 000 but could soon rise to R50 000.

The motor industry was unlikely to be able to contain vehicle prices anywhere near the anticipated level of inflation and it was generally accepted that motor vehicle prices would increase at the rate of 4% to 5% per quarter in the short to medium term, the analysis show.

Behind the forecast was the pressure of local inflation and a weak currency.

"Add to this the fact that manufacturers are faced with the need for massive investment for import replacement on vital components and the need to comply with a revised local content programme, and the scene is firmly set for increases of this magnitude."

Prime Car Leasing MD Nigel Webb said the expected rise in the next two years would put pressure on even the most financially strong companies replacing fleets.

Webb said buying down in the market could provide a short-term solution but the options were limited as the corporate motorist would not take kindly to his motoring status being eroded.

Motor industry analysts confirmed an increase in buying down, but felt the smaller cars had become increasingly sophisticated and offered more than small cars a decade ago.

Webb believed the mini car, so long neglected by the local motor industry, was about to become a reality. The Fiat Uno, to be launched by Nissan in 1990, would usher in a new era in SA motoring, causing other manufacturers to enter this market.
Car prices set to soar by 48 pct over two years

By Sven Linsche
Prime Car Leasing (PCL) expects the price of cars to soar by 48 percent over the next two years.

In a report released yesterday, the group says that it was generally accepted that motor vehicle prices would rise at the rate of between four and five percent per quarter in the short to medium term.

"The average price of vehicles at full maintenance leasing systems is currently about R30 000. Before long, we could see this average rise to R50 000," PCL writes.

The group says that behind this forecast was the pressure of local inflation and a weak currency.

"Add to this the fact that manufacturers are facing with the need for massive investment for import replacement on vital components, and the scene is firmly set for increases of this magnitude."

The expected rises come on top of soaring car prices over the last four years.

Says PCL: "Aside from a brief respite during 1987 when vehicle manufacturers managed, by virtue of a marginally stable rand, to keep price increases at a level close to that of the annual inflation rate, prices of new vehicles have stormed ahead at an alarming pace over the past four years, often at the expense of sales.

"Vehicle prices have risen far more rapidly than those of other commodities, despite the fact that two major source countries had minimal inflation," PCL says.

Underlining this point, the report states that four years ago a VW Citi Golf cost R7 995. At present the Citi Golf's asking price is R18 210—nearly 2.3 times as much."
Record earnings at Aurochs

Continuing to reflect a strong property market, Aurochs Investment Company recorded a 68 percent rise in earnings in the 12 months ended December to a record 57 cents per share.

The final dividend has been increased from 20 cents to 33 cents a share, to raise the payout for the year by 68 percent to a $1.36 times covered total of 42 cents.

Net tangible asset value moved up from 545 cents to 553 cents a share. Aurochs is 87 percent owned by Hunts Limited, and is thus an FSI company. Its properties are leased out in the main to FSI companies.

Looking ahead, chairman Ivan Posmak said, "given stable operating conditions, the directors expect organic growth during 1989 to yield growth in earnings per share in excess of the rate of inflation." — Sapa
FS-team facing major changes

Natholts' subsidiary FS-Team has undergone considerable change in the 18 months to end-December. It looks as though the months ahead will see even greater changes as FS-Team aims to become a leading player in the automotive parts market.

Market speculation at this stage is that, with the exception of the 34.6 percent stake in Eleccentre, most of the current assets in FS-Team will be sold and other assets will be injected into the company.

It seems likely that Femo, which distributes non-discretionary parts for cars, trucks and trailers, will be sold to FS-Team to form the basic unit around which a much more focused FS-Team will be built. It is possible that at a later stage some further rearranging of assets within the greater FSI group may be part of the plan.

Femo was part of last September's R30 million deal which involved the sale of Femo and Huck to Natholts by US parent Federal Mogul.

The latest deal is reported to involve two further acquisitions, one of which has been finalised but the second is still being negotiated.

Given the few certainties about the latest deal (i.e. that it involves the automotive parts market and that acquisitions should be owner-managed), a list of likely acquisition candidates could include names as V&R Engines Spares; TMS; and Amura.

V&R managing director Mr RN Booher has denied that there is a deal on the go. But if there were, industry sources have indicated that it would fit in very nicely with Femo's operations.

Although V&R is reported to be "quite a large operation" and would have an impact on FS-Team's earnings, it seems certain (in view of the FS group's partnership philosophy and its strategy of being a major player in whatever market it is in) that the deal is of a far larger order and will involve bringing the various management teams into the enlarged group as shareholders. At a later stage an operation like Fleruchman's could get involved in the deal.

The acquisitions, which will be paid for with cash and shares, should not put too much strain on the FS-Team balance sheet which at end-December was in a very comfortable gearing position. In addition, the company will have some assets to sell.

In view of the expectations that new car prices are set to soar, it looks as though the automotive parts market is set to reap the benefits as owners try to make their cars last longer.

For financial 1993, FS-Team reported a 42 percent increase in turnover, a 59 percent rise in operating profit. Earnings per share (on a 23 percent rise in the number of shares in issue) were up 18 percent at 24.6c.
Corporate demand still strong

By Sven Lunsche

Although new car sales rose by about 18.6 percent from January to February this year, industry sources are convinced that sales will record modest declines during 1989.

The National Association of Automobile Manufacturers (Naamas) reported yesterday that new car sales in February at 19,341 units were higher than January's sales of 16,313, but they recorded a drop compared with February 1988 sales of 19,909 units. January-February's sales of 36,654 were also slightly lower than for the corresponding period in 1988.

Total vehicle sales showed a similar trend, although February sales of 29,579 units were over 20 percent up on January.

Econometrix' industry analyst, Tony Twine, explains that at least five percent of the monthly rise in February could be ascribed to seasonal factors, given the annual shutdown of the industry for the general holiday season over December/January.

Mr. Twine added that there was an increase in supplies from Japanese manufacturers to local companies, after they cut-back exports over the last few months of 1988 in order to comply with sanctions regulations by the Japanese government.

Finally, he mentioned that many companies had not yet caught up entirely with last year's backlog of orders.

Naamas expects sales of new motor cars to continue to benefit from strong demand by the corporate fleet and car rental sectors during the first part of 1989, but adds that there will be a further softening in sales during the second half of the year.

It warns that the higher level of interest rates combined with official measures to slow the South African economy during 1989, the increase in the cost of fuel and projected further new vehicle price rises of between 15 percent and 20 percent for the year were likely to result in a lower new vehicle market in 1989 compared to 1988.
CSIR in the middle

The motor industry has asked the CSIR — formerly the Council for Scientific and Industrial Research — to act as an impartial "catalyst" in helping the industry adapt to the new value-based local content programme.

It will advise on adapting foreign automotive technology to SA needs, and on achieving commonality of certain components.

The CSIR's involvement ties in with its new policy of seeking a closer relationship with SA industry. It has moved away from basic and theoretical research, in favour of research geared towards end-products and customer needs.

It is encouraging industry to use it as a practical research arm.

CSIR's Alastair Chaffey, who is handing hassen with the motor industry, says the project is supported by vehicle manufacturers and component producers.

He says most industry executives agree companies must find common ground in certain manufacturing areas. However, the industry's ultra-competitive atmosphere required an impartial body to co-ordinate the process.

The CSIR was approached to take on the role.

Chaffey notes "We're not setting ourselves up as the solution for the industry's future, but rather as a catalyst for the industry to achieve its aims."

Chaffey says that because most vehicle companies can achieve the 55% local content value demanded at the start of the programme without major problems, there is no immediate pressure on the industry to rationalise activities.

But this will change as increasing minimum local content levels force manufacturers to reappraise their activities. In co-operation with the industry, the CSIR will look at areas where rationalisation can be achieved.

Toyota CE Bert Wessels predicts the first two years of the programme will be "chaotic, to say the least," as the industry adapts to the new requirements.

Addressing a capital expenditure conference in Johannesburg last week, he predicted fundamental changes in the way vehicle manufacturers conduct their business. In particular, he says companies will have to concentrate marketing on specific vehicles and extend model life.

"We will nudge our volume sales towards those models where we have already established a reasonably high local content. This will favour a change in our mix towards the lower-specified L and GL models over the high-spec GLis, GLs and GLX. It is also inevitable that manufacturers will rationalise certain low-volume models."

He adds that extending the life of model ranges is inevitable as a means of increasing the number of units over which tooling costs can be amortised. He foresees eight-year model life cycles, with intermediate facilities to include new technologies, particularly in the engine.
A swing to the black ‘do-it-himselfer’

SOUTH AFRICA’s spare parts market has grown by leaps and bounds over the last few years at a time when the local motor industry has slumped from its 1989/91 peak.

According to Business and Marketing Intelligence (BMI) director Malcolm Perrie, the total demand for replacement parts in 1987 amounted to R8.8bn at retail level, with passenger parts accounting for R3.86bn (44.7%) of the market. At the same time, tractor parts totalled R600m.

Commenting on the results of BMI’s study into the aftermarket for 1987, Perrie says that the demand for parts grew at 12.5% in real terms.

**Opportunity**

"Imported parts still account for some 45% of the total demand in the passenger sector, which indicates an opportunity for local component manufacturers in terms of import replacement," he says.

"Further down the distribution chain, the franchise network accounts for 39% of the supply, with the non-franchised network making up the balance." A significant portion — some 54% — of trunk and bus parts are imported. Then some 38% of the parts move through the franchised network (which includes ADE), with the remaining 61% being distributed through the independents.

Looking at the secondary distribution channels for truck parts, Perrie says that only 12% of parts are fitted within the franchised dealer network, with roughly 33% being fitted within the non-franchised network. This comprises a significant number of engine rebuilders/reconditioners.

"The most significant portion of parts — 56% — is being fitted by the fleet-owners themselves in their own workshops," he says. "This differs in the passenger sector, where fleet-owners’ fitment amounts to 15%.

"In the passenger sector, non-franchise fitment accounts for the majority of fitment of replacement parts, with a 32% market share. This is followed closely by the specialist, with 22%, the DIY market at 15% and the franchise fitment at 14%.

Perrie says there have been a number of pertinent changes in the passenger sector of the aftermarket during the past 10 years. There has been a significant increase in warehouse distribution, which is evident in the growth of such outlets as Midas, Federal Mogul and the Silver Motor Group.

He believes this trend will continue, because "these operators effectively eliminate one of the links in the distribution chain and increase the efficiency of distribution.

**High growth**

"There has also been high growth in the fast-fit area," says Perrie. "This has taken place in three main areas — exhausts, batteries and tyres — and unless fast-fit moves into other areas, such as brakes and clutches, it is unlikely that this high rate will be sustained.

"What is more likely to happen is that the dominant fast-fit chains, such as Speedy’s, Midas Fast-Fit, Mr Exhaust and Mr Tyre, are likely to swallow the independent fast-fit centres.

Perrie notes that the franchise agents retained — and in some instances gained — market share. He attributes their growth to the extended warranties now offered on new vehicles and the introduction of full maintenance leasing. Both these strategies tend to draw the customer back to the franchise agent for a longer period.

**Market swing**

Do-it-yourself has seen a swing away from the white to the black market. "Although this growth is marginal, I believe growth in the black DIY sector will outstrip the white DIY sector in the short-to-medium-term," he says.

"The small independent workshop sector has decreased its market share. This trend is likely to continue, as its share is taken up by the franchise dealer and the DIY sector.

BMI intends compiling a parts database to provide subscribers with details on changes in demand and supply by component as well as changes in distribution channels.

**Fewer sales**

THE MARKET for new vehicle sales will contract by some 8% this year, according to Toyota (SA) chief executive officer Albert Wessels (pictured above). However, Wessels does not expect this downturn to influence his group’s volumes.

"Given the fact that Toyota will almost certainly face continued Japanese supply restrictions and unfavourable exchange rates — as well as restricted demand, a skills shortage and the repercussions of the new local content requirements during the year — it will have to work harder and smarter to maintain its ‘top-dog’ status."
CAR component manufacturers and those who assemble the cars are at odds over whether or not local industry will be able to meet the new local content requirements of government on time.

National Association of Automobile Manufacturers (Naamas) president Spenser Sterling believes that it will prove a major challenge and that the car component manufacturers will only be able to meet the local content challenge, based on value rather than weight, with "great difficulty."

The industry will also struggle to create the resources, both human and capital, that will be necessary to satisfy the industry's desire for local content.

"These manufacturers are going to have to do a lot of work to improve their ability to satisfy the needs of the automobile manufacturers timely," Sterling says.

The component manufacturers, however, strongly disagree and insist that they will be able to meet the challenge.

Says Denzyl Vermooten, executive director of the National Association of Automotive Component and Allied Manufacturers (NAACAM), "Not only will we meet the challenge, but we are actually looking forward to it."

Vermooten believes that the component manufacturing industry has always been viewed as a Cinderella industry. It has also faced criticism in the past for its relatively long lead times and inability to meet demand.

But he warns that there may be a problem, in that many component manufacturers may not be able to justify further capital investment in a declining market.

Access to funds

"It takes many years to see a return on capital investment in any industry," says Vermooten. "The component manufacturers can't just turn their investments on and off like a tap without losing vast amounts of money."

"NAACAM has asked for a long-term programme for more than 10 years now, so that its members can plan effectively."

"That means that we will be able to know very well where we have to be in nine years' time and will be able to plan more effectively. The component manufacturing industry has the know-how and the access to investment funds to be able to meet the challenge in the future," he says.

According to industry sources, the success of government's new value-based local content programme rests squarely on three main factors - the price of imported kits, the value of exports and the actual level of real local content.

Generally speaking, the first two factors can be manipulated by the vehicle manufacturers alone, while the actual level of real local content depends on co-operation between the component manufacturers and the vehicle manufacturers to avoid duplicating investment and to achieve economies of scale.
Parts aftermarket booming
MOTOR vehicle registrations jumped by 90.5% in January this year compared with the month before, according to the latest statistics released by the Central Statistics Service. But, regrettably, the jump in registrations does not mean that the motor industry is set to soar this year.

In fact, the number of new vehicles registered during January 1989 is only marginally higher (0.1%) than the total number of new vehicles registered during January 1988. In that month, 19 433 new vehicles were registered.

The statistics show that the total number of new vehicles registered in the Transvaal during January this year amounted to 19 468, compared with 19 229 new vehicles registered in December 1988.

In January, cars increased by 3.3%, tractors by 18.8% and trailers by 56.1%. There was, however, a decline in the number of minibuses (2.1%), buses (27.5%), commercial vehicles (13.1%), motor cycles (83.0%), caravans (2.3%) and the category "other" (5.9%).

Topping the rankings for new cars registered by manufacturer were Toyota with 2 814 and Volkswagen with 2 769.

Addressing the number of used vehicles registered during January 1989, the report records a decrease of 18.4% compared with January 1988, and a decrease of 11.5% when the January 1989 figures are compared with December 1988.

The total number of used vehicles registered during January 1989 amounted to 29 404, compared with the 33 588 registered during January 1988 and the 35 041 registered during December last year.

During January 1989, decreases were recorded across all vehicle categories with tractors (88.0%), "other" (84.3%), trailers (50.6%) and buses (30.8%) reflecting the largest decreases on the corresponding period year ago.

Commercial vehicles, caravans, motor cycles, motor cars and minibuses reflected decreases of 8.9%, 7.9%, 3.8%, 3.0% and 2.3% respectively. There were 18 726 used motor vehicles registered with the authorities during January 1989, 4 299 used commercial vehicles, 1 765 used motor cycles, 1 286 trailers and 1 152 used minibuses.
Budget-beaters bolster vehicle sales

By Don Robertson

VEHICLE sales in February were propped up by fears that the Budget, to be presented on Wednesday, might penalise the motorist even further.

It is expected that the value for perks tax on cars will be increased. This coupled with the expected rise in car prices of between 18% and 30% this year prompted a rush to buy. Sales could have been higher had stocks been available.

The National Association of Automobile Manufacturers of SA (Namsa) has called for a neutral Budget to avoid harming the softer trend in sales of cars and light commercial vehicles.

Christmas

Although sales were down on February last year, volumes picked up on the January figure. February is traditionally a better month than January because the Christmas shutdown by manufacturers and the holidays reduce demand.

February sales, compared with last year showed a worrying decline. Car sales were down by 4.4%, light commercials (LCVs) by 5.9%, and medium commercials (MCVs) by 41.3%.

Car sales in February were 19,241 compared with 16,943 in January and 16,820 in February 1989. LCV sales were 19,900, up from the 7,413 in January, but lower than the 9,767 last year. MCV volumes were 296 last month, 225 in January and 504 last year.

Heavy commercial sales numbered 763 in February, 696 in January and 716 in February last year.

Total vehicle sales for the first two months of the year are in line with industry expectations. It is expected that car sales will remain above 19,000 in the first six months of the year.

In the second half, however, sales are expected to fall while the economy cools.

Fleet purchases, which make up as much as 80% of new-car sales, will also dip when higher prices and possible increases in perks tax force companies to keep vehicles on the road for longer than normal.

Higher interest rates will also slow demand for vehicles.

Buoyant

Although companies are reporting increased profits, the expected slowdown in the economy will compel them to curtail expenditure.

However, sales of heavy trucks and buses will remain buoyant because of higher investment spending.

The industry believes that vehicle sales will fall by between 5% and 7% this year.

However, some economists have forecast car sales of 249,000 compared with 230,500 last year.

Other sources believe that sales last year could have been 250,000 had stocks been available.
Imperial on a right royal run

IMPERIAL Group has been one of the more successful listings of 1987. It has also been one of South Africa’s best-performing motor groups since 1970, the year that joint managing director Bill Lynch arrived from Ireland looking for a job.

In 1970, “King” Percy Abelson’s Imperial was a single dealership, turning over R6 million a year. Bill Lynch met Mr. Abelson cold canvassing for a job and grabbed the position of group administration controller when it was offered to him.

“We clicked at once,” he says.

PRESIDES

Percy’s son, Stephen, came on board shortly after Mr. Lynch. Stephen and Stephen Abelson are joint managing directors, and the King presides in the background.

In 1970, Groenvoort Motors, Lawsons, Erskine, Kindersley King and other big names dominated the Johannesburg motor scene. Most of these former heavyweights have either been taken over by bigger groups or gone to the wall.

King Percy Abelson is aiming at turnover of R140 million this year and post-tax profit of R14 million or R12 million. It has 1600 vehicles in its hire fleet.

CONTRACTS

The graph tracks Imperial’s earnings record against two other motor stars, McCarthy and Safico, for the available history of Imperial. Although Safico has soared recently, Imperial, unlike the other two, has not gone backwards in the past four years. It presents a picture of strong, steady growth. The Abelsons are confident growth will continue in spite of darker economic clouds.

STEEL

The cost of new trucks has risen steeply, with the result that old trucks are often sold for more than their purchase price. Mr. Lynch says this indicates no depreciation, but if replacement cost is taken into account, depreciation is a hidden factor.

“Truck hire is a capital-intensive business. Imperial likes low gearing — hence the capital infusion by the institutions last week. Because it owns the trucks, Imperial is not vulnerable to bad debts. Should a client ever go belly up, Imperial merely sells the trucks or redeploy them.”

STEEP

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Mr. Lynch says the move into truck hire and then into car hire has made the group far less cyclical than its rivals.

“If there is a big downturn, we would expect business in truck systems and car hire to be relatively unaffected.

“When times are hard, businesses are more prepared to hire trucks. We find that businesses are out-chasing business more aggressively. They travel more and hire more cars.”

HERTZ

Today the motor dealer-ships brings in about a third of profits, truck systems a third and car hire a third.

Mr. Lynch says the merger between Imperial Car Hire and Hertz has bedded down. He thanks Saga’s Union & London could not have done anything better with Hertz than marry it off to Carol Scott’s hyper-efficient Imperial.

The new Cressida range from Toyota is a plus point for the company even though restrictions on Japanese components mean Toyota’s market share cannot grow.

“The positive aspect is that when there is a shortage of stock, margins improve,” says Mr. Lynch.

Now that the JSE is back near record levels, one could argue that most established blue chips have had their run. But because institutions are a trifle conservative and slow to second liners, Imperial provides the evidence.

BILL LYNCH

Imperial received a notable endorsement last week when UAL and other institutional investors put R28 million for equity participation in its truck systems division.

For that, they received 26% of the truck systems division, valuing it at R98 million. The truck systems division turns over R140 million a year. The value of its contracts is more than R50 million over the five years into the future.

STEFAN ABELKOP

Imperial has received many of the great old motoring personalities were ageing. They were also a bit complacent after the good years up to the late 1960s. Most of them failed to adjust to the times. They failed to modernise.

Steve and I were younger and we had the drive and enthusiasm of youth. We did not see the limitations. The business became we implemented seem self-evident today, but we were not applying them in 1978.

“We defined our business and identified different segments. We set targets and budgets for each car outlet. We made sure staff numbers did not become excessive. We introduced workshop budgets.

“One of the most radical things we did was to terminate credit for individual customers in the spares department and the workshops. These days the HP banks finance car purchases. Spares and workshop business is all cash, unless it is for fleet owners and companies.”

Apart from hard marketing, master stroke in crowning himself king, one of the best moves Imperial made was to relinquish the Chrysler franchise for the Toyota one in 1977.

At the time Toyota’s share of the new-car and new-truck market was less than 10%. Recently it has been as high as 30%.

Stephen Abelson says that another good move was the 1975 diversification out of new- and used-car sales, workshops and spares into truck hire.

Imperial undertakes long-term and casual truck hire. Much of the long-term hire business is for blue-chip businesses, such as Motor Box, Nampak, BP and the Cape Town City Council, mostly in their own livery.

The customer gets reliable transport and knows how his costs in advance. The trucks belong to Imperial and they are written off over five years, but last much longer than 10 years.

1988

1987

1986

1985

MOTOR RACE

Earnings per share (index)

Imperial

Safico

McCarthy
Landlock stays in the red

LANDLOCK, manufacturer and distributor of automotive components, appears to be turning the corner with an operating profit for the year to end December of R5.4m compared with R1.34m the previous year.

At the bottom line, however, the final outcome including extraordinary items was a loss — and no dividends — for the fourth year in succession.

New chairman Gerard de Rauville hopes that further improvements in profitability will be made this year, in spite of less buoyant trading conditions.

Heavy interest payments of R4.1m (R2.3m) and extraordinary items made for the haemorrhage which converted

Landlock begins to staunch heavy losses

profit into loss. Landlock is carrying a large debt burden of R22.5m (R18.6m), a gearing of 84%.

This debt will be reduced by R6m during the current year as a result of the

sale of the clutch and brake remanufacturing operations on the Reef and in Cape Town to DanCor. This should reduce gearing to 67% in the current year.

De Rauville says interest savings should increase earnings by 3c a share before extraordinary items and a loss of 7.8c a share after extraordinary items.

The extraordinary items consisted largely of costs incurred in the closure of the Automotive Products' central warehouse. Crane company Tighman and Lasch was sold at its net asset value and contributed R501,000 to the year's loss.

Dividends on the preferred ordinary are R1m in arrear.
Autoquip ponders local manufacture of parts

The Autoquip Group is continuously assessing the possibility of local manufacture of motor accessories, parts and industrial products. Yesterday, the group posted an 81% increase in earnings to R7,6c (4,2c) for the six months to December, and Coquelle attributed the 102% leap in attributable income to R1,2m (R592,000) — to an exceptional performance by sales teams, efficient administration and distribution, tighter financial controls and better buying policy.

An interim dividend of 2,5c was declared with 6,5c forecast for the year. Coquelle said a range of specialised parts had been augmented by the group's entry into the steering and suspension markets to cater for a higher percentage of ageing vehicles.
Low tax rate aids Fleishmans' earnings

Sylvia du Plessis

Motor parts and accessories retailer Fleishmans has reported across-the-board improvements for the six months to December, with operating profit up 28% to R3.7m (R2.9m).

The results include for the entire period those of Eddie's Motor Spares, which was acquired in August 1997 and trades mainly in the black market.

Accrued tax losses of R8.4m account for the low tax rate of 11.5%.

This left attributable profit of R3.3m (R2.6m), equivalent to earnings of 13.2c (11.7c) a share from which an interim dividend of 4.5c (4c) has been declared.

Group MD Geoff Earnshaw said Fleishmans would enjoy marginal tax rates of between 11% and 12% until the end of next year at least.

Fleishmans' emphasis has been on consolidation since the opening of ten new stores and acquisition of Eddie's after its listing 18 months ago, he said.

During the interim period, Fleishmans opened an additional store and refurbished three in line with the group's present corporate image, he said.

With a sound base of cash-and-carry outlets, the group continued to be in a position to expand the operation of Eddie's outside Pretoria and maximize its opportunities in the black market.

In addition, Fleishmans would continue to develop retail outlets where suitable locations arose which were in line with its expansion plans, he said.
METAIR BENEFITS FROM IMPROVED VEHICLE SALES

MARC HASENFUSS

Continued growth in the new-vehicle market provided Metair investments with an opportunity to substantially increase turnover by 44% to R353m.

The group’s subsidiary automotive component manufacturing companies all performed strongly, especially Smiths Manufacturing and Armstrong Hydraulics, which resulted in a 96% jump in group pretax earnings to R375m (R14m) for the year to end-December.

Earnings a share before extraordinary items increased 25% to 22c (17c) and the directors have proposed a dividend of 3c (4c) a share.

Chairman Douglas Stewart said associated company Raylite Hold-ings continued to experience problems arising from the re-location of production facilities.

“These problems, together with the cost of remedial action taken, have resulted in a loss for the year of R3,4m, of which our group’s share amounted to R1,4m,” he said.

In spite of Raylite’s problems, Metair’s directors expressed confidence in the associate company and increased Metair’s shareholding from 22% to 46% by acquiring a further 141,264 shares for R1,6m.

The newly acquired subsidiary, Motorubber, is included in the group results for the first time and Stewart felt the decision to acquire the 75% shareholding for a total consideration of R1,1m was fully justified.

Stewart said although vehicle sales were expected to decline by about 10% in 1989, other factors provided optimism for satisfactory growth in profits.

He said increases in local content for new vehicles should provide opportunities for improved business for all group subsidiaries, while growth was also expected in the replacement market because of overall ageing of vehicles.
Metair expects good profits

There are ample grounds for optimism and Metair will continue its search for sound investment opportunities aimed at complementing and enhancing its core business in the motor industry," he comments.

Mr Stewart adds that remedial action taken in respect of Raylite should return the company to profitability and eliminate the adverse impact its losses had on the Metair group results in 1986.

During financial 1988 the continued growth in the new vehicle market helped the group boost turnover by 44 percent to R253,2 million (R175,7 million).

All the group's subsidiary performed well according to the chairman and pre-tax earnings rose by 96 percent from R14 million to R27.5 million. Despite the disappointing results at Raylite, group income before extraordinary items rose by 25 percent to R12,6 million (R10.1 million).

Earnings per share before extraordinary items increased from 173c to 223c, while the total dividend has been raised from 44c to 53c per share.

Newly acquired subsidiary, Motorubber was included in the statements and Mr Stewart says that the results justified the decision to pay R11,1 million.
Landlock on long recovery trail

Landlock's results for the 12 months to end-December show some signs of light but indicate that the group is still far from the end of the tunnel and also far from justifying the current share price of 85c.

On earnings per share of 5.6c (which is before an extraordinary loss of R2,4 million) Landlock is on a price/earnings ratio of 14.6 times which is well ahead of the average of 13.7 times for the engineering sector.

Its high rating seems to reflect two considerations — that the company has good recovery prospects and/or that there is a possibility of a change in control.

Rumours of a change in control have been circulating the market for almost a year. To an extent these rumours are inevitable given the poor performance that the company has reported in recent year and the fact that its parent is British-based.

Although there have been a number of changes in top management, a change of control has been consistently denied.

In an attempt to improve the group's prospects and lightening its debt load, management has sold off a number of operations. Tilghman-Lasch, which appeared to have moved into profitability during the first six months of financial 1987, was sold to Valard during the second half for R2 million.

After the year-end, the group sold its clutch and brake manufacturing operations as well as its automotive component distribution branch in Cape Town.

The R6.5 million proceeds will be used to reduce borrowings which will bring down the gearing from 94 percent to 67 percent.

In view of the expectations for strong growth in the automotive parts market, the sale of these assets seems regrettable but according to management, it has decided to concentrate in areas of this market where it has technological advantages.

After these disposals the group's major assets are Grillock, which is believed to be performing well, and Mantex Don which knocked performance during financial 1987 and continued to hold back the group in 1988.

The group's earnings prospects hang on the resolution of the production problems at Mantex Don. If these can be sorted out, then according to one leading analyst, an earnings figure of around 30c could be achieved.

But shareholders may be a bit weary particularly in view of the need to clear the arrear dividend payments on preference shares before ordinary dividends can be paid.
The earmarking of an additional R70 million to encourage change in the local content programme in the motor industry has been welcomed by the National Association of Automobile Manufacturers of South Africa (Namsa).

Commenting on the proposals, the president of Namsa, Mr. Spencer Sterling, said it was gratifying the Government had resolved to earmark it for use as an incentive measure for the development of the automotive industry.

Mr. Sterling said that while it would have been preferable to have had no increase in general sales tax, particularly since the GST burden on buyers of new and used motor vehicles had already reached disproportionately high levels, Namsa was nevertheless pleased the Minister had restricted the increase to 1 percent.

Mr. Janie van Huyssteen, executive director of the Motor Industries Federation, also expressed relief over the GST level.
Workers given the right to strike at BMW

By CHIARA CARTER

THE right of workers to strike without fear of dismissal and to picket on company premises is recognised in an agreement signed by BMW SA this week.

In terms of the code, which has been added to the recognition agreement between BMW SA and the National Union of Metalworkers in South Africa (Numsa), the company agrees that workers have the right to strike where all dispute resolving procedures have been exhausted and guarantees that workers on a legal strike cannot be dismissed.

Previously, strikers could be dismissed after four weeks.

Based on the 14 principles drawn up by the German union IG Metall and the International Metalworkers Federation for German companies operating in South Africa, the code gives South African workers the same rights as those in West Germany.

BMW employees in the homelands will have the same rights as those employed elsewhere in the country.

The company will pay the wages of employees who are detained.

BMW board spokesperson Dave Kirby said that, apart from the right to strike, most of the 14 principles were already met by BMW, which is the first company in South Africa to sign the code.

Labour Briefs

Wine workers want more pay

ABOUT 800 workers at Stellenbosch Wine Farmers and 700 workers at Epping Distillers joined a national strike by members of the National Union of Wine, Spirits and Allied Workers’ Union this week.

A NUWSAW spokesperson said the strike follows a deadlock in wage negotiations. Workers are demanding a weekly wage increase of R45 and management has offered R28,50.

A Wine and Spirits Manufacturing Association spokesperson said the union has until the end of this week to discuss management’s proposals.

Mine fire investigated

INITIAL indications are that ignited polyurethane and timber caused the fire leading to the deaths of ten Western Deep Levels miners last Thursday, Anglo-American said this week.

Most of the miners suffocated in the blaze. Further investigations are taking place.

Mwasa ‘yes’ to summit

THE Media Workers Association of South Africa (Mwasa) decided in principle to participate in worker summits with the Congress of South African Trade Unions and independent unions.

The Mwasa decision, taken at a National Council meeting last weekend, overturns an earlier Mwasa decision not to attend.

It makes Mwasa the twelfth National Council of Trade Unions affiliate to opt for participation in defiance of a Nactu directive.

Bid to break deadlock

THE National Union of Mineworkers has proposed mediation to break the deadlock at Rustenburg Refinery where about 800 workers have been on strike over wages for over two weeks.
Motor industry marketers are leading on points from economists.

Industry officials have been predicting a fall in new vehicle sales this year. Several economists forecast the opposite — that there's enough strength left in the economy to support an increase in sales.

With January and February sales figures in, marketers are ahead by two rounds to nil.

in the prediction contest.

Car sales were down 2.4% in February, compared to February 1988 — after January had also seen a fall in year-on-year sales. Overall sales of cars and commercial vehicles were down 4% in February, and 3.4% over the first two months of the year.

Industry analysts still expect car sales to fall about 10% this year, with the main decline coming in the second half of 1989. On current evidence, it's hard to bet against them.

Waiting lists for many classes of vehicle — a leftover of 1988's unexpected sales recovery — will continue to underpin this year's market in the short term. Some industry executives say current sales figures are less a reflection of demand, than of what the industry can provide.

However, there is concern at the extent of the decline in certain areas. The fall in light commercial vehicle sales is running at more than twice that for cars, while medium commercials are down nearly 40% in the first two months.

On the credit side, sales of heavy trucks and buses are still on the upswing, with little sign of the trend being reversed.
Horror scenario for vehicle prices

PRICES of new vehicles have stormed ahead at an alarming pace over the past four years.

The only respite came in 1987 when vehicle manufacturers managed, by virtue of a marginally stable rand, to keep price increases at a level close to that of the inflation rate.

Over the past four years vehicle prices have risen far more rapidly than those of other commodities. This is in spite of the fact that the two major source countries for the local motor industry have experienced minimal inflation.

To bring this point home, one needs to look back only a few years.

On a vehicle price list produced during the third quarter of 1984, one finds that the cheapest car on the market carried a retail price tag of R7 455.

A truer reflection of the extent of price increases over the period can be gained by comparing the price of a model that existed both then and now, like the Volkswagen Citi Golf 1300. In August 1984, a Citi Golf would have cost R7 955. Four years down the road, essentially the same vehicle costs R18 210, or 2.2 times as much.

Such has been the effect of inflation that today, the cheapest car on the market equates to a mid-range executive medium-sized car of 1984. The outlay for a City Golf 1300 today would have bought a Toyota 2 litre GL6 just four years ago. Today the equivalent Toyota costs as much as a BMW 733i did in 1984.

For the future, the prospects are even more bleak.

While the motor industry would dearly love to see the end of the inflationary spiral, there are few who believe that prices will be contained anywhere near the anticipated level of inflation. It is generally accepted that motor vehicle prices will rise at the rate of between 4.5% and 5% a quarter in the short-to-medium term.

The average price of vehicles acquired through full maintenance leasing systems is about R30 000. Before long, we could see this average rise to R50 000.

Behind this high forecast lies the pressure of local inflation and a weak currency. Add to this the fact that manufacturers are faced with the need for massive investment for import replacement on vital components and the need to comply with a revised local content programme which, although still undefined, comes into effect at the end of the first quarter of this year, and the scene is firmly set for increases of this magnitude.

Projecting prices through 1989 and to the end of 1990, the expected price increases come into even sharper focus. At the current rate of increase, new vehicle prices would be set to rise by a compounded rate of 46% percent over the next 24 months.

All things considered, this is a pretty horrific picture, especially if one takes into account the implications of providing reserves large enough to cater for vehicle replacement in these conditions — even the most well-heeled of companies will have to be extremely careful in providing the necessary capital for vehicle replacement.

Buying down in the market may provide a short-term solution, but the options here are limited — the corporate motorist, in particular, will not take kindly to his motoring status being eroded too often.

Model lives are likely to be extended with a view to more realistic amortisation rates on expensive new model tooling. The mam car that has for so long been shunned by the local industry is about to become a reality, with Nissan SA taking the lead by announcing its intention to launch the Fiat Uno early next year.

This model will usher in a new era in South African motoring, with other manufacturers expected to enter this market as well. These small cars of the future are expected to come in both basic and high-specification variants. The fact remains, however, that by the time that they get here, their prices will probably have outstripped those of the cheapest models today.

A bitter pill to swallow indeed, but one that will perhaps be sweetened to some extent by the finance houses which, now, more than ever, have to come up with a range of innovative packages to ease the financial burden of motor vehicle ownership and protect their trade.

Fortunately for a large pool of motorists in line for new vehicles — the 70% who qualify under company-car or business-use schemes — there is a safety net in the form of vehicle lease schemes which remove the obstacle of capital replacement cost.
Recent restructuring by DCM-listed PDS Holdings and the resultant need for higher stock levels led to an 11% drop in attributable income to R147 000 for the six months ended December against the previous interim of R166 000.

Turnover rose 340% to R9.6m (R2.2m) but a substantial increase in interest charges to R124 000 from R3 000 in December 1987 eroded profits.

Earnings a share fell to 1.5c on 9.6-million shares compared with 2.3c on 7.1-million shares in the previous year.

The group's major subsidiary sells parts and services for large diesel engines and transmissions, but it has also diversified into vehicle retail, engine lubricants and generator sets.

Latest

In June 1988 PDS acquired Grabur Truck and Car for R180 000, and in October acquired P & S Power Products, which was financed by the issue of 2,9-million PDS ordinary shares to P & S.

In 1987 the group reported no interest-bearing debt compared with R2m in the latest results.

"Some 30% of interest-bearing debt is related to our decision to import generator sets before the import surcharge exemption expired in January 1989," said MD Brian Graham.

"As a result of this decision we will enjoy a competitive advantage in the market.

"In addition, by acquiring Grabur Truck and Car, the group has inevitably borne the higher stock levels that apply to the vehicle retail business and thus gearing has increased.

"The full benefits of the restructuring will begin flowing through to shareholders in late 1989,"

Graham predicts that final results for 1989 should be close to those of 1988, based on experience of the industry and performance for January and February.
Contracting and leasing growing

A mix of purchasing methods can be seen in some cases for the most economic solution.

For example, Sun Sky Couriers, the largest courier company in SA, has daily runs to more than 300 towns and operates a fleet of 450 vehicles — mostly light delivery vans. It acquires the fleet from three methods — instalment sale, hire with full maintenance, and rental. The choice of which depends on the expected monthly mileage of each vehicle.

“Low” mileage vehicles average 5,000 km/month and are bought by instalment sale over 18 months with a 30% residual value at the end of that period. In return for taking up the cost of refurbishment of the vehicle at the end of the contract, Sun Sky is guaranteed buyback at 60% residual value.

Vehicles doing around 10,000 km/month are acquired by rental over 12 months with a 70% or 80% buyback depending on the size of the vehicle. About 60 vehicles in the Sun Sky fleet average 18,000 km/month and are hired for six months with a full maintenance contract.

Unfortunately, companies in business less directly related to transport tend not to factor the cost of vehicles as closely.

But if fleet service companies and bankers’ predictions are true, it is only a matter of time and judging by the variety of packages on offer, once fleet owners know the nature of their problems, the market will have solutions on tap.
Categories are stable

DESPITE run-away vehicle price increases, there is less evidence than might be expected of fleet owners "buying down" in terms of vehicle models and size.

According to International Compensation's survey, 56% of fleet owners had neither up or down graded in the past two years, only 9% had down graded, and a stunning 35% had in fact upgraded!

"Luxury cars as a percentage of overall car sales, at approximately 13% last year, are probably slightly down. No overall figures are available since VW/Nissan and Delta's withdrawal from NAAMSA sales reporting last year.

Mercedes Benz SA estimates that luxury and executive cars make up 7% to 9% of overall car sales. BMW, which contends that there is no evidence of buying down from fleets, puts the estimate considerably higher.

These facts suggest the fleet market is absorbing vehicle price increases with as positive a view of the residual value of luxury cars as the motor dealer industry is taking.

Residual values are believed to be being estimated at probably 15 percentage points higher than in 1984 and they were at high levels then. The 1984 stagnation in the second-hand car market caught many lease and rental companies short.

Avis Leasing MD, Grenville Wilson, cautions, "It can be a mistake to overestimate residual values. Experience in the industry teaches you that — its like a futures market. Just as there has to be an affordability ceiling on new vehicle prices, there is a point above which the secondary market won't stretch".

© Grenville Wilson
Toyota "on the move" to create 3,000 jobs in new York location

The newly announced Toyota plant in New York will create 3,000 new jobs. The move is expected to boost the local economy and provide new opportunities for workers in the area. The plant will be located in a major industrial area and is expected to be operational in 2023.

In an interview, the president of Toyota North America explained: "This new location is part of our strategy to expand our footprint in the U.S. and to create more opportunities for our employees. We are committed to investing in our people and in the communities where we operate."}

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**Programme for domestic insurance**

3,000 jobs

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**For domestics**

plan a boon

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**Motor firm**

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**Insurance**
By Don Robertson

THE motor industry — vehicle and component manufacturers — will have to spend about R600-million annually in the next five to eight years to meet the new value-based local content programme.

It is a large sum for the relatively small South African industry, but it will create about 36 000 jobs, give the economy a shot in the arm and save foreign currency. But it is claimed that there will be no large increases in prices of vehicles.

However, fewer vehicle models are likely to come on the market. The lives of models will be extended by up to 10 years. Most high-performance cars will disappear and one or two manufacturers may quit the market.

Value

These points were made by Toyota chief executive Bert Wessels this week when he spelt out details of the new local content scheme.

The programme requires vehicle manufacturers to achieve a 55% local content by value this year, rising to 75% — or even 80% — in nine years’ time. It will require the SA industry to increase output of casting and machining of multi-valve cylinder heads, gearboxes for cars, oil and water pumps, air-conditioner compressors, steering systems and brake and master cylinders.

The industry is also exploring the possibility of making plastic components and electrical components.

In spite of suggestions that prices will rise, Mr Wessels says that in the short term factories and plants will save because of rationalisation and the reduced model mix. Marketing costs will also be lower because there will be fewer new models. Tooling costs will also be lower because of the longer life of models.

Although the cost of SA high-tech equipment will be higher than the imported unit, vehicle cost increases should be kept within the inflation rate.

After about three years, however, cost pressures will start to affect vehicle pricing.

Flexible

Mr Wessels says that because of the increase in the number of Toyota factories being established outside Japan, the parent will be more flexible in supporting Toyota SA in extending model life.

Because of the new scheme, the more sophisticated models, such as the GL4, GL5 and GLX, could fall by the wayside and more emphasis be placed on the L and GL models. The lack of technical transfer from abroad could result in high-performance cars becoming dated.

In the medium term, however, radios and air-conditioning fitted to the top models will have a higher SA content, helping to normalise the model mix.

Toyota has spent large sums on increasing its local content, but it believes component manufacturers have a big role to play.

The cost to remodel the existing range of Toyota’s five model categories will be about R600-million. However, if these were extended over a 16-year model life, expenditure would be about R86-million a year.

In Toyota’s case, it would be financed from retained earnings of R70-million from last year and R70-million to R80-million from amortisation and depreciation. These provisions would continue.

Diesel

To achieve these results, it is important for car assemblers to remain profitable. Continued support from abroad and high volumes will also be necessary.

Mr Wessels says it is possible that ADE could produce a diesel engine for bakkies or that a group of manufacturers could combine to produce an engine.

Ralph Broady, managing director of Toyota Manufacturing, says a shortage of skilled manpower is likely to develop.

“We have great difficulty in finding skilled manpower to support our day-to-day business,” he says.

Mr Broady says there will have to be closer co-operation between vehicle assemblers and component manufacturers.
Local content demand will assist industry

THE commencing requirement of a 55% local content, based on value, is unnecessarily high for the motor industry, says Wesco chairman Albert Wessels.

However, in the longer term it will lead to more extensive local industrial development and increased employment and general prosperity, he says in his annual review.

To reach 55%, large investment in tooling and production facilities will have to be made by the motor companies — including Toyota SA, from which Wesco derives the bulk of its income.

Toyota has started an investment programme and expects to meet these requirements with exports of components which qualify as alternatives to local content.

Raised

Metair — whose subsidiaries are involved in the manufacture of motor components — will fully exploit the opportunities of the new local content development.

Wesco has raised its dividend by 10c to 50c for the year to December 1988. Wessels says an improved dividend for 1989 is on the cards since Toyota and Metair have decided on increasing their dividends out of 1988 earnings. These will be received in 1989.

Toyota’s final dividend of 22c and its 1989 interim dividend will be received as Metair’s 53c payment out of 1988 earnings.
Toyota facing annual investment of R150m

MARC HASENFUSS

TO accommodate the newly implemented local content programme, Toyota and its suppliers would have to make an investment commitment of about R150m a year, Toyota CE Bert Wessels said in his survey of the local content legislation.

He said assuming the industry's average annual cost of facilities and model-related tooling was similar to Toyota's, the total industry, including component manufacturers, could make annual investments of between R60m and R80m a year during the first five to eight years of the new programme.

Toyota's investment programme's main features include R42m on land and buildings for a new toolroom, R21m on a collapsible container plant, R10m on a new press line and the manufacture of after-market body panel stampings, and R22m to increase local content in existing models.

Wessels said Toyota's funding would come from retained profit of R70m from last year, as well as from amortisation and depreciation which ran at between R70m-R80m a year.

"Based on that it would seem we have adequate funds, but we would certainly like the component manufacturers to share the brunt as far as the manufacturer's investments are concerned."

The main effects of the programme would be a greater rationalisation of model types.
Champion Spark Plug Company of South Africa and Fedmech Manufacturing Limited are to merge their business activities.

A joint statement released by Champion Spark Plug president and chief executive O Lee Henry and Tony Barnes, executive director of Federale and chairman of Fedmech says that Fedmech Manufacturing will acquire Champion South Africa’s business in exchange for new shares in Fedmech Manufacturing.

After the transaction has been implemented the Champion Spark Plug Company and Fedmech Holdings will be equal partners in Fedmech Manufacturing.

Mr Barnes said that the two businesses were complementary. Fedmech manufactures windscreen wiper blades, arms and linkages, while Champion has expanded its activities into the manufacturing of windscreen wiper blades and related automotive parts. The merger will thus improve their overall performances.

He added that the merger did not represent the disposal of Champion’s investments in South Africa, but rather an exchange of their investment for shares in Fedmech Manufacturing.

As part of the transaction, Fedmech Manufacturing has entered into long-term contracts to ensure the use of the Champion trade mark and access to technical assistance and development in the manufacture of spark plugs.

The latest technology for the manufacture of Fedmech’s products will continue to be available in South Africa,” Mr Barnes said. — Sapa
SOUTH African vehicle suppliers who were hoping to secure lucrative Untag contracts have lost out to a Japanese competitor.

However, a number of local companies have been included on a Untag shortlist of possible suppliers for the 50 to 100 prefabricated housing units required by the peacekeeping force.

Assecam sent details of Untag's requirements to the South African business community last week after a meeting between its foreign trade secretary ME Robertson and Untag's commercial, purchase and transportation office head Allan Robertson.

Assecam said Untag had received a number of offers of pre-fabricated housing units from SA sources, 75% of which were included on a short list.

Untag was also negotiating with the SADF to rent equipment.

Untag was granted diplomatic immunity in terms of a Government Gazette published on March 17.

This has exempted it from paying import surcharge, customs duties and excise duties as well as the fuel levy on petrol and distillate fuels, with retrospective effect from February 1.
Goodall races to
74.5% profit surge

MARC HASENFUSS

STRONG performances in all divisions of the DCM-listed Goodall Group resulted in a 74.5% leap in earnings to 4,45c a share (2.55c) for the six months to December. Goodall's turnover increased 42% to R290m (R208m) while taxed income leapt by 77% to R451,000 (R255,000)

Directors of the Cape-based car and motorcycle dealer decided, in the wake of rising interest rates, to reduce gearing by selling the head office building at a profit of R19,000 but retain occupation

Consequently group gearing at December 1988 was a healthy 14% compared to 72% at June 1988

MD Mike Goodall felt the group now had the capacity to expand without any strain on the balance sheet. He said the group had decided to offer shareholders the choice of receiving bonus shares or cash dividend. Bonus shares would be issued and dividends would in future be paid annually after year end. No interim dividend was declared.

The Group's Nissan franchise, in spite of stock shortages, showed a strong increase in its profitability and remained in a strong position with its fleet customers.

Goodall's industrial division had a spectacular six months with demand for the purchase and hire of stationary engines, pumps and generators remaining strong. Goodall said the group was investigating the expansion of this division and expected further improvement during the next six months

Barring unforeseen circumstances, the directors expected the second six months to reflect earnings similar to the first six months of the year.
FAST-growing motor spares group, Spareco Holdings, due to change its listing to the industrial motor sector next week, has passed the R85m annual turnover mark and expects to triple turnover by the end of June 1989.

Since Spareco came to the market in November through the R36.2m reverse takeover of the Brunel cash shell, the group has shown strong growth.

Part of the growth has been through acquisitions. Since October last year the group has acquired the operating subsidiaries of Jorum Investments and the business of Vycar and Zygmarsh Investments, becoming a major rival of other motor spares suppliers like Midas and Pienaar.

These purchases have doubled the number of outlets to 30, spread across the Reef, northern Transvaal and northeastern Transvaal.

Chairman Chris Sladden attributes Spareco's organic growth to the rising cost of new cars and the increasing buying power of the black market.

In its pre-listing prospectus, the group forecast taxed income of R7.6m, or 86c a share, and dividends of 28.7c a share for the year to June, taking into account the change in the company's financial year end from February to June.

On a full 16 month basis, earnings of R9.3m, or 95.5c a share, are forecast.

The share price has ranged between 780c and 750c. The current NAV of 365c should remain unaffected.
son will immediately benefit the bottom-line, as well as saving management time.

For shareholders, an important consideration will be the objective to reduce dividend cover from last year’s five times to about three times. Assuming earnings growth is just maintained in the second half, this could mean a dividend of around 18c, putting the share on a forward dividend yield of 9.7% - very reasonably priced even for a cyclical stock. Whether there will be a price rise, though, must depend upon general market trends as well.

Pet Kenney

SCHUS

Larger force

The purchase of Martin Jonker Group (M J) by Schus will substantially strengthen Schus’s balance sheet but the enlarged group will remain heavily geared. Release this week of a circular on the transaction shows that the listed company’s ratio of interest-bearing debt equity falls from 225% before the acquisition to 109%.

It was announced in February that with effect from January 1, 1989, Schus had acquired the entire issued share capital of M J from the Martin Jonker Trust for R5.48m. The amount was payable by the issue of 15.7m new ordinary shares in Schus. The deal follows a transaction last May when a consortium, of which Martin Jonker is a member, acquired 85% of Schus.

At the time, Schus had negative shareholders’ funds and had been incurring losses. By combining Schus and M J, the group will own two of the largest Nissan dealers in the country, situated in the western Cape and Pretoria respectively. Since its inception as a

Nissan dealer in 1967, M J has consistently been the largest single Nissan dealer in SA. Objectives of the deal include greater market penetration in the sourcing of used vehicles, management cross-fertilization and a strengthening of the capital base of Schus “in the interest of further related and unrelated contra-cyclical acquisitions.”

While most of M J’s income is derived from sales of new Nissan vehicles, the second largest contributor is used cars which are obtained from new car customers as trade-ins and from other sources. Because the used car division plays an important role as a hedge against a slump in the new car market, and as profit margins on used cars are considerably higher than on new cars, the turnover of this division is being “mammoth increased.”

M J has brought its own borrowings on to the post-deal balance sheet, which shows total debt of R8.1m against shareholders’ funds of R7.4m. Until gearing is reduced it must limit the potential to make acquisitions with debt. However, it may well be possible to expand by issuing shares given that the controlling consortium bought 85%.

M J’s profit history shows that turnover rose from R10.2m in 1984 to R43m in 1988, and was R25.9m for the six months to end-December. In the same period pre-interest profit rose from R618 000 to R1.6m and was R1.2m last interim. The circular adds that the directors believe Nissan’s market share has grown substantially in recent months and that this trend will continue subject to approval, the name of the listed company will be changed to Martin Jonker Holdings.

EPS are forecast to increase significantly this year; at 60c, the price has dropped from the 12-month high of 85c but is 58% above the low of 38c in January. (Andrew McNally)
A new road for the car industry

Local content will be boosted

by HERMAN FOURIE

THE South African motor manufacturing industry is about to embark on a challenging phase in its existence.

The government, exploring all avenues to stem the flight of capital from the country, has laid down a stiff set of regulations designed to limit the spending of foreign exchange on car parts.

From June this year, every manufacturer must show 55 percent local content by value over the whole range of their cars, or pay punitive duties. This plan foresees local content by value of 75 percent in five years.

All this spells out a fairly radical restructuring of the motor world, with a whole new component industry springing up to provide those parts which the manufacturers can no longer afford to import, and extensive rationalisation of models and their components.

This phenomenon is not unique to South Africa — on a global scale, carmakers are having to rely more on each other and their component suppliers to achieve economies. Their experiences may provide some pointers for South Africa.

Co-operation, through joint ventures or close working relations, is a growing feature of the global motor industry. Not only is it a way of driving down costs, but for some it is a means of survival.

A good example of a such joint undertaking has been deal between French carmaker Peugeot and Renault and Sweden’s Volvo. A single V6 engine was developed for all three manufacturers of large cars, a cheaper alternative to each company designing and building its own engine.

The South Africa rationalisation on such a scale is not likely, as it has to be incorporated in the design stage, and no cars are designed here. Unless the overseas parent company has a link-up with another manufacturer — like Ford and Mazda, or Peugeot and Nissan — it is also unlikely that one would allow the use of its engine in another’s car.

None of the big producers in Japan, America and Western Europe has dared to operate in total isolation, although a few of the smaller specialist marques, such as Porsche, BMW and Jaguar, have kept largely to themselves. The thinking is that they need to protect the exclusive nature of their brand.

This can last only as long as the penalties of limited production can be recovered through premium prices. The danger is that mass-market manufacturers (read Japanese) may succeed in having their upmarket products perceived by consumers as being in the same league as the specialists (read European), but offering a better value.

Joint ventures

Honda, Nissan and Toyota have all recently unveiled upmarket models which match the best of Europe in everything but reputation.

Companies with global operations are best placed to use joint ventures and partnerships throughout far-flung parts of the group. Rival cars using the same engine will be made to appear different by body-styling and interior fittings, but under the bonnet they will be much the same and cheaper to produce. Many other components, too, will become common to different cars.

Components and materials represent the biggest part of the ex-factory cost of a car, often as much as 50-60 percent. This compares with about 20 percent for direct labour costs and the rest for overheads.

Overseas the whole process of manufacturing or buying in components has been undergoing a fundamental change. Old loyalties between carmakers and component suppliers are collapsing, no longer is it the case that national sources, because of their proximity, are favoured over foreign ones.

Nowadays a German car is as likely to have Japanese-made switches and tyres as a Japanese car is to have German fuel-injection.

Many carmakers are selling off their in-house component suppliers and where extensive in-house facilities are still in existence, as at Audi, they are often forced to compete against outside suppliers.

It is simply not possible for a manufacturer’s in-house supplier to remain at the forefront of all technological development, with the result that world-class component companies are specialising in certain areas, like West Germany’s Bosch in electronics and Britain’s GKN and America’s Eaton in transmissions.

These companies, like the carmakers, are gearing up to operate on a global scale. The component business may come to be dominated by 10 companies with the specialist knowledge and resources to satisfy the ever-demanding needs of the car manufacturers.

As components become more sophisticated, research and development costs rise. It is becoming increasingly difficult for carmakers to recover their research and development costs by selling their products to more than one manufacturer — one reason why carmakers do not want to own component companies.

In the last component companies used to quote or tender on drawings of parts supplied by the car producer. Today it is more common for the carmaker to set broad standards and for the supplier to do the design and development work.

Modules

Component companies are also taking responsibility for complete systems within a car, rather than the individual bits and pieces. This leads to component companies teaming up.

Such parts, or “modules,” arrive at a car assembly plant tested and ready to be fitted in effect, this means the carmakers are now getting component suppliers to do some of their work for them.

This has many advantages — labour costs in component factories are generally lower than those in car factories, it reduces the space needed for stock, procedures are simplified because fewer parts are involved, and of crucial significance bigger, pre-assembled units are easier for robots to handle than a box containing hundreds of little parts.

The greater dependence on component suppliers by carmakers has far-reaching consequence. Component companies are now getting involved in new products from the conception.

What do the component companies get in return for their extra efforts? A bigger and perhaps exclusive share of a carmaker’s business, and longer-term contracts.

Throughout the industry, carmakers are reducing the number of their component suppliers, often by half.
Curtiss doubles earnings before Curries sale

Companies
Naamsa forecasts mild downswing

New car sales remained reasonably buoyant in March this year, rising by 3.6 percent to 20,062 units compared with February. Total vehicle sales rose by 7.3 percent to 31,744, very much in line with industry expectations.

Most of the improvement was due to the increased availability of stock, particularly in light commercial vehicles, but some stock shortages were still evident in other sectors, which could keep sales at strong levels over the next two to three months.

However, the National Association of Automobile Manufacturers (Naamsa) says that a softer sales trend had been discernible for some time and coupled with higher interest rates, a rising tax burden and general inflationary pressures, could lead to a mild downswing in sales during the second half of 1989.

For 1989 as a whole, Naamsa has forecast new car sales of about 210,000 units, which is 20,000 units less than last year’s sales of 230,500. The softer sales trend is evident when comparing year-on-year sales during the first three months of 1989.

New car and total vehicle sales in the first three months at 55,738 and 85,909 units respectively were both 4.5 percent down on the comparable period last year. New car sales in March were some nine percent lower than the 22,032 units sold in the corresponding month a year ago.

Providing a breakdown of the various categories, Naamsa reports that primarily as a result of increased availability of stock, sales of light commercial vehicles during March rebounded to 10,466 units – 14.2 percent higher than the 9,190 unit sales achieved in February, 1989, and 5.2 percent higher than the 9,977 unit sold in March, 1988.

Sales of heavy trucks and buses also showed a further steady recovery.
New car sales down 4.5% on 1988 figures — Naamsa

NEW car sales for the first quarter of 1989 (63 736) declined 4.5% compared with the same period last year (66 370), according to Naamsa figures released yesterday.

Naamsa executive director Nico Vermuelen said demand for new vehicles, as confirmed by orders on hand, remained strong. However, the sales figures showed there had been a cooling-off of the market, discernible for some time.

This trend, with high interest rates, rising tax burden and general inflationary pressures, reinforced Naamsa’s expectations that a mild downturn in new vehicle sales would continue through the second half of 1989.

Naamsa figures showed new year-on-year car sales for March (20 032) dropped 9% compared with March 1988 (22 032), while month-on-month the February sales (19 341) improved 4%.

Vermuelen said notwithstanding the number of public holidays during March, new vehicle sales remained reasonably buoyant.

Primarily as a result of increased availability of stock, sales of light commercial vehicles performed strongly in March (10 788), increasing 5% compared to last year (10 751), with manufacturers still reporting healthy order books.

Heavy commercial vehicle sales, up 4% in March, continued to show a further steady recovery, while medium commercial vehicles dropped 30% (520) from 620 in March 1988. Naamsa figures indicated...
FIESTONE SA has announced a sponsorship of R100 000 to assist hikers and further promote hiking in SA, a pastime in which more than a million people a year are estimated to indulge.

A cheque for the two-year donation was handed to the deputy chairman of the National Hiking Way Board, Hennie Marais, at a function on the Braamfontein Spruit nature trail in Sandton yesterday. The company hopes to renew the sponsorship in 1991.

Part of the grant would be spent on sponsoring a 10-minute video film on hiking, to be screened on the TV1 programme 50/50 on April 19, while the rest of the money would be used for the printing of maps of new and existing trails, a spokesman for the National Hiking Way Board, Theuns van Rensburg, said.

He said hiking was a most effective aid to environmental education.

Firestone public relations manager Adrian Stanbridge said his company was proud to be involved in hiking in SA.
SA's local content legislation for the motor industry reduced the country's predictability when political consistency and stable environmental conditions were needed, Daimler-Benz management board member Helmut Werner said this week.

At Mercedes Benz SA chairman Sepp van Hulsen's farewell, Werner said the motor industry depended fully on internationalisation and give and take between countries and between economies and companies.

He said the internationalisation required open borders to achieve reasonable and satisfying economies of scale. The local content legislation would have a negative effect on technical progress, as the volume of SA's automotive market did not deliver the necessary economies of scale, he said.

The local content programme was to an extent threatening the motor industry's investment in SA, and represented a threat to Mercedes' investment by making capacities less efficient, reducing competence.

A local content policy usually led to a captive market for the motor and supply industry, which placed a question mark on the future development of quality, productivity and technology. Van Hulsen is succeeded by SA-born Christoph Kopke.
COMPANIES

Lonrho buys Steyns Delta dealership

MARC HASENFUSE

Lonrho Motor Holdings has purchased Steyns Delta dealership in Pretoria for R2.1m, the companies said in a joint statement at the weekend.

Lonrho, the multinational organisation with extensive mining interests in SA, has in the last decade increased its motor holdings division's interest in the aftermarket.

Lonrho's Ronnie Jack said Pretoria was a targeted expansion area which had been studied for some time.

The acquisition was particularly suitable, as Lonrho already represented the Delta franchise in Johannesburg, Germiston and Cape Town.

Now that the dealership was part of the larger organisation, Lonrho's philosophy was to enhance the local strengths the outlet had developed in Pretoria, said Jack.

"We see enormous benefits in the goodwill which the present management have built in the area, and we will provide dynamic backup for them to build these further," Jack said.

Steyns Delta will change its name to Total Delta from today, but Steyns Group MD Hans Steyn emphasised that the change of ownership would not alter the staff structure at the outlet.

Delta Motor Corporation spokesman Murray McKenzie said the expanded association with Lonrho Motor Holdings was welcomed.
NEWLY listed motor spares group Spareco Holdings and the Midas Group have announced a marketing tie-up which could boost Spareco's turnover to R100m by the year end.

Spareco chairman Chris Sladden said in a statement the link-up, which meant a unified Spareco/Midas corporate identity at 38 outlets in the Transvaal and Free State, did not involve an exchange of shares, although this was ultimately not excluded.

The combined buying power of the two groups would ensure the least expensive supplies of spares, providing a competitive edge in the market.

Sladden said the group would attempt to source locally as far as possible, although buying bulk on the world markets was the key to success in the local spares industry.

He felt the prospects were excellent in the wake of the rapidly rising price of motor vehicles — which should ensure a recession-proof market for Spareco.

Both Midas and Spareco are expanding independently, with Spareco about to announce another acquisition in the Free State and Midas concluding a retail market tie-up with Natal group Akal.

Midas MD George Von Lauper said the workshop and garage trade in spares, although still strong, was stagnating compared with the DIY market among both whites and blacks, where Spareco was active.

Sladden predicted operating margins of 14,6% in the financial year to June 30 and, with all acquisitions performing well, he saw no slowdown in this performance in the near future.
Luxury carmakers are braced for penalties

STATE revenue this year from motor producers under the new Phase 6 local content programme could be R104m.

All of it is likely to come from Mercedes Benz and BMW.

Their contribution could reach R18m, with the extra R14m going to manufacturers earning rebates through high local content value on cheaper cars.

This discrimination against high-value cars is a deliberate move by the Board of Trade and Industry.

Mercedes and BMW acknowledge the intention to encourage the use of locally-made components, thus saving foreign exchange, but complained that distortions were unfair.

At the launch of Mercedes's latest 500 SE last week, marketing manager Peter Cleary said there were so many open parameters in the new programme his company was faced with uncertainty in deciding on introducing S-Class cars by 1992.

The value-based local content programme, being phased in this quarter, makes provision for a 12% duty on all cars made locally but, if local content meets the 65% target, manufacturers get a rebate of R3 000 a car.

Minister

Calculations show this would put Volkswagen and Toyota in a break-even position while Nissan, Delta and Samcor would gain.

BMW PR manager Pierre de la Rey said his company had campaigned for the new programme, which gave credit to exporters, but the rebate formula introduced had created an imbalance.

Mercedes's Hein te Poel said the anomaly had been presented to Economics Minister Dame Steyn and the BTI.

He added: "If a uniform rate of 5% tariff were paid on every car, without any rebate, the system could have the same effect."
Combined Motor Holdings sees record earnings again

COMBINED Motor Holdings (CMH), the Durban-based motor retailer, has reported record earnings for the second successive year since listing.

CMH chairman Maldwyn Zimmerman said in spite of the tightening of credit and a substantial increase in interest rates, earnings per share for the group leapt by 41% to 33,2c (23,6c) for the year to end-February.

Group directors proposed a final dividend of 7,5c (5,4c), bringing the total dividend for the year to 10,7c, a 37% increase over the previous year (7,8c). The dividend is covered 3,1 times.

Attributable income during the financial period improved by 43% to R6,2m (R4,4m) while net asset value increased 24% to 131c (106c) compared with the current market price of 115c.

Turnover increased 42% to R215m (R152m) and Zimmerman expected current trading conditions at motor retail level to continue through to the third quarter of 1996.

He believed the new vehicle market would decline only by 5-10% provided interest levels did not escalate to the record rates experienced during 1985/86.

"During the two years of trading as a listed company we have set the foundation for our long-term strategy of providing a steady consistent growth in earnings and dividends," Zimmerman said.

He said the year to February 1996 should prove no different and a 25% growth in earnings was expected.
Don’t be left at the launch

SMART, well-read businessmen could have anticipated Nissan’s intention to introduce the Fiat Uno to the local market. According to Alan Lindner, director of the School of Business Intelligence, “the signs were all there.”

Lindner said they included:
- An article in Automobile (October 1987) on “Alfa Romeo factory in Brits sold to a leading SA motor manufacturer.”
- A letter to the editor in Automobile on “Fiat Uno.”
- A statement by Stephanus Louw in Financial Mail (Nissan survey, May 5-11 1988) which read “There are not many gaps, only in market segments such as the 18 to 23 youth market, where we are not yet strong, we haven’t got a hatchback, for instance”, and
- A well-known motor journalist visits Italy to test drive the Uno.

But if you didn’t see the launch of the Uno coming, perhaps you aren’t well-equipped to anticipate your competitors’ movements and, more importantly, are unwittingly emitting clues on your strategic activities to your competitors.

Consequently, Lindner has devised a seminar to educate companies.

Lindner says “Given that it can take as long as five years from when the decision is taken to go ahead with a new project to when it actually comes to fruition, the better you can conceal your activities, the less time you give your competitors to respond.” Contact Both Aning for further information Tel (011) 865-1842.

□ Edited by Cathy van Zyl
Vaaltrucar beats tax load to post 45% income rise

MARC HASENFUSS

VAALTRUCAR, the Reef Ford and Delta dealer, has posted a 45% increase in attributable income to R2.2m (R1.3m) for the year to February 1989 in spite of the group's heavier tax burden, which increased from a rate of 12.2% to 33%.

The group's earnings at 14.1c a share (12c) showed an improvement of 17.5%, and a final dividend of 2.5c was declared, which brought the total for the year to 4.5c (3.8c).

Turnover leapt by 69% to R91m (R54m) for the period under review.

Vaaltrucar chairman Sarel Germshuizen said this was mainly due to cost savings, higher productivity and increased sales of new and used vehicles and tractors.

Germshuizen said the group's Delta dealership performed well last year, a factor which was underscored by a 33% increase in national Delta sales in 1988.

"We also benefited from the fact that company car purchases increased markedly in the last quarter of last year and through the continued market shift towards smaller cars."

Germshuizen believed the group would continue to grow during the year in spite of motor manufacturers' predictions that the market would decline.

If there was a downturn in the market the group would still grow from sales of parts and service, a sector which contributed 57% to Vaaltrucar's operating income in 1988, Germshuizen said.

Group directors felt that association with local manufacturers, Delta and Ford, boded well for the future, as both manufacturers were less exposed to international pressure.

Vaaltrucar shares were untraded yesterday at 65c, midway between its high and low last year.

The shares seemed set to go higher as bidders were prepared to pay 70c, but there were no sellers.
(ADE) will be deemed 100% local content — even though many of the components are imported

ADE MD Hartmut Beckurts says the decision is subject to the company adhering to a nine-year development programme to reduce the level of imported components.

The decision eases the headache of vehicle manufacturers, who must raise the local content value of vehicle production to at least 55% this year. The target will rise in stages to 75%.

ADE is SA’s only supplier of engines to truck and bus producers, all of whom will benefit by having their engines deemed 100% local.

However, the concession does not apply to vehicles destined for export. There, ADE engines will be assessed at actual local content value, taking account of imported components.

**MOTOR INDUSTRY**

**Contented ADE**
The Board of Trade and Industry (BTI) has offered vehicle manufacturers a lifeline to help them achieve new local content targets.

The BTI says engines produced for the local market by Atlantis Diesel Engines...
Battle to advertise the right car stuff

BATTLED for market share in an overtraded market, passenger vehicle manufacturers have produced some of the most adventurous advertising SA has seen.

Aggressive brand positioning has had the Toyota Cressida mounted on a shell-encrusted rock surrounded by turbulent seas, the Conquest attending a fancy dress ball, the Mazda 323 looping the roller coaster loop and, more recently, a clutch of Mercedes-Benz darlings in the racetrack blindfolded.

Now the Golf GTi tops them all by journeying to the final frontier in a commercial — on television and in print — entitled "The Right Stuff".

Accepted

Conceived and produced by advertising agency Ogilvy & Mather Rightford Shairie-Tripp & Makin (O & M), the ad parodies the cult movie of the same name and even uses the same "Right Stuff" theme music.

In the ad, a new boy who has not been accepted by the proficient test-drivers takes the car out on to the track. He impresses the veterans and is accepted — he and the car have "The Right Stuff".

O & M says the target market in advertising terms for the GTi is English-speaking, extroverted, status-oriented males aged between 18 and 34 in the upper income bracket.

It says that, as there are two major launches happening in the hatchback category this year, the ad is designed to bludgeon any competition.

The agency adds that any commercial for the GTi must capture an understated arrogance of a brand that is respected by owner and non-owner alike.

O & M has come up with an ad that is short, memorable, masculine and adaptable.

It will be interesting to see if other manufacturers manage to come up with a concept that can beat "The Right Stuff".

TOPS THE LOT?

UNVEILED at the Geneva Motor Show last month, the Cizeta Moroder V12-T is claimed to be the most exclusive car in the world by its designer Claudio Zampolli, formerly with Lamborghini, and Giorgio Moroder, who composed the music for the Seoul Olympics.

Priced at approximately USS400,000, the car has a 16-cylinder transverse engine.
Minibus statistics in black and white

THE OFFICIAL estimate of the number of black taxis operating in SA stands at 60 000 vehicles. However, unofficial sources claim this is too low, saying that the real number could be as high as 90 000.

No matter which figure you believe, you have to concede that the black taxi market is a purchasing force to be reckoned with, perhaps more so in the after-market than in the vehicle purchases market.

Statistics released by Central Statistics Service (CSS) indicate that, despite the phenomenal growth in the sector, there are more whites purchasing minibuses (the backbone of the black taxi movement) than there are blacks.

Registrations lower

Of the 786 new minibuses registered in January this year, 386 were registered by whites and 68 registered by blacks.

However, of the 1 152 used minibuses registered in the same period, 624 were registered by whites against the 388 registered by blacks.

While these statistics do not preclude whites from registering vehicles on behalf of blacks, they do show that the vehicles used by the black community are much older than in any other community.

CSS statistics also show that minibus registrations were lower in January of this year than in January 1988. Last year, new minibus registrations for January amounted to 903 (January 1989: 788) while used minibus registrations totalled 1 179 (1989: 1 152).

These facts could indicate that the minibus fleet is getting older. If this is true, it is good news for the spare parts industry.

However, just as the black taxi movement has been "unorthodox," so is the vehicle owners' attitude to the after-market. To tap into the taxi market's wealth, parts suppliers are going to have to take a new approach.

Research conducted by Business & Marketing Intelligence showed that the black taxi owner prefers to take his vehicle to a non-franchise outlet or a backyard mechanic.

In general, the research showed that, while the black taxi owner knows he will receive a quality service from the franchised garage, he is attracted to backyard mechanics and non-franchise garages because they provide a cheaper service.

Non-franchise garages and backyard mechanics are also situated in convenient locations, and the backyard mechanic offers ease of appointment making.

The black taxi owner believes he will still get a quality service if he frequents these establishments.

High costs and poor location of outlet were the major reasons cited for not utilising a franchised garage.

Second-hand

Most engine parts, body parts and brake parts are sourced from a non-franchise outlet — wholesalers and retailers.

Only a minimal amount — 6% — is sourced from a franchised outlet, while a significantly higher portion — 12% — is sourced from second-hand outlets.

The major reasons for not sourcing parts at a franchise dealer were price, poor location, lack of a credit facility, and poor product range.
A Rough Road Ahead for

by Cathy van Zyl

MOTOR INDUSTRY/Updated by Cathy van Zyl/4/19/89
TOYOTA SA has saved almost R10m — or R2m a year — since the inception of Jishken teams in 1984.

Jishken, a group activity aimed at creating thinking people, is one of four quality control (QC) programmes introduced by the company. The other three are Individual Jishken, Goshu and Eyakho. A number of new programmes are currently being developed in many parts of the organisation.

Given the results its QC circles are achieving, QC programmes could form a major part of Toyota’s strategy as it finds itself, like all other vehicle manufacturers, having to work harder and smarter to maintain its position in the hotly-contested motor industry.

However, Toyota insists that the rands and cents sign, as an end result, is not its main aim. It says workers’ participation for the future is considered to be worth more than any current marginal benefits.

Therefore, it is fitting that one of the more recently introduced programmes — “Eyakho” — is homegrown and not imported from Japan.

**Three objectives**

Eyakho is a Zulu word meaning “my own,” and the programme was structured with three main objectives to engineer quality into the product, to improve quality without threats and disciplining, and to enhance man-to-man counselling.

Historically, it was left to the foreman to resolve repetitive defects, which complicated his job. Also, his solution did not always work or prove to be the most efficient.

On the Eyakho programme, an Eyakho advisor assists the foreman by analysing QC records to determine what defects are being repeated regularly. The advisor then spends as much time as necessary with the machine operator to ensure that the defect is eliminated.

The defect must not reappear for 20 consecutive days before it is considered solved.

A measure of the success of this programme is shown by the increase in Toyota’s number of resolved projects. During 1986, 83 projects were solved by Eyakho. This more than tripled to 210 resolved projects in 1986, while 654 projects were concluded in 1988.

The Eyakho team comprises two permanent Eyakho officers attached to Toyota’s communications department. Besides being responsible for projects, they conduct training in Eyakho. They are supplemented by four other officials who work in the plant.
Local content could cut costs

THE NEW local content programme may herald a welcome era of relief for SA motorists by forcing the price they have to pay for their vehicles down.

And from a brief respite during 1997, when vehicle manufacturers managed — by virtue of a marginally stable rand — to keep price increases at a level close to that of the annual inflation rate, prices of new vehicles have stormed ahead at an alarming pace over the past four years. However, the new local content programme, based on foreign exchange usage, will have far-reaching benefits for the local economy and may result in vehicles becoming more affordable for South African motorists.

This is the view of John Newbury, CEO of Nissan SA, which has come out in strong support for the new local content programme introduced earlier this year.

Newbury said the new programme will force manufacturers to focus on marketing a more balanced and smaller model mix and to encourage the manufacture of high-value components locally.

"I believe the new local content programme will make vehicles more affordable in the future," he says. "The rate of vehicle price escalation as a consequence of the forex programme will reduce and could hopefully fall below the rate of inflation. Certainly, as far as Nissan is concerned, we will endeavour to pass benefits for us in this programme on to the buyer."

While many other members of the automotive industry agreed that car prices will not increase in the short-term, they were reluctant to specify the extent of the local content requirements on prices in the long-term.

Spencer Sturgh, CE of Sameor, noted that it is unlikely that the plan will affect vehicle prices in the first three to four years. However, he pointed out that, in the longer-term, vehicle prices may have to increase to cover the costs of the major capital investments which will have to be made to meet the local content requirements.

On the other hand, if sufficient economies are achieved and exchange rates are favourable, the cost of locally produced components may compete favourably with imported components and prices could decrease, he says.
Sanctions hit motor jobs

International sanctions have already cost 18,000 jobs in the motor manufacturing industry alone, according to Toyota SA chief executive Mr Bert Wessels.

He told an industrial relations seminar in Durban on Saturday that industrialists and trade unions had to reach out to one another to find common ground on sanctions.

Pressures were required to bring about change in South Africa, but they were strongest from industrialists with experience of good industrial relations and social reform, he said. — Staff Reporter
Toyota employs 200 more

Own Correspondent

JOHANNESBURG — Toyota yesterday announced the immediate employment of an additional 200 people at its Rowen stamping plant in Durban in order to meet the needs of the newly introduced local content programme to the SA motor industry.

The announcement comes in the wake of Toyota's estimation that the move from a mass-based to a value-based local content programme would create a further 30 000 job opportunities in SA.

The new jobs at the Rowen plant, mainly for toolmakers, superintendents, press operators, skilled setters and maintenance artisans, will be applied in a unique shift system where workers work Friday, Saturday and Sunday nights, but get paid for a full week.

"We are presently working two shifts at the stamping plant, five day shifts and four night shifts", said Toyota Manufacturing MD Rahn Breedley.
Delta's part to cut down costs

DELTA Motor Corporation has announced that the warranty on its new parts has been extended to 12 months or 20,000 kilometres. This is an indication of the company's trust in the quality of its new parts, and is further proof of Delta's commitment to customer care.

Last year, Delta surprised competitors by reducing the price of certain engine parts by up to 70 percent. This alternative parts programme is still being expanded, to further reduce the cost of motoring for Delta product owners, without sacrificing quality.

Delta's manager of parts and accessories, Mr Charlie van Niekerk, said that any possible uncertainty about the quality of new Delta-packaged parts, had been countered by the introduction of the extended warranty.

"Price reductions were a big breakthrough for South Africa's youngest motor manufacturer — especially in difficult economic circumstances. This was made possible through the company's new independence and the expertise of its South African owners," said Mr Van Niekerk.

"Delta looked for, and found, alternative manufacturers who could supply components at considerably less cost. "The price benefits of reduced costs — and now, of guaranteed parts reliability — are being passed on to the user as the programme progresses," said Mr Van Niekerk.

Where possible all parts are subjected to strict quality tests, before approval for Delta packaging. The new factory warranty covers the cost not only of the part itself, but also of the labour charges for replacement.

Normal wear and tear parts, for example brake and clutch linings which are regarded as normal service replacement items, are excluded. These items are nevertheless warranted against any manufacturing defect.

The extended warranty of 12 months or 20,000 kilometres is effective immediately.
Nissan’s care pays off

NISSAN SA’s market share has increased dramatically since it introduced its customer care programme some three years ago, said Nissan director of marketing planning, Pieter Coetzee.

“Currently,” said Mr Coetzee, “demand for Nissan models outstrips supply. Although it is hard to quantify rewards reaped from the customer programme, I believe the programme has contributed significantly to our improved performance.”

Coetzee said research conducted by Nissan SA late last year revealed the company to be within the top three motor companies in South Africa not only with respect to sales but also from a service point of view.

“Customer satisfaction with dealer service is one percent above the industry average. Satisfaction with workshop service is three percent above industry level, overall product is 0.5 percent higher and customer satisfaction with technical product performance is one percent above the industry average.”

“This points to the clear fact that the customer care programme initiated by Nissan three years ago has reaped considerable benefits for the company.”

GOLDEN CAR SALES

181 JULIUS STREET, JEPPE TELEPHONE 214-4056

NORMAN KEKANE

BMW R5500

Ford Calvert R3000

Toyota Hi-Ace Taxi R12000

Audit 5 R3500

Chevrolet R4500

Rover 45 R3250

Chevrolet 3000 R4250

Alfa Romeo R5500

Mazda Bakke R5500

Datsun Stanza R2900

Chevrolet Rekord S/W R3500

Datsun 120Y R4250

TYRES

155 x 13 NEW R85,00

165 x 13 REARED R95,00

175 x 14 NEW R165,00

185 x 14 REARED R225,00

205 x 14 NEW R225,00

285 x 14 REARED R455,00

JACK’S TYRE CO.

214 JULES STREET, JEPPE

T. 214-4787

Datsun 160Y R3400

Datsun 180Y R3995

Datsun 200C R3550

Datsun 1200 R3500

Datsun 1400 bakkie R4550

Datsun 1600 bakkie R4500

Datsun 180Q R4500

Datsun 180Y R3500

Datsun 140Y R3500

Datsun 210 Y R3795

Datsun Leader 200 R3595

Datsun Urvan R4695

Datsun Skyline R3795

Datsun Prince 5W R3995

Datsun Safari R4395

Datsun Stanza R3600

Datsun Stanza R3895

Escort R1895

Fair 155 R2795

Fair 159 R2795

Fair 131 R2751

Golf R2199

Granada 2 Hire R299

Granada 3 Hire R299

Granada Omni V6 R399

Koppie 16 R199

Koppie 17 R550

Koppie 17 R550
Car industry looking at R10-billion investment

FOR THE past two months South Africa's car assemblers have been carefully studying the Government's new local content programme. Their findings, though still fairly tentative at this stage, show that the programme will have a marked impact on the manufacturing sector, on the economy, on the balance of payments -- and in tune on the man in the street.

The new programme specifies that all motor vehicles must have a local content of at least 50 percent by value, otherwise the assembler will be subject to heavy penalties.

Some of the more important findings are:

● The new programme should not have any effect on the price of the large volume-selling vehicles for the next three years or so. But some increase is likely in the prices of models at the upper end of the market, which have a low local content. However, in three years' time, as the local content becomes more sophisticated, car prices could rocket.

● The assemblers and their component suppliers will have to invest about R10 billion in manufacturing facilities in the next nine years.

● Assemblers and component manufacturers will need an additional 38 000 skilled people in this period.

● Apart from the heavy capital investment required, the economy will also benefit strongly from increased local purchases which could amount to an extra R1 billion in the first year of the programme's operation and;

● Component manufacturers should be one of the best investments in the next eight years for their market is going to increase by at least 50 percent.

Mr Brand Pretorius, managing director of Toyota Marketing, the country's biggest manufacturer of passenger cars, gave an indication this week how the new programme would affect his organisation.

"We and our component suppliers will have to invest between R100 million and R150 million a year for the next eight years to meet the new programme's requirements."

"We estimate that over the next nine years the industry as a whole will have to invest some R10 billion. It is an extremely capital intensive programme."

The new local content programme is expected to increase Toyota's local spending this year by about 25 percent to around R1.2 billion from around R900 million last year, he said.

Local quotations

Any vehicle consists of about 20 000 component. A cost must be determined for each imported component and then it has to be compared with the local cost.

"We have asked a number of local component manufacturers to provide us with quotations and have done a number of internal viability studies ourselves to see whether we should make the component ourselves."

"We are calling our model ranges. We have either discontinued derivatives with a low local content and a high foreign exchange cost or reduced production down to 10 or 15 units a month to supply specialised customers."

"In the next three years the price premium on local components is not expected to be significant. But the moment we start moving over the 60 percent local content figure we think prices will surge. For we will be moving into sophisticated hi-tech components and we don't have the economies of scale here."

"Our view is that when you get to the very sophisticated components the local premium will be about 300 percent."

"There is no standardisation now among the assemblers, but the new local content programme makes cooperation between manufacturers inevitable."

"We will definitely look for component exchange programmes and in time we could move into badge engineering," said Mr Pretorius.
MANUFACTURING — MOTOR INDUSTRY

1989

MAY — AUG.

Course Outline:

THE DYNAMICS OF THE CONTEMPORARY SOUTH AFRICAN POLITICAL SYSTEM

POL 405D (4th quarter Honours Level course)
Midas sees earnings a share increase by 94%

MARC HASENFUSCH

MOTOR parts distributor Midas turned in a strong performance in the financial year ending February 1983, posting a 94% increase in earnings a share to 118,6c (41,2c),

Midas CEO Georg von Loeper said a combination of organic growth and acquisitions were mainly responsible for the 68% rise in taxed profit to R12,1m (R7,2m).

He said it was satisfying to see the group's return on capital employed leaping from 25,8% to 31,4%.

A changed product mix and the falling away of certain non-recurring cost incurred during the previous year caused operating margins to improve to 11,9% (10,2%), while gearing at 42% was within the parameters set by the company.

The group's finance charges soared from R37,00 to R2,3m due to interest-bearing debt rising sharply, coupled with higher interest rates. Increased borrowing was required to finance higher working capital requirements, including the acquisition of the assets of Akals and Champion Motor supplies.
Trencor aims for export growth

Trencor is set to continue to expand its export business, according to chairman and joint MD, Neil Jowell. He earmarks exports, which mainly comprise containers, as a major growth area.

Foreign business already accounts for approximately 28 percent of Trencor's attributable profit. Mr. Jowell says international demand for containers is strong, and the group's overseas activities have encountered improved trading conditions in their areas of business.

Trencor is a holding company involved in the business of manufacturing, road transport, motor trade and tyres, trading and other activities.

Of these, motor trade and tyre operations contribute a major 31 percent to group pre-tax profit. Activities include the marketing of new tyres and retreads, and motor vehicle franchises in Namibian and North Western Cape.

The transport division conducts road haulage in the Cape Province, Transvaal and Namibia and operates express goods services between these areas. The contribution from this division has declined to less than 18 percent of group pre-tax profit.

Mr. Jowell comments that the transport industry remains in a state of transition and uncertainty due to deregulation. In addition, transport companies continue to have to contend with unfair competition from Sats.

The manufacturing division accounts for 25 percent of total pre-tax profit and Mr. Jowell earmarks this division, which produces truck trailers, road tankers, and a range of cargo and tank containers, as having above-average growth potential. He says that demand for truck trailers is particularly strong.

The trading division, with its contribution of 23 percent to group pre-tax profit, embraces the distribution of microcomputers and peripheral equipment, and commodity exports to the East.

In the six months to December 1988, Trencor's earnings increased by 51 percent, from R706,000 to R1,013,500, on turnover which climbed by 41 percent to R34 million. The interim dividend doubled to 20c a share in line with management's intentions to reduce the disparity between the interim and final dividends.

The balance sheet revealed a deterioration in the ratio of interest-bearing debt to shareholders equity, from 33 percent at the end of June 1988 to 41 percent at the end of the year.

Mr. Jowell says that, in the absence of any major acquisition, he expects that the ratio will remain static.

He went on to point out that interim results showed "abnormally" high growth because of the low base in the previous interim. However, in the second half of the current year, the group will be moving from a high base. In view of this, management projects that earnings for the full year will show only a modest increase compared with financial 1987.

Mr. Jowell did, however, confirm that some earnings growth was expected to be achieved in the second half of the year which means that growth for the year should exceed 17 percent. If second-half earnings grow by three percent, then the total for the current year will be in the region of 30c.

Priced at R27.50, this places the share on a forward price earnings ratio of around nine. If cover is maintained at 5.1 times, the dividend will be around 5c (a prospective yield of two percent).

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TRENCOR - closing price

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Thornly traded, Trencor has achieved notable share price appreciation over the past year, but the rate of increase appears to have started slowing down.
TRACTOR TYRE BLACKMARKET

PRETORIA - Tractor tyres are being blackmarketed, according to the Transvaal Agricultural Union (TAU).

The TAU has warned farmers, angered by the critical shortage of tractor tyres, against the possibility of being exploited.

The TAU general council claims no acceptable reason has been given by manufacturers for the shortage.

TAU GM Johan Hartman said it was possible that tyre manufacturers found it more profitable to export than to market locally.

Co-operatives had long waiting lists for tractor and trailers tyres.

A spokesman for the SA Tyre Manufacturers' Conference (SATMC) said in spite of enormous production, there was a shortage of tractor tyres.

He stressed that this was not because of exports, which were minimal.

The problem was a demand which fluctuated steeply depending on conditions in the farming industry and farmers' cash flows.

Because of a good season demand was now strong, but during the recent drought years, demand dropped sharply, the spokesman said.

Demand was also affected by recent floods, which immobilised tractors.

The spokesman said "It's not possible suddenly to pluck tractor tyres off the shelf or turn on the tap to meet an extraordinary demand at a moment's notice."

Discussions between the SATMC, Nampo and the SA Agricultural Union would be held in Port Elizabeth next week in an effort to alleviate the problem.
EXTENDING PRODUCTION LIFE OF CARS

THE average production life of passenger and light commercial vehicles was set to be extended by at least half of the existing planned production cycles, said Nissan Marketing MD Stephanus Loubser.

He said this meant Japanese-sourced passenger vehicles would now have an economic production life cycle of about six years while light commercial vehicles could stay on the market for more than eight years without model renewal.

Nissan was considering product requirements for the next 10 years and the extended production life of vehicles was an important factor in decisions regarding existing models and their replacements already on the drawing board in Japan.

"Forward planning and the correct anticipation of market needs is going to play an even more critical role in market performance than in the past."

"Up to now if you made a marginal decision in your product line-up you had to live with it for a maximum period of four years. Extended product life cycles will make it almost impossible to live with anything but well-positioned models capable of attracting buyers in the future."

Loubser said extended life cycles would provide chances better to amortize the expenditure on any new model introduction and were likely to help contain production costs through better economies of scale.

An engine reconditioning company director Roy Holis confirmed the lifespan of motor vehicles in SA was getting longer because people were spending more money on keeping their vehicles going.

The lifespan of vehicles was short in Japan and old vehicles were exported because they had no resale value there.
Qualtyre does well out of acquisitions

By Ann Crotty

The first set of results from the enlarged Qualtyre Tyres reflect significant benefits from last year's deal which saw Qualtyre Tyres acquire Thomas Bande and Malbak's Supertracks in exchange for shares.

For the 12 months to end-February (which includes about 6 months' contributions from the two acquisitions), earnings were up 33 percent to 25.9c (19.5c) a share on the weighted increase in the number of shares in issue.

At the time that the deal was announced, management had indicated that the short-term benefits in terms of net asset value and earnings — was expected to be only marginal but that good long-term benefits were hoped for.

Turnover for the 12 months was up 142 percent to R1 194.4 million (R49.4 million) with operating income up 177 percent to R128 million due to an increase in operating margins from 9.4 percent to 10.8 percent.

Tax was up sharply to R5.8 million (R1.5 million) - the increased rate reflected the full utilisation of previous tax allowances.

A dividend of 3c a share has been declared.

The group's year-end has been changed from end-February to end-August.
Quality gets acquisition lift

THE acquisition of Thomas Bande and SuperTreads in September and August last year boosted the fortunes of Quality Tyres in the 12 months to February.

Turnover rose by 142% from R49.4-million to R119.4-million and attributable profits by 112% to R8.1-million from R2.9-million.

On the earnings side, however, the increase was 33% from 19.5c a share to 25.6c because of the issue of 18-million shares for the two acquisitions.

Margins

The group’s increased size helped margins to rise to 10.8% from 9.4%. They are expected to improve as rationalisation of the company continues.

However, the tax rate will increase because all allowances have been used.

Financial director Ed Philip says the original 11 factories have been reduced to nine and because of the increased buying power of the enlarged group additional rebates can be won from manufacturers.

The company has refi...

Mr Philip says turnover would have risen to about R50-million from the R49.4-million in the previous year.

The higher combined turnover was helped by a R25-million contribution from Thomas Bande and R15-million from SuperTreads.

Mr Philip says there is a severe shortage of new and retreaded tyres, particularly for tractors. Low-profile tyres are also in short supply. He blames tyre manufacturers for failing to plan forward.

The company’s yearend has been changed to August and a maiden interim dividend of 6c has been declared. Thus, together with a special dividend of 6c declared last year, the total for this year is 7c, compared with 6c in previous years.

1/18/87 Shortage
Numsa calls on BTR to stay in SA

LONDON — The SA metalworkers union, Numsa, has appealed to UK shareholders not to divest from the UK multinational BTR, but to use the leverage they have to force change at its SA subsidiary BTR-Dunlop.

This dramatic call, which runs contrary to the Anti-Apartheid Movement's policy demanding the disinvestment by UK pension funds from all SA-linked companies, came on the occasion of BTR's AGM.

It was made by Numsa members Bonkani Mkhumbu and Duminase Mbanjwa, who were in London to try and solve the long-running labour dispute at BTR-Dunlop's Sarmcol plant at Mpophomeni, near Howick in Natal. In May 1985, just under 1,000 workers were dismissed at the plant following differences with the union.

Numsa says management refused to recognise the union. BTR says the sacking followed coercive strike action and intimidation. The battle for reinstatement of the workers is still going on in the courts.

The two Numsa officials, along with a support committee composed of sympathetic British unions and protest shareholders, said they had attempted to raise the issue at the AGM but had been given the brush-off by chairman Sir Owen Green. They, further alleged that Green had broken the spirit, if not the letter, of the UK Companies Act by evading most questions on SA. He had also allegedly based in non-voting "heavies" to occupy the front rows and keep the protesters at bay.

A BTR spokesman dismissed the latter claim as "utterly contemptuous".

One observer said it was clear BTR had not wanted a re-run of the previous day's chaos at the Shell AGM, where anti-apartheid protesters nearly interrupted the proceedings, shouting down shareholders.

The BTR spokesman said there had been some disturbance. He added Green had reaffirmed his company's commitment to maintaining its presence in SA, where it holds a 53% stake in BTR-Dunlop.

The Numsa officials said they would not stop fighting to have the sacked workers reinstated, in spite of the decision by certain UK pension funds to consider selling their BTR shares to show disapproval.

The two Numsa officials said they did not see any contradiction between their calls for UK shareholders to stick with BTR and the wider argument for disinvestment from SA. They said disinvestment should be "targeted" and "selective" and not used as a blunt instrument.

ROBERT GENTLE
TYRE retreaders and distributors Quality Tyres recorded impressive results for the 12 months to February, posting a 33% increase in earnings per share to 25.9c (19.5c).

The group boosted after-tax profit by 113% to R6.1m (R2.9m) from a turnover that increased 122% to R119.4m (R49.4m).

A maiden interim dividend of 3c was declared, bringing the total dividend to 7c (6c).

Last year's 3c dividend was declared in respect of 5-million ordinary shares before the conversion of 9-million A ordinary (non-dividend-bearing) shares that became dividend-bearing after payment of the 3c dividend.

With all allowances fully utilised the group's tax rate jumped significantly to 35.6% (31.5%).

The 12-month figures are not year-end figures as the group changed its financial year-end from February to August, creating an 18-month reporting period this year.

In the six months to February, the operating margin increased from 9.4% to 10.5%, indicating the growing economies of scale that are impacting on the bottom line, says Quality Tyre executive chairman Alex Hawes.

He attributes the group's strong performance to increased demand for retreads and the acquisition of Thomas Bande Ltd and Supertreads, both tyre divisions of Malbark Holdings.
## APRIL VEHICLE SALES

### CARS

<table>
<thead>
<tr>
<th>Month</th>
<th>Sales 1989</th>
<th>Month 1988</th>
<th>Decline 1989</th>
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<tr>
<td>April</td>
<td>18,557</td>
<td>18,922</td>
<td>1.4%</td>
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<tr>
<td>March</td>
<td>20,062</td>
<td>22,032</td>
<td>8.9%</td>
</tr>
<tr>
<td>Jan-Apr</td>
<td>74,293</td>
<td>77,192</td>
<td>3.8%</td>
</tr>
<tr>
<td>March to Apr</td>
<td>92,337</td>
<td>97,977</td>
<td>Decline 7.6%</td>
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### LIGHT COMMERCIALS

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<th>Month 1988</th>
<th>Decline 1989</th>
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<tr>
<td>April</td>
<td>9,237</td>
<td>8,672</td>
<td>Growth 6.5%</td>
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<tr>
<td>March</td>
<td>10,498</td>
<td>9,977</td>
<td>Growth 5.2%</td>
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<td>Jan-Apr</td>
<td>36,367</td>
<td>36,323</td>
<td>Decline 0.1%</td>
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<tr>
<td>March to Apr</td>
<td>36,323</td>
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<td>Decline 1.2%</td>
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### MEDIUM COMMERCIALS

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<th>Month 1988</th>
<th>Decline 1989</th>
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<tr>
<td>April</td>
<td>362</td>
<td>430</td>
<td>Decline 15.8%</td>
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<tr>
<td>March</td>
<td>320</td>
<td>462</td>
<td>Decline 30.7%</td>
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<tr>
<td>Jan-Apr</td>
<td>1,201</td>
<td>1,724</td>
<td>Decline 30.3%</td>
</tr>
<tr>
<td>March to Apr</td>
<td>1,201</td>
<td>1,724</td>
<td>Decline 30.3%</td>
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### HEAVY COMMERCIALS

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<th>Month 1988</th>
<th>Decline 1989</th>
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<tr>
<td>April</td>
<td>657</td>
<td>768</td>
<td>Decline 14.5%</td>
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<tr>
<td>March</td>
<td>843</td>
<td>811</td>
<td>Decline 3.7%</td>
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<tr>
<td>Jan-Apr</td>
<td>2,861</td>
<td>2,526</td>
<td>Decline 12.0%</td>
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<tr>
<td>March to Apr</td>
<td>2,861</td>
<td>2,526</td>
<td>Decline 12.0%</td>
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### TOTAL SALES

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<tr>
<th>Month</th>
<th>Sales 1989</th>
<th>Month 1988</th>
<th>Decline 1989</th>
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<tbody>
<tr>
<td>April</td>
<td>28,813</td>
<td>28,692</td>
<td>Growth 0.4%</td>
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<tr>
<td>March</td>
<td>31,743</td>
<td>33,282</td>
<td>Decline 4.6%</td>
</tr>
<tr>
<td>Jan-Apr</td>
<td>114,722</td>
<td>118,065</td>
<td>Decline 2.8%</td>
</tr>
<tr>
<td>March to Apr</td>
<td>114,722</td>
<td>118,065</td>
<td>Decline 2.8%</td>
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Vehicle sales contribute less than 40% to corporate profits.

It's just as well. From 230,000 new car sales in 1988, marketers predicted at the beginning of this year that the 1989 figure could fall as low as 210,000. Now, even this figure is under pressure, according to some analysts.

Car sales in the first four months of 1989, at 74,293, were 3.8% down on the corresponding 1988 period. Industry officials say the gap will widen as the year progresses. Though order books remain strong for the short term, the level of new orders was diminishing even before announcement of the latest economic package designed to stifle consumer spending.

According to the National Association of Automobile Manufacturers, "Current projections provide for a decline of about 5% in new car sales during 1989, with a more modest 3% anticipated decline in new light commercial vehicle sales. In the light of increasingly negative fundamentals, the industry's sales forecasts could be revised downwards during the months ahead."
A cheaper alternative to buying a new vehicle

AS PRICES of new commercial vehicles continue to soar, so do the prospects of companies specialising in reconditioning and refurbishment.

Trucks that would cost upwards of R100,000 to replace, are being driven in to refurbishment centres for stripping down and bumper-to-bumper overhauls. When they emerge again they have been given a new lease on life — complete with a 100,000km or one-year warranty.

Mostly it is small-truck operators who are feeling the pinch.

"Whatever the price, some big fleet-owners just go out and buy new — end of story," says Gianni Torta, MD of the Unit Reconditioning Centre (URC) in Pretoria.

"But bigger companies are beginning to realise that an expensive truck's life can be economically extended through refurbishment."

That more trucks are being kept on the roads longer, is borne out by the National Association of Automobile Manufacturers of SA (Naamsa). In 1976, it says, the average age of commercials on SA roads was 8.2 years — 10 years later it was 8.1 years.

Companies like URC and Recon-O-Merc are at pains to stress their refurbishments are not patch-ups. They do not merely recondition engines and gearboxes, but strip the vehicle down to the chassis, inspect it for cracks, shot-blast and re-manufacture it totally.

The cost of refurbishment can vary widely, says Torta. A lot depends on the age, condition and operating circumstances of the vehicle. But even more important is the replacement cost. The smaller the vehicle, the higher the refurbishing bill is likely to be in relation to new price.

"The re-manufacture of an 8t truck may cost 75% to 80% of the price of a new truck, as you go over R100,000, it clearly becomes viable to refurbish."

Although URC re-manufactures all makes and types of vehicle, Torta notes that German vehicles — more expensive when new — are cheaper to refurbish than Japanese commercials. Parts generally cost less and are more readily available.

Trucks as old as 12 or 15 years have been refurbished by URC. If necessary, parts are tracked down around the world.

"When something is unobtainable we will either upgrade to a later specification or try to make a replacement ourselves. In the case of something like a cab, most operators are not too fussy if it's not exactly the same as the original," he says.

Recon-O-Merc partner Richard Leuter says his company charges approximately 45% of replacement value for refurbishment. The firm does "99%" of Mercedes Benz refurbishments.

Independent

Reconditioned engines from the Mercedes Benz exchange unit are installed, drive-lines are reconditioned or replaced, and brake systems are upgraded. The vehicles are also equipped with reconditioned cabs.

Trucks that have come in with anything from 200,000km to 1.2 million km on the clock, have gone out "looking like new".

Soft-drink supplier Amalgamated Beverage Industries (ABI) has set up its own re-manufacture centre.

The centre, at Leaglen near Johannesburg, operates as an independent business. It will re-manufacture up to 30 trucks a year. The company is looking at extending the activity to forklifts and trailers.

Says vehicle re-manufacture manager Dries Celliers: "Although ABI will, of course, continue to expand the fleet of 450 trucks with new vehicles, re-manufacture provides a cost-effective means of ensuring that we always have the vehicles needed to satisfy customer demand."

Meeting challenges of the ‘nervous Nineties’

FINANCIAL planners and fleet managers face increasing challenges as the multi-billion rand SA fleet business heads towards the nervous Nineties.

With economic conditions getting tighter, they are being called upon to come up with more innovative financial decisions and more efficient management programmes, to minimize the impact on employees’ lifestyles and on corporate profits.

Fleets are the lifeline of the R10bn-a-year motor manufacturing industry. When times are tough, private buyers tend to hold on to their vehicles and fleets absorb 80% of cars sold.

Workshops

Furthermore, operators of commercial fleets tend to keep their vehicles longer. In the past decade or so, the average age of trucks on our roads has gone from little more than six to around eight years.

Biggest beneficiaries are workshops — particularly those specialising in complete refurbishment.

As the country approaches the Nineties, major developments are gradually unfolding.

A new local content programme based on value is getting into gear, foreshadowing fewer models coming off assembly lines at longer intervals.

Toyota CE Bert Wessels says “It’s debatable whether there is room for six or seven light car models and five one-ton bakkies.”

On the brighter side, he and Samcor MD Spencer Stirling agree the local content programme on its own will not push prices higher in the next two to three years.

Nevertheless, vehicle prices are expected to increase 15% to 20% in 1993, contributing — along with constraints on supply — to a decline of 5% to 7% in car sales and 2.5% to 3% in commercial sales.

Further declines are projected for 1994, with the exception of heavy commercials, whose sales are being sustained by pent-up replacement demand.

On the legislative front, the country has a new Road Traffic Act promulgated to clear the way for a Road Transport Quality System to replace the restrictive permit system.

But deregulation is being held up as transport operators seek to unravel a “spaghetti junction” of regulations drafted by the authorities to support the Act before it comes into operation.

National Association of Private Transport Operators (Napto) CE Andre Jacobs says “The latest statement from the Transport Department is that we can only expect scrapping of the permit system by 1997.”

It is in this climate of tougher money, declining sales and splintering transport policy, that managers of purses and fleets are being called upon to exercise their skills to the full.

Historically, as many as half the country’s fleet purchases have been made for cash. This situation is not expected to change much, at least in the short-term.

Bankers, accountants and motor industry spokesmen point to the sound company results being trotted out.

Control

Because of all the corporate liquidity, they say, not even the 16% loan levy on companies is going to have a significant effect on the way company vehicles are acquired.

There is no good reason, even in times of economic stringency, why financial managers should have to resort to more restrictive company car or car allowance schemes, says tax consultant Darryl Sahli of Arthur Andersen. They should not have to “buy down” to less expensive vehicles or reduce the number of employees qualifying for cars.

At the outset, the car must be recognised as part of the remuneration package. And it must be provided in a financially innovative way — so that both company and employee benefit.

Acquisition other than for cash is usually through overdraft, financial lease, rental agreement or instalment sale. Each has its own income tax and sales tax consequences, and only after company’s needs are clearly established can one be recommended above the others.

More than 8,000 operators with nearly 250,000 vehicles now subscribe to fleet management card services offered by the major banks.

First Auto chief manager Rusty Gibb says he expects the new transport policy to open a new vista for onboard computers, fleet management software and fleet cards.

He predicts rapid growth beyond last year’s R100m car turnover.

Regulations on driver hours drafted by the Transport Department call for installation of appropriate on-board recording devices in all registered vehicles.

But Napto plans to submit that all vehicles operating within 200km of their home base should be excluded from driver-hour control, says Jacobs.

Acceptance of the submission would exclude 200,000 to 300,000 vehicles from having to carry such devices.

In the meantime, onboard computers and a plethora of software programmes are revolutionising fleet management in many more progressive organisations.

OLD AND NEW ... Dres Celliers shows off one of ABI’s refurbished trucks (front)
Local content will not hit prices yet

THE new value-based local-content programme will have no effect on vehicle pricing in the first two or three years, chief executives of two of SA’s major motor manufacturers agree.

Samcor MD Spencer Stirling says “I cannot foresee any effect from the new local-content programme over the next two to three years. The programme will be accommodated by most companies without substantial new investment — and there are no other factors in the programme likely to affect prices.”

Samcor manufactures Ford and Mazda products.

Toyota CE Bert Wessels predicts prices will hold over the next few years. “In the short to medium-term, with some original equipment manufacturers already achieving relatively high local content by value, I think that competition will prevent prices from escalating too rapidly beyond inflation — except for low-volume or high-specified vehicles with high imported content.”

He says the initial local-content target of 55% — it goes up to 75% in 1997 — is based on the average achieved in the industry. So at the outset, there will be no cost pressures as a direct result of the programme.

Stirling, who is also president of the National Association of Automobile Manufacturers of South Africa (NAMA), believes either of two scenarios can emerge in the second half of the programme.

“If vehicle manufacturers are forced into substantial investments — and if the capital requirements for increased local content at that point are high as a result of the type of investment and the expected continuing devaluation of the rand — then some of that may have to be passed on to the consumer.”

Conversely, he says, the local-content programme has built into it two factors that are substantial incentives to export. “Firstly, there is the possibility of earning direct incentives through avoidance of duty. Secondly, it is easy to calculate that for every rand of export revenue earned, there is a multiplier effect with respect to domestic investment avoided.”

All the vehicle manufacturers, he predicts, will succeed to varying degrees in increasing their exports of components and “to some degree” their exports of vehicles.

“If we get into export markets and start creating investments or we start increasing volumes on existing investments, then the cost of manufacture is going to come down.”

In that event, with the rand continuing to fall in value, locally produced components in the later years of the programme could well cost less than imported components. Thus, he predicts, the rate of price increases will be slowed down.

Wessels predicts dramatic rationalisation, with fewer models coming off assembly lines at longer intervals. “It is debatable whether there is room enough for six or seven light-car models and five one-ton bakkies in Australia, where the market is almost double the size of ours, there has been tremendous rationalisation, and I believe it is unavoidable here.”

Toyota will concentrate initially on cars that already have a high local content by value — such as “L” and “GL” models. Investments to meet local-content requirements will have to be considerable — perhaps as high as R600m annually for the entire industry.

Toyota’s share alone is likely to be about R150m a year. Companies such as Toyota, which makes good profits, will have no difficulty in finding the local-content programme.

Nevertheless, Wessels suggests that over the longer haul, the SA market could find itself with fewer vehicle manufacturers and fewer models.
THREE new cars out of every four sold throughout the country this year are likely to go into fleets, says the National Association of Automobile Manufacturers of South Africa (Naamsa).

Naamsa executive director Nico Vermeulen says fleet purchases have been the lifeblood of the motor manufacturing industry for many years.

Traditionally fleets have taken two-thirds of new cars coming off assembly lines.

Shortages

However, when the going gets really tough as it did during the recession of four or five years ago the fleet-car share climbs as high as 80%.

With SA running into harder economic times again, Naamsa expects unit sales of passenger cars in 1989 to slip by 5% to 7% to about 218,000, with fleets absorbing about 75% Sales last year reached the 230,500-unit mark.

Component shortages, an increasing work stoppages at some plants and a proliferation of public holidays in the first few months of this year have all contributed to an "extremely low level" of new-vehicle inventory throughout the industry.

Prospects are a little better for commercials, with the decline from 1983 levels expected to be kept between 2.5% and 3%.

The projection, for last year's sales in brackets, are Light commercials - 109,200 (112,197), medium commercials - 5,300 (4,886), and heavy trucks, buses - 2,520 (3,235).

Overall motor vehicle sales will remain "fairly buoyant" until September-October, thanks to advance orders. But thereafter a noticeable fall-off in total sales is anticipated that will not be enough to prevent the overall downward trend.

Demand for heavy trucks and buses is likely to remain fairly strong for the next two years, says Vermeulen, because of substantial post-up replacement demand.

"When you are laying out R300,000 to R500,000 for a couple of vehicles, that is not a disposable income decision, it is an investment decision," he says.

"So sales of heavy trucks and buses are a function of the gross domestic fixed investment trend, which invariably continues upwards for some time after consumption levels generally have peaked."

Naamsa says even price increases of 10% to 20% will not be enough to prevent a decline in revenue in real terms.

Last year manufacturers collectively reported revenue of R10,1bn. Revenue from R8bn came from new vehicle sales.

Restructive

Revenue this year is projected at R11,4bn, an increase of 12.3%.

The contribution from cars is put at R6,4bn, of which fleets may well contribute more than R5bn.

Industry predictions are for a slow but steady decline in car sales in 1989.

Vermeulen says official monetary and fiscal measures to put a brake on consumer demand and credit creation, plus factors like a "mildly restrictive" budget, higher fuel prices, an impending 15% increase in fringe-benefit tax rates and tighter hire-purchase requirements have combined to put disposable income under pressure.

Naamsa's sales projections for 1990 (with 1989 in brackets) are Passenger cars - 215,000 (219,300), light commercials - 107,500 (110,000), medium commercials - 9,400 (5,600), and heavy trucks, buses - 9,700 (9,650).

The projections are based on the assumption that the SA economy will continue to grow at about 2% in 1989/90.

Naamsa says new-vehicle prices are expected to rise by between 18% and 20% during 1989.

Consequently, this sector's projected revenue growth is expected to be negative in real terms.

In the short to medium-term, says Naamsa, the industry should experience a continuation of reasonably buoyant conditions as outstanding orders for new vehicles still have to be fulfilled.

Decline

The recent softer trend in new-order intake - together with the prevailing high level of interest rates, the rising tax burden and general inflationary pressures - reinforce the industry's expectation of a mild downswing in new-vehicle sales during the second half of 1989.

Latest new-vehicle sales projections provide for a decline of about 5% in new-car sales during 1989 with a more modest 3% anticipated decline in new light commercial vehicle sales this year compared with last year.

Sales of medium and heavy commercials are expected to remain at 1988 levels.

These industry projections are based on the assumption that the SA economy will continue to grow at about 2% during the 1989/1990 phase.

In short, all trends border on the pessimistic, while optimists are in a position to juggle statistics.
A change in policy at Nampak

COMPANY car policies in many instances have undergone changes since the Margo Commission recommendation that there should be annual adjustments in perks tax.

The shift at Nampak may well be indicative of the kind of re-positioning taking place around the country. The company, like others in the Barlows group, is constantly re-assessing the fleet situation.

Prior to Margo, says Peter Maxwell, office services manager at Nampak head offices, Nampak had only company cars. Now it has both.

When perks tax began increasing, people who had cars were given the choice of switching to car allowances. Most of the 85 head office staff entitled to cars made the change.

"The few who stayed with company cars were probably doing only 7,000 or 8,000km annually,"

A careful evaluation of the particular situation of head office staff, though, persuaded management that car allowances were a better bet, particularly in view of tax implications. Eligible new employees joining the company go on car allowances.

Nampak does not say an employee must take a particular kind of car. If he qualifies for and would prefer a BMW 'S' series to a Mercedes 220, he can have what he wants.

He can buy "up" by one grade only — "provided he's prepared to pay the extra." He can also buy "down," say to a Toyota Cresta. He will still get the monthly allowance for a more expensive car and can pocket the difference of around R200, on which he will be taxed.

"Some people have done this, and bought retirement annuities with what they saved."

A factor that sometimes influences choice is availability. Staff are not always prudent enough to book a year in advance. Rather than wait 10 months, they take an alternative vehicle.

At the end of the finance period, the car becomes the individual's property — with no sales tax implication.
Fuel consumption is an important factor

FUEL is responsible for about 50% of fleet costs, says motor industry consultant Mike Crankshaw.

Yet few transport managers pay fuel consumption the attention it deserves.

Just one vehicle using an extra two litres of fuel every 100km on the Rand — and travelling 2,500km a month — will add roughly R670 to the transport department’s bills annually, he warns.

In a large fleet, the extra cost can be considerable.

A factor that should be kept in mind is that a car with an automatic gearbox may use as much as a litre every 100km more than a manual model.

“Yet a lot of people pick a manual for town and an automatic for country. Sales reps tend to get automatics,”

Another point, he says, is the power-weight ratio. A smaller engine is not necessarily the answer, especially over long distances.

“On a long trip a salesman is likely to put his foot down, if the car is underpowered he will drive harder to achieve the desired speed. This eats fuel.”

Control of private use of company cars is also wastefully casual in many cases he believes. Where employees are allowed to use cars for personal travel, the approach has traditionally been “You pay for holiday petrol and oil, the rest is on the company.” But a simple calculation shows how expensive this attitude can be.

Recoup

“Let us say a vehicle costs 55c/km to run and that petrol and oil account for 12c/km. If the employee goes from Johannesburg to Cape Town on holiday (3,000km return) and does 1,500km of running about during his leave, the cost to the company will be R95. That’s R12 or 42c/km Grand total.”

To subsidise a single employee’s holiday in the US, where 87% of companies allow employees to use their fleet cars for personal travel, a far tighter grip is maintained.

Most American firms tend to recoup costs attributable to private use.

Transport productivity specialist Charle Schickelfling says a lot of companies are now restricting free private travel to 2,500km/month. But control is a problem. If an employee filling in a logbook decides to cheat, it is going to be difficult to spot.

Fleet management systems can impose travelling limits on a vehicle, he says. Reports can be run on average daily mileage, or they can be run towards the end of the month.

“But it is all rather theoretical. If a salesman is good, the company will want to keep him.”

The hassle involved in control of company cars is one of the reasons many companies are switching to car allowances.

In commercial fleets, installation of monitoring devices such as tachographs, on-board computers and careful route planning make control much easier.
Nedbank sets challenge

A CARD-BASED fleet management system recently launched by the Nedbank group will, in a few months, allow clients with PCs to receive a wide range of reports - almost instantly and without leaving the office, says assistant GM Rudi Gems.

He says Nedbank's system poses a strong challenge to the three long-entrenched card issuers, First Auto, Stanbic and Volkskas.

The product, called NedMotor, was developed over the past two years by Nedbank in collaboration with Nedfin.

The charge card will allow drivers to settle the usual type of transaction - for fuel, oil, tyres, spares, repairs and maintenance - at any of about 10,000 outlets countrywide.

Data fed back to the bank can be processed into as many as 18 reports on the vehicle concerned. Among them fuel consumption, private use, automatic payment order, replacement and licence renewal, allowance scheme and driver debiting.

Also available is fleet owner's coded identification linked to the company assets register or filing system, and access to a wide-ranging information and computerised spreadsheet facility called NedInform.

"No found in our research that different subscribers have very different requirements. So fleet operators will be able to choose the type of report they want."

A company with a lot of vehicles will need comprehensive controls and reporting, so it will pay more than a small business or professional practice needing a simple record of expenditure for budgeting and tax purposes.

"But they will all be able to extract whatever data they want on their fleet and re-format it in any way not provided by the standard reports."

Gems says the bank is busy programming the software for a PC interface which should be ready in about three months.

Then any subscribers with a PC and modem, through the fleet management system and NedInform, will be able to get immediate information on their fleet.
California car sector job lures Collis

FRANKEL Kruger
junior director Steve Collis is leaving next month to take up the post of financial director of newly-formed Twanetech, a Los Angeles company, which will market and distribute innovative car accessories.

Twanetech is a sister company of US-based Epilady, founded two years ago by the three daughters of local entrepreneur Solly Krook, and an offshoot of Johannesburg-based Twnetech which develops prototypes of products.

Collis, a CA, says that of the five products Twanetech will initially market and distribute in the US, four have been developed in SA and will give a boost to the country's exports.

The accessories include Quickwheel, which enables motorists to drive with a flat tyre, and an immobiliser attached to the exhaust which should prevent thefts.

Collis went to Los Angeles in March to look at the possibilities of Twanetech and came back full of enthusiasm.

"The US has 140 million cars on the road and, if we get 1% of the accessories market, we will have a big business."

Most products will be sold at $100 to $300.

The job offer was mooted by Solly Krook to Collis on the beach at Plettenberg Bay where they were both on holiday during the Christmas season.

Krook's son, Martin, 33, will be director of operations, Ian Elbs, previously in marketing with Twnet Pharmaceuticals, will be marketing director, Collis, 28 this month, will be in charge of international development of products. He will travel to Europe and Australia over the next few months.
Dorbyl Shines Brighter in Spite of Selbaches

COMPANIES
Turner & Newall has growth potential

Turner & Newall is involved in a business deemed to have high long-term growth potential: automotive component manufacture.

The extent of growth, however, depends on such factors as legislation concerning the inclusion of replacement parts and accessories in the local manufacture programme.

At present, 55 percent of the value of new vehicles must be locally manufactured to avoid penalties. This percentage will be raised to 75 percent over nine years.

Group finance executive, Chris Good, says T & N is well placed to benefit from the programme because of its focus on high-tech, low-mass products, which are high in value terms.

Mr Good says that although the group has already started experiencing increased demand in some areas, he believes the time horizon for real benefit is approximately three years.

Last year, the automotive components division contributed about 70 percent to operating profit. Chemicals and plastics accounted for 22 percent and the industrial and mining division contributed six percent.

**Sharespot**

LYNNE PEACH

The automotive components arm is expected to contribute 80 percent after the consolidation of 76.3 percent of Asseng, which was acquired at the start of this year.

Mr Good says Asseng is expected to make a substantial contribution to group results in the current year.

Mr Good says the industrial and mining division, which has been rationalised over the past eighteen months, is doing very well.

He is not, however, satisfied with the performance of the chemicals and plastics division and says margins are still under pressure (last year operating margins declined 25 percent).

Exports on existing contracts and new developments will also form a large part of growth.


Mr Good projects that export sales will exceed R12 million this year.

In the financial year to December 1988, group turnover rose by 61 percent to R235 million.

After slightly lower margins and a higher interest bill, earnings rose 28 percent from 65.6c to 81.7c.

The dividend was raised to 45c, cover being maintained at two times.

Gearing stood at 36 percent, but is expected to deteriorate this year because of the acquisition of Asseng and the financing of its major capex programme.

The effective tax rate is expected to be higher than last year’s 31 percent, though Mr Good projects that it will not rise above 35 percent.

In the light of these factors, earnings growth in the current year is unlikely to be as strong as it was last year.

Nonetheless, it is thought that earnings will grow about 20 percent to 105c a share. Priced at 946c, the share is trading on a forward P/E ratio of just under nine.

In view of the above-average growth potential, accumulation is recommended with a view to holding the share for at least three years.

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**TURNER & NEWALL - closing price**

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Since its listing in 1986, T & N’s price has moved better than that of most industrial shares. With the primary bull trend intact, the long-term outlook is favourable.
Schwarz urges action over soaring car prices

Parliamentary Staff

Rocketing prices had put new cars far beyond the reach of ordinary citizens, who had no company assistance to fall back on, and even the smallest cars had become a luxury, said Democratic Party finance spokesman Mr Harry Schwarz.

"We need to take a harder look at the situation in regard to the cost of cars in South Africa," he said.

He also hit out at the Government's decision to reduce road tolls, wondering how it was possible to do so now, during an election campaign, when it had been impossible before.

LUXURY

Speaking in the debate on the Customs and Excise Amendment Bill, Mr Schwarz asked, on the subject of car prices: "What has happened to the price of cars in the past two years? A car which used to cost only R10 000 a few years ago now costs three or four times that amount."

"It is becoming a situation where even the smallest car tends to become a luxury."

"More and more people find themselves in a situation where the only way they can buy a new car is with employer assistance."

The pattern emerging was that ordinary people were forced to buy second-hand cars because only companies, or company-assisted buyers, could afford new ones."
A new car has now become an impossible dream for many South African motorists with the recent price increases pushing the cheapest model up to R20 000.

Even hire purchase is out of the question for most as steeper deposits, less time to pay and higher interest rates, on top of sky-high insurance premiums mean an unaffordable monthly burden.

Now, despite the fact that 78-90 percent of cars sold go to the corporate sector, vehicle manufacturers are bracing for a 10 percent downturn in sales by the end of the year and a leaner 1990.

And the consumer looks like having to be more willing to enter the used car market and look after his existing vehicle to prolong its life.

Group managing director of Sancar and president of the National Association of Automobile Manufacturers of South Africa, Mr. Spencer Sterling, said: "We had been forecasting a downturn in car sales since late last year and had planned accordingly so we have an order rate ahead of supply at the moment.

"I believe this has probably saved jobs and the lag effect won't be felt for a few months yet. Obviously, as supply catches up with orders then the fall-off in sales will be felt.

**Prices doubled**

"As the price of a new car reaches further unattainable levels for the man in the street, I see a shift of possibly an even higher percentage of cars being sold to the corporate sector.

"Car prices have at least doubled in the last four years and when the industry is squeezed between imported inflation and domestic inflation, and a high rate of cost increase coupled with a falling market, then you can guess that car prices will rise by up to 20 percent again next year.

"We are in for two difficult years during which the Government must get to grips with the economy and the country must take the medicine necessary to get inflation down, preserve the balance of payments and halt currency depreciation".

On the question of the industry introducing new smaller and cheaper models to cater for lower income buyers, Mr. Sterling commented: "Manufacturers should look into this, but the costs of producing such a vehicle are not actually very different to larger cars, so margins would be reduced and the South African market is too small to subsidise such a course of action."

A spokesman for the Automobile Association said: "The average motorist is keeping his car longer and the emphasis for the private owner has shifted from new vehicles to used cars.

"A couple of years ago a vehicle was bought with a four to six year life span in mind, now it is eight to 10."
VW TO BE SELF-SUFFICIENT IN TOOLS

VWSA’s new R60m toolroom, which will make VW self-sufficient in tooling needs, will come into operation at the end of July this year, according to a statement released by the company yesterday.

Since the tooling requirements for new models will be produced locally, there will be a tremendous saving on forex used previously for the importation of such tools.

Additional capacity will be utilised to manufacture tooling for the export market, to attract forex which has become important in the application of local content regulations.

Besides being able to supply other SA manufacturers, the facility will create 50 additional jobs.

The new facility in Uitenhage will start running to schedule from August, increasing capacity to an eventual level of 100,000 man-hours a year.
Toyota spends R10m on parts centre

TOYOTA SA is investing R10m in the construction of a new parts distribution centre, using advanced processing, packaging and materials-handling techniques to speed up deliveries of vehicle parts.

Of that sum R7m is being spent this year on a parts storage centre in Sandton and on upgrading existing storage and distribution facilities, with the balance to be used next year when the centre is fully operational.

After the introduction of computer programs to control the operation, Toyota expects to cut the turnaround time of dealers' routine stock replenishment orders by almost half and to speed up the supply of urgently required parts by the same margin.

All Toyota dealers nationwide will be linked to the computer network, enabling them to call up orders from anywhere in SA. The programs will store information on more than 75 000 product lines and handle a daily flow of more than 10 000 separate line items on 1 250 orders worth up to R2m.

Parts operation GM Piet van Wyk de Vries said: "There's a constant mix of urgent orders and routine bulk replenishment orders and the system will cater for both of these."
Toyota sets out to recover lost ground

By Derek Tomney

Motor market leader Toyota is again on the offensive after having its wings clipped slightly last year.

Because it was unable to import from Japan all the components it needed, market share last year fell from 32 percent to 28 percent.

But this year it is out to recover lost ground.

Increased local content and a change in the model mix, which lets it bring in more components from Japan, will enable Toyota to exceed last year's production figures, says Brand Pretorius, managing director, Toyota Marketing.

Last year, Toyota was producing 358 units a day. In the next nine months it plans to produce 451 a day.

"Mr Pretorius says sales of cars have been "quite steady, but "there have been bumps recently of a slight fall-off in demand."

However, demand has remained strong for commercial vehicles and there is a "backlog" to be filled.

Sales of passenger cars by the industry this year are expected to reach 220,000, only slightly less than last year's 222,000.

Commercial vehicles sales are expected to be about 122,500 — the same as last year.

Provided inflation does not rise above 16 percent and the rand/yen exchange rate stays at its present level, the price of new cars should not rise more than 16 percent this year, Mr. Pretorius says.

But the price of certain models, with a low local content, could rise by 18 percent.

Mr. Pretorius says the new "local content" programme "is not expected to have any effect on Toyota's profits this year."

When the programme was first announced the company was concerned it might not be able to meet the first year's target without incurring penalties.

But a thorough examination of the programme and its effect on Toyota shows the company should manage to meet this year's target of 55 percent.
Tollgate leisure arm on its bicycle

By Ian Smith

ENTERCOR, the leisure industry arm of diversified Tollgate Holdings, is putting together a group which will dominate South Africa's cycle industry.

Its acquisition, Cape-based Chris Willemsen Cycles, is being merged with DCM-listed Deale & Hutt to set up a R25-million a year group covering every sector of the booming leisure industry — importing, manufacturing, wholesaling and retailing. Prospects appear good, Deale & Hutt results for the year to February 28 showing a 56% jump in operating profit. Taxed earnings are up 60% at 7.7c and a dividend of 3c a share has been declared.

Saddle

The combined operation, under the Deale & Hutt banner, will cover the country. The man in the saddle, new managing director Chris Willemsen, started his company with one shop in Paarl. At the time of the Entercor acquisition, the company dominated the Cape market, importing 30,000 cycles a year.

Cycling personality Basil Cohen, who started Deale & Hutt, will remain chairman of the company. He will head a new promotions company with the intention of increasing the popular appeal of cycle and drawing top sponsorship to the sport.

Mr Cohen says "There was a time when cycling was a down-market sport, but it has caught the imagination of the public and is an important element in the keep-fit scene."

Priority

He says about 200,000 cycles are sold each year in SA, and the new group will hold about half of the top-end market sales.

Entercor managing director Robun Buckes says future strategy in the cycle industry is heavily based on local manufacture — "The weakening rand means this is a key area." Satisfying the home market will be a priority, but the way is open to exports. "Inquiries are coming in thick and fast," says Mr Buckes.

The Bapelo factory in Bophuthatswana is being doubled to increase capacity to 300 top-quality cycle frames a day. The group can now make about 90% of the products it needs, and it has access to foreign technology.

Trading subsidiaries include Cyclo-tech, the import and wholesale arm, Cyclo-Cycle, the clothing manufacturer, and Hanscom Cycles, the frame set manufacturer. Six retail outlets are supported by the wholesale operation, which also supplies independent retailers.

Mr Willemsen says that Taiwanese and other imports sold mainly through supermarkets undercut their prices, but he says the group is firmly positioned at the top end of the market.

Growth

Serious cycling is not cheap. A top-of-the-line bike imported from Europe costs the enthusiast R12,000. A set of clothing adds R500 to R700.

Mr Buckes says the economic slowdown will not force the group to change gear. "Nobody is entirely recession-proof, but the cycling bug is sweeping the country. It is not a fad."

He sees the black market as a major growth area. Plans include a cycle centre at Kyansil. "Mr Buckes says. "We intend to expand our own cycling promotions and events, four of which are scheduled for this year."
D&H is moving into top gear

Finance Staff
Cycling giant Deale and Huth has produced winning results with operating profits up 90 percent to R1 577 000 and attributable earnings ahead by 60 percent at R720 000.

The company, part of the Enterco leisure group, has declared a 3 cents dividend, covered 2.6 times for the year to February 28, 1999.

Chris Willemsen cycles was acquired by Enterco earlier this month.

With Chris Willemsen cycles likely to be reversed into the DCM quoted "Deale" the company's turnover will rise to R25 million a year. Profits and dividends can be expected to freewheel upwards accordingly.

Enterco is the leisure arm of Tolgate Holdings (TGH). Enterco's turnover will be lifted to R125 million by the Willemsen takeover.

The combined cycling company will be one of the largest of its kind in the world with a vertically integrated, importing wholesale, manufacturing, retail and promotional capability.

The profit announcement says Deale's increased turnover has been achieved in spite of greater competition.

"The manufacturing plant at Babelegs is now fully operational and output has increased dramatically.

"Retail sales continue their strong upward trend due to high service levels and exclusive agency agreements with leading international manufacturers.

"Prospects are excellent in a fast growing recession proof market."
Deale & Huth freewheeling all the way

CYCLING firm Deale & Huth's operating profits were up 96% to R1.6m and attributable earnings ahead by 66% at R720 000 for the year to February. The company, part of Entercor Leisure Group, declared a 3c dividend covered 2.6 times.

With Chris Willemsen cycles likely to be re-issued onto the DCM quoted Deale, the company's turnover will rise to R25m a year.

Profts and dividends can be expected to freewheel upwards accordingly. Chris Willemsen cycles was acquired by Entercor this month and Entercor thus controls both companies and a merger is probably no more than a formality.

Entercor, leisure arm of Tollgate Holdings, will have its turnover hiked to R125m by the Willemsen takeover. The combined cycling company will be one of the largest of its kind in the world with a vertically integrated, importing, wholesale, manufacturing, retail and promotions capability.

The profit announcement says Deale's increased turnover has been achieved in spite of greater competition.

"Retail sales continue their strong upward trend due to high service levels and exclusive agency agreements with leading international manufacturers. Prospects are excellent in a fast growing, recession-proof market," a company statement said. — Sapa
Rand ‘will affect local content’

THE weak rand would mainly affect the new local content programme — requiring extensive tooling up — where much of the equipment was imported and could result in huge forex losses, motor industry analysts said.

They also felt the rand distorted the local content by value regulations.

If a small passenger car cost R20,000, it meant R10,000 was locally produced by value and R10,000 were imported components. The fall in the rand, however, meant the imported cost could actually be around R12,000, and would result in manufacturers chasing a moving target in trying to reach the required 55% local content by value.

The price increase forecasts of new vehicles made earlier this year had considered the possibility of a big fall in the rand.

CP move backfires on Boksburg council

A CP move to rid Boksburg Town Council’s management committee of a CP member who defected backfired when their Manco chairman was ousted by an NP- and independent-backed CP councillor.

The CP called a special council meeting on Friday night to declare a motion of no-confidence in Manco to legally oust Stephen Greyling, who resigned from the CP and supported independent two weeks ago.

The CP’s nominated Manco councillor Gloria Bosch as their candidate for Manco chairman against the CP’s Gideon Fourie.

The two candidates drew equal votes and Bosch was elected when her name was drawn from a hat.

Purposive CP members called Bosch a “traitor” and “adder” for accepting the nomination against the caucus decision to re-elect Fourie.

CP chief whip T J Ferrera said yesterday the CP would welcome the disbandment of the council by the Administrator and the holding of fresh elections.

“In this way we could rid ourselves of dead wood,” he said.

He said the CP had decided against us- pending Bosch from the party.
Hunts subsidiary E.W. Tarry has been reorganised into two specific areas of organisation in an attempt to maintain the company's growth momentum.

According to its annual report, the Williams Hunt Motor division, which previously sold vehicles, will acquire the Delta Spares operations, previously incorporated in the Tarry M.G. division.

With other acquisitions, this development will create a National Delta parts distribution network protecting the division against cyclical vehicle sales patterns, the company reports.

As an industrial division, the company will develop through internal growth and acquisitions into a major distributor of tools, equipment and engine products.

The report also suggests the sale of certain of Tarry's distribution activities to Spectrum Industrial. If this were to occur, Spectrum would be developed into a specialist distribution company in the Hunts group.

E.W. Tarry chairman Ivan Ponsmuk says the reorganisation has settled down well and is having a positive impact on trading.

Although substantial growth is forecast for E.W. Tarry this year, the effective tax rate is expected to increase further with the result that growth in operating profits will not be fully reflected in EPS.

Substantial growth in Tarry's operating profits was eroded last year by a higher tax rate as two subsidiaries fully utilised assessed losses were brought forward.

E.W. Tarry, listed on the LSE and JSE, is a 78% subsidiary of Hunts Ltd which, in turn, is controlled by P.S.

Operations include vehicle and motor parts and networks, tool vehicle garage equipment and power equipment distribution such as chainsaws and engines.
JAN SMUTS AIRPORT

Into the jet age

Jan Smuts Airport, the increasingly shoddy and unfriendly air gateway to SA, is about to undergo major changes. The FM has been given details of a R50m, five-year programme intended to drag Jan Smuts belatedly into the superlative jet age.

Tenders will shortly be invited for improved open parking facilities, followed by improvements to the customs hall, new sets of lifts and refurbishment and upgrading of the domestic and international arrival and departure halls.

The programme, due for completion by 1994, also involves the installation of 13 passenger loading bridges and a double-storey "corridor" building to connect the existing terminal with the bridges.

"The 850 m-long corridor building will give access from all arrival and departure halls to the new bridges and will facilitate movement of passengers to and from their planes," says Stuart Huckwell, Director of Airport Systems and Development.

The new building will link up with proposed changes to the existing terminal building, which involves locating international departures on the first floor only. A holding lounge for departing passengers will be built in the existing public area.

The existing domestic departures area will be changed into one large hall with increased space and more baggage conveyors. Other improvements include two new large banks of lifts (one each for domestic and international travellers) and more exits from the parking areas.

Government has yet to finally approve the R50m funding for the project, but work on the terminal building should start in January next year. Initial planning began seven years ago, but work was delayed by the Department of Finance. Now, the improvements can't wait any longer.

For the first time last year, more than 5m passengers passed through Jan Smuts. With constant growth in local and domestic air travel, future upgrading could become a regular feature of SA's major airports.

The programme will provide for a totally new domestic passenger terminal building. As planned, it will be built in the middle of the airfield from the southern approaches (to the Boksburg side) between the two existing parallel runways, with partly underground approach roads.

"The future development will provide for estimated domestic passenger flows for the next 30-40 years," says chief engineer responsible for airport planning, Norbert Gentner. "The proposed terminal will be implemented in stages and could eventually stretch right through towards the Kempton Park approaches."

This will mean the existing terminal buildings eventually being used exclusively for international arrivals and departures.

"Long before we reach that stage, our top priorities are to upgrade parking facilities and, as a matter of urgency, improve customs hall facilities in the terminal building," says Gentner.

Huckwell says planning of the upgrade programme has been undertaken by a multidisciplinary planning team. Private sector bodies, including the Tourism Liaison Committee, were also involved.

VEHICLE LOCAL CONTENT

BTF wields the knife

The latest changes to Phase Six of the motor industry local content programme are unlikely to be the last.

As the FM predicted (Business May 19), the Board of Trade & Industry (BTF) has gazetted important changes to the programme — barely three months after it was introduced.

One of the most important changes is the definition of consumables within the foreign exchange formula. Instead of a loose grouping of "goods for the manufacture of motor vehicles," which could include cleaning rags and overalls, it now excludes those goods which "do not form part of such motor vehicles or components, as those goods falling under the Petroleum Products Act, 1977."

The formula used to determine excise duty and rebates remains unchanged, however. In theory, it should work out to 50% excise duty for imports and 50% rebate for exports. In fact, it works out to nearly 55% rebate for cars and 66% for commercial vehicles. Industry officials say this will continue to cause administrative difficulties.

The BTF has withstood efforts by components companies to double the minimum "real" local content of vehicles. Although Phase Six requires a minimum 55% local value in the first year, rising to 75% by 1997, the foreign-related formula permits vehicle assemblers to offset export values against this. If exports are high enough, actual local content may drop as low as 25%.

Component companies asked for this minimum to be doubled to 100%. In a compromise, the BTF has raised the floor to 45%, but says this may include exports up to a maximum of 20% of the total value.

Other changes, which are retroactive to March 1, include:

- Parts and accessories are excluded from the programme. Import duty levels revert to those in operation before March 1, 1988.
- Local materials or components bought by local vehicle assemblers and which incorporate parts of less than 55% are deemed to have a local content of 100% until November 30 this year.
- Import duties paid by suppliers on components sold to vehicle assemblers will not be refundable.
- There is provision for an export incentive for component suppliers, in the form of a refund of customs duty on parts.

In another concession to the industry, government this week announced that ADE engines, Astas gearboxes and electro-galvanised steels will all be deemed 100% local content, despite the presence of imported components. Consideration is also being given to allowing the same concession to locally-produced rear-axles.

ENGLISH QUITS BATES

Bates Wells advertising agency MD David English has resigned. No successor has yet been chosen.

The former Rank Xerox MD, who joined Bates in January, says: "There was a difference of opinion over the policies and priorities in the agency so we've decided to part company."

He says there was no individual reason for the resignation, which comes only days after Bates lost its second largest account, CNA, worth more than R7m (Business May 26).

UK-born English says he will stay in SA and pursue private matters.

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65
Consol buys Goodyear for R178-m

By Sven Lunsche

In the latest US divestment move, Anglovaal's packaging subsidiary Consol has bought the entire share capital of leading tyre manufacturer Goodyear Tire and Rubber; it was announced today.

The deal is expected to be settled by a cash payment of about R178 million, but is still subject to the final determination of Goodyear's earnings for the first half of this year.

Apart from being one of South Africa's leading tyre manufacturers, Goodyear also makes conveyor belting, PVC food packaging and other films, and a variety of other products at its plant in Uitenhage. The head office of the group is in Port Elizabeth.

Explaining the rationale for the acquisition, Consol directors said today that acquisition opportunities in packaging were restricted.

"Consol has for some time sought opportunities to enhance its earnings and returns and spread its investment risk by diversification into non-packaging businesses," they said.

"This growth will be confined to industrial manufacturing operations that make non- or semi-durable mass-produced quality products.

"Goodyear meets this criterion and the acquisition is expected to enhance Consol's earnings and returns over time," they add.

Further details of the deal will be announced shortly.
MOTOR INDUSTRY

Union strikes hard bargain

The motor industry is under pressure from trade union officials to agree to industry-wide bargaining on conditions and wages-

Companies, which have negotiated separately in the past, are uncertain how to respond. Some have expressed outright opposition to the move, while others are willing to discuss it with unions.

The centralised bargaining system is the idea of the Cosatu-affiliated National Union of Metalworkers (Numsa), which represents most of the motor industry's 20,000 black workers, out of a total workforce of 37,000.

Companies currently negotiate individual plant agreements with workers — with the exception of Volkswagen, Delta and Samcor's Port Elizabeth engine plant, which negotiate through the Eastern Cape industrial council.

Numsa's Les Kettle says there's a need for industry-wide acceptance of certain basic conditions. He agrees some issues can be settled at plant level, but says there must be national agreement on conditions of employment and minimum wage rates.

Initial approaches on the issue have taken place between Numsa and the Automobile Manufacturers Employers' Organisation (Ameo), representing employers. However, companies are undecided how to proceed.

Some want Ameo to continue negotiating on their behalf, while others prefer to talk direct to Numsa. Still others don't even want to discuss the issue.

"There seem to be two basic views," says an industry source. "One is that if you sit down with the union to discuss the proposals, you are already in a de facto negotiating position. Alternatively, it is argued that we must be free to be reasonable and so must sit down on an explanatory basis."

Ameco members won't give details of discussions with Numsa, because they say the matter is too sensitive at the moment. Ameco chairman Theo van den Bergh, who is Toyota's group director of personnel and welfare relations, confirms merely that Numsa has asked for centralised negotiations.

"Worrying the industry, however, is the fact that time is running out. Numsa's current agreements with employers expire at the end of this month and the union wants the new round of bargaining to be centralised.

Some industry officials accuse the union of giving them too little time to consider the issue. They say Numsa put its proposals to them for the first time only a few weeks ago. They say it is impossible to set up the structures and procedures required in so little time. Kettle says, although Numsa itself first mooted the idea as a medium-term target, insists there has been sufficient time to discuss it.

Initial industry opposition to the idea of centralised bargaining is based on two main points that it will be inflationary and cumbersome. There are already considerable differences in wage rates offered by individual companies (see graph). Basic starting rates range from R4.50/hour to R5.48/hour, with similar differences at other grades.

Industry officials say that, in a centralised situation, Numsa will use current highest industry rates as a starting point for new minimums. In fact, the union has already told Ameco it wants a minimum starting rate of R6.58 from July. "We can't afford that sort of increase," says an industry official.

Companies also complain the new system would introduce two-tier negotiations. Once it had negotiated industry-wide minimum rates and conditions of employment, there would be nothing to stop Numsa going to individual plants and negotiating improvements.

"Most companies want to bargain at plant level because they are then in better control of their own destiny," says an industry source. "They don't want to become involved in the centralised issue. For instance, a dispute at Mercedes-Benz could lead to an industry-wide strike. The current situation defuses conflict at industry level and moves it to plant level."

Industry officials say Numsa has chosen this year to press for industry-wide demands because of last year's improvement in companies' profits, estimated at up to R500m. However, they point out that such profits must be offset against huge losses of previous years and that the industry is being forced to invest heavily to meet the requirements of the new local content programme.

"The impression is that the industry had a good year last year and is ripe for plucking. In fact, the industry did make a lot of money, but now has to spend a lot on other things," says a director of a major manufacturer.

He adds that motor industry workers already enjoy among the best wages and conditions of employment in SA manufacturing.

Numsa's national shop stewards council is due to meet in Johannesburg on Friday to discuss the industry's initial response to its proposals. By then, there may be a little more consensus among employers than there appears to be presently. Ultimately, there seems to be growing acceptance of the fact that Numsa will probably have its way — eventually.

"Some companies may stay out initially, but others will agree to centralised bargaining," says an industry official. "My guess is that we will probably end up with a two-tier system of bargaining."

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Doctoring the bill

Failure by medical aid societies and doctors to agree on payments is threatening to delay reform of the Medical Schemes Act.

At present, doctors who charge the Representative Association of Medical Schemes (Rams) tariff of R17.50 enjoy guaranteed payment direct from the patient's medical scheme.

Rams and the Medical Association of SA (Massa) agreed in principle at the end of last
Strong surge in sales of buses and heavy trucks

By Sven Lunsche

New vehicle sales in May showed a slight rise on the April figure, as corporate demand continues to offset dwindling sales to consumers.

Total vehicle sales during May were 28,297, a 1.7 percent rise on the 28,013 units sold in April and 2.2 percent up on the 27,356 recorded in May last year.

However, there is evidence that overall demand has tapered off, following the stringent economic curbs applied on credit finance in general and hire-purchase in particular.

Total sales for January to May were down by 1.7 percent at 144,916 units compared with 146,628 notched up during the same period last year.

EXPECTATIONS

The sales figures are very much in line with industry expectations.

In a statement accompanying the May results, Naamsa said: "The restrictive monetary and fiscal measures designed to cool the economy could be expected to retard the pace of domestic expenditure in the economy and the impact of the various measures will be felt by the motor vehicle manufacturing industry during the second half of 1989."

Current new vehicle sales projections continue to provide for a decline of about five percent during 1989.

During May, new car sales were almost static, registering only a 0.3 percent increase to 18,618 compared with 18,557 sales in the previous month. For the period January to May the overall figure of 92,911 was 2.4 percent lower on the 95,206 recorded during the same period in 1988.

STATIC TREND

The same trend was evident in sales of light commercial vehicles, which were were almost static at 9,393 from April to May, while the 45,760 units sold during the first five months of the year was very close to last year's 45,648.

Naamsa forecasts a modest three percent decline for the sector's sales this year.

Medium commercial vehicles and heavy trucks and buses showed surprising increases of 23 percent and 27 percent from April to May, but Naamsa anticipates that sales in this category will remain at similar levels to those achieved last year.
Union strikes hard bargain

The motor industry is under pressure from trade unions officials to agree to industry-wide bargaining on conditions and wages.

Companies, which have negotiated separately in the past, are uncertain how to respond. Some have expressed outright opposition to the move, while others are willing to discuss it with unions.

The centralised bargaining system is the idea of the Cawatu-affiliated National Union of Metalworkers (Numsa), which represents most of the motor industry’s 20,000 black workers, out of a total workforce of 37,000.

Companies currently negotiate individual plant agreements with workers — with the exception of Volkswagen, Delta and Samcor’s Port Elizabeth engine plant, which negotiate through the Eastern Cape industrial council.

Numsa’s Les Kettledas says there’s a need for industry-wide acceptance of certain basic conditions. He agrees some issues can be settled at plant level, but says there must be national agreement on conditions of employment and minimum wage rates.

Initial approaches on the issue have taken place between Numsa and the Automobile Manufacturers Employers’ Organisation (Amoe), representing employers. However, companies are undecided how to proceed.

Some want Amoe to continue negotiating on their behalf, while others prefer to talk direct to Numsa themselves. Still others don’t even want to discuss the issue.

“There seem to be two basic views,” says an industry source. “One is that if you sit down with the union to discuss the proposals, you are already in a de facto negotiating position. Alternatively, it is argued that we must be seen to be reasonable and so must sit down on an exploratory basis.”

Amoe members won’t give details of discussions with Numsa, because they say the matter is so sensitive at the moment. Amoe chairman Theo van den Bergh, who is Toyota’s group director of personnel and industrial relations, confirms merely that Numsa has asked for centralised negotiations.

Worrying the industry, however, is the fact that time is running out. Numsa’s current agreements with employers expire at the end of this month and the union wants the new round of bargaining to be centralised.

Some industry officials accuse the union of giving them too little time to consider the issue. They say Numsa put its proposals to them for the first time only a few weeks ago. They say it is impossible to set up the structures and proceed required in so little time.

Initial industry opposition to the idea of centralised bargaining is based on two main points: that it will be inflationary and cumbersome.

There are already considerable differences in wage rates offered by individual companies (see graph). Basic starting rates range from R4.50/hour to R5.48/hour, with similar differences at other grades.

Industry officials fear that, in a centralised situation, Numsa will use current highest industry rates as a starting point for new minimums. In fact, the union has already told Amoe it wants a minimum starting rate of R6.58 from July. “We can’t afford that sort of increase,” says an industry official.

Companies also complain the new system would introduce two-tier negotiations. Once it had negotiated industry-wide minimum rates and conditions of employment, there would be nothing to stop Numsa going to individual plants and negotiating improvements.

“Most companies want to bargain at plant level, because they are then in better control of their own destiny,” says an industry source. “They don’t want to become involved in the centralised issue. For instance, a dispute at Mercedes-Benz could lead to an industry-wide strike. The current situation defuses conflict at industry level and moves it to plant level.”

Industry officials say Numsa has chosen this year to press for industry-wide demands because of last year’s improvement in companies’ profits, estimated at up to R500m. However, they point out that such profits must be offset against huge losses of previous years and that the industry is being forced to invest heavily to meet the requirements of the new local content programme.

“The impression is that the industry had a good year last year and is ripe for plucking. In fact, the industry did make a lot of money. But it now has to spend a lot on other things. We’re not as cash-rich as we’re made out to be,” says a director of a major manufacturer.

He adds that motor industry workers already enjoy among the best wages and conditions of employment in SA manufacturing.

Numsa’s national shop stewards council is due to meet in Johannesburg on Friday to discuss the industry’s initial response to its proposals. By then, there may be a little more consensus among employers than there appears to be at present. Ultimately, there seems to be growing acceptance of the fact that Numsa will probably have its way — eventually.

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MEDICAL AID

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R700m to spend

TOYOTA SA will spend about R700-million on a shopping list that includes hide for leather seats, 10-million hog rings for seats and 800,000 tyres.

This represents spending of R200,000 an hour each working day.

Toyota has more than 800 component suppliers, of which 118 sell the company original equipment parts that go into a vehicle on the assembly line. The others provide service maintenance and consumables.

Of the expenditure, R305, or 49%, is spent in Natal where the company has its assembly line.
Imperial share offer

Shareholders in Imperial Group are being given another investment vehicle, Imphold Limited, which will hold the trading assets of the group, the group’s car rental, truck systems and motor trading operations. They are being offered an additional 100 shares each in Imphold, for every 100 Imperial shares held.

Once the transaction is complete, Imperial will hold 75 percent of Imphold and the public 25 percent. One Imperial share will be equivalent in value to approximately three Imphold shares.
VEHICLE SALES

Waiting for the chop

Vehicle sales are still awaiting the inevitable axe. Manufacturers continue to predict that sales will fall off in the second half of 1989. Until then, they are making the most of a resilient market.

May's new car market grew fractionally over April and 3.4% over May 1988 — the second month in a row that year-on-year figures have shown an improvement. The same trend is true of vehicle sales generally.

The National Association of Automobile Manufacturers (Naamsa), which compiles the figures, says higher May sales were the result of improved availability of local components and the beneficial effect of recent new model introductions.

This was particularly so in heavy trucks and buses where, largely as a result of improved component supply, sales showed a 23% improvement in May, compared with April. Overall, the backlog in supply has still to be fully satisfied, although the situation is gradually easing.

Naamsa adds that sales were largely in line with industry expectations, but warns that a cooling of demand is imminent, as recent restrictive economic measures slow domestic spending.

Naamsa says current industry projections for new vehicle sales still expect a 5% decline in car sales during 1989, compared with 1988, and a 3% fall in light commercial vehicles. Medium and heavy commercials, however, are expected to retain their 1988 levels.
Full speed for tyres

GENTIRE Industries, manufacturers of General and Continental Tyres, has installed another R1.5-million curing press to meet the critical demand for rear tyres for tractors. Because of the long time needed to cure each tyre, the only way to meet this increased demand was to install the plant as quickly as possible. The press is working 24 hours a day.
GENERAL TYRES is to spend R30-million on an expansion programme at its Fort Elizabeth factory in the wake of the withdrawal of Goodyear.

The extension to the plant will add an extra 13,800m² to the current 33,360m² factory. Expectations are that production will increase by about 45% over the 7,000 tyres being produced daily. The expansion will increase the floor space by 21%.

General Tyres, part of the Gentyre Industries group, and with an annual turnover of R300-million in the year to last December, is presently working three shifts, five days a week to meet the sharp increase in the demand for tyres of all sizes.

A new curing plant has been installed to help match the critical shortfall in the supply of tractor and mining tyres.

Of total expenditure of R30-million, R18-million will be in “bricks and mortar” with balance made up of new equipment, most of which was bought second hand overseas and refurbished and upgraded in SA by the company’s engineering division.

By doing this, General Tyres has been able to buy equipment at about one fifth of the cost of new equipment.

General Tyre, an FSI group subsidiary, has a 22% share of the market with most of the balance held by Goodyear, Firestone and Dunlop.

The company is also looking at the export market, but says Clive Tuttn, recently appointed managing director, will only be looked at after the local demand has been met.

“We have a strategy to gear up for exports in line with the call for SA companies to become more export oriented. We do not want to be left behind especially in light of the motor industry’s Phase VI local content programme,” he says.

“By doing this, we will use local ingenuity to refurbish used equipment. By doing this we will have achieved a ‘double shot’ in that expenditure on equipment will be saved.”

In his annual report for the year to December released this week, chairman of holding company Gentyre Industries, Terry Rolfe says the company is looking for earnings growth this year which will be higher than the inflation rate. This follows a rise in earnings in the past financial year of 41% to 200c.

The report also shows that in the past five years, earnings have grown by an average compound rate of 36% and that the company ended the period with R22-million in cash.

The company is also looking at acquisitions, but none have yet been negotiated.

The industry has become extremely competitive and as a result individual company figures are kept under wraps. Nevertheless, through modernization of the plant and the introduction of new technology, General has been able to increase production of HT-rim tyres.

The company, however, has major labour problems and is negotiating with the National Union of Metal Workers of SA (Numsa), which is a member of the Congress of SA Trade Unions (Cosatu).

One of the requirements of the Union is that the company dissociates itself from the Labour Relations Amendment Act (LRA) which was introduced in September last year.

Unions have objected to six clauses in the LRA and this has caused many strikes since it was promulgated.

Mr Tuttn is reluctant to discuss labour problems while negotiations continue, but he muses that it could be in the company’s interest to delist the company from the JSE.
Soaring costs of new rigs boost recon sector

Business Times Reporter

The soaring cost of new vehicles, which has seen the price of a heavy rig increase by more than 20% since 1981, has boosted the value of SA’s heavy duty reconditioning industry to more than R200 million a year.

Higher interest rates this year have added to the incentives to heavy vehicle operators to keep their equipment on the road longer — and to go for a re-build, which will give them a virtually new vehicle at a much lower outlay.

NAAMRA’s production of 9,000 new heavy vehicle sales in the current year are slightly below last year’s 9,093, when many operators are still feeling the effects of increased demand. This underlines the extent to which vehicles are being kept on the road longer.

The re-building and reconditioning industry is fulfilling the growth of component manufacturers, already benefiting from new local content programmes, and reconditioned engines are already being exported — another sign of maturity in the industry.

And finally, the vehicle manufacturers themselves are increasingly moving into the market.

The latest to exploit the advantages is the baby of South African truck manufacturers — Foden SA.

Cape-based Sure Group, which has sold 23 vehicles since the re-launch, has been bought out by local management from the overseas parent, in July 1987, has been remarkably successful.

Foden SA, a wholly-owned subsidiary of the motor industry & fleet management

The first rebuilt Foden leaves the Epping, Cape Town, production line. The S1056/RE was rebuilt for Deekson Transport.

Cape-based Sure Group, which has sold 43 vehicles since the re-launch, — is a far cry from the 150 vehicles sold in the last year before the liquidation.

But, joint managing director John Sanders, says the company hopes to get back to those levels by controlled growth.

The first step was to re-build and expand the spare parts inventory to keep existing Foden operators going, before the appearance of imported kits began.

Keeping pace with trends in the market, Foden is now launching an innovative remanufacturing programme which could cut the cost of acquiring a virtually new vehicle by up to 30%.

Operators who already own either a Foden or any other vehicle with a Cummins-Piusi-Puckwell driveline will be able to trade in their used vehicle against the latest model Foden which will be new except for a re-harbourished driveline.

These vehicles will be distinguished from totally new models by the suffix RE after their model designation. They will carry a warranty equal to that given on a new vehicle.

The nearest approach to this concept presently being offered is the American “glider kit” scheme.

The glider principle, however, differs markedly from the RE in that it is a unit shipped from the manufacturer’s plant to either a professional rebuild facility or an operator where a suitable driveline would be installed.

The RE, on the other hand, leaves Foden’s factory as a fully built-up vehicle with factory standard workmanship and quality components.

Production of the RE forms a major component of Foden SA’s commitment to increasing local content.

The units are built on the same production line alongside the fully imported units, and the new is indistinguishable from their all-new counterparts, says Mr Sandy.

The mixing of models as only possible because there is no such thing as a standard Foden,” he says.

It is relatively simple to introduce reconditioned components on the assembly line at any stage during production. Each unit is individually built to “materials build list” which was tailored to the vehicle for its working life. It enables the correct spare parts to be identified at any time.

The three components for which reconditioned units are offered are the engine, transmission and rear axles.

All or any of these components can be incorporated in the build to suit customers’ requirements.

The remanufacturing of units is carried out in Sure parts’ factory by overseas-trained experts using new components, most imported from the original equipment manufacturers.

Viable

“Although this may seem an expensive way to operate, the structure of the new Starkey Palace local content programme allows Foden to easily achieve 50% local content, reducing the cost penalties to viable proportions,” says Mr Sanders.

In addition to the direct saving on the purchase price, the scheme has other benefits for the operator.

A fleet operator can buy a more cost-effective unit because the RE’s lower tax mass of 7,36 kg for the EX4 truck-trailer reduces license fees and increases nominal payload capability.

In addition, suitable material can be used from an accident-damaged unit and the replacement vehicle can be put into service much more quickly.

The RE programme will be officially launched at the ITEC exhibition in August.
Simple monthly payment will cover all bases

By Don Robertson

Delta Motor Corporation plans to introduce a new fleet package enabling its dealers to meet the maintenance and finance needs of its customers.

Exee-U-Link, as it will be called, will offer a maintenance programme, fleet insurance, lease and rental financial agreements and full service lease operations.

The maintenance plan will be the first component to be introduced in July.

It entails the payment of a set amount against which all running costs of the vehicle are covered. The payment will remain constant throughout the period of the contract.

Guaranteed

The maintenance programme will "stand alone" and will be able to fit any finance scheme. As with other schemes, it allows the fleet operator to establish a predetermined operating cost. This covers the effect of inflation, while cash flow considerations are simplified.

One monthly payment will cover all expenses, apart from fuel, tyres and insurance. Because maintenance is guaranteed, residual values are higher.

Delta is one of the few manufacturers which operates a maintenance programme for its dealers from within the company.
Banners, AKs brandished at VW demos

Own Correspondent

PORT ELIZABETH — Volkswagen workers displaying banners propagating the ANC, the SA Communist Party (SACP) and the National Union of Metalworkers of SA (Numsa) have staged lunchtime demonstrations at the Uitenhage factory at least 10 times in the past month.

During the demonstrations, many workers, all believed to be Numsa members, have wielded replica AK-47 rifles, rubber mallets, pieces of wood, pieces of iron, and posters — one showing the corpse of President P W Botha in a coffin.

A company memo expressed concern that these items were manufactured in the VW plant in company time and with company materials.

White workers at the plant contacted the police about the matter. Captain Bill Dennis, police liaison officer for the Eastern Cape, confirmed Volkswagen management feels it would be an over-reaction to call in the police and that this would only worsen the situation. No violence had occurred and none of the demonstrators had interfered with anyone else, a spokesman said.

Posters with the words “Viva ANC”, “Viva SACP”, “Viva Numsa”, “Botha is a dog”, “Barnie and Rautenbach are dogs”, “Boere se moer” and “Kil the capitalists” have been displayed by more than a thousand singing, dancing workers.

Mr Peter Searle is the company’s managing director and Mr Johan Rautenbach its employee relations manager.

The Volkswagen spokesman said the Numsa members were demonstrating for wage increases and national bargaining power.

Meeting with union

Asked what the ANC and SACP banners had to do with wage demands, the spokesman said politics had unfortunately entered the matter and that the company had expressed its concern to Numsa.

“We met the union on Monday and informed them that we are unhappy with the situation.

“The union, in turn, said they were also concerned with the developments and undertook to discuss the issue with its members.

In a memo addressed to company shop stewards, among others, Volkswagen management said there were people with various political convictions working at the plant and requested that the unionists ensure that nothing took place during the marches that could provoke anyone.

Numsa representatives and senior shop stewards at the plant could not be contacted yesterday.
Japanese promise bumpy ride

The pneumatic tyre has come a long way since its Scots inventor, Robert William Thomson, first defined his device "for the purpose of lessening the power required to draw the carriages, rendering their motion easier and diminishing the noise they make when in motion."

That was in 1845. Today, the tyre forms the basis of a global industry with a turnover estimated at some US$45bn, the vast majority of which is dedicated to car and truck producers.

It is an industry which, particularly in the past two decades, has been drawn increasingly into high technology, involving both the product and its means of production. Whereas once the vehicle makers produced their cars or trucks, and were largely content to choose a tyre supplier on the basis of the best financial deal that could be struck, the leading tyre makers now work extremely closely with the vehicle producers from the early design stages of a car or light commercial vehicle.

That they do so is a function of several factors: Computer-aided design has allowed vehicle makers to come up with more sophisticated suspension systems to improve ride and handling characteristics. With each improvement, drivers' expectations have risen.

Since the advent of the low-profile, high-performance radial tyre of the early Seventies, it has been recognised that altering a tyre's width, profile, aspect ratio, and casing and tread materials, huge variations in performance and other characteristics are possible.

A car maker, for example, will have maximum noise suppression as a high priority while retaining the best handling characteristics possible.

The maker of a 320 km/h "supercar" will require very different characteristics to a strong casing to withstand the high rotational speeds involved; a short, stiff sidewall to maximise directional stability, a huge "footprint" for the best road-holding and handling, and will give lower priority to factors like noise and even wear rates.

Another set of priorities will come to the fore in producing economy hatchbacks and where low-rolling resistance to improve fuel consumption will be important.

These technological requirements have produced a rationalisation among tyre makers. Those lacking the skills or financial resources to invest in adequate research and development find themselves confined to less profitable "commodity" tyre business, or even squeezed out of the sector altogether.

More important factors have been at work in bringing about a concentration of the global tyre industry to the extent that some 85% of world output is in the hands of six leading producers. That compares with 13 companies sharing 80% five years ago and dozens of companies serving local markets for much of the post-war period.

First came the radial tyre to supplant the traditional crossply. Grateful customers were delighted with tyres offering double the mileage. As the radial revolution spread, tyre makers contemplated the excess capacity they had so virtuously created and the commercial holes they had shot in their feet.

European tyre makers were contemplating Bridgestone, whose tyre technology lagged far behind that of its Western counterparts as recently as the early Eighties, shook the industry last year when it outbid Gruppo Pirelli, the Italian tyres and cables concern, for Firestone Tire and Rubber of the US, for which Bridgestone paid $2.6bn.

The deal gave Bridgestone an immediate combined turnover of $6.5bn, shooting it to third in the world rankings, ahead of Continental of West Germany (which had just purchased General Tire, another US producer) Bridgestone is well advanced with a $1.5bn investment programme for significant capacity expansions in North America and Europe.

However, Bridgestone's own capacity expansions represent only one-fifth of the industry's current total, and there is a lurking background worry that world vehicle markets might not expand in line with the global economy.

This sector, pioneered by Pirelli in the early Seventies, has produced that novel situation for the tyre industry — a product where sales success depends more on the tyre's perceived performance than on its price.

Even if the total market does decline, most leading tyre makers are in a better underlying shape to deal with it than for many years.

The industry worldwide still employs more than 500,000 people, but they are survivors of a massive job-shedding which has gone hand-in-hand with tighter managerial disciplines and heavy investments in automated, flexible manufacturing.

If a market downturn does come, most expect it to show up as a brief blip against a background of long-term growth right through to the end of the century.

Robert Mercer, Goodyear's chairman, sees compound annual growth of about 3% up to the mid-Nineties. Ludovico Grandi, Pirelli's GM of tyre operations worldwide, forecasts a more conservative 1% per annum.

Both say anyone wishing to remain a leading player in the tyre industry must develop a fully global presence just as the vehicle industry itself is globalising. Neither expects that the few dozen small companies still clinging to rational market bases to survive for long without speculating in the niches that don't interest the large companies.
MOTOR INDUSTRY

Up against the wall

Like a high-born woman who has married beneath herself, the SA motor industry is coming to terms with reduced circumstances. Shunned by many of their affluent relatives around the world who can look forward to strong sales and the trappings of ever more sophisticated hi-tech, the local motor men face a future of cost-cutting and technological hand-me-downs.

Not that they're poor, but the headstrong passions of just a few years ago — when foreign manufacturers flocked to SA to indulge in what was expected to be a bountiful and profitable marriage — have withered. Instead there is the realisation that the future no longer holds wine and roses, but hard work and commitment.

The heady days of the early Eighties, when annual new car sales topped 300,000 and were expected to grow, are long gone. The market has dropped by nearly one-third since then and manufacturers are talking of sales of little more than 210,000 in 1989. Many industry executives expect the figure to be lower next year before starting to pick up a little in 1991.

The industry is learning to live with the prospect of a virtual zero-growth local market and finding other ways of increasing profitability. It isn't easy. There are a host of obstacles to overcome.

Foremost is the new local content programme for motor vehicles — Phase 6 of a series of such steps reaching back to 1961. Phase 6 has introduced foreign exchange value as the basic ingredient for assessing local content, rather than weight.

It was probably an inevitable change, given that the weak rand had added enormously to the industry's import bill at a time when government was seeking a cutback in demand for foreign components. Companies were quick to seize upon the disparity between local and imported values as a lever to insist on greater use of local production.

Much as they protested, vehicle manufacturers knew all along that a programme based on foreign exchange usage would be imposed since Pretoria wants to encourage import substitution, reduce import bills and foster exports. The outcome was inevitable. What they didn't expect was the uncertainty.

The components people wanted to get the new programme under way — then tidy up. But the manufacturers took the opposite view — get the programme right first time so that everyone can plan coherently. Unfortunately — as things have turned out — the Board of Trade & Industry (BTI), as the arbiter which devised the plan in the first place, accepted the first option.

The programme demands a minimum 55% local content value across manufacturers' ranges in the first year, rising in stages to 75% by 1997. Since its introduction in March, implementation has been chaotic. The BTI may be sincere, but its efforts, so far, have been pusillanimous. "The theory may have been sound — but there wasn't enough thought on how to implement it," is how one industry executive puts it.

Vehicle parts and accessories were initially included in the programme, then taken out, formulas used to determine excise duty and rebates haven't worked out in practice, minimum local content requirements have been altered, there's been uncertainty on payments and refunds — and even foreign exchange definitions have been faulty.

In all cases, companies expect to spend R10bn to meet the requirements. They say the least they should expect is a plan that works — and that they can understand.

The quantum of spending is itself a source of concern despite last year's estimated R500m combined profit among vehicle manufacturers, and the likelihood of more this year, they insist they do not have cash to spare. But the unions are taking a different line.

Pay talks reveal a wide gulf between what the unions want (R6.58/hour basic minimum) and what employers say they can afford (R3 is felt to be more reasonable).

The National Union of Metalworkers' demand that annual pay negotiations be at national rather than plant level, is also worrying the industry. The manufacturers suspect that such a move would lead to two-tier bargaining — at both national and plant level — and lead on to even higher demands.

Nevertheless, there appears to be acknowledgement that metalworkers will get their way — if only because employers seem unable to offer united opposition. Clearly, in the face of union assertiveness, co-operation is vital if companies are to prosper — indeed survive — in the difficult years ahead. On a practical level, the cost of meeting local content demands is so daunting that some are pursuing the idea of joint development and production.

The components companies have for years been pushing the same sort of idea. They say...
Vermeulen sees this as a huge market for SA producers who take advantage of the weak rand. "The market for automotive components and materials has become a global one," he argues. Anonymous SA-made goods can easily be swallowed up by a market determined by price and quality, rather than geography or politics.

Looking further ahead, some argue that SA should benefit from some of its minerals to further improve exports. In particular, they point to SA's deposits of platinum, necessary for catalytic converters in clean-air exhaust systems. But that is a long-term target. The SA motor industry has enough day-to-day problems to keep it busy right now.

There is the limited local market — although some executives say it's no bad thing as such. Nissan Marketing MD Stephanus Loubsier argues it's better to build up the market again from the current low base rather than suffer the highs and lows characteristic of the market in the past.

One result of these fluctuations has been that vehicle supplies are out of step with demand. The industry is now writing out order backlogs caused by the unexpected market upswing of 1988. Loubsier says "This slow growth will allow manufacturers to grow into the market in a more controlled fashion. Obviously it is expected that the industry will still experience varying demand cycles — but we don't believe these cycles will be as pronounced as in the past."

Prices are another serious obstacle. A major reason for the market slump of the last few years has been the astronomical increase in prices (see graph). There are several reasons: inflation, the rand's grim slide against the Japanese yen and D-mark, new technologies and the cost of introducing them.

Manufacturers agree there's little chance of the rate of increase slowing. Prices are expected to rise at least 20% this year, and could actually accelerate as the cost of implementing the new local content programme is felt.

Accordingly, many companies are extending the life of their models ranges in an attempt to slow the price spiral and reduce amortisation costs. Some, like Samcor, are introducing their own variations of new models and overseas sources. Others are simply holding on to what they have for a little longer. Instead of six-year life cycles for car ranges, manufacturers are increasingly looking at 12 years — with an occasional intermediate facelift.

Motorists may also have to get used to fewer frills. The latest computer and motoring technologies are expensive and have contributed to no small measure to price increases. Reduced specifications — or at least a slower rate of increase than overseas — is likely to become the norm.

Finally, the industry complains that it and its customers are viewed as an easy source of income for government. While forecasting billions of rand to meet local content requirements, government imposes tough new HP restrictions that make it harder for the public to buy the vehicles. And you can add to that higher GST, rising interest rates, tougher perks tax limits, and other economic measures. All have adversely affected the industry.

The frustration with government measures is summed up in the reaction to the tougher perks tax measures introduced on June 1. Corporate customers will increasingly be reluctant to replace cars because of the higher tax liability brought on by rising prices and higher deemed perks tax values.

The industry accepts that these new values are in line with recommendations in the Margo tax report — which argued for annual adjustments until more realistic values were achieved. But executives point out that Margo also recommended that such increases go hand-in-hand with personal income tax relief. That hasn't happened.

In targeting the motor industry as an easy "mark," executives say government forgets its value to the economy as a whole. Besides the 250 000 involved directly in vehicle assembly, components manufacture and the motor trade, many more workers are dependent on the industry.

In a recent memo to government, car companies noted "The authorities should bear in mind that any recession in the new vehicle assembly industry not only adversely affects the interests of the entire motor industry but also all major ancillary or associated industries such as the textile industry, the tyre manufacturing industry, the paint industry, the steel industry and the component manufacturing industry — among others."

Special pleading? Not really — more a cry of despair at being treated as Pretoria's tax milk cow, uttered at a time of considerable congestion brought on, precisely, by Pretoria...
Midas, which markets branded vehicle replacement parts and accessories though franchised outlets, published a cautionary announcement last week and stockbrokers say a deal with Adco could be behind it. Adco published a similar announcement the same day.

Both Midas director Sarel de Vos and Adco financial director Colin Eddey declined to comment on whether or not Midas was about to make a bid for Adco.

Mr de Vos says it is no secret that Midas is on the look-out for acquisitions and the group is currently looking at more than one possibility. Listed Fleishmanns, a specialist discount retailer of motor accessories and spares, tools and DIY products on a cash-and-carry basis, has also been earmarked a potential target in the press.

But brokers place Adco top of the list of probables.

Adco concentrates on importing and distributing a wide range of branded automotive components. This fits Midas's requirement that potential acquirers should be focused on auto parts businesses. But Adco also manufactures parts and, according to Mr de Vos, Midas plans to stay in distribution and is not interested in diversifying into manufacture.

Nonetheless, the manufacturing side of Adco's business is small and, if it did sell out to Midas, the division could be excluded from the deal. In this event, stockbrokers predict that Adco will proceed to expand the manufacturing side.

In the six months to December, Adco's turnover increased by 33 percent and operating profit by 34 percent from R1,6 million to R2,4 million. The interest bill rose 13 percent which allowed attributable income to climb 30 percent from R707 000 to R934 000. Earnings per share advanced 30 percent from 4,4 cents to 5,7 cents.

Second half earnings are expected to grow at a slower rate in view of an anticipated increase in interest payable. If the rate slows to a conservative 15 percent, then Adco's earnings for the full year to June will amount to 13 cents, compared with 10,6 cents in financial 1993. This places Adco, priced at 86 cents, on a forward price/earnings ratio of 6,6.

Stockbrokers estimate that in the event of a buy-out shareholders could be offered 55-100 cents per share.
Firestone embarks on a R100-m expansion project

Finance Staff

Firestone has announced a R100 million expansion programme that, in the long term, will make a great contribution to easing the shortage of tyres in SA.

Managing director Bill Taylor says work on the first phase of the project, costing R69 million, has begun at the Brits plant.

The programme, which will be completed within three years, follows barely four years after completion of Firestone’s earlier R58 million modernisation programme.

Steel-belt car tyres and steel-cord truck tyres will be produced.

The programme will raise the plant’s production capacity by 25 per cent.

As part of the first phase, four additional curing presses for tractor tyres will be installed at another plant in Port Elizabeth before the end of the year.

“The expansion will enable us to produce the increasingly more sophisticated tyres of the future on an even more competitive basis and to develop our home and export markets even further,” says Mr Taylor.
PORT ELIZABETH. — There has been another lunchtime demonstration at the Volkswagen factory in Uitenhage — the 11th at the plant since May 26.

But this time the demonstration was peaceful and without wooden imitations of AK 47s, South African Communist Party or ANC banners which featured in earlier protests.

The demonstrations coincided with demands by the members of the National Union of Metalworkers for a "living wage".
Car-buyers shift into low gear

RISING prices and more expensive petrol are likely to change car-buying patterns in the next few years.

Bulk car sales, such as those to the Government, are also likely to change.

In 1981, the price of a car represented 61% of an average white South African's annual salary — today it is 90%.

As a result, the life of a car is likely to increase and owners will probably keep them for longer.

In spite of these trends, car sales should grow steadily to the end of the century after a marginal decline this year.

Demand

Stephanus Loubsier, managing director of Nissan Marketing, says the life of the average car will probably increase from about nine years at present to about 11. Owners, who in the past kept a car for two to three years, will probably extend the time to four or five years.

The effect of this will be to increase demand for spare parts as motorists will take more care of cars from the time of buying and a trend to buy down.

Nevertheless, Mr Loubsier says SA has one of the highest ratios of luxury cars in the world in spite of price. But the price gap between big and small models will increase as Phase 6 of the local content programme becomes more effective.

It will result in the average motorist buying down, especially because performance and space use in small cars have improved.

This end of the market is being met by Nissan which will soon introduce the Fiat Uno. But Mr Loubsier warns that although it will be competitively priced, "it will still cost a lot of money".

Mr Loubsier expects that although there will be shortages cars in future, they will not be as severe as those now affecting the market. He believes the current stock shortage will be beaten by the end of this year.

A problem is that in many cases component manufacturing plant is ageing and could cost large sums to upgrade.

Mr Loubsier is critical of some segments of the market and the Government tender system.

"The tender system is not conducive to a positive relationship between manufacturer and customer. We expect that in the future, the Government will have to decide specifically what type of product it wants and place an order like any other big customer."

"Obviously, there would be an advantageous discount structure applicable to bulk sales like these. But things would be a lot more equitable than under the current tender system."
ONE of the problems truck manufacturers had to solve, before they could really start implementing the value-based phase VI local content programme, was how to calculate the local content of ADE engines.

It was on average 80% when the programme was announced, but was deemed to be 100% by the authorities shortly afterwards.

Now, in a bid to come closer to its 100% tag, ADE has launched a multi-million-rand local procurement programme designed to cut its import bill by 60%.

In the first year of operation, says director of supply Piet Greyling, ADE is looking at a 20% cut in its R150m import bill.

He points out that ADE reached a weighted average of 60% by mass since 1981 “and, in fact, local content by mass of ADE V engines has reached 70% since the range was launched in 1984.”

ADE realised quite some time ago that a value-based local content programme would be introduced and started investigating the switch to local suppliers in about March this year.

To date it has identified suppliers of some 1 000 of the more or less 3 000 items it imports.

“This represents about 80% of our import bill,” says Greyling, adding that ADE hopes to introduce locally-made “economically viable versions of the 30 of these components, which represents 8% of our import bill.

Many of the imported components we need cannot be made locally because of very low volume requirements — in some cases as little as 60 a year — and, in some cases, the enormous investments local producers would have to make to supply our needs.”

He says ADE is prepared to assist manufacturers in several ways. It will, for example, provide tooling but retain ownership of it, give technical assistance, consider a flexible pricing approach “and, where appropriate, pay up to the equivalent import price.”
WOLFSBURG — VW raised group turnover and profits in the first half of the year. Unit sales were also up by 10% in Europe.

Management board chairman Carl Hahn said this yesterday at a ceremony to mark the production of 25-millionth Golf model. He gave no exact sales figures but said growth rates in the six months to June would not be maintained for the full year because of currency fluctuations.

The unit sales rise was higher than the company had expected.

Stocks were about 10% lower than at the same time last year. Hahn said management would negotiate with trade unions over the working of 10 extra shifts this year. — Reuter
'Ping-pong' effect hits supply and demand

TO SOME extent, truck supply and demand has become a game of ping-pong played, one suspects, by either entertainers or commercial vehicles — or to explain inefficiencies to them.

It is played this way: Vehicle manufacturers say they cannot keep up with demand because of a shortage of components. And component manufacturers say if vehicle manufacturers run out of components, it is because they do not read the market correctly, so they order late.

Terrible

That may, of course, be so, but it is also clear that component manufacturers place more credence on their own research and have a terrible fear of supplying ex-stock.

Remembering the terrible mauling and the yards full of unsold trucks between 1965 and the first half of 1967, truck manufacturers experience a similar fear and are not interested in ordering more components than they need.

Both sides are trying to cut inventories by using the Japanese just-in-time (JIT) concept.

But clearly it will not work until both sides' forecasts are much more accurate — and aligned.

In a statement to Business Day, Wally Rautenbach, marketing director of strategic engine manufacturers ADE, says ADE expects the strong growth phase which started in 1987 to even out over the next three years, with only a slight rise in projected retail sales of trucks into 1992.

He says ADE expects that 9,700 heavy commercial vehicles (HCV) will be sold in 1990, 10,000 in 1991 and 10,500 in 1992.

Rautenbach says: "As we expected, sales of vehicles (tractors) for the agricultural sector for 1990 topped the 9,700 unit mark for the first time since 1988.' He is not wrong there but it is a matter of record that ADE's inability to supply enough engines to tractor manufacturers as well as tyre manufacturers' inability to satisfy their needs acts as a brake on sales this year.

ADE cannot be blamed entirely for this state of affairs. It did go out of its way to canvass opinion about market demand for tractors. None of those canvassed expected demand to recover as strongly as it did.

But, according to reliable sources, ADE did its own assessment and decided to go with it, even though it differed somewhat from those of others.

The problem with trying to eliminate inventories by moving finished products into crises at the end of the production line and shifting them direct to users is that production must be based on actual orders. Of necessity lead times must be long on engine manufacture. And when lead times are long, orders can be cancelled.

We in SA have obviously not yet advanced to the point where we can assess demand accurately enough for these orders to reflect the actual needs of the market — when the goods are delivered.

Nominal

The answer to the problem, one that will enable vehicle manufacturers, ADE and all component manufacturers to capitalise fully on demand, even when it fluctuates, is to build up a realistic stock cushion at both ends of the supply chain.

Because of inflation, stock laid in now must be worth more in nominal terms when sold.

We are not talking of cut flowers which have to be thrown away if not sold within a given time. We are talking of items that last. If not sold today they can be sold tomorrow.
Scottish firm lands licence for off-road trucks

EDWARD WEST

SCOTTISH based Terrex Equipment has concluded a licence agreement with Blackwood Hodge SA for the local manufacture of off-highway trucks for the mining and construction industries.

Terrex MD Arthur Rowe said local manufacture would enable the company to price trucks competitively, increase market share and produce products specifically tailored for local market needs.

Initially the local manufacturing programme would effect Terrex's rigid dumptrucks, articulated dumptrucks and eventually large loaders.

**Buckets**

The programme will include bodies, buckets and cabs and various other components which prove economical.

Trucks were initially fully imported from Terrex Blackwood Hodge, but now internal director Dave Holf said most of the local components for the trucks would initially be supplied from various SA manufacturers.

Terrex trucks have been available in SA for forty years and is currently sold and serviced by international Blackwood Hodge's SA operation.
The commercial vehicle market is set to continue on its stable course for the rest of the year, in spite of the economic slowdown. There is still a short shortage of stock in both the medium commercial vehicle (MCV) and the heavy commercial vehicle (HCV) markets.

The National Association of Automobile Manufacturers of SA (Nazama) defines MCVs as trucks with GVW of between 5 000 kg and 7 500 kg, and HCVs as trucks with GVW of more than 7 500 kg.

Inflation

Dave Scott, a director of Nissan Heavy Vehicles, points out that although government's austerity measures are beginning to bite, corporate profits are holding up.

"This hasn't impeded any push for replacement and it is the replacement of aging vehicles which will sustain demand," says Scott.

At present, about 4% of the 171 000 trucks with GVW of more than 7 500 kg are estimated to be more than 15 years old.

In addition, it appears that some companies — and some major fleet owners — are seeking to protect themselves against inflation by purchasing new, ahead of price increases.

He anticipates that the total market for HCVs will settle at between 9 500 and 10 000 this year.

Demand

In contrast, truck manufacturers have been reporting a sharp increase in demand. In addition to fluctuations in production, there is no buffer stock to cushion the hits, or the delivery of these essential components.

He says that equipment suppliers "compound delivery delays because of logistics in their production lines."

While he sees demand for trucks with payloads of between 6 000 kg and 7 000 kg holding well, he foresees some cooling off in demand for trucks in the extreme heavy sector — those with payloads of more than 9 500 kg.

"They easily top the R50 000 barrier and so that must be added to the compounding effects of GST, the high level of insurance, interest and licence fees which have been raised recently," says Scott.

Adolf Moobauer, Mercedes-Benz SA (MBSA) management board member in charge of commercial vehicle sales, agrees. The market has not changed all that much since the beginning of the year, because of the supply and demand situation, he says.

Withdrawal

He forecasts a market of 4 000 MCV units this year, but concedes this isn't the real market. There has been a severe shortage of product in the MCV sector.

It was caused in part by MBSA's withdrawal of its product for the first half of the year, in anticipation of the launch of its new range of MCV vehicles in this half.

Moobauer maintains the HCV market will absorb about 10 000 vehicles this year and, like Scott, thinks the driving force will be the need to replace vehicles.

Moobauer says the momentum that has been developing in the market since the second half of 1985 will last. There will always be a demand for trucks. The only way it can be killed is for the economy to go into complete deep freeze, he says.

Point-up demand is enormous and has to be met, he says.

There is a definite point where it becomes too expensive to continue using an old truck, and it must be replaced. There is no substitute for trucks. Goods have to be transported by road.

He could be on the right track. Nazama's January figures show that 3 750 HCVs were sold this year, compared with 3 544 last year, an increase of 6.3% or 5.4%, which is all that is needed to increase the 9 500 HCVs sold last year, by more than 10 000 this year.

Escalation

Jeep buyers are being hit because of the steep escalation in truck prices, as much as 22%.

"They shouldn't increase by more than 15% to 16% this year," he says.

It is reasonable to speculate that the recovery of manufacturers, which started in 1987 and escalated in 1988, should continue to accelerate this year and enable them to shake off some of the effects of their three-year decline.

According to Nazama, 11 290 medium and heavy commercial vehicles worth R732m were sold in 1987.

In 1987 manufacturers sold 11 500 with a market value of R1 032m and the 15 291 they sold in 1988 netted them R1 070m.

Nazama estimates 15 000 medium and heavy commercial vehicles with a value of R1 760m will be sold this year — slightly down on last year in unit terms.

Nazama's executive director Nico Vermulden predicts a lot of business in January when he predicted that the government would cool the economy sufficiently to have a negative effect on consumer activity and demand for replacement durable goods, excluding new motor vehicles.

It will be interesting to see whether this prediction of "a modest downturn in demand in the second half of the year" will also be fulfilled.

The industry has not yet recovered from the making it look in 1985, 1986 and the first half of 1987.
Metair ripe for re-rating

Motor components manufacturer Metair is set for a re-rating if the optimistic forecast of management is anything to go by.

Historically Metair has under-performed the motor sector, but analysts consider it to be a sound long-term investment in the light of important changes in the local motor manufacturing industry.

The increased local content requirement, because of the change to a value-based system, should provide better opportunities for increased business for all subsidiaries.

Higher growth is expected in the replacement market because vehicle life expectancy is being extended.

Metair, controlled by the Wessels family, is looking to satisfactory profit growth despite the possibility that its major market, new vehicle sales, could decline by as much as 10 percent.

Metair's aim is to attain annual earnings growth of four to five percent above the inflation rate in the long term.

MD Alan Plummer declines to say whether Metair is on target to achieve the objective.

He does, however, say new vehicle demand has been stronger than expected, though it might cool off in the second six months.

The replacement market is expected to grow in real terms by eight to 10 percent a year in the medium term, he says.

Metair's four operating subsidiaries are Smiths Manufacturing (motor components), Armstrong Hydraulics (shock absorbers and hydraulic struts), Supremex Spring Systems (coil and leaf springs, stabilisers and agricultural equipment), and Motorrubber (rubber and rubber-to-metal bonded components).

Metair's interest in Motorrubber, included in the 1988 financial statements for the first time, is 75 percent.

The group has the right after four years — and an obligation, if called upon after two years — to buy the remaining 25 percent shareholding.

Associate, Raylite Holdings, has been running at a loss because of problems arising from the relocation of production facilities.

Mr Plummer says it is still struggling to sort the problems out, but is hoping for a return to profitability this year.

Metair has raised its stake in the industrial and automotive battery manufacturer from 32 percent to 46 percent.

In the year to December, Metair's turnover shot up by 44 percent from R175,7 million to R253,2 million.

Pre-interest profit nearly doubled to R27,5 million, but a higher effective-tax rate and the losses of Raylite limited earnings growth to 25 percent.

Earnings were 223c (179c in 1987).

The sharp increase in the tax rate from 30 percent last year to 47 percent is due to assessed losses of subsidiaries being fully utilised.

During the year all group subsidiaries performed satisfactorily. In particular, Smiths Manufacturing and Armstrong Hydraulics achieved excellent results.

The balance sheet was strong, with negligible gearing and adequate working capital.

Fixed assets were revalued at R25,5 million higher, which pushed nondistributable reserves up from R3,3 million to R28,2 million.

In sympathy with the stock market, Metair's share price has turned down in recent weeks to R14. If it breaks below this support level, the price could fall as much as 150c to R12,50, its next support level. Since 1985, Metair has mostly underperformed the JSE motor index, mainly because of a lack of tradability.
German firm fires entire workforce

A GERMAN subsidiary company near East London has fired all its workers after a dispute over chemicalists.

The dispute started last month when August Laepple (Pty) Ltd demoted a shop steward.

Days later, two more shop stewards were suspended and the workers downed tools in response. The company then fired all 86 strikers.

August Laepple is a subsidiary of a West German company and makes parts for the motor industry.

It is one of several companies which signed an agreement drawn up by the German Metalworkers Union for South African subsidiaries last year.

The National Union of Metalworkers of South Africa (Numsa) has accused the company of breaking the agreement in their treatment of the strike.

Numsa claimed the shop stewards were victimised because they were members of the union. Numsa has also accused the company of refusing to negotiate over the dispute.

"What August Laepple has done is surprising, considering that it is a German company," said Numsa.

"It is clear that the company is committed to union-busting strategies and is not acting as a company from Germany.

"The German companies have signed the proposed 14 principles compiled by IG Metal for subsidiaries of the German companies in South Africa."

"Practices of this nature are in direct opposition to these principles." — ELNEWS
Business

Car manufacturers braced for action

Motor vehicle and component manufacturers were bracing themselves for the increased administrative burden involved in reporting to government the foreign values of all imported vehicles as phase six of the local content programme moved into its second quarter this week.

Naamsa, Narmac and vehicle manufacturers said the reporting structure and terms of the programme were still unclear to many manufacturers.

Introduced on March 1, phase six of the local content programme is the first to determine local content on foreign exchange value rather than weight in an effort to save foreign exchange.

Vehicle manufacturers must now submit certified documents to the Board of Trade and Industries (BTD) every three months for each vehicle component purchase, showing its foreign value and the percentage of this value to the price paid.

The certificate, to be signed by a commissioner of oaths, must be supplied for every one of the approximately 20,000 parts on every vehicle. There are about 150 different vehicle makes.

A certificate must also be supplied with every 1% fluctuation of foreign value of imported and exported component.

Toyota's phase six co-ordinating manager Dave Wiltshire said the aspect became very complicated given daily foreign currency value fluctuations.

Each vehicle manufacturer was supplied by hundreds of vehicle component manufacturers, who now each had to determine the foreign value of each manufactured component, said Nissan director Dries de Tuit.

Cad/Cam Systems consultant Julian Forder claimed a phase six information structure he had prepared was cheaper and more efficient than the present cumbersome system.

Forder, part of a task force appointed to investigate the information reporting structure, proposed an electronic link-up between existing manufacturers' computer systems interfacing with the controlling government departments. But the Customs and Excise Department said yesterday implementing such a scheme could be considered only once the programme had evolved further.

Edward West
Retread market is set for faster growth

The tyre company in which Longmule owns a 39% stake is Tredcor, which may be said to be the group's core business. Longmule was established in 1989 with the express purpose of manufacturing rubber for Mastertrades's tyre factories. Since then, much has happened and Longmule now holds a 50% stake in Tredcor, which today controls Mastertrades Tyres (Trentyre, Trentyre Bandag, Naturel (Cape), Hi-Ho and Longmule Rubber collectively constitute the largest tyre retreaders and independent new-tyre distributors in southern Africa.

The other 50% of Tredcor is held by Trencor Limited.

The two major operating groups are:
- Mastertrades, which specializes in hot-moulding retreading of tyres and the distribution of new tyres, mainly in the passenger, tractor and off-road categories, and
- Trentyre, which utilizes the Bandag pre-cure retreading process and also distributes new tyres.

Retreading factories

The two companies in the Tredcor group compete with each other in certain areas, and between them there is currently a total of about 128 branches throughout SA, Namibia and the homelands, employing over 4,000 people.

Retreading of passenger and truck tyres is done in more than 50 factories, while off-road tyres are retreaded at Spenbok, Kimberley and Kempton Park.

All factories feature wheel fitting, demounting and balancing facilities and both groups stock a wide range of tyres, which, between them, range from wheelbarrow tyres to 2.8-m girders for the mining industry.

Executive director Chris Immelman emphasizes the importance of the group's consultancy service, and he is adamant that a retread is as good as a new tyre with certain strict provisos.

Silencer business booming in all spheres

The Longmule group moved into the silencer business when it acquired Grappel and Silencer Services early in 1983. Grappel itself was born in 1956, starting with a pipe-bending machine at the Porta site that is today the region's headquarters of Silencer Services.

Grappel manufactures steel tubing and Grappel-brand exhaust systems at its 14 000-m² Atlantic factory and warehouse near Cape Town. It markets these products through 15 of its own depots.

Silencer Services' 85 branches throughout SA and Namibia market and fit silencers, towbars, roll bars and foreguards to the retail market. Of these, 50 branches are solely Silencer Services outlets while 15 serve as dual Silencer Services/Grappel depots.

And 66 independently owned shops are currently franchised to operate under the Silencer Shop banner, buying their exhaust systems on a wholesale basis from Grappel.

The structure provides a totally vertically integrated operation from the initial processing of raw materials, to selling to the man in the street.

Grappel purchases sheet metal in coil form with the mild steel coming direct from Iscor or through steel merchants. The stainless steel — in which Grappel pioneered exhaust systems — comes from Middelburg Steel & Alloys.

A small quantity of aluminized steel is imported for the manufacture of certain components Grappel also purchases a few slower-moving sizes of tubing, but manufactures about 95% of its total tubing needs.

The franchised Silencer Shops complement Silencer Services' own outlets, although they compete in some areas. Combined, Grappel and Silencer Services probably dominate the replacement market and are making inroads into the original equipment market.

The group's silencer systems cover the full range of passenger and light delivery vehicles and all branches have the ability to fabricate exhaust systems.

A spokesman says: "Any silencer is a compromise. Make it too effective and a sound deadener and you boost back pressure, lowering power output and raising fuel consumption and the adverse effect applies."

Grappel was recently awarded original equipment orders from Nissan and is looking to sell on OE bases to other manufacturers. Prime customers in the replacement market are independent exhaust specialists.

The division has nibbled over the years at the export market and broke through in 1988. Markets have been established in the Mediterranean, Europe and the Far East.
Tyre industry expects 15% annual growth

THE R900m-a-year new-tyre industry is looking at an approximate 15% annual growth rate.

It is undergoing a period of expansion to meet increasing demand.

After a critical shortage of tyres two of the largest manufacturers recently announced expansion plans to increase production to meet local demand and to gear up for exports.

General Tyres announced a five-year, R280m expansion to increase production by 26%. Firestone has a three-year, R100m expansion programme.

General Tyres MD Clive Tutton said expansion was aimed at meeting long-term increased demand. The group would look at exporting only when local demand had been met.

Firestone, which won the State President Award for the most improved export performance last year, exports only a small proportion of sales. Goodrich is reported to have exported 0.8% of its gross turnover in 1988.

A substantial portion of the total tyre market is held by the retread industry which handled nearly 50% of the total market, said SA Tyre Manufacturers' Conference director Michael Waterson.

Most manufacturers were reluctant to divulge market statistics. Firestone's PR manager Adrian Stangridge said.

He added that the industry had expanded regularly for several years.

The industry remains vulnerable to labour disputes.

Goodyear, where a month-long strike in March 1988 preceded the tyre shortage, is now in a dispute with Numsa over the company's disinvestment last month.
Low profile, but track record is impressive

Capex aids penetration of local markets

A JSE star performer in terms of profits and close to being among SA’s top 100 companies, the Longmile group is relatively unknown, even in the western Cape where its head office and many of its major operations are based. Mandy Woods reports on this force to be reckoned with.

Despite an impressive financial track record, Longmile has a relatively low profile. Deputy chairman Nick van den Bergh says one reason for this is that the group’s trading operations do not bear the Longmile name, although they are household names in their respective sectors.

Compatibility

Another factor is that Longmile is a conglomerate, combining a number of activities that might seem to lack compatibility.

The group therefore appears to be somewhat unfocused.

Tyres and silencers have obvious common ground, but women’s clothing and industrial fasteners are apparently less linked.

Focused or not, it has proved to be a winning formula, says Van den Bergh.

“We concentrate on acquiring well-established businesses trading in key consumer markets. “We bring to this a common threat of strong financial control and focused policy making.”

An area where the group’s various activities do enjoy common ground is their relative immunity to cyclical economic swings and to sanctions, he says.

“Motor vehicles are vital to a modern industrialised society and tyres and silencers are vital to motor vehicles.”

Obviously, tyre and silencer sales are affected by new vehicle sales trends but our big involvement in the replacement markets for both smooths the path,” Van den Bergh notes.

Even fasteners, which are influenced by cycles in the building industry, are reasonably cushioned by the demand from other sectors, such as the DIY market.

On the sanctions front, Longmile companies neither import nor export to any great extent, although they are successfully building up their respective export components, Van den Bergh says.

Alternative

“While some of our clothing companies do import a significant part of their material requirements, they could Firstly source from so many alternative suppliers that the effect is not likely to be serious. “And, in the event of a major cut in supplies, nearly all could switch to totally locally sourced products.”

Capex aids penetration of local markets

UTILITY Fasteners in the business of industrial fasteners was purchased by the Longmile group in 1992 creating a division which has become a significant contributor to the group’s performance.

The fastener division comprises two companies and sub-divisions Utility Fasteners which manufactures bolts, nuts and screws and Utility Bolt & Nut, which distributes and markets them.

MD Barrie Cox says Utility ranks about third in size in the fastener industry in southern Africa but is particularly strong in the servicing and supplying of its customers.

The company specialises in standard ranges of screws, bolts and nuts in brass, mild, stainless and high-tensile steel from M3 to M20 diameter.

Direct

“Our major customers are the builders and merchants and we are careful not to compete with them,” Cox says.

Utility also sells directly to the large-end users in the manufacturing field and has combined retail centres in Durban, Cape Town and Johannesburg.

A sustained capital expenditure programme has helped the dynamic make inroads into the local market, he says.

Utility has been exporting for years, mainly to Europe, taking up excess capacity rather than as a focused drive.

It’s a competitive industry, but once you’re over the backyard machine stage, it becomes a very capital intensive and thus not only constitutes a high threshold to entry, but benefits of scale come into play.” Cox says.

Virtually all equipment imported was a single machine cutting about 22m.
R30bn 'war chest' for Toyota

TOYOTA Motor Corporation has announced the building of a R30bn "war chest" for an attack on the international car market and has set its sights on the European and Third World markets.

A Toyota SA spokesman said the European expansion would be spearheaded by a R3bn investment for a manufacturing plant in England.

Construction of the plant in the English Midlands will begin early next year with eventual annual production planned for 200,000 cars.

The corporation will also begin development of inexpensive, basic vehicles aimed at the emerging Third World market and has planned the biggest multi-billion-rand research and development programme in Japanese history.

The Toyota SA spokesman said SA would benefit from the expansion in the form of production and technological developments.

Toyota executive vice-president Tadakatsu Osawa said in a statement that in many parts of the world motor vehicles were a common sight. "By the turn of the century, China will start to see motorisation," he said.

Various manufacturers in Europe, soon to become a single vast market through the EC, produced cars in small quantities, while others had more production capacity, he said.

As the world car market became more competitive the difference between manufacturers able to invest in research and development and those who couldn't would become more apparent.

The possibility of joint ventures with European manufacturers was not ruled out, he said. Toyota sells 500,000 vehicles a year in Europe, which is negligible in terms of the whole European market.

Toyota, the world's third largest vehicle manufacturer, will launch the Lexus luxury range of vehicles later this year as part of the expansion.

Toyota's net income in 1987 was R3,5bn.

EDWARD WEST
Unitrans orders 700 Mercedes

EDWARD WEST

"MERCEDES-BENZ has received an order from Unitrans for 700 truck-tractors worth an estimated R200m. It is believed to be the biggest single order ever made in the road transport sector.

Unitrans MD Edward Garefa said strong performance of the group in the past year, attributed to internal growth, warehousing and distribution operations, had prompted replacement and expansion of its fleet. Mercedes, which will supply the trucks over two years, said 60% of trucks now used by Unitrans were Mercedes."
Imphold trading company given the nod

IMP HOLD shareholders in Imperial Group have approved the reduction of Imperial’s share premium account to create a new trading company, Imphold Limited. Imphold will hold the trading assets of the group — the car rental, truck systems and motor trading operations and the "nascent services and property division.

With Imperial’s excellent track record since listing in February 1987, it is no surprise that investors sanctioned the scheme as it gives them a second investment in the group. In fiscal 1987 and 1988 Imperial’s earnings grew by 72% and 58% respectively and the group is forecasting another year of record earnings.

On a pro forma basis Imphold would have earned 24.3c a share in the year to June 25, paid a dividend of 3.5c and have a net asset value of 92c a share.

Imperial shareholders are being given, for no charge, 100 Imphold shares for every 100 Imperial shares they hold. The JSE has granted a listing for the ordinary shares of Imphold to start on Monday.

LIZ ROUSE
New vehicle sales rise marginally

PRETORIA — New vehicle sales for the first six months of the year, 175,912 units, were only marginally (0.8%) greater than January-June figures last year, according to Naamsa.

In all categories, however, June sales figures increased compared with May — new cars by 7.3% to 19,973 units, light commercial vehicles by 12.4% to 10,563 and heavy trucks and buses by 9.2% to 916.

New cars sales in June increased by 17.6% over the 16,861 sold in the same month last year.

Naamsa's director, Nico Vermeulen, however, cautioned against reading too much into the higher than expected June sales figures.

The introduction of the new local content programme from June contributed to higher sales.

A large proportion of new car, light commercial vehicle and heavy truck sales was due, Vermeulen said, to manufacturers holding back units, particularly those with a high local content value during the latter half of May.

This brought them into account for local content and excise purposes after June 1.

The increase in supply during early June, therefore, contributed significantly to the higher monthly totals.

Another reason was the pre-emptive buying ahead of the expected July round of new vehicle prices.
Car price rise on the cards

DURBAN — The motor industry is gearing up for a further price increase which is expected to add about R1 000 to the cost of the lowest priced runabout.

This means that the most humble new car will cost close to R25 000 with GST and insurance.

And pressure on the Deutschmark could force German manufacturers to increase prices at a higher rate than Japanese-sourced suppliers.

The increase is blamed on rising local costs caused by inflation and the weakening rand.

The National Automobile Manufacturers’ Association states that higher sales in the past month could be construed as pre-emptive buying in advance of the July price rises.

Own Correspondent
THE cost of motoring is set to soar with another hike in the petrol price now virtually certain and the motor industry gearing up for a further increase in the price of vehicles.

But a decision has not yet been taken either on the extent of the petrol price rise or car price increase or the effective date of the hikes.

However, a decision on the petrol price will only be taken after the National Energy Council had submitted its latest report on petrol sales, the under-recovery on the petrol price and other data pertaining to the petrol price to Minister of Economic Affairs and Technology, Mr Danie Steyn.

**Report**

A National Energy Council spokesman confirmed yesterday they hoped to finalize the report this week.

The spokesman said in the monthly report they released to keep the public informed about the petrol price structure and the monthly shortfall or overpayment on the petrol price would be published by the end of this week or early next week.

However, the spokesman said and under-recovery on the monthly petrol price in May of 7 cents a litre had increased to 12,157 cents a litre in May.

**Petrol**

"We are currently awaiting the final figures for June but it appears that the under recovery will approximate the same as that for May," the spokesman said.

There has been speculation that the petrol price could increase by as much as 20 cents a litre, but informed sources have indicated that this was highly unlikely.

Increase in new car prices are widely expected to add about R1,000 to the cost of the "cheapest" priced runabout, which will mean the cheapest new car will cost close to R25,000 with GST and insurance.

In addition, pressure on the Deutsche Mark could mean German car manufacturers could be forced to increase prices at a higher rate than Japanese-sourced suppliers.

The increase is blamed on rising local costs caused by inflation and the weakening rand, which has pushed up the prices of imported components.
Motor dealers go to Doornfontein

By Don Robertson

The Doornfontein area of Commissioner Street is rapidly becoming Johannesburg’s new motor town.

The planned establishment of a R9-million Delta dealership will take the number of dealers in the area to six. Together with gearbox exchanges, car-radio shops and spare-part centres, the area will soon challenge Eloff Street as a major motor complex.

Business has boomed in the area because major commercial and industrial developments are being established in Doornfontein, Ellis Park, Benrose and further away at Bruma Lake near Bedfordview.

The Delta franchise, awarded to Motorforce, will be opened early next year. It will join Imperial’s new Toyota franchise which is in the final stages of construction.

In addition, there are Ford, MMF, Nissan and BMW dealerships in the area. It is expected that the Motorforce dealership will sell about 800 Opel, Isuzu and Suzuki vehicles a year as well as 500 used vehicles from the 3,500m² site, which will also incorporate service and spare-part centres.

The Delta dealership is expected to increase four-year-old Motorforce’s turnover to R90-million in 1999 from R55-million last year.

In the three years since Delta bought out the General Motors operation, sales have risen from 24,000 to 40,000 units. Plans are to produce 43,000 vehicles this year.

The Imperial Group’s 5,500m² site will cost R10-million to develop and will house the company’s Transvaal head office.

Stephen Abelkop, joint managing director of Imperial, says that in spite of high interest rates and the fact that motorists are not replacing their cars as often as before, demand remains strong.
Goodall's stake sells for R2.9m

SCHARRIGHUISEN Holdings is to be listed on the JSE through a reverse takeover of DCM-listed vehicle sales operation Goodall Group, Columbia Corporate Finance has announced.

In terms of an agreement in principle, the Goodall family, present controlling shareholders of Goodall Group, have sold their 80.9% holding in the company for R2.9m in cash (35c a share) to a consortium made up of three members of the Sharrighuisen family.

Goodall will acquire the business interests and operations of the Sharrighuisen Group for R2.9m.

The purchase price is to be met by a cash payment of R3.3m and the issue of 73.8-million Goodall shares of 35c each. The 84-million shares in issue as a result will then be consolidated on a 1-for-4 basis.

Goodall's name will be changed to Sharrighuisen Holdings and application will be made to the JSE for the transfer of the listing to the industrial holding sector under the abbreviated name Sharrig.

Management of the newly constituted Goodall Group forecast pro forma earnings for the period to end-July 1990 of not less than R6m, which would give earnings a share of 28.6c compared with pro forma 15.7c per consolidated share earned by the Sharrighuisen Group for the year to December 1988 and 16.8c earned by Goodall for the year ended June 31.

Minorities have been offered the equivalent of 35c a share before consolidation.
officer's patrol car which was damaged in the multiple smash.

**News in Brief**

**Mercedes-Benz agreement**

JOHANNESBURG. — Mercedes-Benz of South Africa has agreed to a recognition agreement with the National Union of Metal Workers. A company statement said the agreement would incorporate minimum West German standards for labour relations, but exclude recourse to the provisions of the Labour Relations Act by either parties unless otherwise agreed to.

**Austria asks to join EC**

BRUSSELS. — Austria yesterday formally applied to join the European Community, saying its neutrality was no obstacle to political and economic union.
Pay accord in metal industry

The National Union of Metal Workers of South Africa (Numsa) this week accepted wage increases and changed working conditions applicable to the iron, steel, engineering and metallurgical industry from 1 July this year to 30 June next year.

The settlement is the culmination of more than three months of negotiations which a Numsa spokesperson described as "arduous".

The agreement contains several "breakthroughs" for the union, such as an average wage increase of 17 percent, recognition by employers of May 1 and June 16 would be paid holidays, conversion of the pension fund to a provident fund and 10 days annual sick leave on full pay.
Management
don's overalls
at Goodyear

PORT ELIZABETH. — The strike at Goodyear by
1,200 members of the National Union of Metalwork-
ers of South Africa (Numsa) enters its third week with
no decision reached over a demand for disinvestment
compensation for each worker.

The union has demanded R5 000 compensation for
potential "adverse consequences" to workers which
might arise over the change of management.

The union objected to Goodyear not giving notifica-
tion of its intention to disinvest. Numsa said
Goodyear avoided negotiations by not informing them
of the changes.

Members of the company's management have had to
change their white shirts for overalls to maintain pro-
duction.

Goodyear's PRO Mike London said nothing had
been finalised.

"We are holding talks daily with the union represen-
tatives," he said.

Goodyear changed management after the company
pulled out of South Africa. Workers are now em-
ployed by Consol, an Anglovaal subsidiary. — PEN
BMW investigates local electronic development

BMW SA has responded to government's decision to implement phase six of the local-content programme.

It has established a department to investigate locally made electronic modules with a view to developing the necessary infrastructure to support such manufacturing projects.

BMW Electronics Project Manager Peter Kolbe said the import replacement of high value imported components was high on BMW's priority list. Electronic modules fell into this category.

BMW media manager Michael Brand said BMW would look at the local manufacture of electronic components according to economies of scale.

It was counter-productive to manufacture a small amount of components common only to certain vehicle models, Brand said.

In the short term, attention would focus on the SA BMW 5 and 7 series, and on the 3 series later this year.

In the long term, BMW would consider the feasibility of exports after the first component was successfully run in SA and had gained acceptance from BMW AG West Germany.

The first company to supply an SA vehicle manufacturer with electronic equipment is Electromatic, a member of the Control Instrument Group. Electromatic MD Rod Forrester said supplying BMW with electronic components was a natural progression from vehicle access and identification work done by the company.

Brand said BMW was also looking at local manufacture of plastic components in BMW vehicles. Tyres, wheels, seats, seat coverings, suspension and battery components were already manufactured locally by BMW. This month government made R40m available to electronic departments for local-product developments.
Saficon improves share marketability

Finance Staff

Motor retailing group, Saficon, is to have a 50 for 100 capitalisation issue to improve the marketability of its shares. This follows on a good financial year to end-June in which earnings well exceeded forecasts.

Executive chairman Sidney Borzook says that in the past few years management has set out improve the marketability of the company's shares. "Our decision to capitalise R2.085 million of our share premium account and issue 8,37 million new shares is the next logical step in the marketability exercise," he says. The capitalisation issue will have the effect of adjusting all published net asset values, earnings and dividends per share to two-thirds of the published amounts and should also reduce the Saficon share price to two-thirds of its price prior to the capitalisation issue.

After the issue shareholders who hold shares at 40c each will hold 1.5 times the number of shares they hold now.
Motor spares firms in merger rumours

EDWARD WEST

The growing R5bn motor spares industry is becoming increasingly polarised as inflation takes its toll and fewer people are able to afford new cars.

Analysts say yesterday tangible evidence of the rationalisation of the spare part industry were four cautionary announcements on the past two weeks by four major vehicle spares retailers and wholesalers listed on the JSE.

Motor vehicle spares retailers and wholesalers Associated Diesel (ADCO), Midas, Spareco and Fleishmans issued announcements warning investors to exercise caution in dealing in their shares.

Speculation is rife in the Press and on the market as to which of these companies will acquire the other. One speculating analyst said all four could combine.

Spareco, one of the fastest growing companies on the JSE, is believed to be looking at acquiring Fleishmans, while leading motor parts distributor Midas is believed to have its sights on Adco.

Fleishmans plans to develop more retail outlets Adco may expand its manufacturing operations, possibly in conjunction with an overseas licensee. Midas and Spareco are both looking for acquisitions. Spareco and Midas are involved in a marketing tie-up which could see Spareco's turnover reach R100m by the end of the year.

The latest Bureau for Economic Research quarterly analysis says spare parts dealers 'again enjoyed vigorous sales and are brimming with confidence'. Orders for spare parts continued to grow but are expected to level off in the third quarter.

Spareco MD Errol Wupperplang said yesterday the spare parts industry was becoming increasingly competitive. Vehicle manufacturers were also entering the spare parts market. Prospects for the industry were bright with inflation pushing the price of new vehicles out of the range of most of the public.

More people were keeping vehicles for longer.

The do-it-yourself spare parts market was growing fast. It was becoming increasingly expensive for the public to send their vehicles to garages to be repaired.

Fleishmans MD Geoff Greenshaw said the industry was growing rapidly. The growing black taxi and second-hand car market lent itself to the growth of the industry.
Saicon prepares its capitalisation issue

Companies
The case for local content

Trevor Bell is professor in economics at Rhodes University.

Brian Kantor warns that the new value-based local content system for the motor industry will have dire consequences (Economy May 12), and that it should be seen as a make-work arrangement for Board of Trade & Industry (BTI) officials unable “to deny themselves the important role of ruling the industry.”

He argues that vehicle prices have risen faster than the price index for imported goods and blames the withdrawal of foreign capital and the consequent need to generate internal finance. But the price index which he sees apparently refers to all imported goods from all foreign sources. This is irrelevant.

What matters in the case of car prices is the price of imported completely knocked-down (CKD) components. These are denominated primarily in D-mark and yen, and between mid-1984 and the end of 1988 the rand depreciated against these currencies respectively by 180% and 239%, giving a weighted average of at least 210% for the motor industry.

Thus, even at constant D-mark and yen prices the rand costs of CKD would have risen by this amount. This was substantially more than the increases of 92% in the CPI, and 173% in the vehicle price index.

The fall of the rand therefore was the principal cause of vehicle price increases. And it cannot be automatically assumed that the new system of local content on its own will necessarily increase material costs and vehicle prices. To take a few examples:

- The new system may well decrease the price of imported CKD packs, which are not supplied to assemblers at competitive prices, but rather at negotiated prices containing in some cases a significant profit margin for foreign affiliates. To facilitate compliance with local content targets, some affiliates will doubtless cut CKD prices, thereby reducing foreign exchange usage and material costs.

- Assemblers are likely to find hitherto unexploited opportunities for additional import substitution, without cost premiums. For example, the new rules may well increase delegation allowances, that is, the reduction in the CKD pack price allowed by the foreign affiliate when an item is no longer included in the imported pack. This will tend to make local component manufacturers more competitive, and lower the cost of materials.

- It is mistaken to suppose because local production of certain items was not under taken voluntarily under the old system it cannot be economic when mandated under the new.

- The experience of at least some assemblers suggests that the cost of locally made tooling compare very favourably with prices charged for imported tooling (at current exchange rates). One manufacturer estimates the total costs of tooling for model replacement will not be raised significantly by the 75% local content target set for 1998 and substantial savings in foreign exchange will result.

- Some manufacturers will lengthen the life of their models, spreading amortisation over a larger number of units.

Some manufacturers will change their model-mix by increasing the proportion of compact, high volume vehicles, which have a relatively high local content.

- Intensified efforts are also being made to draw on overseas sources of supply of components, model-related tooling and other equipment.

- “Export facilitation,” a feature of the new policy, permits exports to count in lieu of local content. This reduces the investment required to meet the targets, and hence the need for price increases to generate funds, and

- In the long term, reduced dependence on imports will decrease the industry’s vulnerability to disastrous material cost increases and the contractionary effects of currency depreciation experienced in recent years.

This does not mean the switch from weight- to value-based local content is without any problems. Some of the difficulties are the following:

- A manufacturer which had responded very efficiently to the incentives of the weight-based system, may now find itself “at the bottom of the heap” in terms of local content by value. This will require substantial adjustments, affecting both the domestic assembler and its foreign affiliate. This may involve some of the industry’s internationally most competitive manufacturers.

- Producers relatively specialised in the production of small volumes of up-market cars may be particularly hard hit, and

- The new formula may well produce a substantial — and painful — restructuring of the components industry.

As the experience of other countries shows, there is no reason why a value-based content system should not function smoothly. The potential benefits to the country are considerable — in terms of foreign exchange savings, increased output and employment, and even perhaps the profitability and international competitiveness of some domestic producers.

The case of the motor industry illustrates the important fact that well-conceived government intervention has a role to play in particular cases in improving on the present poor growth performance of the economy.
Mandela on his birthday. It repeated its call of last year at this time, saying "Mandela should be freed and negotiations should be started." On that score, however, a great deal still remains to be done. Significantly, the ANC reportedly has a "discussion paper" now circulating in SA, which warns against being forced on the defensive by government re-

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Altogether about 385,500 workers are affected. The agreements were preceded by lengthy, complex and sometimes bitter disputes.

OK MD Gordon Hood settled his stormy five-month dispute with commercial workers, represented by Ccawusa, with an offer of R100 a month across-the-board for 23,000 employees (backdated to April 1), with a further R8 a month payable from February 1 next year. That would bring OK's minimum wage up to R620 for those with more than a year's service. The company's opening offer amounted to R350.

This will effectively narrow the gap between the minimum wage paid by Pick 'n Pay (R750/month after April's R146.87 increase), and Checkers (R630 after this year's R120 rise). The deal gives OK six months to get over the slowdown in sales it says it has experienced since the negotiations opened.

In the metal industry, 3,500 engineering companies represented by 50 employer associations grouped under Seifsa reached an amicable settlement with 15 unions (representing 361,035 employees) at their tenth industrial council meeting in four months. This was subject to final ratification this week.

They agreed to wage increases of 15.2% for artisans and 18.5% for labourers making up over 350,000 employees, effectively ensuring an across-the-board wage rise of 56c an hour for labourers (up 8c from the "final" offer) and R1.11 an hour for artisans (a 16c improvement on the last offer). This raises the minimum wage rates in the industry to R3.56 and R8.31 an hour for labourers and artisans, respectively. It is backdated to July 1.

The increases, says Seifsa, cut out the onethird of the difference between current wages and a projected "ideal" wage.

The sticking point over public holidays was resolved by a decision to enter into a legally binding common law agreement to treat May 1 and June 16 as paid public holidays. This is subject to the Public Holidays Act being amended, and the industrial council is to approach government to introduce these days as paid public holidays.

The Metals Industries Group Pension Fund will be converted to a flexible benefit fund by November 30, while the Sick Pay Fund is to be "restructured fundamentally." Sick leave has been increased to 10 days a year, and payments of fund benefits are to be speeded up.

However, on the question of detention, the Seifsa, while indicating its opposition, would only suggest to its members that they pay the wages of employees de-

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LABOUR RELATIONS

Tidy settlements

Three significant industrial relations deals were clinched this week. They include wage agreements in the metal industry and at OK Bazaars, plus a most liberal labour dispensation for employees at strike-dogged Mercedes-Benz.

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P. T. C.
Car prices set to rise in August

The increase of about 8% in car prices so far this year does not spell the end of the motorist's problems for 1989.

Additional price rises of about 10% can be expected by the end of the year, manufacturers of German-sourced vehicles facing the biggest pressure to charge more.

The next round of price increases is expected by August 1, according to industry sources. Manufacturers are watching the continuing weakness of the rand and the effects of the Phase Six local content programme which came into effect on June 1.

In August, the cheapest cars to more than R19,000. Price increases of between 10% and 17% are likely by December.

Timing

Toyota, which leads the field in price moves, is watching the position carefully, but has not yet decided on the timing or extent of the car-price increase.

Toyota lifted prices by between 3% and 4% last December and by 4% in April.

Another 10% rise could lift the price of Toyota's cheapest models, the Conquest.

By Don Robertson

1.3S and the Corolla 1.3 to R31,644 from R21,675 by the end of the year. The smallest Cressida could rise to R31,819.

Volkswagen expects an increase in prices soon. A 10% increase would take the price of the cheapest car on the market, the Citi, Golf 1.3, from R18,940 to R20,830. The Fox would cost R21,190, and the Audi 400 R53,810 - from R47,830.

Nissan raised the prices of its cars and light commercials by 3.8% in February and by 2.8% in April.

Samcor raised prices of all its models by 6.6% in January and by 4.2% in April. In June, the Sierra and the Sapphire - launched in April - cost 4.2% more. The next increase could be about 4% says Samcor.

For the year, price rises could be 18.6%.

A 10% increase for the rest of the year will mean that a Ford Laser 1.6L will cost R21,970 and a Mazda 323L R21,510.

BMW, which is usually a month behind other manufacturers, increased prices by 3.7% in March and 3.5% in June. It does not expect its cars to cost more until September. Mercedes-Benz will raise price in August.
Vehicle industry second only to mining

The car industry has moved into a pivotal role, second only to mining as the biggest industrial contributor to South Africa's wealth.

The motor manufacturing industry has changed dramatically in the past two decades and more changes are taking place at an even faster pace today, particularly in the component sector.

DYNAMIC

Toyota SA chief executive Bert Wessels foresees an even more dynamic role for the industry which provides employment for more than 250 000 people and indirectly creates jobs for many more.

"The current capital investment of motor manufacturers in South Africa is about R4 billion," says Mr Wessels. "On top of that, the component industry supplying the manufacturers is investing a further R3 billion.

The investment of aftermarket trade, which services the customers of the industry, is more than R3 billion.

That makes a total of more than R16 billion." Mr Wessels says that what is happening in South Africa mirrors the pattern abroad.

WORKFORCE

In Japan, for example, the automobile industry has a workforce of 5.5 million and - including peripherals such as fuel - holds a 30 percent share of the total retail market.

"The South African motor manufacturers are at the leading edge of industrial technology," Mr Wessels says.

There are many cases in which innovations introduced by motor manufacturers are being adapted for use in other industrial sectors.

POPULATION

Mr Wessels predicts the motor vehicle will play an ever increasing role in South Africa.

"Today, the current vehicle population is more than four million, of which over 70 percent are passenger cars," he says.

"The expectation is that this figure will grow to over five million by the turn of the century," he says. - Sapa
Inflation, high costs blamed

Car prices increase by average 5%

Own Correspondent

PORT ELIZABETH — The price of new cars is set to rise again — probably in August.

Based on figures provided by the two motor manufacturers in the Port Elizabeth-Uitenhage area, the rise will average about 5%.

Reasons given for the increase are higher costs, inflation and the impact of the exchange rate.

Mr Ronne Kruger, public affairs manager for Uitenhage-based Volkswagen, said yesterday that traditionally the motor industry reviewed prices every quarter.

Since the beginning of the year, he said, VW had increased prices in two steps by a total of 6.5% — 2.5% in February and 4% in May.

He said there would probably be two more increases during the rest of the year, the first occurring "probably in August.

They would "bring prices in line with higher costs, inflation and exchange rates".

He said that over the second half of the year, the increase would be a further 7% or 8%. The exact increase in August would depend on the movement of the rand and the German mark.

Mr Banie van der Merwe, media relations manager for Delta Motor Corporation in Port Elizabeth, said yesterday that by August 1, virtually all manufacturers would have increased their car prices.

"We are also going to increase prices — by mid-August."

He said Delta's increase would be between 3% and 6%, depending on the model.

So far this year, the average price increase for DMC's cars had been 8%, he said.

"For the industry as a whole, the price increases for the year will be about 20%.

He said all companies had the same cost pressures, including wage increases which were currently being negotiated, and factors like the exchange rate.
Motor industry gears up for tougher times

By Ana Crotty

Behind today's announcement of the link-up between Midas and Associated Diesel is the fact that the motor industry is preparing for tough times, with sales of new vehicles forecast to show little growth over the next five years. By contrast, in 1988 and 1987 sales rose 17 and 20 percent respectively, helped significantly by company purchases.

Midas chairman Derek Riley says, "It is estimated that fleet sales as a percentage of the total market rose from 70 percent to 77 percent in 1988." This situation indicates that the prices of new vehicles have risen to such an extent that they are out of reach of private buyers.

The strength of corporate demand - a distortion caused by tax laws - means that for years sales have been out of line with economic reality.

Phase 6 of the local content programme - designed to encourage motor companies to source more products locally - may see a shift of profit potential within the industry.

But as many of the players in the industry admit, in the short term it only partly addresses the fact that the demand for new cars is out of line with the availability of foreign reserves.

In expectation of the changing environment, investors have been treading warily around the motor sector.

That the motor index has held up reasonably well in the face of the dismal short- and medium-term prospects means that some investors should continue to do well.

Chef of these will be companies in the parts and accessories market (P&A), particularly those with a keen eye on the crucial areas of buying, stock management and distribution.

The strength of the P&A market reflects the fact that, although static in terms of growth, in absolute terms demand for new cars will continue to be substantial.

Of more importance will be the tendency for owners to extend the life of their cars and thereby avoid or delay buying a new one.

The list of major players in the P&A market includes Murray & Roberts subsidiary TMS, FSI subsidiaries V&H and Fenon, Fleshmans, Spareco, and the giant that will result from the merger of Midas and Adco.

The stakes are high and most of the players are attempting to secure their positions by merging or tying up the remaining independents.

Spareco and Fleshmans are expected to announce a deal in the near future. The FSI stable is rumoured to be on the acquisition trail.

It is unlikely that the purchase of Adco will change the end of Midas' acquisition phase.

The deal, which puts a value of $22.2 on each Adco share, will lift Midas' gearing from 42 percent at the February year-end to a still respectable 50 percent.

The acquisition of the Adco businesses (and not the shares) will be effected by Midas subsidiary Genuine Parts for over R16 million.

The issue is being underwritten (for no fee) by Federale Volksbeleggings and McCarthy, which, ahead of the deal had a 30.6 percent stake in Midas.

The deal values 100 Adco shares at R92 (compared with yesterday's market valuation of R82) and each Adco Shareholder has the option of accepting all cash or a combination of cash and shares.

The cash-and-share offer is restricted to three Midas shares (valued at R40) and R50 in cash for every 100 Adcos held.

The additional 200c (per 100 Adcos) will be derived from the proceeds of the sale of the Adco cash shell.
Goodyear goes for R176-m

Anglovaal subsidiary Consol is to pay R175.979 million in cash for Goodyear Tyre and Rubber

Some R50 million of the price will be funded from the proceeds of an issue of redeemable preference shares and the rest of the price will be funded from Consol's internal cash resources.

Anglovaal said yesterday that the acquisition been in effect for the twelve months to December 1988, Consol's earnings per ordinary share (taking into account the 10-for-1 share split in April 1989) would have increased by 19.4c from 92.5c (unaudited) to 111.9c — an increase of 21 percent.

The acquisition is expected to enhance significantly Consol's share earnings.

Anglovaal said that had the acquisition been in effect at December 1988, goodwill would have been computed at R78 million.

It said Goodyear's strong earnings justified retaining the goodwill as an asset on the balance sheet.

Consol's accounting policy would be amended to take this into account.

Anglovaal said, however, if the goodwill was offset, the acquisition would have had the effect of reducing the net tangible asset value per Consol ordinary share at December 1988 — after taking into account the subsequent 10-for-1 sub-division by 11c from 332c (unaudited) to 213c (a reduction of about 36 percent).

No further details will be available until a circular to shareholders is posted on August 3.

Consol will then release a detailed analysis of the effect of the acquisition — Sapa.
Consol to carry goodwill in balance sheet

CONSOL is to amend its accounting policy to take into account goodwill from its acquisition of Goodyear Tyres.

MD Piet Neethling says the group previously did not carry goodwill in its balance sheet, but wrote acquisitions off below the line as extraordinary items.

Consol says the acquisition been in effect by December, goodwill would be computed at R78m.

If the goodwill were write off, the acquisition would have reduced the net tangible asset value of a Consol ordinary share at December by 36%.

Neethling says the net asset value was lower than the purchase price of R178m. Goodyear's strong earnings, its trademarks and Consol's technical arrangements with its US parent justify retaining goodwill as an asset on the balance sheet for the year to June 1990, he says. The policy will be re-examined next year.

Consol intends to fund the acquisition through a R50m issue of redeemable preferences shares. The balance will come from internal cash resources.

The acquisition is expected to significantly enhance Consol's future earnings. Had the acquisition been in effect by December, and taking into the account the April share split, Consol's earnings would have increased by about 31% from 97,5c to 111,3c a share.

After a circular showing Goodyear's distributable earnings history has been sent to shareholders in August, Consol will release a detailed analysis on the effects of the acquisition on the group.
Midas acquires Associated Diesel for R16m

MOTOR parts distributor Midas has confirmed the acquisition of Associated Diesel (Adco) for just over R16m.

Midas chairman Derek Ryley said yesterday the purchase, effective from July 1, had expanded the group’s product range. These products include diesel fuel injection parts, turbochargers and electromagnetic retarders.

Adco imports, manufactures and distributes a wide range of automotive components and holds several import franchises, which will strengthen Midas’s representation in these areas.

The acquisition was made by Midas subsidiary Genuane Parts, the sole importer of Peugeot, Renault and Daihatsu vehicles.

Adco’s turnover is about R60m. Had the Adco acquisition been made in the financial year to February 1989, earnings would have increased to 126c a share and lifted net asset value to 465c from 76c a share.

The purchase price is being settled by the issue to Adco of 1,132,789 renounceable letters of allocation in respect of Midas shares at R13.25 each.

Adco will in turn renounce part of its entitlement to Adco shareholders, with the balance going to Midas-nominated underwriters.

The resultant Adco cash shell and listing will be disposed of separately.
Private motorists put brake on buying new and used cars

PRIVATE motorists, now much rarer in the new-car market, are beginning to desert the used-car sector because they are squeezed by mortgage rate increases and credit restrictions.

Standard Bank economist Neo Cypsonka said yesterday: "Individuals are responding in the way the authorities wanted them to."

He added the sales plunge — from about 27 000 units to just more than 23 000 — in used-car and minibus market in the first quarter appeared to have been caused mainly by tighter HP rules.

Cypsonka said: "In addition to the course of last year second-hand car prices increased as much as new car prices. There is no doubt used-car sales are now one of the worst affected areas of consumer buying."

"After one last buying splurge at Christmas, people are now finding that buying a car is way down in the priorities. Paying the mortgage, rates and taxes come first," he added.

Cypsonka said the three main pressures on motorists were mortgage rate increases, a rise in general interest rates on HP agreements and a tightening of credit conditions. Against this trend sales of new cars are relatively buoyant.

This can be attributed to the fact that about 80% of new units are bought or leased by companies.

Sales of new cars in May grew by 3.4%, compared with the same month last year, but motor industry sources have been predicting a fall in the second half of this year.

The National Association of Automobile Manufacturers of SA said the higher sales in May were the result of improved availability of local components and the recent introduction of new models.

Naamsa added it expected a 5% fall in car sales this year.

Cypsonka said that because companies were in a better cash position than individuals, they could better afford to buy new cars.

He added that, to a certain extent, companies were bound by their own rules and agreements reached with staff over company cars.

Given the shortage of skilled staff at the upper end of the employment market, said Cypsonka, it would be difficult for companies to stop buying company cars for fear of losing valuable people who insisted on fringe benefits. 
Good performance from Dukel

Dukel Holdings has once again turned in an exemplary performance. In line with the happy fortunes of most motor retailers, and more particularly the apparent boom in the East London/Transkei/Ciskei region, Dukel lifted earnings a share 50% to 12c (6c) in the year to June.

The East London-based company is primarily involved in motor vehicle retailing, with subsidiaries holding Ford and BMW franchises in East London, King Williams Town, George and Cape Town.

With its share trading at 45c, earnings yield is 27% and the dividend of 4.5c (3.5c) gives a yield of 10%. This compares with the motor sector average of 23% (earnings) and 5.3% (dividend).

In the year to June total new vehicle sales rose to 1,284 (1988: 993 units). Turnover rose from R25.6m to R33.7m. Used vehicle sales also rose from 554 to 716 — or, in turnover, from R11.9m to R17.9m.

These are the main reasons for the 47% rise in group turnover to R71.7m (R40.8m).

With improved profit margins, operating income rose 55% to R32.2m (R21.1m).

The company’s strong balance-sheet enabled it to make two acquisitions during the year, a new Ford dealership in the Bellville/Kuilsriver area, and an independent used car operation in East London, which, say directors, should make a substantial contribution in the 1989/90 year.
Car industry a big contributor

South Africa's automobile industry has moved into a pivotal role, second only to mining as the biggest industrial contributor to the nation's wealth. The motor manufacturing industry has changed dramatically in the past two decades and more changes are taking place at an even faster pace today, particularly in the component sector.

Toyota's Chief Executive, Bert Wessels, foresees an even more dynamic role for the industry which provides employment for more than 250,000 people and indirectly creates jobs for many more.

"The current capital investment of motor manufacturers in South Africa is about R4,000 million," says Mr Wessels. "On top of that, the component industry supplying the manufacturers is investing a further R3,000 million. The investment of after-market trade, which services the customers of the industry, is more than R3,000 million. That makes a total of more than R10 billion.

Mr Wessels says that what is happening in South Africa mirrors the pattern abroad.

In Japan, for example, the automobile industry has a workforce of 5.52 million and, including peripherals such as fuel, holds a 30 percent share of the total retail market.

In which innovations introduced by motor manufacturers are being adapted for use in other industrial sectors.

Mr Wessels predicts the motor vehicle will play an ever increasing role in South Africa.

"Today, the current vehicle population is more than four million, of which over 70 percent are passenger cars," he said. "The expectation is that this figure will grow to over five million by the turn of the century."

Bert Wessels, of Toyota.
Car buying may be a problem

From Page 1

Of course there were exceptions, one lady at The Star said that she walked into a Delta dealership and was greeted by a sales-lady, still a comparatively rare bird in SA showrooms, and signed for her car ten minutes later. "Buying a Kadett was a pleasure," Michelle said, in sales herself. "She knew all I wanted to ask, had all the information and forms to hand and did it neat, pleasant and friendly in a sales job."

To many people, how they are treated is more important than where they buy.

The car-builders are well aware that the final link in the chain, and probably the most important one, is that between the dealer and customer. Most factories have intensive training courses for sales staff, as well as spare-parts counter salesmen and workshop technicians, even if the owners or dealer principles in businesses are invited to attend courses on productivity and efficiency. Yet it would seem that a great number of sales staff are either not going to class, or forgetting much of what they learn as soon as they're back at work.

Naturally there are exceptions — and those are the folk making a fortune selling what is to most people, the second-largest investment they will ever make, after a home.

Delta have an unusual approach to salesmanship — they invite young people who have never had anything whatever to do with the motor industry to apply for places on intensive training courses — and pay R 3000 for the privilege, then they "sell" these recruits, sight unseen, to various dealers — who also put up a sizeable amount of money, the largest sum comes from Delta themselves, however, and the courses are taught all they need to know about the car industry, Delta, their products and their clients.

The results have been spectacular — one man went into a dealership which was selling a steady six cars a month and moved an extra 15 vehicles a month on his own. Some of the graduates have been women, others have been blacks — and so far, in over a year of training and about 60 trainees, only two have been asked to quit the course as unsuitable.

Other factories do the same sort of thing, running vital product knowledge courses for existing staff, to update them on the latest mechanical developments.
Spareco takes up 54% stake in Fleishmans

EDWARD WEST

SA's largest motor spares empire, with an annual R250m turnover and 76 branches nationally, was created yesterday with the announcement of the acquisition of 54% of Fleishmans by Spareco.

Spareco MD Errol Warchepfenig and chairman Chris Sladden announced Spareco had acquired the Fleishmans stake at 90c a share, made up of 64c in cash and the balance in Spareco ordinary shares. The deal is valued at R13.5m.

This follows yesterday's R16m acquisition of Associated Diesel by Midas in a market which, through current economic conditions and natural growth, is becoming increasingly polarised.

The deal was done through a holding company, Lynes, whose sole shareholders are the Sladden and Warchepfenig Trusts. Lyness controls 80% of Spareco, Sapa reported.

Sladden becomes Fleishmans' chairman.

Other major competitors in the market besides Midas are M&R subsidiary TMS, which is believed to be on the acquisition trail, and FSI subsidiaries Ferno and V&G.

This year a marketing and distribution agreement was reached between Spareco and Midas, which is essentially a wholesaler supplying retail franchises.

Spareco and Fleishmans are expected to trade independently. The two retailers have complementary operations with Spareco concentrating on basic spares and Fleishmans tending to concentrate on DIY parts. Both companies expect record profits and may look at an export thrust.

Spareco has registered a European subsidiary with locally sourced components enjoying a good demand in the UK and Europe.

Further expansion into the black market is probable and a stronger thrust into the trucking spares market for Spareco may be expected.

"Prospects for the spares market are good due to the rising cost of new vehicles and the consequent propensity for owners to extend the lives of their vehicles."

Spareco's shares were untraded yesterday at 89c a share, down from a high of 775c a share in March. Fleishmans' shares were untraded this week following its recent peak of 53c after rising 46% from 35c on speculation ahead of the acquisition."
Breaking the chains

The SA motor industry has broken away from its slavish pursuit of overseas vehicle trends. Some companies have even given up trying to keep pace with international design and model changes.

Samcor is about to unveil a locally-designed successor to its current Mazda-626 range. The cost to the company — and ultimately the motorist — is R12m, rather than the R200m needed to introduce the latest international 626 version.

Other SA companies, faced by the same cost and foreign exchange restraints that prompted Samcor's decision, are likely to follow a similar route on their own vehicles.

Industry executives have acknowledged for years that SA manufacturers may have to skip certain new models launched elsewhere by their Japanese and German parents.

Japanese-sourced companies, in particular, say they will probably skip every other model. Instead of the four-year trend overseas, SA companies will probably retain ranges for eight years or more with mid-term facelifts.

They can't afford to do otherwise. The small size of the SA market, and the cost of tooling up for production, no longer justifies a steady supply of new models. If there were any doubts before, the latest local content programme pulsating foreign exchange spending has removed them.

Samcor MD Spencer Sterling says the savings on the local 626 will be repeated when Samcor presents its updated 323 series.

The company will probably resume the Mazda design mainstream in another four years. Although the company will then have to bear the full cost of re-tooling for a major model change, it will have done so once instead of twice.

Samcor describes the car as "the first attempt by a SA motor manufacturer to enter the high-volume passenger car market with a locally designed vehicle." If, indeed, it is the first — and at least one competitor argues it's not so much local design as local adaptation — it won't be the last.

Sterling himself describes the car as "not a brand new vehicle, but a freshened one." Nevertheless, the idea of incorporating certain new overseas technologies and motoring development in re-designed cars is certain to spread.

Samcor also claims a first with this week's unveiling of a vehicle design centre intended specifically for local vehicle development. SA motor manufacturers already have product development specialists adapting their vehicles' drive characteristics to SA conditions. Re-design of exteriors and the main body will probably become just as commonplace.

No one pretends such programmes will reduce motoring costs. At best, they will reduce the rate of increase. But they prove the industry is at last coming to practical terms with political and economic reality.

Spoiled SA motorists will have to do the same.

Cost savings

Despite cost savings such as these, the industry faces enormous investment bills in order to meet the demands of the local content programme. However, the benefits of any savings, no matter how small, are reflected in the latest vehicle sales figures.

Manufacturers attribute the unexpectedly strong June sales to two chief factors. Release of vehicle stocks held back by manufacturers to be assessed under the new local content programme from June 1 and pre-emptive buying ahead of expected June price increases.

As a result, sales of new cars rose to 19,973 in June from 18,618 in May. The figure was a healthy 17.6% improvement on June 1988. Light commercial vehicle sales increased to 10,563 from May's 9,393, and heavy commercials from 839 to 916.

Overall, sales of all new vehicles in the first half of 1989, at 175,912, are a marginal 0.8% above the corresponding period last year.
Trying to buy a car?

You might find more than just the price to be a problem

by Steve Kealy

Although many South Africans have found that a new car is beyond their reach for the last few months, lots of people have bought new vehicles in the past two years — sales of passenger cars topped 210 000 for '87 and '88 and although numbers have declined slightly, they don’t look like they’re going to drop off too much by the end of '89.

But much means an awful lot of people have been visiting showrooms, selecting colours and signing forms, never mind that nearly three-quarters of cars sold are owned, supported or subsidised by the driver’s employers in some way, new models are still flowing onto the roads at significant and constant numbers.

In fact, there’s a waiting list for most models from all the major manufacturers, many of the cars you see on dealer’s showroom floors are already sold, and some customers can expect to wait for weeks or even months for a specific combination of colour, upholstery and specification. It may seem strange, but the top-of-the-line, pricey cars are the ones with the longest waiting-lists — BMW, Mercedes and Audi clients can expect to wait for up to a whole year for their locally-built wunder-wagens, while would-be owners of most Japanese cars can expect to wait from a week to a couple of months, depending on model. Naturally, imported cars can be had more quickly — if you’ve got the cash to match the 110 percent government duty.

Reasons for delivery delays vary — Mercedes has had a series of production-stopping strikes over the past several months which have exaggerated an already comfortably full order-book, BMW have, not surprisingly, been swamped with orders for their recently-launched new 5-series, a fact which must bring a smile to the face of soon-to-depart MD Walter Hasselkus, Audi, built by the Volkswagen factory in Bitenhege, have found the new Turbo a complex car to build and have slowed right down on production — well, that’s the official line, anyway.

The German waiting lists are so long that people near the top of the list can often resell their brand-new car for a tidy profit to someone months further down the line. British Mercedes dealers are asking new SL owners to sign an undertaking not to resell their cars for six months, while here, Mercedes outlets apparently insist that the 13 percent GST is paid on a new car, thereby negating the profitability of reselling a brand-new car.

But for the Japanese car builders, selective sanctions limit the supply of kits of vital components to 1987 levels, effectively limiting the rate at which manufacture can take place — which is the object. It would seem that the Japanese are not wholly comfortable with these limits, but that their far larger trade with America would be in jeopardy if they were seen to be snatching up the sales made avail

able by the withdrawal and disinvestment of European and American firms.

So, in spite of, or perhaps because of, the steady increase in price which is unlikely to halt or even slow markedly for the foreseeable future, South Africans are still looking, test-driving and selecting new cars.

However, this long-term problem of demand outstripping supply seems to have had a serious effect on motor dealer staff — most particularly the sales personnel themselves. This was brought home recently by a number of colleagues being in the market for new cars at the same time, while most knew roughly what they wanted and how much they were going to spend, many asked where they should buy — the answer to that is obvious — either close to home or work, for convenience of servicing, where you get the best deal, or where they can supply your choice as soon as you want it.

But actually going into a couple of dealerships with Star staffers proved an eye-opener; we visited Delta, Toyota and Nissan dealerships around Johan-

nesburg — and generally found a lack of product
knowledge, and more importantly, a general couldn’t-care-less attitude which, while not universal, was too common to be one or two people ‘having a bad day’.

Too often, staff had little comprehension of the strengths and weaknesses of their competition — a Toyota dealership’s top salesman (he had his own office), seemed unaware that Isuzu had launched a new bakkie, nor was he worried that the new truck was a substantial improvement and likely to cost him sales — as he complacently pointed out, “There’s a waiting list for the Hi-Lux — I sell all I can get and more.”

Even phoning for details on a Toyota, the most popular LDV in South Africa, had another dealer’s salesman offering to phone back once he had established a retail price, delivery time and fuel tank capacity — information he should have had at his fingertips, if not in his mind.

Contd on Page 2
Troika likely to hold sway in the motor parts market

Recent developments in the motor parts and accessories market point to the emergence of three dominant players who between them will control the import, distribution, wholesale and retail sectors of this lucrative market.

The three players are:

- FSI which through Femo and V&R is currently a major operator in the import, wholesale distribution and parts resale segments of the market.
- Speculation is that FSI is planning to move down along the marketing chain to the final retail consumer.
- There is some speculation that Femo and V&R, currently wholly owned subsidiaries, will form the basis of a new division within the FSI group, and may get a separate listing.
- Murray & Roberts, through TMS, is a major player in the import and wholesale distribution segments.
- A conglomerate of Midas/Adco/Spareco/Fleishmans.
- Hard on the heels of yesterday's announcement about the Midas/Adco link-up, comes news that Spareco's holding company, Lysaatt, has acquired control of Fleishmans.
- The sole shareholders in Lysaatt, which holds 50 percent of Spareco, are the Sladden and Wucherpenning trusts.
- Chris Sladden is chairman of Spareco and Errol Wucherpenning MD.
- In a deal valued at R13.5 million, Lysaatt has bought 54 percent of Fleishmans from the controlling shareholders — the Krook brothers and Michael Kates — for 90c a share, made up of 64c in cash and the balance in Spareco shares.
- Minority shareholders in Fleishmans will receive an identical standby offer.
- Mr Sladden becomes chairman of Fleishmans, replacing Mr Kates. Mr Wucherpenning joins the Fleishmans board.
- Eddie Karp, former MD and founder of Eddie's — the Pretoria division of Fleishmans — will rejoin the board.
- A major attraction of the deal is that Lysaatt is able to enjoy the 8-to-1 financial rand/sterling exchange rate for part of the funding.
- Earlier this year it was announced that a marketing and distribution agreement had been reached between Spareco and Midas.
- Mr Sladden says that following on yesterday's and today's developments: "Potential now exists for the creation of an even larger grouping of spares interests."
- According to Mr Sladden, Lysaatt now controls the largest motor-spare retail group in SA, with an annual turnover of R250 million generated by 76 branches.

Plans are to maintain the identities of Spareco and Fleishmans and allow both to trade independently.

But this still leaves considerable scope for synergistic benefits on the buying front and through the development and sharing of computer systems for stock management.

Mr Sladden says Fleishmans has suffered from a shortage of experienced people on the operational front and believes this can now be rectified through access to the Spareco team.

In the near term, Lysaatt appears to have considerable plans for growth. Mr Sladden refers to a possible export thrust, to further expand into the black market and to a stronger thrust into the trucking-spares market.

The export move — concentrating on locally sourced quality components — will be helped by Spareco's European subsidiary.

Eddie's is likely to be the vehicle used for expansion into the black market. It seems likely that there will soon be acquisitions of trucking spares interests.

Crucial to long-term success in all segments of the parts and accessories market will be the ability of the operators to buy and to manage stock efficiently.

These days that not only requires a keen understanding of the needs of the market, but also an efficient and costly computer system.

While the independents are likely to have a keener feel for the market, they are unlikely to be able to compete in terms of stock management.

If the larger operators can implement efficient stock systems throughout a network that includes importing, wholesale distribution and retailing, they will be able to offer a much wider range of goods without the expense of carrying unnecessary stock piles.

It is certain that only the players who have a feel for the market and are prepared to invest in the development and implementation of stock control systems will feature among the majors.

(In a related field there are reports that NEI subsidiary Propower is negotiating with Colmans.)
Toyota sees profits plunge 28 percent

Business Editor

Earnings by Toyota, the country's largest motor manufacturer, plunged by 28 percent in the six months to June after a sharp hike in the tax rate, a huge increase in the interest bill, a shortage of stocks and uncertainties caused by the introduction of Phase Six.

But in spite of earnings falling from R11,64c to R7,69c a share, the interim dividend is up from 13c to 15c.

Turnover was up 15 percent to R1,3-billion (R1,2-billion). Margins were squeezed from 8,1 percent to 7,9 percent, which meant the increase at operating income level was restricted to 12 percent, taking it to R168-million (R96-million).

The interest bill shot up 57 percent to R44,9-million (R28,3-million).

This left pre-tax profit showing a fall of 6,8 percent to R63-million (R68-million).

Tax took R31,5-million (R23,2-million), reflecting a sharp increase in the rate from 34 percent to 49 percent.

Earnings were down from R44,9-million to R32,1-million.

The directors say although total sales of motor vehicles increased 0,86 percent in the review period, Toyota's sales declined from 49,23c to 48,17c, "due mainly to the shortage of stock caused by trade restrictions".

But there has been a recent improvement in supplies, "mainly due to the changed exchange rate from yen to dollar".

They seem confident of lifting sales and regaining market share.

Referring to the introduction of the Phase Six local content rules based on value instead of mass, they say "The effect of Phase Six and perhaps more so the uncertainties and continual adjustments proves as disturbing as we had feared and complicates operations and calculations of profitability."

But they are confident of adjusting successfully to the requirements.

Second-half results are expected to be in line with those of the first half.
Toyota earnings hit by assorted problems

By Ann Crotty

A sharp hike in the tax rate, a hefty increase in the interest bill, a shortage of stocks and uncertainties caused by the introduction of Phase Six combined to cut Toyota’s earnings by 28 percent in the six months to June.

Despite the earnings drop from R11.04c to 789c a share, the dividend has been lifted from 138c to 190c.

Turnover was up 15 percent to R1.3 billion (R1.2 billion). Margins were squeezed from 6.1 percent to 7.9 percent, which meant the increase at operating-income level was restricted to 12 percent, taking it to R108 million (R96 million).

The interest bill shot up 57 percent to R44.9 million (R28.5 million).

This left pre-tax profit showing a fall of 6.8 percent to R63 million (R68 million).

Tax took R31.5 million (R23.3 million), reflecting a sharp increase in the rate from 34 percent to 43 percent.

Earnings were down from R44.9 million to R32.1 million.

The directors say although total sales of motor vehicles increased 0.36 percent in the review period, Toyota’s sales declined from 48,222 to 44,817 “due mainly to the shortage of stock caused by trade restrictions.”

But there has been a recent improvement in supplies, “mainly due to the changed exchange rate from yen to dollar.”

They seem confident of maintaining sales and regaining market share.

Referring to the introduction of Phase Six, local content rules based on value instead of mass, they say “The effect of Phase Six and perhaps more so the uncertainties and continual adjustments proves as disturbing as we had feared and complicates operations and calculations of profitability.”

But they are confident of adjusting successfully to the requirements.

Second-half results are expected to be in line with those of the first half.
‘Drivership’ supplants old-fashioned ownership as car prices accelerate

DEREK TOMMEY

IT IS extremely difficult for the ordinary man to buy a new car these days.

Soaring prices and tough financial restrictions, on the one hand, and salary and wage erosion as a result of higher taxes and inflation, on the other, have made it almost impossible to find the 15 percent deposit, let alone meet the high monthly repayments.

However, banks and financial institutions, whose livelihood depends on helping people buy cars, have been putting their thinking caps and decided that if people cannot afford to buy a new car, they should be at last be enabled to drive one.

This has resulted in a number of schemes aimed at helping people with little cash to take possession of a new car and use it as their own.

Because of the poor financial position of the average South African, there is a growing acceptance of the “drivership” concept, as opposed to ultimate ownership, a banker says.

Schemes now available give people two choices.

One is to pay less while using the vehicle, but giving up the right of ultimate ownership at the end of the agreement.

However, most schemes enable the user to obtain ownership after negotiation.

The alternative is to pay a lot more every month and retain a full possession when the agreement ends.

Currently buyers have to put down a deposit of 15 percent and repay the balance over 42 months.

McCarthy, one of the biggest dealers, has launched a “drivership” scheme, which enables users to obtain a car with no deposit and a payment period of more than 42 months, if required.

The scheme enables a private motorist to acquire the use of a Mazda 323L, a Toyota 1.3L, or a VW Citi: Golf 1.3, all which cost just under R20 000, for a payment of less than R500 a month over 42 months.

A Nissan Sentra 1.3L, which costs slightly over R20 000, is available for a monthly payment of R652.

The scheme is entirely legal, and does not infringe either the Usury Act or the Credit Agreement Act, says Theo Swart, joint MD of McCarthy.

It is based on the joint-ownership principle, the user and the bank supplying the finance both having a stake in the car.

The bank’s stake, normally 30 percent to 40 percent of the selling price, is determined at the time of the agreement.

The R600 a month payment covers interest and the repayment of capital on the user’s stake and interest on the bank’s share.

At the end of the 42-month period the user has the choice of handing the car back to the bank or buying the bank’s share in the car and retaining it.

To run a Mazda 323L costing R19 850 for 41 months would cost the user 12 payments of R594.75, a total of R24 679.50.

Should one acquire the bank’s stake in the car and obtain ownership one would have to pay a further R9 925, a total of R34 604.50.

But banks point out that as things are going, the bank’s value could well be much less than the car is worth.

By taking ownership the user could sell the car for a profit.

Stamnic, the motor financing arm of Standard Bank, has a similar scheme called MotorDream, aimed primarily at the up-market user with company car allowance.

It enables a person with no deposit to acquire a car and make repayments for up to five years.

One can then return the car, buy it from the bank, or negotiate a further agreement.

MotorDream enables a motorist to acquire a car costing R31 938 before GST for R587 a month over four years.

The transaction includes a full maintenance lease costing R138 a month, of which the motorist gets back 85 percent of the unexpended portion.

Over the 48-month period the monthly payments, excluding the maintenance lease, amount to about R41 000.

Should the motorist want to buy the car, a further R15 000 will have to be laid out, depending on the size of the bank’s share in the car.

The Government wants to crack down on domestic spending and may not like these schemes.

But there is no doubt that they will help to get new cars out of the showroom, keep the industry going, help banks end money and enable motorists to drive mechanically reliable vehicles. — all reasonably worthwhile objectives.
Spareco keen on deal with Midas

By Don Robertson

Motor Supplies last year. But both are still hungry and Spareco believes they could come closer together. Midas and Spareco, top contenders in the wholesale and retail sectors of the industry, already have a marketing agreement, although it has no financial implications.

Both are members of the National Automobile Parts Association (Napa), which operates as a co-op to offer collective buying power to customers. The combined purchasing power of Midas and Spareco would help to keep costs down.

Midas is top in wholesale and Spareco leads in retailing, so there is a case for synergy.

Prospects

Chris Sladden, chairman of Spareco, says that because of the synergy, his company would not be silly to rule out closer co-operation between the two companies. “Because of our bright prospects, we are always looking to Midas about closer links,” he says. But Graham Walker, financial director of Midas, says his company is always in an acquisitive mode.

“There is certainly synergy between the two companies and we are always looking for businesses which are close to our operation.”

The combined turnover of Midas-Adeo will be about R340-million in the year to February next. Midas contributed R280-million and Adeo R60-million.

Objections

Spareco forecasts turnover of R200-million in the year to June, R198-million coming from it and R10-million from Fleshmans.

Fears of Competition

Board objections to the two coming together have been dispelled because the industry is worth R3,5-billion a year and growing. The Midas-Adeo deal will result in a group with 177 outlets, all of which are franchised. Each company has seven branches and there could be rationalization.

As part of the deal, fully paid renounceable letters of allocation will be offered to the major shareholder of Adeo, Ronald Norwitz, who has a 67% stake.

Under certain circumstances, they will be offered to minority shareholders who will have the right to hold them or sell them to either the McCarthy Group, which has 30% of Midas, or to Federal Volskeleggings, which also has an interest in Midas.

Trucks

Midas’ main operation is the wholesaling of spare parts to franchises. About 60 000 line items can be held by a parts operation. Midas supplies about 15 000, but with the Adeo combination, the figure is expected to grow.

The deal will also give Midas an entry into the truck market because Adeo is a major supplier of diesel fuel systems, electromagnetic retarders and turbo-chargers.

Spareco will receive 36 outlets from Fleshmans to take its total to 76. The deal will also bring back Eddie Motor Sales of Pretoria, a major dealer.

The company has also established Spareco Europe. It will use experts to earn foreign currency credits in terms of the Franco-Six local content to help finance its imports.

Bottom

The share prices of three of the four companies have risen in the past year because of acquisitions, rumours and the potential of the parts industry.

Midas shares reached a low in September last year at 650c, rose to a peak of 1 425c and are now trading at 1 325c, the price at which the Adeo bid was made.

From a low of 375c in September, Spareco rose to 77c before settling at 39c this week. Adeo rose from a bottom of 43c in August to a peak of 59c. It is trading at 17c.

Fleshmans was at a low last month, having peaked at 370c in January. It is now trading at 85c, or 5c below the Spareco bid price.
Nissan wants a clean-up

By Don Robertson

MANUFACTURERS of large and medium trucks are insisting that body panels fitted to their vehicles be inspected by a dealer if the warranty is to be honoured.

Many trucks have experienced mechanical problems related to the incorrect fitting of bodies. The makers are seeking greater co-operation with body-builders.

In most instances, vehicle manufacturers supply only a chassis and cab and bodies are fitted by outsiders.

The problem has become so important that Nissan Diesel has produced a 35 page brochure directed at the body-builder.

Dave Scott, managing director of Nissan Diesel, says that closer co-operation with body-builders is required.

He insists that all vehicles be inspected and signed off by an accredited representative of Nissan Diesel before leaving the premises of a body-builder. The vehicle should go to several companies for equipment fitting, be inspected and approved by each.

Mr Scott says cases have arisen where a transmission differential or engine has broken down, even after 100,000km, because of an incorrectly fitted body. Bodies which are too heavy for the engine size have also caused problems.

Nissan is worried about electrical systems, safety, quality, the installation of the sub-frame, brakes and weight distribution.
Toyota presses to cut imports

TOYOTA is installing presses worth R8-million to produce body parts at its new R41-million toolroom at Prospecton, near Durban.

In the past, body parts for run-out models have been imported.

The presses will play an important role in the company’s import substitution programme which will help save foreign currency.

Two 1 350-ton hydraulic and three 600-ton mechanical presses will be used for stamping body panels for run-out models.
THE Industrial Court this week ordered an Atlantis engineering company to withdraw a memorandum sent to employees earlier this month.

The memorandum, which was circulated to all employees of Atlantis Diesel Engineering (ADE), advised workers that they had the right to belong to any union of their choice.

The National Union of Metalworkers of South Africa (Numsa), which has majority membership at ADE, told the court that the memorandum was aimed at splitting up its membership.

A Numsa spokesperson said management had issued two memorandums over the past month which had a "disruptive effect" on union activities at the company.

The memorandums were in connection with wage negotiations between the company, Numsa and six other unions. Numsa was the only union to reject the company's offer of a 15 percent wage increase across the board.

After the memorandum was issued, about 200 of the union's 1100 members resigned from Numsa.

The Numsa spokesperson said the union was moving towards a strike ballot, following the deadlock in talks at the Industrial Council.

1 August 1989
VW plant closed over ‘absenteeism’

OWN CORRESPONDENT

PORT ELIZABETH — Volkswagen closed all production lines in Uitenhage plant because of "high absenteeism and unprocedural industrial actions", a company spokesman said yesterday.

But this was disputed by a trade union official, who attributed the closure to strike actions by workers in other allied motor trade industries.

Samecor in Pretoria also closed down after about 3000 workers went on strike yesterday to back demands for higher pay.

A VW spokesman said that in the interest of productivity and effective and economic functioning of the plant, there was no alternative but to close the plant.

Mr Phumzile Gomomo, a spokesman for National Union of Metalworkers (Numsa) and Cosatu vice-president, denied that VW workers had gone on unprocedural industrial action.

He said VW management had felt it would be uneconomic to continue production since the company had been affected by strikes in Goodwood, now entering the fifth week, Bosal Afrika and at Hella plant also in Uitenhage.

Mr Gomomo said workers had demanded a report-back meeting on the ongoing wage negotiations, but found production lines already closed when they went back to resume duties on Monday.

The union felt strongly about this, he said, adding that Numsa had challenged management about the closure of the production lines.

Mr Gomomo said workers were committed to resume duties any time the production lines were opened.

A spokesman for the workers at Samecor said the stoppage began because workers demanded an increase of about R1.50 an hour while the company offered 46c.

National wage negotiations are currently taking place in Port Elizabeth.
Motor industry
pay strike now
affects 13 000

By Mike Siluma, Labour Reporter

The wage strike in the motor industry, already affecting Volkswagen and Samcor, yesterday spread to Toyota plants in the Transvaal and Natal, bringing to nearly 13 000 the number of workers involved.

Confirming the closure of the company's Uitenhage plant, a Volkswagen spokesman said "as a result of high absenteeism and unprocedural industrial action", it had become impossible to continue production.

Production lines would remain closed "until shop stewards confirm employees are prepared to follow agreed-to rules and maintain acceptable production standards". About 5 500 workers are affected.

In Pretoria, a two-day strike by about 3 000 workers at Samcor's assembly plant led to a lock-out and plant closure yesterday.

Samcor's managing director, Mr Spencer Sterling, said the decision to close the plant and lock workers out followed the failure of the National Union of Metalworkers (Numsa) to give assurances that workers would not engage in further stoppages if they were allowed to return to work.

A worker spokesman at Toyota said 3 000 workers were on strike at the company's Prospecton, Durban, assembly plant. A further 1 000 had withdrawn their labour at Toyota's subsidiary, Rowen SA, also in Natal. About 400 had downed tools at Toyota's marketing division, near Sandton, Transvaal.

Although Numsa spokesmen could not be reached for comment, worker spokesmen said the strikers were demanding, among other things, a 40-hour working week, individual increases of R2 per hour and a minimum rate of R6.58 per hour.
Car firm closes plant

SAMCOR has closed its plant following an “illegal” work stoppage by about 3,000 workers sparked off by a wage increase disagreement.

Before the closure, workers were given a circular in which they were warned to report for duty on August 1 and commence work in a normal manner or face disciplinary action.

The circular, signed by Mr. E. Berdzenhout, the company’s labour relations manager, said that the “illegal and unfair” work stoppage would be recorded on workers’ conduct records as a further warning.

The circular added the plant would be closed with immediate effect.

The strike started on Monday following a pay disagreement between the workers, represented by Numsa, and the company, represented by the Steel Engineering Industries Federation of South Africa (Seifisa).

The workers demanded R1.50 an hour increase, whereas Seifisa offered them 45c. The negotiations are in Port Elizabeth.

Soweto
3/8/89
New car deliveries delayed by strikes

own Correspondent

JOHANNESBURG — The supply of new cars to customers could be delayed after wildcat strikes at four motor plants this week.

The strikes by more than 10,000 workers at Volkswagen in Uitenhage, Toyota's Prospecton factory and Sameor's Pretoria and Port Elizabeth plants has caused the shutdown of production lines this week.

A VW spokesman said after talks with worker representatives that it had been agreed normal production would restart today.
13,000 Strike for Pay at Three Motor Companies

The Argus Correspondent
JOHANNESBURG — The motor industry has been hit by strikes involving nearly 13,000 workers.

The wage strikes already affecting Volkswagen and South African Motor Corporation (Samcor) spread yesterday to Toyota plants in the Transvaal and Natal.

Confirming the closure of the company's Uitenhage plant, a Volkswagen spokesman said that "as a result of high absenteeism and in procedural industrial action" it had become "impossible to continue production."

Production lines would remain closed "until such time as shop stewards confirm that the affected employees are prepared to resume normal work, follow agreed-to rules and procedures and maintain acceptable production standards."

Discussions with the trade unions were continuing. The spokesman said about 5,500 workers were affected by the closure.

In Pretoria a two-day strike by about 3,000 workers at Samcor's assembly plant led to a lock-out and plant closure yesterday, said Samcor's managing director, Mr Spencer Sterling.

Mr Sterling said the decision to close the plant and lock workers out followed the failure of the National Union of Metalworkers to give assurances that workers would not stage further stoppages if they were allowed to return to work.

He said the main issue was the union's demand for immediate national negotiations with all the motor manufacturers.

There was no direct dispute between the union and the company yet.

A worker spokesman at Toyota said 3,000 workers were on strike at the company's Prospecton, Durban, assembly plant. A further 1,000 had withdrawn their labour at Toyota's subsidiary, Rowen SA, also in Natal. About 400 had downed tools at Toyota's marketing division, near Sandton, Transvaal.

A Toyota spokesman confirmed that workers had been on an "illegal work stoppage" at Prospecton since Tuesday. He said similar work stoppages took place at other Toyota facilities in Durban and Sandton, but would not elaborate.

Although union spokesmen could not be reached for comment, worker spokesmen said the strikers were demanding, among other things, a 40-hour working week, individual increases of R2 an hour and a minimum rate of R8,58 an hour.
Fewer players

The acquisition by Lysnat, which controls motor spares retailer Spareco, of a controlling 54% in spares supermarket chain Fleishman's, means further concentration of the SA spares industry into the hands of a few major companies. A link between Spareco and Midas is now being speculated.

Lysnat's acquisition is being paid for in cash and Spareco shares. A simultaneous Spareco announcement that negotiations referred to in a cautionary announcement are off, indicates that Lysnat took control of Fleishman's in a pyramididing exercise. But Fleishman's is likely to be brought into Spareco later, with other assets.

The National Automobile Parts Association (Napa), a company controlled by Midas, acts as a co-operative franchise supplier to independent spares retailers. Via Napa, Spareco is now Midas's largest franchisee.

Spareco must want to fly more under its own rather than the Midas franchise banner. And it reportedly has ambitions in wholesaling. But launching in those directions would surely result in war with Midas, which lives up to its powerful name. Midas, in turn, must be taken attahed by the speed at which Spareco has taken a commanding lead in SA spares retailing. Spareco, listed via Eurefin last November, now has 75 retail outlets from Messina to Cape Town.

A closer link between the two seems a solution. They are already in close daily contact. Neither will confirm that there have been negotiations.

Assuming a "rationalisation," there would be three major players in the industry: Spareco/Midas, Hunts' automotive division and M&R's FMS. M&R has said one of its priorities is to boost spare manufacturing. The rising costs of holding automotive stock and installing computerisation almost demands major players. Industry sources say the concentration of power will probably result in keener pricing rather than less competition.

Tegue Payne
Numsa row over wage differential

The National Union of Metalworkers (Numsa) is unhappy about negotiations over wages in the motor industry.

This led to a walkout by Numsa at the last negotiating session of the industrial council and the declaration of a dispute with employers in the South African Motor Industry Employers' Association and the South African Vehicle Body and Repairers' Association.

The walkout was to register a twin protest, at the wages the employers were offering and that two other unions on the council, the Motor Industry Staff Association and the Motor Industry Employees' Union accepted the offer, and proposed the council vote on the offer.

With the employers representing their own interests and the other two unions representing well-paid artisans, mainly white, a vote would have been a foregone conclusion. Numsa would have been outvoted and lower-paid employees in the industry, mainly black, would have had the employers' offer foisted on them.

Numsa said "While the agreement rates for white artisans are R6.00 an hour, they can command actual wages of sometimes R12.00 an hour because of their privileged positions in South African society, while a petrol pump attendant must provide for a family on R1.50 an hour and a general worker in the small towns on R1.24."

"Numsa refuses to accept that the white unions and the employers could conclude an agreement on conditions of employment when a substantial number of employees in the industry, who happen to be black, rejected those conditions."

"This undemocratic decision clearly illustrates the racism and exploitation that has been practised in the industry over the years."

"Because of this attitude and the injustice of the industrial council that the offer of the employers be accepted on a vote, the Numsa negotiating committee walked out of the meeting."

Fortunately there are procedures for declaring disputes and for attempting to settle them. A Numsa spokesman said this week these were pending.

The negotiations affect about 100,000 employees in filling stations, vehicle repair workshops, component manufacturing plants and engine reconditioning and automotive engineering shops.

According to Numsa, employers started with a 7 percent offer, but excluded certain groups of employees like journemen and petrol pump attendants. This offer was later increased to 12.5 percent on the gazetted grades, excluding:

- Clerical workers, shop assistants and sales personnel in smaller towns with three or more years' service.
- Petrol pump attendants who would get 5 percent, and,
- A 20 percent increase on gazetted grades for employees in vehicle body rebuilding, manufacturing and reconditioning establishments.

Numsa's objection to this offer was that it excluded some employees and that increases on gazetted grades did not necessarily mean an increase in real wages.

Its counter proposal was that no employee be excluded from increases, that increases should be not less than 20 percent, and that they be on the actual wages of employees and that those employees in small towns earning R1.20 an hour be brought immediately to R2.50.

It was at this point that it all went Humpty-Dumpty and somebody will have to try and put it together again.
BIDCorp looking for a target

By Ian Smith

FAST-MOVING entrepreneur Brian Joffe is accustomed to acquisition talk after his every move.

But the ink was barely dry on the good results this week from his BIDCorp vehicle, which disclosed near-cash of R33-million, before suggestions of another merger or acquisition surfaced.

Mr Joffe says he is talking to other companies in pursuit of his aim to develop BIDCorp into a national trading and distribution operation.

But he denies that Score Food Holdings is the target.

"We are always talking to someone, and we will do something sooner or later. But we have not opened negotiations with Score."

Halt

Score managing director Carlos dos Santos says "We are not looking to buy anyone right now and we will never be sellers."

Score has been out of favour in the market since Grand Supermarkets halted the group's profit climb last year. A 19% fall in earnings to 83c a share in the year to February 25 did nothing to change sentiment. The share price is languishing at 55c, down from 1.40c a year ago. This week it put on 5c.

On the other hand, BIDCorp, which emerged from cash-scratching nearly nine months ago, has gone from strength to strength.

First, Mr Joffe reversed respected food and catering supplies distributor Walter A Chipkin into the shell. Then he brought in frozen-food distributor Sea World and acquired control of Curries from March 1. From July 1 the group acquired 100% of National Spice and Ervig and Stephens.

BIDCorp beat Mr Joffe's earnings forecast for the eight months to June 30 by 24%.

Turnover of R129.4-million produced earnings of R3.4-million -- 92c a share against the forecast 74c. A dividend of 22c, covered 2.5 times, was declared.

Mr Joffe says the impetus will be maintained.

"Despite the slowdown in the economy I believe attributable earnings will grow in excess of the inflation rate in the next year of operation."
6000 Volkswagen staffers back to work

PORT ELIZABETH. — More than 6000 workers at the Volkswagen plant in Uitenhage return to work today after the factory was closed for a week.

Strikes and factory closures last week affected three manufacturers and resulted in more than 13,000 workers at Volkswagen, Toyota and Samcor being out of work for at least four days.

And, coupled to this, is further strike action by Numsa (the National Union of Metalworkers), planned to start today, which involves workers at 50 Dorbyl factories throughout the country.

A spokesman for Volkswagen said production was stopped last week due to “high absenteeism and unprocedural industrial actions”.

However, Mr Phumzile Gomomo, a spokesman for Numusa and Cosatu vice-president, attributed the closure to strike action by workers in allied motor industries.
Motor trade profit shows 7.7% decrease

EDWARD WEST

The net profit of the motor trade for the first quarter of 1989 showed a decrease of 7.7% compared with the last quarter of 1988, the CSS reported.

This data was based on a quarterly survey of wholesalers and retailers in motor vehicles and accessories.

The total capital expenditure on new assets for the first quarter of 1989 showed an increase of 2.9% compared with the last quarter of 1988. The largest capex increases occurred on non-residential buildings at 19.6% and vehicles at 42.2%.

The amount owing by trade debtors for the first quarter of 1989 showed an increase of 15.7% compared with the last quarter of 1988, the CSS said.
PORT ELIZABETH — About 14,000 workers are now affected as strikes for higher wages at several factories continue to escalate — 4,000 were dismissed at one factory yesterday, while lockout notices were served on 2,000 at two other plants.

Nearly 4,000 workers at the Prospecton assembly plant of Toyota in Durban were dismissed yesterday after they did not resume their duties.

Meanwhile, nearly 1,200 National Union of Metalworkers of South Africa members on strike at Goodyear are to be served with lockout notices today, following the more than 800 Numsa members locked out of Eveready yesterday.

At the Volkswagen plant in Uitenhage and the Samcor plants in Pretoria and Port Elizabeth, there was also no production.

At Volkswagen the factory was closed because of the high absenteeism — affecting almost 5,000 workers — and at Samcor workers struck for the fifth consecutive day, affecting more than 3,000 workers.

At Goodyear it was stated in a notice that contracts of employment would be terminated and workers would not be allowed access to the company's premises.

Goodyear set out its proposals on the disinvestment dispute and attached it to the notice. Public relations manager Mr Mike London said: "If an employee does not sign the acceptance form and return to work by 9am on Friday, August 11, the company's offer will lapse and the termination of employment will stand."

Meanwhile, at Eveready Numsa members were locked out while office workers were told they could take a day's leave if they wanted to stay away or could be met at Greenacres and bussed into the plant.

According to Numsa, workers assembling outside the company gates were met with a show of force from armed police, two Hippo and four other police vehicles yesterday. They were told by a policeman using a loudhailer that the company had reported to a legal lockout.

It was reported earlier that nearly 4,000 workers at Toyota were dismissed yesterday after not resuming duties. This follows the shutdown of the Prospecton plan on Thursday when Toyota obtained an urgent Industrial Court order calling workers to end unlawful action.
Motor industry strike enters sixth day

Union condemns dismissal of 3600

By Mike Sihima, Labour Reporter

The National Union of Metalworkers (Numsa) today condemned the dismissal by Toyota of about 3600 strikers and called on the company to join national negotiations currently taking place between the union and car manufacturers.

Toyota yesterday dismissed the 3600 at its Prospecton, Natal, car assembly plant, as more than 12,000 motor industry workers continued strike action for the sixth day.

Instructions

A Toyota spokesman said the hourly-rated employees were "regrettably" fired after failing to "return to work despite an industrial court order and various oral and written instructions to return to work".

However, Numsa spokesman, Mr Les Kettledeas said the workers were dismissed merely because they reported for duty but did not start work immediately.

"Toyota is one of the companies which have consistently resented national wage negotiations, and the dismissals are part of the company's strategy to force workers to abandon their struggle for national wage talks. This is totally unacceptable and workers do not regard themselves as dismissed," said Mr Kettledeas.

He said workers wanted Toyota to withdraw a court order served on workers last week and that the company should return to the national negotiating table with other car manufacturers.

A worker spokesman said about 1000 workers had returned to work at Toyota subsidiary, Rowen SA, also in Natal.

About 400 strikers also resumed work at Toyota's marketing division near Sandton, after management withdrew a precondition that they undertake not to embark on further industrial action, said the spokesman.

Spokesmen for Samcor and Volkswagen said the companies' assembly plants in Uitenhage, Port Elizabeth and Pretoria remained closed as a result of the strike.

Talks

National wage talks between Numsa and six motor manufacturers, including strike-bound Volkswagen and Samcor, are due to resume in Port Elizabeth on Thursday.

- Numsa said it was considering what steps to take in the wake of the lock-out of about 1300 Numsa members on strike at Goodyear's Port Elizabeth plant following a disinvestment dispute with the company. At the same time, another Eastern Cape company, Eveready, also locked out about 800 Numsa members following a wage dispute. Attempts to resolve the disputes at conciliation board level have failed.
Goodyear imposes lock-out as general labour talks intensify

TOYOTA management and worker representatives met for several hours yesterday in an effort to resolve the dispute which led to the dismissal of 3000 employees on Monday.

The proposed lock-out of 1200 Goodyear workers began, and management's industrial action over wages at Eveready entered its second day.

Toyota group personnel director Theo van den Bergh said talks had focused on ways of accommodating NUMSA demands for the company to rejoin the industry wage negotiations and the company's desire for a return to normal operations at its Prospecton plant.

Spokesmen for Samcor and Volkswagen reported no change in the situation at their plants, which have also been closed since Tuesday last week.

Mercedes reported a lunch-hour demonstration by workers against the Labour Relations Act at its East London plant.

Eveready industrial relations manager Barry Easton said "some" of the nearly 1000 locked-out employees had responded to the lock-out by accepting the company's wage offer.

He denied claims by NUMSA and the SAP, reported yesterday, that management had called in police on Monday.

He said police told management that because people were dancing and chanting in a public street, traffic could be disrupted. They had had to come in to remove them. Workers gathered on company property yesterday, he said.

A Goodyear spokesman said employees had spent the first day of the lock-out at a union meeting in KwaNobuhle. All had been quiet at the Uitenhage plant.

He said events on Friday — the day by which workers had to accept Goodyear's disinvestment offer or face dismissal — would be crucial.
Countrywide strikes close more motor plants

Staff Reporter

COUNTRYWIDE strikes in the motor industry enter their eighth day with about 12 000 members of the National Union of Metal Workers (Numsa) having downed tools during national pay talks.

A deadlock over wage negotiations has brought productivity at four Eastern Cape plants to a standstill.

Yesterday, Goodyear in Uitenhage locked out 1 200 striking workers on Monday, effectively closed its doors to 500 workers and the Volkswagen plant, where about 5 000 people have stopped working, was still closed today.

At Samcor about 3 000 workmen are affected at its two plants.

A spokesman for Volkswagen said the plant had been closed indefinitely because workers had failed to resume work. Talks were continuing in an effort to normalise the situation.

Goodyear has warned that if employees did not sign an acceptance form and return to work by 9am on Friday, the company's offer of employment would lapse and the termination of employment would stand.

There was a low police presence at the Eastern Cape plants.

In Natal, workers dismissed from the Toyota manufacturing plant at Amarantho have been given the opportunity to reapply for their jobs.

About 3 600 hourly-paid employees were fired on Monday after a dispute between management and Numsa.

A spokesman for Toyota said the workers have until 4.30pm today to reapply for work.

A major recruitment drive was expected to be set in motion today at the Prospecton assembly plant.

In Johannesburg, in an apparent deterioration of relations between Numsa and Toyota, about 400 workers at the company's Sandton marketing division downed tools yesterday in support of 3 600 colleagues fired by the motor manufacturer on Monday.

A worker spokesman at the plant said workers had downed tools after learning of the dismissal of fellow strikers at Toyota's Prospecton, Natal, assembly plant.

Besides Volkswagen and Samcor, other companies taking part in the national pay talks are BMW, Nissan and Mercedes-Benz.

In Cape Town, workers at a city electronics-manufacturing firm have gone on hunger strike to back a demand for a 26% wage increase.

Locked-out Pleissey SA workers, members of the Electrical and Allied Workers' Trade Union of SA (Eawusa) started the hunger strike outside the factory gates from midnight.

The strike is being carried out on a relay basis with those taking part taking no food or drink for 24-hour shifts.

(Cont from page 1)
PORT ELIZABETH — Volkswagen (SA) has withdrawn from wage negotiations and has closed its Uitenhage plant indefinitely.

In a statement released yesterday, Human Resources Director Mr Brian Smith said the company had withdrawn from negotiations with the National Union of Metalworkers' Association (Numsa) as it considered the strike by its members at its plant in Uitenhage to be a breach of the good faith required in wage negotiations.

Mr Smith said the strike was totally unacceptable and that the plant would remain closed till the company received an undertaking from Numsa that employees would resume their duties in accordance with their contracts of employment.

At Sameer's Port Elizabeth and Pretoria plants the situation remained unchanged with 8,000 workers still on strike.

A spokesman for the company said the Port Elizabeth and Pretoria plants were still closed.

At Goodyear, everything was quiet with the gates still locked and only those workers not on strike being allowed in.

Goodyear has fired more than 1,000 workers but told them they would be reinstated if they reported for work no later than 9am tomorrow and signed an acceptance form binding them to certain conditions of employment.

The incident at the company follows the action at Eveready on Monday when management locked out about 800 workers over a wage dispute.

Only a trickle of workers arrived at the Toyota plant at Amanzimtoti, north of Durban, yesterday to reapply for work, SABC radio news reports.

Management has given the 3,600 workers who were dismissed on Monday till 4.30pm today to reapply.

Recruitment tables outside the Toyota manufacturing plant in Prospecton remained virtually unused when workers who had been fired failed to reapply for their jobs.

"As far as we are concerned, we have not been dismissed but are still on strike," said a Numsa shop steward.

"We are quite prepared to go back if management re-enters national negotiations with Numsa, withdraws the industrial Court interdict obtained against us and retracts its termination of employment circular."

Motor components manufacturers will have to begin cutting back on production if the industrial action at four assembly plants does not end soon, according to the National Association of Automotive Components and Allied Manufacturers (Naacam). — Sapa, Own Correspondent.
Employers won’t bargain

Motor industry strikes could derail wage talks

By Mike Saluma, Labour Reporter

National wage talks are scheduled to resume today between the National Union of Metalworkers and motor industry employers in the midst of unprecedented industrial action in the industry.

More than 12,000 motor industry workers have been on strike at assembly plants owned by Samcor, Toyota and Volkswagen since Monday last week to back a wage claim.

And yesterday a second strike-hit company, Volkswagen, threatened to discontinue negotiations with Numsa if workers continued the strike at the company’s Uitenhage factory, which has been closed indefinitely.

Volkswagen’s human resources director, Mr B K Smith, said yesterday that Numusa shop stewards had informed management that members would remain on strike until demands for an across-the-board increase of R1.50 an hour and improvements in benefits were met.

Mr Smith said the “illegal” strike by Numusa members was unacceptable.

Volkswagen was not prepared to continue with the national wage talks, which resume today in Port Elizabeth, while workers were on strike, he said.

Numsa spokesman Mr Les Kettledas said about 3,600 members dismissed by Toyota at its Prospecton, Natal, plant on Monday had resolved not to re-apply for their jobs because they did not recognise the dismissals.

Another union spokesman said 400 workers at Toyota’s Sandton marketing division had come out in solidarity with their Natal colleagues.

A Toyota spokesman confirmed the Sandton strike.

A Samcor spokesman said the company’s assembly plants in Port Elizabeth and Pretoria were still closed.

Besides Volkswagen and Samcor, other companies taking part in the national pay talks are BMW, Nissan and Mercedes Benz.

Toyota management has described the continuing strike in the motor industry as the worst ever, and blamed workers for failure to find a settlement.

Workers have accused management of resisting wage negotiations, but management says the union at the centre of the troubles is the forum of the negotiations.

In a statement, Mr Theo van den Bergh, Toyota’s director of public relations, said Toyota was prepared to negotiate in any forum to achieve stability in the industry.

He accused the National Union of Metalworkers of persistently blocking attempts to find a solution.

Toyota fired about 3,600 workers at its manufacturing plant in Prospecton on Monday for defying a court interdict to return to work.

The statement said Numusa had continually refused to talk directly to Toyota.

“Toyota subsequently entered the (national) negotiations as a sign of good faith, on the condition that the employees, with the union’s support, refrain from industrial action during the period of negotiation.

“Unfortunately the style of the negotiations made it a one-sided affair. Employer offers were rejected outright.”
Delivery of new cars hit as strikes bite

The Argus Correspondent

JOHANNESBURG — Delivery of new cars from strike-bound motor plants could drop to a trickle if the wrangle over wages between employers and the National Union of Metalworkers (Numsa) drags on.

Spokesmen for the three companies — Volkswagen, Toyota and Samcor — said yesterday that there were long waiting lists for some models and delivery could be delayed. The strike, they said, had already affected dealers with low stocks.

The week-old strike involves more than 12,000 motor industry workers who are asking for wage increases and improved service benefits.

Mr Brandt Pretorius, managing director of Toyota, said there were waiting lists for the company's cars and all commercial vehicles whose delivery would be affected if the strike was prolonged.

Talks between the National Union of Metalworkers of South Africa and car manufacturing company Toyota were scheduled to resume again today at the Prospecton plant near Durban.

The company set up recruitment points at the plant yesterday for workers who wished to apply for rehiring. While workers turned up yesterday, very few had applied, a union official said today.

A Toyota spokesman said today that the situation at the Durban plant was unchanged and that recruitment stations had been set up at various points again for the benefit of the workers who wished to resume work.

"Further discussions have been scheduled with union members today by management and a number of issues relating to re-employment and the national negotiations are on the agenda," he said.

About 20 percent of the workforce had been re-engaged, he said.

However, Numsa's negotiator, Mr Les Kettledeas, said it was "absolute nonsense" that 20 percent had been re-engaged. "Our information is that only 36 people, all women, have re-applied." Mr Kettledeas confirmed that negotiations would resume today.
3000 opt to return at Samcor

Own Correspondent

JOHANNESBURG — In the first sign of progress towards ending the 10-day-old motor industry strikes, 3000 striking Samcor workers in Pretoria and Port Elizabeth have decided to return to work from Monday.

The industry's wage negotiations, due to resume yesterday, were postponed until Wednesday as the Volkswagen and Toyota pullout meant that the employer side was unable to provide a quorum for the meeting.

Numsa's Mr Les Kettledeas said yesterday that the Samcor workers' decision had been facilitated by management's 'positive approach' to the problem, which he contrasted with VW's and Toyota's withdrawal from talks and Toyota's dismissal of its workforce.

Toyota personnel director Mr Theo van den Bergh said Toyota had decided not to implement its 4pm deadline yesterday after which the company was to have begun recruiting workers on the open market.

He said this was to allow the company and the union more time to reach a mutually satisfactory solution, and to allow representatives of the 400 workers dismissed from the Johannesburg parts and distribution centre to join discussions. No new deadline had been set.

Mr Van den Bergh said 25% of the 3600-strong Prospecton workforce had reapplied for their positions by yesterday on the basis that they were willing to resume work.

Mr Kettledeas, however, said "Our information is that only 36 people, all women, have reapplied."

Mr Van den Bergh said "some further ground had been covered" in yesterday's discussions but some thorny issues remained to be resolved. Talks would continue today.

VW human resources director Mr Brian Smith said shop stewards had requested and been granted facilities for a mass meeting on company premises today. They had said they would try to persuade members to return to work.

But Mr Kettledeas said the meeting was simply to review the situation.
New-car buyers face long delays

By DI CAELERS

NEW-CAR buyers, who already wait up to six weeks for delivery of popular Toyota and Volkswagen models, now face indefinite waiting periods with factory production at a standstill.

Volkswagen South Africa's stock yard is empty, according to Mr Ronnie Kruger, the company's public affairs general manager, who said the shortage would soon hit local agents.

Toyota have produced no vehicles at all for the past week when they would normally produce 400 each day, said Mr Brand Pretorius, managing director of Toyota SA Marketing.

The shortages follow a week-old strike at the plants, and at Samcor, involving more than 12 000 motor industry workers who are asking for wage increases and improved service benefits.
Motor industry runs into supply problems

Finance Staff

The motor industry's ability to meet the demand for new vehicles is coming under further pressure as a result of industrial action in sectors of the component supplier industry and at various vehicle manufacturing plants.

Outstanding orders continue at a high level and the National Association of Automobile Manufacturers (Naamsa) warns that recent production losses will aggravate an already precarious dealer inventory position and result in lower new vehicle sales during August, 1989.

New car sales in July declined marginally by 0.6 percent to 19,847 units from the 19,973 units sold during June.

Compared with the corresponding month of July last year, the year-on-year decline was 171 units or 0.8 percent.

January to July new car sales increased marginally by 0.4 percent to 132,730 units (132,205).

Total new vehicle sales for the seven months to July were 0.9 percent up at 207,745 (205,804 for the same period in 1988).

Sales of new light commercial vehicles during July, 1989 increased by 2.3 percent to 10,810 units from the 10,683 units sold in June, 1989.

July sales of medium commercials and heavy trucks and buses declined by 11.3 percent and 14.4 percent compared to June sales.

Naamsa said that July normally represented an above average sales month and that vehicle sales totals for the month had been in line with industry expectations.

The organisation said replacement demand by the corporate fleet sector and car rental sector, underpinned by strong corporate earnings, remained the dominant influence in the market.

Naamsa went on to state that many corporations had resorted to forward buying to pre-empt expected new vehicle price increases and this trend had been reinforced by the uncertainty about the impact of the new local content programme on future vehicle pricing.

While strong consumer sales underpinned new car and light commercial vehicle sales in the next four to five months, the market remained vulnerable to any sharp slowdown in the level of aggregate domestic spending said Naamsa.
First sign of thaw in motor strike

IN THE first signs of progress towards ending the 10-day rash of motor industry strikes, 3,000 striking Samcor workers in Pretoria and Port Elizabeth have decided to return to work from Monday.

Wage negotiations, due to resume yesterday, were postponed until Wednesday as the Volkswagen and Toyota pullout meant that the employer side was unable to provide a quorum for the meeting.

The wildcat strikes began as an expression of dissatisfaction by workers at the slow progress of the first-ever industrywide wage negotiations.

Numsa's Les Kettlelas said the Samcor workers' decision had been aided by management's "positive approach" to the problem, which he contrasted with VW and Toyota's withdrawal from talks and Toyota's dismissal of its workforce.

Toyota personnel director Theo van den Bergh said Toyota had decided not to implement its 4am deadline yesterday after which the company was to have begun recruiting workers on the open market.

This was to allow the parties more time to reach a mutually satisfactory solution and to allow representatives of the 403 workers dismissed from the Johannesburg parts and distribution centre to join discussions.

No new deadline had been set.

Van den Bergh said 25% of the 3,600-strong Prospecton workforce had reapplied for their positions by yesterday on the basis that they were willing to resume work, but said Kettlelas, "workers are not flocking to the recruitment stations".

Van den Bergh said "some further ground had been covered". Talks would continue today.

VW human resources director Brian Smith said shop stewards had requested and been granted facilities for a mass meeting on company premises today.

Gerald Reilly reports that the National Association of Automobile Manufacturers said total vehicle sales in January-July increased by 1,239 to 206,745 compared with the same period last year.
Motor strike: Most workers may be back on Monday

By EDDIE KOCH

THE marathon wage strike in the automobile industry — which shut down more than half the country's assembly lines and stopped production of up to 9 000 vehicles — has entered its 10th day.

Late last night union sources said there were strong indications that 4 500 workers at two SA Motor Corporation plants and 6 000 strikers at the Volkswagen assembly line in Uitenhage would go back to work on Monday.

But the National Union of Metalworkers of South Africa (Numsa) said a hard-line attitude by the management of Toyota's strike-bound plant in Prospecton, Durban made it unlikely that its 3 500-strong workforce would stop striking.

The Mercedes Benz assembly line near Port Elizabeth was also hit by a series of worker demonstrations and placard protests against the controversial Labour Relations Act but did not experience any loss of production.

Mercedes workers have also stopped handling Goodyear tyres in solidarity with 1 200 workers who have been staging a one-month strike against the way in which the multinationals
Motor strike: Thousands may return on Monday

From PAGE 1

But the wave of militancy has led many of the vehicle firms to reconsider their position. Toyota's industrial relations director Theo van den Bergh said national bargaining had "resulted in the worst-ever industrial action in the industry to date" and this confirmed reservations that the company had from the start.

But Numsa representative Les Ketefias told the Weekly Mail the union was determined to press its demands for national wage talks.

The organisation had made this demand as part of a counter-management's tactic of deregulating and trying to exempt as many plants as possible from minimum conditions of employment, he said.

Proof that this was becoming a favoured employer strategy could be found in the way employers opted out of the industrial council for the paper and print industry and attempted to exempt smaller firms from last year’s wage talks in the metal industry.

Apart from wages, Numass' other demands in the national talks include: a 40-hour week; six months paid maternity leave; retrenchment pay equivalent to one month’s wages for each year of service, and freedom from the fear of dismissal during legitimate strikes.

Numass has also mounted a major campaign for a national negotiating forum in the tyre industry.

Meanwhile the one-month strike by some 1 200 workers at the Goodyear tyre plant in Port Elizabeth dragged on despite company threats to dismiss strikers unless they returned to work by 9.30am today. The strikers have been locked out by the company.

Karen Evans and Justice Segonyela report from Port Elizabeth that Goodyear PRO Mike London has confirmed that workers will be dismissed unless they returned today.

Numass members are demanding separation pay of at least R5 000 for each worker, guaranteed conditions of employment, maintenance of existing labour agreements, pay-out of all pension benefits, and the writng off of all housing loans before the sale goes through.

In May Goodyear informed workers that the sell-out to local company Consol, a member of the Anglo Vaal group, involved a mere change in share ownership.

Meanwhile Mobil SA has announced it will not agree to demands by the Chemical Workers Industrial Union that it make public the agreement of sale under which it was bought out by Gencor this year.

The CWIU said its refusal strengthened union suspicions that the sell-out amounted to bogus divestment and strong links remained between Mobil SA and Mobil US. Until the union was satisfied the US corporation had fully divested from South Africa, Mobil would be a target of the CWIU's campaign to prevent corporate camouflage.

The motor strike also spread to Toyota's marketing division in Sandton, Johannesburg, on Wednesday as some 400 workers walked off the job in a show of solidarity with the sacked strikers in Durban. They want the company to re-enter national wage talks and are demanding their own wage hike of R2 an hour.

There were signs last night that the strike would roll into the Delta factory in Port Elizabeth.

Some 15 000 Numass members downed tools last week at production lines belonging to VW, Toyota and Samcor to back demands made in national wage talks for an across-the-board wage hike of R2 an hour and a minimum wage industry-wide of R6.58 an hour.

VW this week announced it had shut its plant in Uitenhage indefinitely and had pulled out of the wage talks “until such a time as the company receives an undertaking from the union that employees would resume their duties in accordance with their contracts of employment”.

Toyota sacked 5 600 strikers at its Pretoria plant, saying it would re-employ those who were prepared to continue working. At Samcor’s plants in Pretoria and Port Elizabeth the strike remained firm, with workers resisting in and holding report-back meetings on the premises.

VW public relations director Ronny Kruger told Weekly Mail the Uitenhage plant lost an average of 300 vehicles a day while Toyota officials said their production line stopped producing 400 vehicles a day during the strike. Samcor declined to say what its production loss was but it is believed to be more than 200 a day.

This makes a total of 9 000 vehicles lost over the 10 days of the strike.

All three companies have been holding talks with Numass in a bid to resolve the crisis. The union's negotiating team met in Port Elizabeth yesterday to consider a back-to-work plan at Samcor and VW.

Numass organiser Gavin Hartford said, however, that sacked Toyota workers had rejected tough conditions laid down by management for their reinstatement. These included undertakings that workers would refrain from strike action during wage talks, would accept procedures laid down in the Labour Relations Act and would accept disciplinary action against those who had instigated the strike.

At the centre of the upsurge in militancy at Numass' determination to bargain collectively in the industry at a joint national forum with all employers.

This year’s wage talks are the first in which the major car manufacturers have agreed to depart from plant-based bargaining and negotiate with Numass in a single national forum.

Nissan, BMW and Mercedes Benz— together with the strike-bound firms — are party to the talks. Delta is the only corporation that has remained out of the talks.
Motor strike: Most workers may be back on Monday

By EDDIE KOCH

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The organisation had made this demand in order to counter management's tactic of deregulating and trying to exempt as many plants as possible from minimum conditions of employment, he said.

Proof that this was becoming a favoured employer strategy could be found in the way employers optic out of the industrial council for the paper and print industry and announced plans to exempt smaller firms from last year's wage talks in the metal industry.

Apart from wages, Numusa's other demands in the national talks include a 40-hour week; six months' pregnancy leave; retraining pay equivalent to one month's wages for each year of service, and freedom from the fear of dismissal during legitimate strikes.

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Six of the worst

Spencer Sterling describes it as "disruptive" while Brian Kantor calls it "irrational." Industrialist and economist agree nearly six months after its birth, Phase Six of the local content programme for motor vehicles remains flawed and unloved.

Sameer MD Sterling and University of Cape Town economics professor Kantor, found common ground at a panel discussion in Johannesburg a few days ago. The third panellist was Nico Vermeulen, director of the National Association of Automobile Manufacturers (Naamsa).

Kantor is particularly scathing about the programme — and about Board of Trade & Industry (BTI) meddling in the economy. He cites the 17 structural adjustment programmes being considered by the BTI for industry sectors: "In every case, these industries are hoping that they can't win in the marketplace, they will win in Pretoria," says Kantor. Phase Six seeks to reduce imports and encourage import replacement.

"But programmes to induce import replacement add to the cost of manufacturing," he dismisses hopes that Phase Six will help industry export efforts.

The emphasis on import replacement and reduced reliance on imported technology makes this certain: "We will produce technically obsolete cars Is that the route for an export market?" The best hope lies in components rather than vehicles.

Sterling and Vermeulen agree there is a lot of inefficiency in SA's motor industry.

Costs are high compared with other countries and "so industry in the world has ever penetrated a world market from a high cost base," says Sterling.

Vermeulen argues Phase Six and its emphasis on exports will encourage the industry to reduce costs and become internationally competitive. Notes Sterling: "It may be a huge advantage to us. Exports may force us to change."

But he's not altogether optimistic. The BTI took too little notice of motor industry input at planning stage of Phase Six: "We had lots of talks on local content but what came out had almost nothing from the motor industry. The BTI decided what it wanted and that's what it brought out."

Kantor isn't surprised. "There's no point arguing economics with public officials," he says. "Don't confuse the authorities with rational argument."
silent at some point in recent weeks as thou-
sands of striking workers caused manage-
ments to shut down plants The Samcor,
Volkswagen and Toyota plants were still
closed as the FIM went to press, while Mer-
cedes-Benz, BMW and Delta suffered short-
term stoppages on Tuesday
Currently, BMW, Mercedes, Samcor,
Nissan, and Volkswagen are at the negoti-
atng table, Delta and Toyota have pulled out
Numsa negotiator Les Kettledas says the
gap between the union’s wage demands and
company offers has narrowed significantly
Hopes were high that an agreement would be
reached on Thursday
The union sees the national bargaining
committee set up in terms of Section 25 of
the Labour Relations Act as a major break-
through It means that while previous negoti-
ations were held at plant level, or conducted
through the only industrial council in the
eastern Cape (reserved for three local manu-
facturers only), any agreement reached by
the new committee will now be legally bind-
ing on all manufacturers in the industry.

However, Delta disagrees vehemently,
and has said it will take any such agreement
to court Delta withdrew at the start when
Numsa introduced its demand
Delta’s director of personnel and public
affairs, George Stegmann, says the com-
pany’s refusal is a result of the old industrial
council being “misused as a means of trying
to foist a centralised bargaining system on us
We are not a homogenous, identical in-
dustry We face different market and finan-
cial circumstances”

However, he says while the company has
promised its employees increases, these are
likely to be negotiated either at the “prop-
erty” constituted industrial council (repre-
senting only the original three manufactur-
ers) or at plant level

Numsa spokesman Gavin Hartford says
“Delta is a party to the industrial council. If
and when the eastern Cape council ratifies
any national agreement, Delta will have to
comply They may try to take court action
against the council We don’t think they have
ea case”

But with conditions seeming to favour a
quick settlement, Toyota will face a dilem-
a Toyota pulled out in mid-stream, saying
the strike at its Prospecton plant was an act
of “bad faith” aimed at unfairly forcing the
company into the national bargaining com-
mittee

However, Toyota says it will be lenient
about re-employing the strikers Whether
Toyota returns to the table, or accepts a
national agreement, is an open question.

It seems that while most manufacturers
(barring one) wanted to avoid centralised
bargaining, they resigned themselves to its
inevitability However, they would have pre-
ferred this to commence next year

Meanwhile, Kettledas says the five at the
negotiating table offered an across-the-
board increase of 50c an hour, backdated to
July 1, with an additional 50c to be paid on
January 1 Numsa truly demanded R2.50

FINANCIAL MAIL AUGUST 11 1989
then dropped to R1.50 The manufacturers
final minimum wage offer is R3.50/hour
compared with the union demand of R6.50

The MD of one major manufacturer
blames the recent strike wave on worker
dissatisfaction over the lack of pay increases
Some companies have not granted increases
for 15 months because of the dispute

Also because of the dispute, most standing
wage and condition agreements have expired
except where Numosa asked for and was
granted extensions Some argue this leaves
workers with limited legal cover

At any rate, the industry now seems to
have had its cathartic clash, which some
managers felt was necessary to get the issue
over with
ADE petrol engines ‘would save millions’

By JOHN YIELD, Staff Reporter

ATLANTIC Diesel Engines could produce a significant proportion of petrol engines for the domestic motor industry in a move which would save the country millions of rands — but as yet there has been no interest from vehicle manufacturers.

Public affairs manager, Mr Mike Eaton, said today that ADE had the necessary capacity and technology to produce petrol engines with a power range “from a Volkswagen to a Lamborghini”, but that the company was not actively planning any such move at this stage.

“All of us would love this to happen, but our mission is to produce diesel engines. Unless the (motor) industry came to us, we would not be proactive,” he said.

ADE already manufactures many components for both the motor industry and other partners such as the mining industry.

Significant capital investment would be required if a decision to produce petrol engines was taken, but as the number required to make this financially viable would be too much for any single manufacturer, some form of co-operation would be required.

Sapa reports that ADE has been given the specific responsibility by the Board of Trade and Industries of developing an export programme that will generate R100-million a year from exports by 1997.

Managing director Mr Helmut Beckurts also said that the phase VI local content programme is aimed at significantly reducing the motor industry’s annual import bill of R8-billion.

ADE supply director Mr Pieter Greyping said “of the 1 000 line items representing 60 percent or our current R150-million import bill which we have already identified for local sourcing, we hope to introduce the first 30 in 1990. These 30 currently account for eight percent of our import bill.”

He said the cost of developing the 1 000 line items for local manufacture will be R120-million, of which 29 percent will be needed for local manufacturing, 13 percent for local manufacturing already under development and 30 percent, or R70-million, for manufacture of high complexity components, mainly in assembly and test areas.

Job opportunities

He said the large investment will be offset partially in new job opportunities that will be created and the long term savings in foreign exchange.

ADE said that as well as providing assistance to manufacturers in their import replacement efforts by providing tooling, it also was embarking on a programme to assist exporters by providing engines for export vehicles at a discount to manufacturers.

There has been a cool response from motor manufacturers to Atlantis Diesel manufacturing a petrol engine.

Mr Ronnie Kruger, public relations director for Volkswagen in Uitenhage, said VW had its own engine plant.

“We make our own engines,” he said. “We are very positive about our engines which are a definite marketing advantage.”

“But that does not mean we would not be interested in engine components, like fuel injection systems for instance, if they were reasonably priced.”

A spokesman for Delta said the idea had been discussed before and dropped because it was not economically viable.

“We can still import engines far more cheaply than ADE could make them at this stage,” he said.

“We would certainly be interested in engine components if there was sufficient demand, so that the engines could be produced at reasonable cost, then we obviously would be interested.”

“But at the moment it is still cheaper to import engines, even with the surcharge.”
Strike action will dent new car sales

PRODUCTION losses in the motor industry will result in lower vehicle sales this month, the National Association of Automobile Manufacturers said this week.

Announcing the July new car sales figures, Namaas said recent industrial action in sectors of the component supply industry and at vehicle manufacturing plants would put further pressure on the industry's ability to supply dealers' stock positions were already "precarious", it said.

New car sales totalled 19 847 in July, 0.6 percent down on the June figure and slightly below the figure for July last year.

January to July new car sales increased marginally by 0.4 percent to 132 730. Total new vehicle sales for the seven months to July were 0.9 percent up at 207 745.

Namaas said replacement demand for corporate fleets and rental cars remained the dominant influence in the market. Many corporations had reverted to forward buying to pre-empt price increases — Sapa
VW workers back on Monday

Weekend Argus Reporter

NORMAL production resumes at the Volkswagen plant in Uitenhage on Monday after negotiations between the company's management and the National Union of Metalworkers.

The plant was closed by management on Tuesday after a wage dispute.

Volkswagen management and the union have agreed that the plant will re-open.

A company spokesman said that as a result of the agreement — and if normal production continued — Volkswagen would take part in wage negotiations which would resume next Wednesday.

Our Port Elizabeth bureau reports that a few striker trickled back to work at Goodyear yesterday.

Recruiting new staff

The company dismissed strikers this week and said they would be reinstated if they returned to work by 9am yesterday and signed an acceptance form agreeing to conditions of employment.

Public relations manager for the company, Mr. Mike London, said about four percent of the strikers turned up.

He said the company had sent a letter to employees stating that the deadline for reinstatement had been extended indefinitely, provided their positions at the company were not filled. He said the company would start recruiting new workers on Monday.

Delta Motor Corporation intends taking legal action against the motor industry's regional industrial council over alleged unconstitutional procedures in the wage dispute with the metalworkers' union.

Delta refuses to take part in the present national wage negotiations and is going ahead with legal action threatened six weeks ago.

The company believes bargaining should take place only through the council, a regional bargaining forum made up of Delta, Volkswagen and Samcor. Port Elizabeth
Growth outstrips forecasts

MMG profits rise by 42%

By BRUCE WILLAN

WITH rumours rife in the market that Barlow's has made a bid for the Cape-based Market Motors Group (MMG) it does not come as a surprise that the Sank family are not sellers of this highly efficient and profitable company.

Results for the year ended June 30, 1989 released today, reveal a 42% increase in pre-tax profits to R9,716m in spite of the economic downturn.

This also far outstrips the company's initial forecast of a 20% growth.

Turnover rose by 12.6% to some R158,862m, while income attributable to shareholders went up by 38% to R8,140m.

Earnings per share increased to 27.3c, some 35% higher than the previous year.

A final dividend of 7.75c a share has been declared, bringing the total for the year to 10.75c a share. Dividend cover is 2.54 times.

MMG is a family-orientated business with a wide range of services available to both corporate and individual vehicle owners.

According to Barney Sank, chairman and joint MD of the group, about 80% of the business carried out by the group is repeat business illustrating the reputation the group has built up since it was founded in 1954.

In addition, the group accounts for 50% of all Toyota's sold in the Peninsula.

While fleet owners account for 75% of business, the group is firmly entrenched in the market catering for the man in the street.

Not only does it have a second-hand car operation, Market Cars, but also an outlet for cars which do not quite make the stringent quality standards set by the group for second-hand cars.

Such vehicles are sold on a "voetstoots" basis where the owner undertakes to make the necessary repairs to the car.

The group also has interests in a scrap yard and an insurance agency.

Recently the group undertook a major step towards cutting overheads by amalgamating several of its new and used car service centres such as the panel shops and pre-delivery inspection centres.

Old railway sheds and warehouses were leased from SATS and repairs costing R1.2m carried out to make the buildings suitable for the giant scale operation which is now housed there.

The vast new premises situated on both sides of Tilde Street in Market City, house the technical operations of the group and include parking space for stocks.

These premises will enable the group to expand its truck division considerably.

Until now MMG has had to limit its involvement in the truck market because of the space required.
Market Motor races on and looks to a lot more

CAPE-BASED Market Motor Group (MMG) continued its impressive growth in the year to June.

Forecasts of a 20% increase in pre-tax profit this year were beaten, the figure rising to R8.7-million from R6.8-million - a gain of 21%.

Chairman and managing director Barney Binkell believes that pre-tax profit will rise by at least 20% in the current year.

Attributable profit of the multi-service motor group rose by 35% to R6.1-million from R4.4-million.

Turnover rose by 12% from R151.2-million to R158.8-million.

With the payment of a final dividend of 7.75c, the payout for the year has been lifted to 19.75c from 8.1c in 1983. It was paid out of earnings of 27.2c a share against 20.2c, cover being unchanged at 2.5.

With improved prospects, the share appears to be underpriced, offering a price/earnings ratio of 4.8% compared with the industry average of 5.8% and a dividend yield of 13.4% against the average of 9.4%.

The company operates a new-car chain, a used-car division, parts and service operations as well as finance and insurance packages.

The new Market Toyota division exceeded sales expectations and achieved more than 50% of all new Toyotas sold in the Cape Peninsula. However, sales from Market-cars, the used-car division, were lower than expected because of increased interest rates and hire-purchase controls.

However, this should benefit the services division because motorists will be forced to keep their vehicles for a longer time. To meet the expected increase in demand, the division has been expanded to cope with all makes of cars.

The insurance division, which has extended its services to include long-term policies, Mr. Steuck says the group is confident that growth will continue in spite of predictions of a decline in the economy.
Motor strike cost is
R350m — and rising

The 12 000 wildcat strikers have forfeited more than R5-million in wages. More than 160 000 component workers are in dispute with their employers as well. Depending on how quickly industrial problems can be resolved, the strikes are expected to extend waiting lists for several months for cars. They could also lead to price increases.

More.

By Don Robertson and Robyn Chalmers

Strikes instigated by the National Union of Metal-workers of SA (Numsa) have occurred at Toyota's Preston plant near Durban, Samcor's at Steeldale, Pretoria, Volkswagen's Uitenhage factory and at Goodyear, Port Elizabeth.

Employers have reacted toughly. Toyota and Goodyear fired 4 600 workers between them.

After lengthy negotiations, Volkswagen and Samcor workers agreed to return to work tomorrow, but storm clouds hang over much of the industry.

Industry sources believe that lost production at Toyota, Volkswagen and Samcor amounts to about R45-million a day, or a total of 1 100 cars and trucks. The manufacturers say damage to profits will not be severe. They hope to make up some lost production when work resumes, but earnings will suffer if the illegal strikes continue.

On Friday, the strike entered its ninth day at Toyota and was in force for five days each at Volkswagen and Samcor, in the face of a hardline attitude adopted by the companies.

**Issues**

National Union of Metal-workers of SA (Numsa) organizer Gavin Hartford says workers are striking over two issues — higher wages and the slow progress of the new industry-wide pay negotiations.

Toyota and Volkswagen withdrew from the national wage negotiations due to start on August 1, primarily because of the strikes. Toyota fired 3 600 workers at the beginning of this week, 25% of whom have been rehired, says spokesman Ernie Nicklan.

Brand Pretorius, managing director of Toyota Marketing, says the strike was illegal and the workers were fired only after three ultimatums had been given.

Delta pulled out of the negotiations in July. This leaves BMW, Nissan, and Mercedes Benz in the forum. Volkswagen is expected to rejoin the talks if workers return tomorrow.

Negotiations scheduled to begin on Thursday were postponed until next Wednesday because there were insufficient representatives from the four manufacturers to form a quorum.

About 160 000 workers in the component industry declared a dispute last week after discussions between Numasa and two employer bodies broke down. Numasa demands a minimum wage of R4,50 compared with current rates of R3,24 to R3,46.

Dorcyll, which supplies about 30% to 35% of the industry's components, avoided a strike this week, but Goodyear fired 1 261 strikers on Friday.

Goodyear workers stopped work six weeks ago in connection with the company's disinvestment from SA Public relations officer Mike London says production has been severely affected, although the plant has maintained limited production.

Nico Vermeulen, executive director of the National Association of Automobile Manufacturers of SA (Numasa), says "domestic cost pressures on manufacturers are way ahead of the consumer price index, partly because of work stoppages and industrial action.

It is feared that wage demands are met, workers in allied industries will ask for similar increases which will put further pressure on production costs. Labour in these industries makes up about 46% of input costs. If the strike continues, it
Toyota, union thrash out agreement

JOHANNESBURG. — A provisional agreement on a return-to-work was thrashed out at the weekend between Numsa and Toyota, and the entire motor assembly industry is likely to be back to normal production by tomorrow.

However, the focus will shift to Goodyear, where management has vowed to begin recruiting a new workforce from today to replace many of the 1,200 employees on strike since June 30 over the terms of the former parent company’s disinvestment.

The provisional settlement follows decisions late last week by workers at Sameor and Volkswagen to return to work today and opens the way for wage talks between Numsa and six of South Africa’s seven motor assemblers to resume on Wednesday.

Delta is the one company which has refused to participate in the talks and is to bring an Industrial Court action in defence of its position.

Goodyear announced on Friday that only 38 workers had met the 9am deadline to accept the company’s disinvestment proposals or be dismissed. The deadline has been extended “until further notice”, but the company will, from today, also recruit outsiders for positions.

It said it was still prepared to listen to any new proposals the union may make.
Motor strike agreement

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However, the focus will shift to Goodyear where management has vowed to recruit a new workforce from today to replace many of the 1200 employees on strike since June 30 over the terms of the former parent company’s disinvestment.

Toyota personnel director Theo van den Bergh said yesterday that on Saturday he and union representatives had worked out a solution to the 12-day-old strike at the Prospecton and Johannesburg plants.

All that was required for resolution was a mandate from their respective principals and constituencies, he said. While Toyota recruited some outsiders last week, Van den Bergh said this was to fill pre-strike vacancies. He declined to supply details of the proposals. By Friday the main issue standing in the way of a settlement was the question of proposed disciplinary action against individuals alleged to have been involved in intimidation.

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The deadline has been extended “until further notice”, but the company will, from today, also recruit outsiders for positions and had placed advertisements to this effect in eastern Cape newspapers.

A spokesman for the Uitenhage com-

Motors

pany said almost 100% of the firm’s pre-strike workforce lived at Kw Nobuhle.

Numsa official Les Kettleidas predicted the close-knit nature of the community meant Goodyear would be unable to recruit a single “scalp” from the township.

If recruits were taken from PE townships, Kettleidas warned of conflict. “If violence results, the company will have to bear the blame,” he said. Goodyear said it was still prepared to listen to new union proposals.

In the other major case of industrial action in the eastern Cape, Kettleidas said the union had made a fresh wage proposal to Eveready, where 800 workers have been locked out since last Monday.

Numsa was now proposing increases totalling R1,59 an hour over the next 18 months, while the company’s previous offer was R1 for the same period.

Kettleidas said he believed the union proposal formed a basis for settlement.
Toyota and Numsa try to iron out strike

Own Correspondent

DURBAN — Talks between the National Union of Metalworkers of South Africa (Numsa) and Toyota's Prospecton plant management continued late yesterday.

About 3,600 workers were fired last week when they ignored an Industrial Court ruling and various verbal and written instructions to return to work.

A Toyota spokesman said yesterday the plant was closed but discussions to resolve the strike were continuing.

"We ironed out a basis for an agreement and it is up to management and workers to accept what is being put forward," said the spokesman.

Sapa reports that production at Samcor in Pretoria resumed yesterday after strikers returned to work.

About 3,000 Sigma Park plant workers downed tools over demands for a national negotiating machinery and higher pay. They were locked out after two days' disrupted production.

Samcor public affairs manager Ruben Els said everything was back to normal after management reached agreement with Numsa late last week.
About 8500 members of the National Union of Metalworkers (Numsa) yesterday ended a 10-day wage strike at car factories owned by Volkswagen and Samcor, company spokesman said.

A Numsa spokesman, Mr Les Kettleides, confirmed earlier that workers had agreed to resume work at Samcor’s plants in Port Elizabeth and Pretoria, and at Volkswagen’s Uitenhage factory, after talks with management.

Toyota and Numsa were due to meet again yesterday to resolve a dispute at the company’s Prospecton assembly plant and the Sandton marketing division.

A Toyota spokesman said the negotiating teams had “ironed out the basis for agreement” at a weekend meeting. It was now up to workers and management to accept the terms of the agreement.

Following a strike at its Prospecton operation, Toyota announced the dismissal of 3600 workers last week. It also withdrew from the national pay talks between Numsa and motor manufacturers.

Mr Kettleides said yesterday’s meeting would discuss the dismissals and the possible return to the pay talks.

The strike in the industry, which at one stage involved more than 12,000 workers, resulted from workers’ dissatisfaction with progress during the national wage talks, postponed last week and due to resume tomorrow.

Following the end of strike action at its car factory, a Volkswagen spokesman said the company had rescinded its decision to withdraw from the national talks.

Sapa reports that production resumed yesterday at Samcor motor manufacturing company following the return to work of hourly paid employees who were locked out.

Mr Ruben Els, Samcor’s public affairs manager, said the workers returned to work early yesterday and everything was back to normal.
Own Correspondent

JOHANNESBURG. — Toyota will rejoin national motor industry pay talks when they resume in Port Elizabeth today, following a settlement between the company and the National Union of Metalworkers of SA (Numsa).

And Mercedes-Benz will also be present despite production grinding to a halt at the company's East London assembly plant from Monday until late yesterday.

In another development Eveready issued an ultimatum to workers to accept the company's final wage offer by 4pm tomorrow or face dismissal.

Toyota's agreement with Numasa yesterday to rejoin the pay talks means that Delta is the only one of the seven major South African motor assemblers who will not take part in the national negotiations with Numasa.

Toyota to rejoin pay talks with Numsa

which are due to end on Friday.

Delta is to bring an Industrial Court action in defence of its position.

Numsa has demanded a R150-an-hour across-the-board increase over 12 months while motor manufacturer employers have offered between R1 and R160 an hour over the same period.

A Mercedes-Benz spokesman said last night after extensive discussions between management and Numsa shop stewards it was agreed workers, would resume normal duties and production levels today.

Numsa was unavailable for comment.
Maputo tyres to be imported

South Africa is to import R7 million worth of tyres from Mozambique to alleviate the shortage in this country.

The tyres are manufactured by the Marbor General Company in Maputo, and the first shipment of car and truck tyres and tyres for the agricultural sector — where there is a particular shortage — is due to arrive in about two weeks' time.

Mr Shane Nesbitt, a spokesman for the sole agent, says the tyres from the Portuguese-owned company, which is backed by American technology, are of excellent quality.

The South African Government recently relaxed import duties from Mozambique to 3 percent, in accordance with the Nkomati Accord, to improve bilateral relations between the two countries. — Sapa.
Car industry wage dispute still unresolved

ADELE BAILETA

NATIONAL pay talks for the motor industry will continue in Port Elizabeth today after six major car manufacturers and the National Union of Metalworkers (Numsa) failed to reach a wage agreement yesterday.

Numsa official Les Kettle says a number of issues had been dealt with but the main obstacle to a settlement remained wage increases from July 1.

In another labour matter, Numsa has accused Goodyear of acting unlawfully by not giving union members the required notice period before dismissing them.

Kettle says three days had been set down for the industry-wide negotiations in Port Elizabeth, but this could be extended if necessary.

He said there was no change in the employers' offer of a R1-an-hour increase for the lowest paid workers and R1,50 for the highest paid workers over a year.

Numsa's demand remains at R1,50 an hour across-the-board over the same period.

Comment from the car manufacturers - Toyota, BMW, Mercedes-Benz, Nissan, Samcor and Volkswagen - was not available at the time of going to press.

‘Acted illegally’

Toyota rejoined the talks after an agreement with Numsa which also provided for the reinstatement with full service benefits of about 4,000 dismissed workers in Natal and Johannesburg.

Numsa spokesman Gary Hartford said Goodyear had acted illegally by dismissing workers without giving them the required notice.

He said Numsa did not regard the more than 1,000 workers who failed to heed a return-to-work ultimatum as dismissed.

The company, involved in a disinvestment dispute with Numsa, announced it would begin recruiting new workers from Friday as only about 40 workers had responded to its call by accepting its disinvestment proposals.

Hartford said the company would have to consider the losses involved in training new workers. “The alternative is for the company to return to the negotiating table.”

Goodyear spokesman Mike London said the company was processing about 1,000 job applications.

About 800 Eveready employees who have been locked out have until 4pm today to accept the company's wage offer of a R1-an-hour increase over 18 months or be dismissed. Workers are demanding R1,50.
Heavies off the boil?
The Indian summer in the commercial vehicle market appears to be at an end. Two top manufacturers have predicted a decline in sales, which almost certainly means competitive forces in the industry will sharpen.
Toyota SA and Nissan SA see some fundamental downward adjustments in the economy and have reduced their estimates of this year's sales in the heavy commercial vehicle (HCV) sector from 10 000 units to 9 500. The sector includes trucks, tractor-trailers and buses with a gross vehicle mass (GVM) of 7 501 kg or more. If their estimates are correct, it could spell bad news for the industry.

However, market leader Mercedes-Benz of South Africa (MBSA) and the National Association of Automobile Manufacturers (Namasa) still abide by earlier predictions that the market will absorb 10 000 vehicles this year.

Namasa executive director Nico Vermeulen says: “The dominant force in new commercial vehicle sales has been replacement demand. In an average year, 8%-9% of commercial vehicles — currently some 1,25m units — is replaced, but this fell to 5%-6% in the first half of the Eighties. During 1987 and 1988, it recovered to the historical rate of 9%.” In view of the general buoyancy in business, he sees no reason why it should drop in the short term.

MBSA's Adolf Moobauer, whose company recently picked up an order for 700 trucks from Unitrans, claims his order book is full well into next year. He isn't surprised his competitors reduced their estimates.

"While we were having labour problems and producing only 12 units a day, many of our customers were buying our competitors' trucks. But now that we're producing 18 units a day, our customers are coming back," he says.

Nissan's Dave Scott says the slowdown in plant hire is one of the reasons why HCV sales are falling. "The full effects of the economic clampdown haven't filtered through yet, but those that have are serious. Consider the effect of last year's increase in licence fees, higher GST, high interest rates and higher insurance on a R300 000 rig.

"A truck is an investment and people like to invest in a climate of confidence. And, like it or not, the prospect of an election has caused a certain amount of hesitancy," he notes.

On the positive side, Scott does not expect sales to drop too drastically. There is an ongoing boom in full-maintenance leasing, which is now allowed as off-balance sheet financing, according to accounting practice 105.

Toyota's Des Gush sees a downturn in the extra-heavy (above 20 000 kg) sector. "Vehicles in this sector, particularly truck-tractors, are badly affected by the increased licence fees, higher fuel prices and tollroads. People who should buy them are buying down."

As a consequence, there's bound to be a lot more action in the medium commercial vehicle (MCV) sector (5 001 kg to 7 500 kg), where MBSA has returned to challenge market leaders Toyota, after withdrawing seven months ago. It has launched a brand new range of vehicles, and claims it intends capturing a 40% share of the 5 000-unit a year market within a year.

Responding to Moobauer, Gush says MBSA's labour problems didn't affect truck production as badly as it did car production. He concedes MBSA will make inroads into the MCV market but adds: "We'll still be market leaders."
The recent spate of motor industry stoppages is likely to torpedo manufacturers' attempts to hold down vehicle prices this year. Benefits flowing from the latest local content programme, introduced in March, had convinced some companies they could hold price increases below predicted levels. Now problems caused by that same programme, combined with the strike action, may push prices higher than ever.

The Phase Six local content programme is intended to balance manufacturers' foreign exchange spending against exports and completed vehicle production values. The Board of Trade & Industry (BTI) devised a system of duties and rebates encouraging manufacturers to adhere to minimum local content levels.

Production stoppages have exposed a major flaw in the system. Industry officials estimate some manufacturers have lost up to R2m a day because, while they continue to pay duties on imported components and technology, they are unable to build the vehicles that earn them rebates.

They estimate that each day of lost production reduces a company's local content levels, in terms of the programme formula, by 0.3%. With some companies losing up to nine days production, their local content levels could drop 4.5%.

In theory the penalties incurred by this should be balanced out later when production is increased to make up the backlog caused by stoppages. In effect, that may well not happen. Some manufacturers aren't convinced the programme is clear how this would work.

Equally important, they are unhappy that, through circumstances beyond their control, they could go millions of rands into the red while they wait for the BTI programme to balance out. The current stoppages may blow over before too much damage is done. A prolonged stoppage, lasting several weeks, could force some companies out of business — not through lost profits but through government-imposed penalties.

Manufacturers' representatives met on Monday and plan to ask the BTI for changes to the programme. Penalties must now be paid in the following quarter. Companies believe it would be fairer to assess duty rebate levels over several quarters.

That's one problem why car prices may not be held down. Another is the level of wages increases that may emerge from the current industry-union confrontation. With manufacturers still split on how to handle the latest negotiations, some officials fear the union may be able to exploit the employer split to force through their demands.

They say that would be unfortunate. Toyota this month announced an average price increase of 3%. Not only was the increase a month later than expected, but it was also the company's lowest quarterly price hike for four years. Other companies have also delayed announcing new price lists, raising hopes that they were taking advantage of the new supply flexibility contained in the local content programme to reduce sourcing costs and, ultimately, prices.

Toyoda had hoped to keep price increases to 1.5% this year. That was before the industry disputes. Such a target may no longer be attainable.

Complains an industry source. "Prices were once a direct result of inflation and the exchange rate. Now they are affected by local content, excise duties, export performance, production losses and industrial action. Pricing is being taken out of our hands."

On the credit side, the latest industry decrease from June. Sales of new light commercials rose by 2.3%, while medium and heavy commercials fell by 11.3% and 14.4% respectively.

Naamsa predicts sales will probably be lower in August because of recent industrial action and its effect on vehicle stocks. But, it underlying demand, should remain steady for the rest of the year.

Deregulation

Rough diamonds

Government wants to legalise trade in unpolished diamonds. But it seems that nobody but government supports the idea — and this after being accused of not deregulating the economy fast enough.

Laws allowing diamond mines to search employees have been in place since industry monopoly for just as long. Trade in rough stones has been illegal. With such entrenchment, government's proposal poses a rather special problem. Or does it?

Diamond producers — along with cutters, traders and retailers — say the special attribute of diamonds is size. Stuff a 10-carat stone up your nose and you be worth US$50 000. To smuggle, or conceal, the same amount of gold, for example, you would need Jimmy Durant's nose.

Anti-deregulators argue, further, that De Beers controls the industry and they have long appreciated and supported that control. De Beers, the world's only successful long-term monopoly, has maintained stability and profitability for all involved in a tough international market.

Moreover, De Beers and other large producers already maintain a large security staff. Independent miners, of which SA has hundreds, simply don't have the resources. The argument concludes by insisting that the mere knowledge that trade in uncut stones is illegal, discourages trade.

Government's answer is classic, faultless deregulation talk. The State should not have to finance protection of a private producer's assets. The retort that government already raises substantial impost on the industry and can, therefore, easily afford the special diamond police task force, fell on deaf ears.

The anti-deregulators say that if trade in roughs is legalised, the market could become chaotic. And that much of the "new" trade would be off the books and government's diamond tax base would contract substantially.

Yes, the diamond market is highly controlled. But everyone knows that deregula-
treme frustration among manufacturers. Numasa, which originally served the eastern Cape and KwaZulu-Natal, was recently taken over by the Auto Manufacturers Manufacturers' Association (AMA). The AMA has suspended all talks with the strike committee.

Meanwhile, Delta has unilaterally implemented its own wage increases. The company's decision to implement wage increases without consulting the strike committee has caused tension. The strike committee is calling for a meeting to discuss the situation.

The strike has also caused concern among the companies' employees. Workers at the factories have expressed fears of losing their jobs if the strike continues. The strike committee is calling for peaceful negotiations and a resolution to the conflict.

**MOTOR INDUSTRY WAGES**

**Crossing the T's**

The strikes and demonstrations by an estimated 14,000 workers in the motor industry may have ended, but a final deal has yet to be officially struck.

This should occur at the weekend. Volkswagen, BMW, Nissan, Toyota, Mercedes-Benz of SA and Sambor were due to sit down with Cosatu's National Union of Metal Worker (Numasa) for three days of national negotiations. Only the PE manufacturer, Delta, will be absent. Delta rejected a centralised negotiating committee at the outset.

The talks won't be easy. But they should be smoother than in the turbulent past six weeks. The talks take place in the wake of the recent turmoil which saw workers and manufacturers clash at each other's plants (some manufacturers saw the attacks as necessary catharsis, or purging of the emotions, to bring matters to a head).

Industry sources confirm there was ex-
Israel "transplant" to save SA millions

MILLIONS of dollars a year will be saved after a R20-million plant to produce tyre moulds has been put up in SA.

The plant is the brainchild of brothers Joe and Dror Sery, Israelis who have lived and worked in SA for many years. The sophisticated nature of tyre moulds is such that only a handful of countries can produce them.

The factory is under construction in Rustwarp Park, Germiston, and the whole plant has been imported from a kibbutz.

Backers

The traditional Israeli agricultural way of life contrasted with the high technology required to run the plant, and it was difficult to operate effectively at the kibbutz. There was a high turnover of employees and it was decided to sell.

Joe Sery heard about the equipment while he was working as a global second-hand plant broker. He saw the opportunity of setting up in SA, but needed backers.

Mr Sery says: "I originally approached the four tyre manufacturers in SA to see if there was a way to fund the enterprise. But foreign shareholders and the need for secrecy of design led to conflict.

"So I approached Brazilian businessman Roberto Martins, who jumped at the chance to invest. Mr. Martins will be chairman, and he and his partners will own 70%. The Sery family and directors, David Lane and Avi Kaplan, will hold the balance, and will have sole managerial discretion."

Twenty skilled artisans will come from Israel on two-year contracts to commission the plant, but their initial priority will be to train South Africans. Four are already upgrading the plant.

Estan Tyre Moulds, which will trade as Multimould, has bought the licensing agreements from American companies to make tyre moulds from aluminium as well as from steel.

Technical and manufacturing director Dror Sery will go to America to learn the new technology. The plant will be commissioned with the help of an American from the licensor.

The 4 300 m² factory and 750 m³ of offices will be finished in October, and production should be well under way by January. The plant will be a computer-integrated plan,

Export

The target is for 600 tyre moulds a year out of an estimated world production of 17 000. Two-thirds will be made of aluminium. Agreement has been reached that 100 tyre moulds be supplied to the major foreign investor.

About 40% of production will be for export. Price range is between R5 000 and R150 000 a mould, spelling big revenue for SA.

A tyre mould lasts virtually forever. But designs change and improved technology mean that most tyre manufacturers need new moulds every few years.

During tyre-making, the rubber is cured in the mould, and there is a limit to the production capacity of each. That is why so many have to be bought by tyre makers when lines change.

"The key to our success will be the uncompromising quality we aim to achieve," says Mr Sery. "We will pay top rates for the best people, who will work as a team, and we will deliver on time."

SA's tyre producers no longer have to import the moulds, on which 15% surcharge, 5% duty and 15% GST are charged, as well as the cost of freight. Perhaps more important is that they will not have to wait the usual six to eight months for tyre moulds, which often have to be airfreighted.

The investors are reluctant to disclose how much has been put into the venture, but SA is at least R20-million. Projected annual turnover is for that amount, so the plant should not take long to pay for itself.
Union studies new motor pay offer

Argus Bureau

PORT ELIZABETH. — Wage talks between Numsa and motor manufacturers will resume on Thursday. No agreement was reached at the wage talks held last week.

A spokesman for Numsa said the motor industry had made a revised offer which would be discussed today by the National Automobile Shop Steward Council to be held in Pretoria.

A report-back on today's meeting will be held tomorrow with union members.

A recruitment programme to hire new staff continues at Goodyear.

Goodyear still regards the workers who were locked out last week as dismissed.

Numsa is demanding R5 000 separation pay for each worker because the company has been taken over by South African interests. A spokesman for Goodyear said management would reconsider reopening negotiations if the union approached them.

The position at Eveready is still unclear where 1,000 workers were locked out last week.

A spokesman for Eveready said the union had not accepted the company's wage offer, which remained unchanged. Workers have been given until 3pm today to return to work.
Enerade fires 1,000 Numsa members

JOHANNESBURG.—At least 1,000 National Union of Metalworkers of SA (Numsa) members were fired by Enerade management at the Port Elizabeth plant yesterday after they ignored a return-to-work call.

And in Pretoria a Numsa national shop stewards' council meeting was held to discuss a revised offer placed on the table by car manufacturers before the adjournment of national pay talks for the motor industry in Port Elizabeth on Friday.

Enerade spokesman Mr Barry Easton said management considered employees who had not accepted the company's pay offer by 3pm yesterday as dismissed.

But he said management would meet with Numsa officials today.
Johannesburg. — The National Union of Metalworkers of SA (Numsa) have submitted a revised proposal to Goodyear management in Port Elizabeth in an attempt to resolve the divestment dispute, Numsa organiser Gavin Hartford said yesterday. But he did not disclose details of the proposals which, he said, were given to management at a meeting yesterday.

Numsa is due to respond to car manufacturer's revised pay offer when industry-wide negotiations resume in Port Elizabeth today.
Local content move may up car prices

PHASE 6 of SA's new local content programme could lead to major vehicle price increases soon, warns BMW corporate planning head Pierre de la Rey.

He told a motor industry conference yesterday that existing regulations would lead to hefty cost and price increases, especially in the luxury car market.

The programme, now in its sixth month, has been widely denounced by the industry as inflationary and a burden on SA's forex reserves — especially by German motor manufacturers Mercedes and BMW.

De la Rey outlined several elements that would adversely affect prices, including:

☐ The possibility of price increases to improve the ratio between local and foreign exchange value of a vehicle, as according to phase 6, the higher a car's local wholesale value, the higher its local content.
☐ The higher capital outlay required to convert components currently imported into locally-developed and produced prices, and
☐ A discriminatory element in the rules designed to penalise manufacturers of more expensive cars in favour of mass-manufactured cars.

He said expensive car manufacturers would have to pay a relatively high excise duty, which would be used as pay-out to producers of less sophisticated cars as a reward for 'purposely using less foreign content'.

"In reality, the rebate would enable small car producers to actually import more cars or components, thus defeating the purpose of increasing local content", he said.

Car prices

forex savings

Rhodes economics professor Trevor Bell agrees "The existing formula discriminates against large car producers in that the excise duty formula provides for a fixed rebate of R3 000 — which is a much smaller proportion of a larger car than a smaller car."

He said the small volume producer such as BMW and Mercedes would be especially hard-hit by having to invest more in local production for a relatively lower production volume.

Producers such as BMW traditionally had least local content — so there was a much larger adjustment to make for them, said Bell "Under phase 6 there was no penalty on value, the only restriction was that producers were to import less than 35% content by weight."

Illustrating the discrepancy, Toyota's marketing MD Brand Pretorius said yesterday that if the local content programme remained unchanged, there would be a "dramatic" rise in black ownership of small vehicles within the next few years — the main growth point for car sales in SA.

He said the number of black owners could soar to more than 1,4 million by 1992 — more than double the 647,000 recorded last year.

"The increase in car prices during the past several years — from 61% of the annual disposable income of an average white household in 1981 to 85% this year — would increase the small car segment of the market as more people joined the 'buying down' trend," he said.

Board of Trade and Industry chairman Lawrence Mccrystal believes the local content programme could double the size of the component manufacturing industry during the next few years.

Exports are likely to play an increasingly important role in SA's motor industry in future, he adds.
Board of Trade & Industry has crossed swords constantly with industry bosses over the board's plan to change local content planning. Now, they're even disagreeing with his views on the economy as a whole.

McCrysal was a rare prophet of hope at a one-day conference in Pretoria last week on the challenges facing the motor industry in the Nineties. Admittedly, he qualified his forecasts by saying they were based on the NP winning the election and tackling the economic problems crippling SA. Even so, there was barely a trickle of support for his view that SA could enjoy economic growth of at least 4% a year for the next 10 years. The view of other speakers was that 2.5%, or even 1.5%, were more realistic figures. And even they weren't guaranteed.

The overall view remained that the economy is in for a fall — and so is the motor industry. Whether from the manufacturer's side or the dealer's, there was general agreement that the industry is heading for major problems.

At the heart of it all is price. The collapsed rand has added horrendously to the cost of building and buying new vehicles. For example, a Corolla component that cost R2 800 from Japan in 1980 now costs R11 300, according to Toyota Manufacturing MD...

Brand Pretorius Vehicle prices have more than doubled in the last four years. It won't happen immediately, but the new local content programme will add to price increases. At first, companies expected the programme to show increases in its early stages. But that was before the impact of industrial action upon the fragile, duty-refund formula contained in the programme became evident.

Some people expect the local content programme to become thoroughly cost-ineffective long before it reaches its 75% local content target. More than one MD sees the main challenge as being to minimise the inherent cost and price increases, rather than to turn them back.

Many in the industry expect prices to rise about 19% this year, with similar increases in the next few years. If that is the case, says McCarthy Group chairman Brian McCarthy, a Toyota Corolla that retails for R32 700 today will cost R222 000 in the year 2000 — only 11 years away. A Mercedes-Benz 230 automatic now selling for R92 000 will be R623 000.

If anything is guaranteed to put a damper on hopes of a sales recovery, this is it. Thus, industry officials remain convinced the new vehicle market will remain essentially a replacement one, rather than one drawing in new buyers. The average age of SA vehicles used to be six to seven years. Today, it's approaching 10. At least one industry marketing director seriously expects the average to reach 12 years before long. 

**MOTOR INDUSTRY**

**Gloomy outlook**

Lawrence McCrysal has the aura of a lone crusader in his quest to change the motor industry.

In recent months, the chairman of the...
200m dumpies a year

By Julie Walker

BEER dumpies will be produced at the rate of 430 a minute when Consol's computerised furnace gets into full swing at Clayville, Oli- fantsfontein.

That makes 200-million a year. It's a big number.

Consol expects large savings because the new bottle will weigh 15% less than the old model. In addition, this could lead to a rise in dumpie sales. At the wholesale level, dumpies are about 50c a case cheaper than cans.

Consol reported an increase in earnings of 20% to 102.3c a share in the year to June. Turnover added only 16% in that time, and the profit growth was attributed to a fine performance from manufacturing.

Consol is not putting all its hopes on growth in beer and soft-drink sales. Although these are projected to grow well, it recently bought Goodyear Tyre & Rubber for R176-million.

Production has been hit at the Uitenhage plant where 1200 members of one union are striking for disinvest-ment compensation of R5 000 an employee for every year's service.

The plant is operating at 69% capacity, 100 of the 1200 temporary workers having returned to work, plus 130 others a week ago. The rest are striking union members not belonging to the striking union.

The shares are 1.45c off the June high, but more than double the low of September 1988 before the share split.
By Ann Crotty

In what appears to be a reverse takeover, the motor division of Industrial and Commercial Holdings (ICH) is set acquire control of Sinclair Holdings.

Sinclair, which manufactures and distributes pool care equipment will acquire the motor division of ICH in exchange for Sinclair shares.

According to the official announcement "In light of the fact that control will change as a result of the acquisition of ICH Motors, ICH has agreed to make an offer to shareholders of Sinclair of 180c a share.

During financial 1988 Sinclair reported a loss and figures for that financial year indicate that net asset value was just over 60c a share.

Sinclair is currently trading at 175c. Its 12 month high was 220c and its low was 120c."
ICH to gain control of Sinclair Holdings

Industrial and Commercial Holdings (ICH) is to acquire effective control over Sinclair Holdings.

An announcement published today said Sinclair had concluded an agreement with ICH to acquire ICF's motor division. The consideration for this acquisition would be made by the issue of Sinclair shares, which ICH would subsequently purchase, giving ICH effective control over Sinclair.

ICH has agreed to make Sinclair shareholders an offer of 190c a share. Sinclair shares are currently trading at 175c a share.

ICH MD Julian Koch said in a telephone interview last night the rationale behind the acquisition was that Sinclair was not performing well and had decided there was a need for a more direction-oriented shareholder, while ICH's asset base would give Sinclair a stronger operating backbone.

Further detail regarding the proposed acquisition would be forthcoming in due course, the announcement said.
Finance Staff

Toyota foresees no ethanol problems

Toyota sees no problems arising from the fuel to be supplied by the ethanol-from-sugar-cane project announced recently, provided the authorities ensure certain requirements are met.

"We have carried out extensive tests with our vehicles operating on various alcohol blends and are confident that drivers will not notice any difference in the operation of their vehicles," said Mr Colin Downie, Toyota's director of engineering.

Toyota's tests have taken particular note of power output, fuel consumption, starting difficulties and engine knock.

However, according to Mr Downie, the authorities should ensure that:

- The percentage of ethanol in the blend with petrol does not exceed a nominal 10 percent by volume.
- The blend has corrosion inhibitors similar to those adopted by Sasol for its alcohol blends.
- Octane ratings of the blended fuel conform to the standard agreed by the industry and the National Energy Council.

To cater for the many older vehicles operating on South African roads, which were not designed with the same level of corrosion resistance as present models have, Naamsa has requested that the ethanol producers establish a warranty fund to assist with any problems that may be encountered.
Big increase in car travel is worldwide

Worldwide car travel has exploded more than tenfold over the past 30 years — since the days when railways were the most popular form of passenger transport.

Statistics from Toyota in Japan show a dramatic rise in motor-vehicle use around the world. Today, an estimated 47 percent of passenger/kilometres travelled are by car, compared to only 4.7 percent in 1960.

Thirty years ago, the vast bulk of travelling — 75.8 percent — was done by rail. Now the railway share has dropped to 37.1 percent. Bus travel has dropped in the same period from 18.1 percent to 11.1 percent. The balance is made up by air and water travel.

INSGNIFICANCE

The latest statistics estimate that worldwide people are travelling nearly 900 000 million passenger-kilometres (p/km) a year by road. By comparison, air travel pales into insignificance at 39 000 million p/km a year.

The dramatic increase in the popularity of the car has been matched by a vast climb in vehicle production and the automotive industry employs millions of people to meet the seemingly insatiable demand.

Japan has overhauled the United States as the world's number one manufacturer with total vehicle production approaching 13 million a year. The United States produced about 11 million cars in 1988.

West Germany is the third largest manufacturer with more than 4.5 million. Toyota is by far the biggest vehicle manufacturer in Japan with a total of nearly four million in 1988. Nissan is second with about two million, followed by Honda (1.3 million) and Mitsubishi (1.2 million).

Toyota Japan has overtaken Ford USA to become world number two — after General Motors USA. In 1983, GM manufactured 5.1 million vehicles while Toyota was close to four million and Ford made 3.3 million.
More blacks to own cars

Toyota Marketing Managing Director Brand Pretorius has forecast a dramatic rise in black ownership of vehicles, provided a favourable political and economic climate is created in South Africa.

Mr Pretorius said the number of black owners could soar to more than 1.4-million by 1995 - more than double the 647 000 recorded last year.

He was addressing delegates at Naamsa's "Challenges facing the Motor Industry in the 1990s" conference in Pretoria.

"At present only 25 black people in every 1 000 own a vehicle," Mr Pretorius said. "Our projection is that by 1995 this figure will have increased to 45 per 1 000. And this is highly significant when one considers that blacks represent about 75 percent of our population."

In the same period, Mr Pretorius said, white ownership would increase only marginally to around 2.5-million vehicles.

The current vehicle ownership ratio among whites is 465 in every 1 000, which is close to saturation point.

Mr Pretorius said the motor industry was entering a period of consolidation and his forecasts were based on the assumption of "reasonable political stability and a continuation of economic stagnation - but not a major depression."

"In addition, the private vehicle market is going through "an affordability crisis," Mr Pretorius said.

This meant the small-car segment of the market would continue to grow.

Small cars already held 68.8 percent of the total market in 1988, up from 42.8 percent four years previously.

He said labour unrest had been a negative factor this year and total projected vehicle sales for 1989 were 346 900, down 2.6 percent on last year.

He expected the downward drift to be maintained until 1991.

Because many car owners are postponing replacement, South Africa's vehicle population is getting older. In 1976, for example, the average age of passenger cars was 6½ years. Today the average age is nine years, and it could increase to 12 years by 1995.
W & A increases dividend by 20%

W & A Investment Corporation has lifted its interim dividend 20% to 120c a share for the six months to June from earnings of 39c a share (31c previous interim)

Chairman Jeff Liebesman says in a statement the three-stage process of corporate reorganisation, cost control and operational streamlining initiated when FSI gained control of W & A in September 1987 is now complete.

The operating companies are now well positioned to "produce organic growth for many years to come", says Liebesman.

The W & A share price, currently rated as lower quality than ultimate holding company FSI, but better quality than immediate holding company Waccon, closed strongly yesterday, priced at R70 with bids standing at R71 ahead of the results.

W & A's finance charges for the six months were R28,4m, 50% above the interim finance charges a year ago. Interest cover was slashed from 8,6 times to 4,0 times. But gearing, at 44%, was well within the overall group's policy level maximum of 60% although it was markedly up on last year's interim figure of 32%.

Much of the debt, gearing and finance charge increases come at the end of an buying spree - in particular, the acquisition of Nafarol, now a 76% subsidiary of Hunts, in turn, a 76% subsidiary of W & A.

Clearly, one of the most important rela-

W & A dividend up

The abridged balance sheet shows long-
term liabilities have increased by R113m since end-December, while current liabilities have swollen by R43m. The implied extra finance costs for the current six months of the financial year, had this extra debt not been raised, could be as high as R14m.

On the other hand, current assets have swollen by R103m since end-December. While it is impossible to calculate accurate cash flows from the interim, finance director Nevilie Constable said in an interview last night that W & A was "more than happy with its cash flow."

"Every one" of the 10 substrates and associates recorded "record" results for the period, says Liebesman. The increases ranged between the 12.5% of AAF and the 71% of MacPhail.

AAF, listed in London, and sitting on a £23m cash pile, is a useful rand hedge for W & A but not yet a significant earnings contributor.

W & A's share price, which tends to move in narrow volumes but can increase 16% on yields in a week, has risen solidly from below R40 in January to R70.
FACED with an enormous tooling bill and heavy penalty duties for exceeding import quotas under Phase 6 requirements of the local content programme, the motor manufacturing industry is taking a fresh look at sourcing more of its machine tools equipment locally.

An order for two of the largest automotive presses yet to be made in SA could be the forerunner of many more for Koppel Elga on the successful completion of their latest project.

Confidence

The order from Nissan group company Steelmobile is for two hydraulic presses in a project worth R1m.

They are being manufactured by Koppel Elga in conjunction with a Spanish machine tool manufacturer Koppel Elga's portion of the contract is R1m.

MD Clive Bell says the contract is a strong vote of confidence in the company's ability to manufacture such large tools to the stringent specifications required by Nissan.

Koppel Elga's success in this project could result in a deluge of new orders from other motor manufacturers.

Steelmobile MD Gordon Boyd says, "By going local with the manufacture of this facility, tremendous savings can be realised which ultimately will benefit our customers.

"Coupled with this is the development of a local industry to meet the requirements of stamping companies.

Under Phase 6, manufacturers' tool usage will be calculated relative to the total expenditure on imported materials used in local components, royalties, tooling and even packing materials for imported kits.

Initially a minimum of 55% local content by value will be required to avoid duties of 50% for every rand spent on imported content over the set level.

The stipulated value of local components is set to rise to a minimum of 75% over nine years.

The two machines a 600 tonne double-acting hydraulic press and a 1300 tonne triple action press, will be used for the manufacture of vehicle press tooling. As an indication of the scale of the job the larger press will have a bed size of 4m x 2.5m.

The presses will be of foreign design and the Spanish company will also supply the hydraulics.

Hydraulic press division manager Brian Cope is extremely confident of success: "Steelmobile wanted a local and overseas manufacturer's project for safety, but I have no doubt we could make it ourselves without the foreign input because of the experience we have built up over the years.

Wanted

After the first two presses we will be able to manufacture virtually all of these types of presses locally.

"The Nissan project is important for us, the motor industry and SA. Historically the industry has always wanted imported equipment.

"Once we have proved we can make the equipment, I have no doubt it will be the first of many more forays by the motor manufacturers into locally built tools.

This 250 tonne press was made by Koppel Elga for Pilkington Shetland.
Union in historic pay accord

JOHANNESBURG — The National Union of Metalworkers (Numsa) has reached a historic pay and working conditions agreement with six motor industry manufacturers affecting about 30,000 workers, a union spokesman said.

Numsa spokesman Mr Les Kettle was said the agreement would “eliminate differences in the benefit packages among the different manufacturers, and has laid the basis for greater uniformity of conditions of employment within the automobile industry in South Africa”.

The agreement, effective until June next year, provides for:
- New minimum rates of pay ranging from R5.50 an hour for an unskilled worker to R9.66 an hour for skilled workers.
- The establishment of a joint union-management subcommittee to review the different job grading systems applicable within the industry, with a view to setting up an alternative and uniform system of grading.
- Individual increases on actual earnings of R1 an hour up to R1.60 an hour, backdated to July 1 this year.
- A 40-hour working week.
- The recognition of March 21 (Sharpeville/Langa Day), May 1 (May Day) and June 16 (Youth Day) as paid holidays.
- A 13th cheque from January next year.
Sales of new cars likely to decline 20 percent

By Jabulani Sikhakhane
Sales of light and heavy commercial vehicles have remained buoyant this year compared with 1988, mainly due to the sound cash-flow position of the corporate sector and the strong fixed investment climate.

Passenger car sales, on the other hand, are still dropping steadily and according to motor industry sources are set to register a decline of about 20 percent if the sales pattern during the first eight months of the year is continued.

Figures released by the National Association of Automotive Manufacturers of South Africa (Naamasa) yesterday show that although sales figures for light commercial vehicles (LCVs) and heavy commercial vehicles (HCVs) marginally declined in August compared with July, the two sectors recorded an improvement in sales during the eight-month period to August compared with the same period in 1988.

Light commercial

LCV sales marginally declined by 2 percent to 10,596 units from 10,810 in July 1989. However the figure for the eight months to August shows an increase of 3,294 units or 14.4 percent from 74,933 to 78,227.

Heavy trucks and buses remained marginally higher during the January to August 1989 period than in the same period 1988. August 1989 sales were 126 units higher at 910 from 784 units in July.

Industry sources expect the overall sales for heavy commercial vehicles to increase to 10,000 from the 1988 figure of 9,400, mainly because of ongoing investments in projects like Mossgas and the Lesotho Highlands Water Scheme.

Econometrix's industry analyst Tony Twine said the LCV market has performed strongly this year, mainly because of the sound cash flow position of the corporate sector, which is the main consumer of LCV.

Heavy commercial vehicle sales had done better this year because of the buoyancy of fixed investment, he said.

He said the HCV market could remain buoyant into the 1990's because the "fixed investment climate is still pretty strong as borne out by recent Reserve Bank figures".

Oversight

New car sales declined by 987 units or five percent to 18,860 from the 19,847 units sold in July and when compared with the corresponding month for 1988 a decline of 3,252 units or 14.4 percent was recorded.

Naamasa says, due to an oversight a member company did not report single unit sales (vehicles allocated to a manufacturer's company fleet, including lease vehicles) and government sales (sales to government and provincial departments as well as SA Transport Services) in respect of the months of March, April, May and June, 1989.

Unreported sales totalled 844 unit sales and when these were included in the figures for the eight-months to August total new car sales were some 1,2 percent below those a year ago at 15,434 (15,317).

Passenger vehicle sales continued to decline from 19,847 in July to 18,860 in August. For the eight months to August passenger car sales were 152,434 against 154,317 over the same period last year.

Mr Twine says Government's attempts to cool-off the economy had impacted negatively on passenger car sales. However, he says when compared with the rest of the durable goods, passenger car sales have remained relatively stronger.

The two main reasons for this were that consumers were expecting the price of new cars to escalate faster than other durable goods in the months ahead, and the corporate sector still accounted for a very large share of the passenger car market.

Tarned as a whole, the industry's January to August sales rose marginally by 0.35 percent to 239,602 compared to 1988's 238,764.

Modest downturn

Naamasa says the projected decline in new vehicle sales in the second half of 1989 was turning out to be more modest than originally predicted.

New car sales for August had been limited by the impact of industrial action experienced during the period under review in sectors of the component supplier industry and at various vehicle manufacturing plants.

The replacement demand by car rental industry and the corporate sector remained the dominant influence in the market, Naamasa said.
Tribo-Corr reduces friction and wear

TO SUBSTITUTE imported components such as synchro cones and rings for cars and trucks, Tribo-Corr is marketing sophisticated vehicle thermal spray machines.

Tribo-Corr specialists in low friction and wear resistant coatings.

Sales director Howard Shaw says a Metco machine has been supplied to "a major manufacturer of components for heavy vehicles" to coat high-wear components such as gearbox synchro rings.

He says it can also be used to coat piston rings, valve stems, shifter forks and turbo charger components.

"The Metco coating that is being applied is very hard, with a very low co-efficient of friction, which improves the efficiency of high technology engines," Shaw says.

The company previously imported synchro rings and cones used in most modern vehicle gearboxes and decided to install an automatic spraying machine locally in order to reduce dependence on imported components and avoid the inevitably high cost of imports.

"Tribo-Corr worked closely with their customers to assess their precise needs, and then organised the installation of the machine and launched a training scheme for the company's staff.

"However, the machine is so simple to operate that extensive training is not necessary," Shaw says.

The machine's heart is a 14-station mechanical handling device. The uncoated component is loaded onto a carousel and then grit blasted to roughen its surface.

The component is then put through a pre-heat station and heated to approximately 100°C. It receives the first half of the coating before going to the next station for the second half.

The coated component is then removed from the carousel and replaced with an uncoated component.

The full cycle takes three to four minutes, depending on the size of the component, Shaw says.

The installation of the machine enabled the company to completely satisfy the local market. It was looking at the possibility of exporting coated components, he said.
Daimler looks at sales to SA

LONDON — Daimler Benz, which has reached an agreement to take over the West German aerospace firm MBB, said yesterday sales to SA of that company’s military-related equipment were being examined.

MBB (Messerschmitt-Bolkow-Bohlin), which has supplied SA with multi-sensor platforms, as well as police helicopters, is expected to pass into the hands of the West German car and industrial giant within a few months.

This follows development Friday by the West German government to allow Daimler Benz to purchase a 51% stake in MBB, whose military interests include tanks, aerospace, electronics and naval vessels.

A Daimler Benz spokesman said that sales of sensitive equipment by the newly enlarged group to SA and other non-NATO countries were likely to become “more restrictive.” The new policy would be known within six to eight weeks.

Heinz Schulte, the West German correspondent of the authoritative arms publication Jane’s Defence Weekly, said he was “not so sure” MBB sales to SA would be stopped.

Schulte attributed this to the “africaified” pressure that would now also face Deutschebank, the main shareholder in Daimler Benz.
Car parts prices down 70%  

DELTA Motor Corporation's parts and accessory division has announced a downward parts price adjustment—mainly on engine components—of up to 70%.

The announcement follows 18 months of intensive negotiations since establishment of the new company.

Parts and accessories manager Charlie van Niekerk commented: "When Delta was established, a number of new doors opened, one being that we could now source replacement parts more freely in SA and throughout the world without being bound by parent company rules."  

"We took advantage of this and established new sources of supply, whose quality standards are high but which offer significant cost reduction benefits."  

He added that following the Delta change, "we initiated as a priority a research and investigation programme with two main objectives. One was the reduction of replacement parts prices to the end user, and the other that quality standards must be maintained or bettered."

"We achieved both objectives, and the results of the work are now being passed on to the consumer."

He emphasised that the price reduction, "at present", was mainly engine component related.

"However, the corporation's programme to reduce parts prices is a continuing one," he said.
The AECI Seven

THE AECI Group has seven

companies involved in SA's
automotive component
industry.

The seven offer a spec-
trum of products and ser-

dices ranging from poly-

tester fibres to paints.

Vynide, a member of the

AECI Converters group,

makes vinyl - a traditional

component in car inter-

iors and seat coverings.

Vynide MD Harvey

Arnold said vinyl appli-

cations and levels of sophis-

tication had changed.

Vynide's development

thrusts are in two direc-

tions.

The first is to make exis-
ting products and their var-

tations more cost-effective

and, the second involves

technological

advancement.

Chemserve Metal

Sciences is a member of

Chemical Sciences

Group, which is partly owned

by the company.

The company supplies

heat treatment, metal

treatment, metalworking

and protective systems,

and has a strong presence

in the vehicle sector.

MD Noel Root says "We

realised that, based on SA's

comparatively low existing

car population, the auto-
motive industry was a key

area for growth."

Chemserve has strong

links with some of the most

hi-tech chemical compa-

nies in Europe, the US and

Japan, and has a reputa-
tion as an innovator with

solid technical skills.

Late this year, Betama-

ta, a two-component

urethane with a short cur-

ing time - used in bonding

windscreen to cars - will

be launched.

Betama could also

eventually replace some

degree of welding in au-
motive manufacture.

The company's Chloork-

kop PVC plastisol plant

produces about 2500 a

month for the automotive

industry.

South African Nylon

Spinners (SANS) intro-

duced Tenacord polyester cord

yarns to the SA tyre industry

in 1985 to cater for the

more sophisticated needs of

the industry.

Tenacord was also found

by the SABS to be ideally

suited for inertia reel seat

belts.

SANS' polyester is a domi-
nant fibre in fabrics for

seats, seat bolsters, door

panels and headliners.

Plastamid, an AECI as-

sociate company, is a lead-
ing supplier of engineering

thermoplastic to the local

market.

SA are coated with a Duco

finish.

The company pioneered

the development of the me-
i
tally, basecoat/clearcoat

system, which in terms of

aesthetics and durability,

was a significant advance

over single coat acrylics

and metalics.

Autoplast is a member of

the AECI Converters

group. Its operations are
directed exclusively at the

vehicle industry.

MD Robert van Ren-

sburg says: "Plastamid's

cars were fitted with flat

panels covered in PVC or

fabric. In the last five

years, however, there has

been a move to moulded

components, which are

more attractive and more

functional."

The company also pro-

duces sun visors Van Ren-

sburg says: "This is a new

area for us, and manufac-
	ure on a fairly big scale

only started a few months

ago. So far the venture has

been very successful."

One development under

consideration is the manu-

facture of moulded dash

panels.

Industrial Urethanes

(IU)

One third of the total

plastic content of a typical

modern car consists of

polyurethane, or seats,

steering wheels, fascia pan-

els, sound insulation, bump-

ers, spoilers and extermor

parts.

IU is a South African

leader in polyurethanes

required by the vehicle indus-

try, and utilises technology

developed in this field by

ICI in the UK.

The development of met-

al parts with polyurethane

is important in reducing

fuel consumption.

IU vehicle industry spe-

cialist Colin Groom says:

"The company is in the

process of investing substan-
tially in machinery, and

component manufacturers

will no longer have to break

into production time to

make prototypes."

Mixed feelings on local content
yet survey shows parts sales soar

AGEING units of SA's

truck fleet are pushing up the demand for spare parts

and refurbished equipment, but in spite of this, manu-

facturers have mixed feelings about the future of the

local content programme.

This has been established

in a biennial study, released

last month by Business and

Marketing Intelligence

(BMI).

The study is based on

more than 650 interviews

with vehicle and compo-

nent manufacturers, im-

porters, wholesalers, deal-

ers, scrapyards, workshops

and fleet owners.

BMI industrial analyst

and spokesman for the

study Alan Schreiber said

the trade demand for heavy

duty trucks and bus replace-

ment parts last year was

R1 536m.

This translated into

about R1 746m in retail

sales, and did not include

second hand sales. This was

about 10% up on 1987.

BMI was expecting real
growth of about 12% annu-

ally for at least the next

three years.

Fleet owners bought

nearly 50% of spares, while

franchise dealers and non-

franchise operations ac-

counted for the balance.

Demand for engine parts

accounted for nearly 25%.

BMI expected sales of

parts to grow five times

faster than the truck and

bus population, as 42% of

all spares were bought for

vehicles aged between sev-

en and nine years.

"We will be seeing a

transformation in the vehi-

cle market, with 4x4s and

other off-roads replacing

the older models," Schreiber

said. He added that the age

distribution of SA's fleets

were skewed towards mid-

life vehicles.

Concerned

Locally sourced parts

rose from 45% of the total

in 1986 to 47% last year, yet

component and vehicle

manufacturers were con-

cerned by the requirements

of the new local content

programme announced in

March last year.

The new rules changed

the basis of measurement

from weight to value, Schreiber said.

He saw the biggest prob-

lem being small growth.

Predicted new heavy vehi-

cle sales this year were

about 8 600, but there were

over 150 derivative models.

"Under these circum-

stances, it is not cost-effec-

tive to spend lots of money

on tooling, research and de-

velopment for local manu-

facture," he said.

This might lead to a

rationaisation in the vehi-

cle range as manufacturers

try to comply with the rules.

Increasing exports, one

of the aims of the new pro-

gram, was problematic.

"Smaller companies may

not be able to do it, but those

owned by overseas parent

companies may find their

markets restricted by the

parent on marketing and

quality grounds," Schreiber

said.

He suggested that some

firms might increase the

local content of their pas-

cenger and light commer-

cial vehicles to compensate

for a lower local content in

heavy vehicles.

This would avoid penal-

ties for non-compliance be-

cause sales of trucks and

buses were so small by com-

parison.
GFMD a leading supplier

GUESTRO Forging and Machining Division (GFMD) of Doryl Automotive Products is capable of manufacturing the full range of forgings required by the automotive industry. With the advent of the heavy vehicle local content programme, GFMD became leading supplier in this market.

Output

The company is an approved supplier to all motor vehicle manufacturers in SA and has three plants - a forge in Uitenhage, a forge in Rosslyn, near Pretoria, and a forge in Atlantis, near Cape Town. The combined annual output of the three plants is about 50 000t. It employs about 1 300 people.

Among the products produced by GFMD are propshafts, axle half-shafts, engine components, steering and suspension parts, track links, forged wheel hubs and stub axles, constant velocity driveshafts and rolling stock forgings.

The company is the only local manufacturer of power take-off shafts and borehole cylinders from brass stampings.

Products for the mining, earth moving and agricultural sectors, include forgings for rock drills, pit props, conveyor links and coal packs.

GFMD probably constitutes the largest closed die forging operation in the southern hemisphere, with forging hammers ranging from 1 500 to 17 000t/kg capacity and forging presses with capacities of up to 11 000t.

GFMD's capabilities for hot “closed die” forgings are almost unlimited, covering gear blanks of 0.5t to crankshafts of 156t.

GFMD specialises in hammer, press, upset and extrusion forgings. Innovations to now unavailable in SA, include small-bore deep-pierced hub forgings and a three-die system to manufacture flange-type forgings, which cannot be produced using conventional techniques.

The machine shop can produce fine tolerance machined components suitable for assembly at customers' plants on numerically controlled machines, special purpose machining centres as well as on conventional machine tools.

Complex assembly products are put through accelerated endurance tests in the division's test facility to simulate road conditions.

Treatment

All three plants are backed by fully equipped facilities for the design and manufacture of forging dies, machining jigs and other production tooling. Both service and production departments have recourse to comprehensive specialised heat treatment facilities.
The report shows that the

Unicorn coaster สามงาน

UNICORN Lines has bought
a $17-million oil and chemi-
cal carrier for the delivery of
refined petroleum products
on the South African coast.
The 33 900-ton vessel, to be
renamed Royal Sphere, will
replace foreign carriers, says
Unicorn executive director
Fred Harper. "The acquisition is strate-
getically important and it will
have a positive effect on the
SA shipping industry.”
There are now 11 vessels in
Unicorn’s fleet.

Sectional merger

Business Times Report

FAST-GROWING sections
title, which now accounts for
about 25% of all residential
property transfers in the
Transvaal, is placing tougher
demands on management
companies.
Two of the largest section-
al title management com-
panies, Urban Townhouse
Management and a division
of Northwest Estate Agents,
have merged to form a com-
pany with a portfolio of 8 300
units worth nearly R1-billion.
"Northwest Urban will be in
a better position to negoti-
ate improved insurance rates
and bank charges and to de-
velop new services,” says
general manager Kevin Im-
melman.

R20m Usco plant

CIVIL design work for the
R20-million Usco vanadium
podoxide plant at Vereenig-
ing has been completed by
CV Mech Design & Engi-
neering Services.
The design includes the
leaching, precipitation, crys-
tallisation and filtration
facilities as well as piled
foundations and structural
steelwork.

Tractor sales up

SALES of tractors in August
rose by 15.5% on the previous
month from 502 to 590, says
the SA Agricultural Machin-
ery Association.
Sales for the year to date
are 3 761 compared with
3 606 in the same time last
year.
ADE sparks piston drive

TO meet demand for SA-made diesel pistons, AE Pistons, a member of the Aneng group, has started a R10-million expansion programme.

The expansion of the diesel machine line, which came on stream in November last year, will provide AE with an 80% increase in capacity.

Aneng Automotive technical director Ed Shimibles says "The expansion was necessitated by the increased demands from Atlantis Diesel Engines (ADE) which could not be met by local manufacturers."

The company has been importing Daimler-Benz pistons for the past year to support ADE's engine requirements.

To eliminate the drain on foreign exchange as soon as possible, AE is air-freighting from Germany the 15.5 tons of equipment needed to increase production.

The expansion will include machining plant, casting equipment, quality-control laboratories and R300 000 for the casting facility.
Toyota tools up for export

Business Times Reporter

In the 1990s a motorist in America or Europe looking for a bonnet to replace a damaged one for his car may well find that it has been made in SA by Toyota.

It is a tooling company, for instance in Spain, does not have sufficient capacity to make all the dies needed for a new model, it may find that Toyota's new R41-million toolroom is the answer.

These examples highlight the versatility and adaptability of Toyota's toolroom which is nearing completion and is believed to be the most modern in the southern hemisphere.

The toolroom will be kept busy for about three years making SA's Toyota requirements, but when it has spare capacity it could enter the export market in a big way.

"The tooling we will make here will match the Taiwanese head on in terms of price on international markets and our quality will be far better," says Toyota Manufacturing managing director Ralph Broadley.

Because of the nature of the motor industry, toolroom work is cyclical. When this happens, Toyota will be able to ask other manufacturers whether they have any requirements or it can enter the export market.

"We know that our toolroom will be more than competitive internationally. We can make tooling cheaper than we can buy it from Japan," says Mr Broadley.
BMW parent may lift SA spending

By Don Robertson

AFTER only two weeks as managing director of BMW, Reinhard Kunstler is contemplating additional investment in SA by the German parent.

The spending will follow the recent R6-million purchase of computer systems from Information Services Management (ISM).

BMW has also identified 50 components which it and its suppliers could develop for use in SA and for export.

Immaculate

Taking over from predecessor Walter Hasselkus cannot have been an easy task, but the immaculately dressed Mr Kunstler appears relaxed and on top of the task.

However, like the chief executives of other manufacturers, he faces difficulties.

He is concerned that the Phase Six local content programme will be speeded up to the detriment of high-tech manufacturers such as BMW.

He fears that the duties the Department of Customs and Excise will receive on the import of components will fall well below the rebates offered on exports with a resultant drain on the Treasury.

The requirement that manufacturers achieve 75% local content by 1997 could be brought forward.

Mr Kunstler says "The Government has taken a reasonable approach to force the industry to become more competitive. But the scheme has been designed in an industry which has no experience of these changes."

"If the programme runs its full course, we will be able to cope, but if it is speeded up, manufacturers of high-tech cars will suffer."

Mr Kunstler intends to follow the Mr Hasselkus's labour policies.

"We have good relations with our labour force and treat all people as human beings. We try to enter into a partnership understanding with them and build up trust."

The National Union of Metal Workers has concluded the first nationwide agreement with manufacturers. Workers received higher wages, paid holidays on sensitive days and, in some cases, shorter working weeks.

Mr Kunstler says BMW in Germany is happy with the return it receives from the SA company, which has the highest market share of any BMW operation in the world.

BMW SA has been operating profitably for some years and is earning a reasonable return on investments.

The 520i model will be launched at the end of May next year.

"Introduction of the 520i was delayed to avoid overlapping the Roslyn assembly plant after the launch of the 525i and 535i in April this year. The company was also awaiting the development of the four-valve cylinder technology which will be incorporated in the new 520i."

Gearbox

Production of the Three Series will continue at present levels in SA, although a new model will soon be introduced in Europe.

The ultra-quick M5 will probably be imported by the end of next year, as well as the new coupe, the 850i. Unveiled at the Frankfurt Motor Show last week, the 850i produces 320kW, accelerates to 100km/h in under seven seconds and has an electronically controlled top speed of 250km/h through a six-speed manual gearbox or automatic with electronic hydraulic control and three driving programmes.

The price in SA is expected to be about R290 000.
AUTOQUIP added 50% to the bottom line in the year to June by earning 15,7c a share. The group is a wholesaler and retailer of automotive parts, accessories and industrial bearings. Listed on the JSE in October 1987, it has returned to the June price of 76c on a sound performance. Turnover was up by 60% to R15,5-million, and income before tax was 55% higher at R1,6-million. Tax took nearly half, but there was a contribution of R53 000 from foreign operations. A dividend of 6,5c a share was 44% higher than last year's annualised equivalent. The balance sheet looks wonderful, but stock levels have grown too high for chief executive Bruce Coquelle's liking. He says, "Stock grown in line with our sales and we will be addressing our cash management."

AGE

Autoquip's forte lies in its sourcing of products from all parts of the world. Buying is done by its own people, ensuring better prices. About 65% of its products are imports. Mr Coquelle sees the year to 1990 producing growth in earnings of at least 30%. Automotive parts are recession-proof because people make their cars last longer when they cannot afford new ones. Mr Coquelle says the average age of vehicles in SA has risen from six to nine years, and will increase to 15 or longer in line with other Third World economies. He expects car ownership among blacks to double within the next five years. That has enormous potential for Autoquip's business.

The group is opening a branch in Port Elizabeth to improve service to the Eastern Cape. In the 1989 year it opened its doors at Vanderbijl Park and expanded in Natal.
Autoquip doubles operating income

Autoquip Group Limited has posted exceptional results in the year to end June 1989, boosting operating income by 101 percent to R5.2 billion on a turnover increase of 60 percent to R55.5 billion. Earnings per share increased from 10.5 cents to 15.7 cents and the group has declared a total dividend of 5.5 cents covered 2.4 times.

The substantial growth, which has been achieved entirely organically, is largely attributable to increased market share in all divisions.

Comments Chief Executive Bruce Coquelle: "It is pleasing to note that the results are ahead of fairly optimistic forecasts. Over this period the considerable emphasis placed on the sourcing of products together with rigorous financial controls has resulted in an overall increase in margins.

The Group's foreign operation, started in April 1988, has also begun to make a contribution to profits with full account already taken of start up costs."
100 000 Toyota shares change hands at a premium

By Ann Crotty

Yesterday's large book-over of Toyota shares — valued at R6.5 million — sparked rumours of a possible change of control in this massive motor company.

The reports were quickly and emphatically denied by the Toyota head office where a spokesman stated: "There is no chance of that happening!"

The Toyota share price has been holding up reasonably well in the face of a fairly difficult trading environment.

In recent times the group has had to contend with a tougher economic environment and the attendant high interest rates, tighter trade restrictions as its Japanese supplier succumbed to American pressure to reduce trade links with SA.

Wesco Investments, which is controlled by the Wessels family, is currently the major shareholder in Toyota with a 50 percent stake. JCI is the second largest shareholder.

JCI is reported to have been the buyer of yesterday's 100 000 share book-over which was struck at R15 — R12 above the market level. The premium over market level indicates that JCI was a keen buyer.
Improved supply of tyres averts crisis

A CRISIS had been averted in agriculture, which was recently faced with disruption because of a serious shortage of tyres, SA Agricultural Union senior deputy director Jack Raath said yesterday.

He said increased production by certain manufacturers and the importing of tyres suited to SA conditions had helped ease the situation. He expected a further improvement as soon as conditions returned to normal at the Uitenhage tyre company that had been plagued by industrial action.

There was still a shortage of rear-wheel tractor tyres, but there had been a great improvement in the availability of front-wheel tractor tyres and tyres for trucks and trailers, he said. — Sapa. (19) 22.
Motor industry faces massive funding need

Finance Staff

The motor industry must achieve sufficient growth to be able to fund the investment needed for Phase Six of the local content programme, says McCarthy chairman Brian McCarthy.

He says the programme, which requires 75 percent local content by value over the next eight years, requires investment in excess of R4 billion.

"It is therefore extremely important that the industry achieve sufficient growth to enable vehicle and component manufacturers to fund a major portion of these investments from satisfactory cash flows."

"Hopefully, the Government will recognise this in any future changes in monetary and fiscal policies."

Mr McCarthy says the group expects a smaller vehicle market because of the downturn.

In his review of the past financial year he says that after an increase in earnings of 98 percent and 51 percent in 1987 and 1988 respectively, the group had a 70 percent increase in taxed profit to R52.6 million in 1989.

Turnover rose 35 percent to R2.4 billion.

The group improved market share, lifted productivity and increased margins.

Its estimated share of total national dealer market for new vehicles rose from 11.7 percent to just under 12 percent.

Today 75 percent of group vehicle sales are to companies and fleets (60 percent five years ago).

All divisions achieved real growth.

The acquisition of new dealerships made a contribution to operating profit, as a percentage of sales rose from 3.5 percent to 4.2 percent.

Direct property holdings rose from R96.6 million to R30.8 million. The group has the capacity to fund additional working assets and investments to the level of almost R100 million.

Another key point is that every motor franchise exceeded the target of 25 percent return on equity.

McCarthy Transport Holdings earned record profits and maintained its market leadership.
BUSINESS

Numsa strikes disinvestment deals with Goodyear SA

By HILARY JOFFE

TRADE unions in the Congress of South African Trade Unions folder have been campaigning since 1991 for companies pulling out of South Africa to negotiate with them the terms of disinvestment. It is not often that they have won their demands. The settlement reached last week between the National Union of Metalworkers (Numsa) and Goodyear South Africa — sold by control by United States parent company Goodyear in 1989 for $15 million — is only the fourth such agreement but it provides the most substantial cash benefits for employees.

Numsa last year negotiated disinvestment deals on behalf of its members at Sasol and Ford as well as at Cetex and Vickers, while the Chemical Workers' Industrial Union reached a settlement with Mobil earlier this year. Following a strike by the oil company's workers when the US parent company decided to pull out.

Goodyear SA agreed last week to pay workers substantial cash payouts via the company pension fund and has guaranteed workers' job security for a year. It will uphold all existing agreements with the union, which has negotiated a substantial housing benefit for workers.

The settlement at Goodyear followed a bitter 11-week strike by the company's workers in the course of which workers at Mercedes-Benz, Volkswagen and Nissan signed to support the action by refusing to handle Goodyear tyres. At one point production at Volkswagen had to stop briefly because of the tyre shortage.

The 1,200 workers at Goodyear's Umshange plant returned to work on Monday — the company restarted them without loss of benefit despite the fact that it had locked out and dismissed them, bringing in "scab" labour during the strike.

In terms of the agreement, Goodyear has guaranteed wages, benefits, terms and conditions of employment, working hours and social responsibility programmes for one year from the end of the agreement.

The housing package on offer gives workers the option of taking housing loans of between R3,000 and R5,000. They do not have to pay off the capital amount — the company does that over five years — but the interest, which they pay at eight percent, less than half the market rate. Goodyear's housing scheme previously enabled loans of only up to R4,000 and obliged workers to pay off the capital amount of the loan.

Goodyear had conceded a union demand to establish a provisions fund, an agreement that will now transfer to the new fund the full pension reserve — including the employer's contributions — for each worker from the existing pension fund. It previously agreed only to transfer the workers' contributions.

Cash payments to employees are complimented for the disinvestment. The company arranged for them to be paid out of the pension fund and then repaid in R1,000 instalments in 1989 and again in 1990.

The company has now agreed to pay employees the equivalent of two years' worth of contributions to the pension fund back to the date of their last entry in the fund. Numsa estimated this at an average R4,500 to R5,000 per worker. In addition to this, each employee will receive R1,000.

Numsa negotiator Caven Hendricks said he believed the Goodyear strike was "a clear warning to all multinational companies to negotiate with representatives of workers prior to disinvestment so that the terms can be secured whereby the wealth created by the workers remains their property when the company leaves."
PORT ELIZABETH — Production operations were shut down yesterday at Volkswagen in Uitenhage after an unprocedural strike by workers in support of a demand for unconditional reinstatement of a dismissed shop steward.
By Don Robertson

SPARES dealer Spareco plans to increase turnover to about R200-million in the year to next June through acquisition and expansion.

Chairman Chris Sladen says between eight and 10 Fleishman stores will be opened this year and the company is looking at two or three fairly large acquisition opportunities.

About R150-million of turnover will come from Fleishman, another R50-million being generated by improved efficiencies at Spareco outlets.

In the 16 months to June this year, turnover was R25.5-million, earnings were 1.2c a share and the dividend was 4c.

Mr Sladen is confident that earnings will increase in spite of an additional 2.5-million shares which will rank for dividends this time.

These were issued for the purchase of Goldco and interests in the Eastern Transvaal and did not rank for dividends in the past year.

Tax is expected to remain about 30% by using depreciation allowances.

Mr Sladen is enthusiastic about Spareco Europe, which recently won a R15.5-million export order. The intention is to increase exports to between R15-million and R20-million in the next few years.

There is, however, some concern about the rising costs of spare parts and Mr Sladen believes there could be an adverse effect on sales in the short term.

Since the break-up of the marketing agreement with Mido, Spareco has entered wholesaling and is using its warehouse in Wadville to supply its stores. Considerable benefits are expected to come from it.

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**Domestic interest rates**

<table>
<thead>
<tr>
<th>Rate</th>
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<th>8/9/89</th>
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<td>Treasury bill tender rate (%)</td>
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<td>Basic call of deposit houses (%)</td>
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<td>Prime overdraft rate (%)</td>
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<td>All-in yield of loan acceptance credits (%)</td>
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**MONEY MARKET**

Friday 18/9/89: SARB accommodation rediscount rate 17.00%.

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**London gold fixings**

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**Overall market this week**

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**JSE Actual Indexes**

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**INDUSTRIAL**

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M&R in motors

As part of its expansion programme in the motor industry, Murray & Roberts has bought aluminium founder Pretoria Precision Casting (PPC) (1/2)
PPC produces high- and low-pressure, gravity and sand castings, including automotive parts
The PPC facility will be upgraded and production streamlined to increase capacity for automotive parts and castings for general industry.

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The major share... ambitious and important.

With the overall plan and the driving of the cost of the project...
12,000
Unos a year
for SA

By Geoff Dalglish

HOME — The giant Fiat group is looking at expanding its growing business with South Africa.

Industry sources indicate that next year’s launch of the best-selling Fiat Uno could lead to components being sourced from SA.

Lorenzo Cesari, managing director of Fiat’s international activities division, said Italian representatives would visit SA next month as part of a continuing feasibility study.

Sanctions and Japanese restraints are inhibiting the sale of Toyota, Honda, Nissan and Mazda vehicles in SA, but Dr Cesari said “The Europeans in general and Italians in particular are pragmatic.”

“Eventually economic factors are stronger than political ones. We buy everywhere in the world if the price and quality are competitive.”

An added factor that could make markets like SA attractive was the feared full-scale entry of the Japanese to the European market after 1992.

Forecast

One observer estimated that Europe could lose a million sales annually to the Japanese.

Dr Cesari’s predicted sales of 12,000 Uno cars a year in SA. There was capacity to build 15,000 cars annually. Ultimately other joint ventures might be possible, although the Uno was unique in filling a gap left by the departure of the Daehan’s Charade, Renault 5 and Leyland Mini.

Nissan Marketing managing director Stephanus Louboer disclosed plans for three- and five-door hatchbacks with engines ranging from an economy 1.1L to a potent 1.4 turbo.

“We are committed to coming in at least R12,500 below the entry-level Volkswagen City Golf and Opel Kadett Cab — that would be about R17,000.”

At the top of the range, the 284km/h turbo (pocket rocket) was likely to cost about R29,000, with options that could include air-conditioning, power steering, electric windows and a sunroof.
VW will remain shut indefinitely

PORT ELIZABETH — VW's Uitenhage production operations will remain closed indefinitely after Saturday's Port Elizabeth Supreme Court order against Numsa.

The company had applied for an urgent interdict and was granted an order which declared the "unprocedural strike" action by some employees illegal. The return date was set for October 4.

Employees are restrained from entering the company premises until the matter is resolved. Yesterday, several workers converged around the locked gates of the VW plant, but later dispersed.

Eastern Cape police liaison officer Capt Bill Dennis said VW employees had not held the rumoured protest march yesterday. They had gathered at the company gates but soon dispersed.

A VW spokesman said some workers went on strike last Thursday after the dismissal and subsequent conditional reinstatement of a Numsa shop steward.

He said management had been forced to take action after a group of employees refused to follow procedure or to adhere to an agreement between the company and Numsa regarding the conditional reinstatement of the dismissed worker.

— Sapa.
Blacks being wooed into caravanning

Theo Rawana

A MAJOR caravan manufacturer has begun wooing the affluent sector of the black market in a move which will see thousands of black families taking caravan holidays. Thanks to a joint venture between black organisation Business Challenge (BC) and caravan manufacturer C1 Caravans, an agreement has been reached to lease or rent out caravans to blacks.

"We see this as opening new avenues for blacks in the tourism industry," BC chief executive Phil Khumalo said in Johannesburg yesterday.

He said some caravan parks were dropping their whites-only tags and allowing blacks in.

Capital

Soccer lovers travelling from faraway places would now be able to pitch caravans next to match venues the night before the game, rather than using public transport and being booked into some uncomfortable block accommodation, Khumalo said.

BC, founded to create a capital base, provide professional services and offer business training to blacks, also got the Finetown-based caravan-maker to design caravans to be used as 'Spaza shops' and mobile toilets.

The specially-designed caravans would be leased out to BC members and the organisation would partly finance the transactions through a bank.
PORT ELIZABETH — Volkswagen production operations in Uitenhage will remain closed indefinitely following a Port Elizabeth Supreme Court order against the National Union of Metalworkers.

The company had applied for an urgent interdict and on Saturday was granted an order which declared illegal the “unprocedural strike” action by some employees, with the return date reserved for October 4.

Employees would be restrained from entering the company premises till the matter was resolved.

Today, several militant workers converged around the locked gates of the VW plant, but later dispersed.

A spokesman for VW's public affairs department confirmed that the situation remained unchanged and that the plant would remain locked for an indefinite period, while negotiations between NUMSA and management continued.

Captain Bill Dennis, SA Police liaison officer for the Eastern Cape, said there was no march procession by VW employees yesterday. He said they had gathered at the company gates but soon dispersed.

There had been rumors in Uitenhage that workers were going to march to the town center. Capt. Dennis said earlier, a VW spokesman had said some workers in the press shop had gone on strike on Thursday, following the dismissal and subsequent conditional reinstatement of a NUMSA shop steward.

He said management had no option but to take action, after a group of employees had refused to follow agreed procedures or to adhere to an agreement between the company and NUMSA shop stewards regarding the conditional reinstatement of the dismissed worker — Sapa.
Tyre prices rocket by up to 11%

TYRE prices were increased across-the-board by 8% to 11% yesterday, the second price hike this year, Motor Industries Federation president and Quality Tyres chairman Alex Hawes said last night. The price increases came into immediate effect today. They were mainly caused by inflation and two price increases this year from Carbochem, which supplies raw materials to the fiercely competitive tyre manufacturers.

However, a tyre dealer said last night tyre prices had increased three times this year. The first time was in February when the cost increased on average 15%. On July 30 average tyre prices increased a further 12% and yesterday the price increased on average a further 10%. The dealer said the price of a thin bakkie tyre in July was R135. The same tyre now costs R192.86.

The dealer said most tyre retailing outlets, the garage or retailer added a further 20% to the tyre cost.
VW in Uitenhage close following court order

VOLKSWAGEN production operations in Uitenhage will remain closed indefinitely following a Port Elizabeth Supreme Court order against the National Union of Metalworkers, granted recently.

The company had applied for an urgent interdict and was granted an order which declared illegal the "unprocedural strike" action by some employees, with the return date reserved for October 4.

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He said management had no option but to take action, after a group of employees had refused to follow agreed procedures or to adhere to an agreement between the company and Numsa shop stewards regarding the conditional reinstatement of the dismissed workers.
MOTOR sales, parts and service outlets group VaalTrucar has increased earnings marginally by 11,2% from 6,9c a share to 6,2c a share for the six months to August 1969, and expects to show a realistic increase in earnings for the full year.

Turnover increased 14,1% from R46,6m to R50,9m. Finance costs increased from R284,000 to R300,000. Tax increases came to R765,000, leaving net profits at R1,14m, a 12% increase on R1,02m achieved during the same period last year.

According to the interim report, the group achieved highly satisfactory results.

A dividend of 2c a share was declared, the same amount as last year.

According to recent market trends, the company expected to show a realistic increase in earnings for the full financial year.

VaalTrucar chairman Sorel Germshuizen recently told a financial publication the expected 16% drop in new motor vehicle sales would not affect the group's bottom line earnings.

This was because used car sales and vehicle servicing activities, which made up 33% of last year's sales, would ensure growth.

VaalTrucar's shares closed at 76c a share on Friday after reaching a high of 85c earlier this year.
Phase 6 hits motor industry planning

MOTOR vehicle manufacturers are finding forward planning difficult and future capital expenditure needs impossible to assess because of uncertainty over phase 6 of the local content programme.

The complex phase 6, introduced in March, measured local content by value, based on companies' foreign exchange usage, and is designed to reduce imports and encourage export replacement, thus saving forex.

Manufacturers are rewarded — or penalised — depending on the extent to which the local content requirements are met.

According to industry spokesmen, the motor industry needed well-defined targets and long lead times to operate efficiently. These had become almost impossible to determine.

BMW local content manager Chris Littlewood said on Friday that it was difficult to tell how and when local content targets would change, and what BMW's investment would have to be to achieve the target changes.

He said changes in the programme had come at short notice, making forward planning almost impossible.

Changes to phase 6 had occurred several times since the programme began on March 1. Should the 55% local content requirement increase, as intended, capex must increase to achieve new targets.

Board of Trade and Industries chairman Lawrence McCrystal said strikes and stockholdings distorted the programme, and a clearer picture was needed before he could answer questions on whether local content targets would be changed in the coming year.

The BTI said earlier that turnover lost through disruptions at strike-hit plants affected local content, but it believed these would be offset later by higher production and stockholdings.

A Toyota spokesman said the company had estimated R600m would be spent annually by the motor industry to meet the requirements of the programme. Toyota would spend about R150m a year.

The BTI, which administered the programme, said it was too early to calculate accurate capex figures for the industry, as each company's position differed.

The cost of the programme to the motor industry was expected to push up vehicle prices, especially those of higher-priced vehicles, which were intentionally discriminated against in the regulations.

Toyota Manufacturing MD Brand Pretorius said the programme would increase the price of vehicles because of increased capital costs to the manufacturer.

However, this would be compensated for by lower import costs and expensive currency fluctuations involved in the importation process. Also in the programme's favour was that phase 6 would create thousands of jobs, Pretorius said.

The BTI said phase 6 would affect vehicle prices at the upper end of the market.
VW customers have a long wait, says MD

PROSPECTIVE buyers of Volkswagen vehicles face a wait of up to four months, depending on model, for delivery of vehicles, Lindsay Saker MD Jonathan Treagus said on Friday.

There had also been incidents of unavailability of parts for repairs, but this was a less severe situation.

Treagus said delays caused by at least 18 working days of strikes and stayaways at VW’s Uitenhage plant over the past two months had been exacerbated by similar problems at a number of eastern Cape component manufacturers.

There was a six- to eight-week delay in the delivery of most models. For others the delay was only a couple of weeks, while for those at the performance and exotic end of the market, it could be as much as four months.

“We are living hand to mouth on the stock of vehicles,” Treagus said.

In situations where workshops could not get parts for repairs, these parts had been pulled off the Uitenhage production line.

Among the component manufacturers which have suffered industrial action in the past few months are Goodyear, Bosal and Hella.

Thousands of VW employees returned to work on Thursday after a dispute which began the previous Friday. This followed a two-week wage strike in August, two-days of sympathy action with Goodyear strikers and the September 5 and September 6 election stayaway.
Competition could slow Longmile’s growth

THE year ahead would be increasingly competitive for trading in all four of Longmile’s divisions but the group believed it could sustain growth through quality and service, chairman Hendrik Poetgeter said in the annual report released yesterday.

Longmile, which has four main divisions — tyres, silencers, clothing and fasteners — reported a 33% increase in earnings for the year to June. Earnings per share have nearly tripled in four years, from 14.3c in 1982 to 49c a share in 1985.

“We expect to show continued growth, albeit at a slower pace,” Poetgeter said. “The inextricable linking of the economy to the political situation in the country is inevitably making it increasingly difficult for entrepreneurs to perform.”

In the past year, Longmile saw considerable growth in net current assets to R4.3m in 1985 (R1.1m) and a 73% rise in interest payments to R2.4m (R1.4m).

Poetgeter said interest rates had probably peaked and the company’s working capital would return to traditional levels.

He also believed the company’s shares would, in time, respond to the company’s consistently good performance.
Step in right direction

“lene-straighteners”, some of them had generous
gaps between doors and frames, while others had
slight paint-shade variations — all details which will
be addressed before cars go into showrooms.

As far as performance goes, the 626s are unlikely
to win any races — but then, they weren’t built
to, the 1800 eventually gave an indicated 190 km/h,
with a corrected top speed of 178 — not bad for a
four-door family saloon.

A nasty cross-wind made the car hard work to
drive that fast, however. As for the others in the
range, I’m looking forward to getting them out to
Gerotek’s test circuit, as their smoothness and inter-
ior sound quality made them seem slower than I’m
sure they really are.

Unlike most multi-valves, the Mazdas don’t pre-
sent you with a sudden explosive rush of power at
a given rev-mark, instead, if it weren’t for the badges
on the tail, you’d probably never realise that the
quiet, smooth and tractable four-cylinder motors had
anything other than the usual two valves per cylin-
der. And again unlike most other brands of multi-
valvers, the Mazdas have a healthy amount of low-
down urge too.

So while they might lose out in outright per-
formance stakes to the generally more expensive
Opels, and be out-luxury-ed by the top-of-the-range
VWs and Toyotas, the new breed of Mazdas are
gong to win many friends because they are SA-born,
eminently driveable, smooth and quiet.

If you’re in the market for a new mid-sized car,
you owe it to yourself to drive a 626 before you
make any decisions.
A smooth drive

Activities: Now and used car retailers, also dealers in spare parts, reconditioned used cars, and provide financing and insurance services.

Control: The directors control directly and indirectly 73% of issued shares.

Chairman: B. Sank, joint managing directors: B. Sank, A. L. Sank.

Capital structure: 22,5m 6ds of 1c Market capitalization: R29,25m

Share market. Price 130c, Yields 8.3% on dividend, 21% on earnings, PE ratio, 4.7, coverage, 2.5, 12-month high, 140c, low, 75c Trading volume last quarter, 391,201 shares.

Financial: Year to June 30

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<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
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<tr>
<td>Long-term (Rm)</td>
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<td>n/a</td>
<td>n/a</td>
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<tr>
<td>Debt equity ratio</td>
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<td>n/a</td>
<td>n/a</td>
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<tr>
<td>Shareholders interest</td>
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<td>0.61</td>
<td>0.53</td>
</tr>
<tr>
<td>Int &amp; leasing cover</td>
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<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Debt cover</td>
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Performance

<table>
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<th>'97</th>
<th>'98</th>
<th>'99</th>
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<tr>
<td>Return on cap (%)</td>
<td>19.5</td>
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<tr>
<td>Turnover (Rm)</td>
<td>102.2</td>
<td>141.3</td>
<td>158.9</td>
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<tr>
<td>Pre-int profit (Rm)</td>
<td>3.8</td>
<td>6.7</td>
<td>9.6</td>
</tr>
<tr>
<td>Pre-int margin (%)</td>
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<td>4.7</td>
<td>6.0</td>
</tr>
<tr>
<td>Taxed profit (Rm)</td>
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<td>4.5</td>
<td>6.1</td>
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<tr>
<td>Earnings (c)</td>
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<td>20.2</td>
<td>27.3</td>
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<tr>
<td>Dividends (c)</td>
<td>1.95</td>
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<tr>
<td>Net worth (c)</td>
<td>43</td>
<td>53</td>
<td>69.3</td>
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It could be expected that stock delivery delays of up to three months would hit turnover and, hence, profitability. Not so with Cape-based MMG.

Late receipt of stock did trim the rise in turnover to 12.5% (R158.8m) below the official inflation rate of 15.7% and unimpressive compared with a 29.2% (June 1988-June 1989) increase in vehicle prices. But what chairman Barney Sank calls “efficiencies” lifted operating profits by 45.3%, taxed profits by 37.9% and EPS by 30%

Sank says the waiting list for new vehicles at Market Toyota, biggest Toyota dealer in the Peninsula, is about one month’s new car sales. Delays reflect strikes that affected the whole industry, but he is hopeful that this problem has been overcome, at least at Toyota, for the forseeable future and that production will soon catch up with orders.

Sank cites the diversified activities in used vehicles, spare parts, panel-beating, reconditioning and financial services as a major strength Contributions to the bottom line were new vehicle sales 39%, parts and services 29%, used vehicle sales 17%, other 15%

Margins increased by 26%, largely as a result of the contribution of these diversifications within the motor industry. But because demand for new cars is outstanding supply, the practice of discounting has greatly diminished this also contributed to the better margin. So, for that matter, did interest income on the R7.1m cash held.

The group had no interest-bearing debt even before the listing in September 1987, thanks to what Sank calls conservatively sound asset management. But MMG is actively seeking a suitable acquisition, preferably allied to the motor industry, and would not be averse to gearing up if necessary.

Prospects for the 1990 financial year may well be affected by a tighter economy, says Sank. However the group is still budgeting for a 20% increase in turnover with corresponding bottom-line benefits.

If the increase in attributable profits is anything like last year’s and taxed profits move up by 30%, EPS will be about 35.5c with dividends, assuming a 2.5 times cover, at 14c. At 130c, this would be a forward p/e of 3.6 and yield of 10.8%. That makes the share look cheap.
PRETORIA — The days of grandiose capital projects not justified by sound economic criteria were over, Trade and Industry Minister Kent Durr said here last night.

Speaking at a German Club function to mark the opening of the firm August Laepple, he said the President had put together a team of economic and financial men who had a clear vision of where to go and how to get there.

He could already sense an urgency rippling through the new government. Economic restructuring with constitutional reform was a great challenge, but without economic growth no lasting reform could be achieved.

Durr said it was gratifying that the manufacturing industry had grown by 8% last year and now accounted for nearly a quarter of GDP. A great constraint was the balance of payments, and it was imperative that non-gold exports be increased.

He stressed the opportunities for foreign exchange earnings and job creation through local beneficiation of raw materials.

On the motor industry, he said the start of Phase 6 of the local content programme this year was another milestone.

Components

Total investment in the industry and the motor trade amounted to R4.7bn and the industry as a whole employed 259,000 workers.

The components industry was a key element in the beneficiation process. Government was aware that component manufacturers were not entirely happy with some aspects of the scheme. However, his department would maintain an open door policy.

Constructive discussions were now in progress to breach the shortfalls and to try to accommodate a components industry more equitably.

Durr conceded the Phase 6 programme was not without teething troubles. However, his department was currently trying to sort out the difficulties in consultation with other government authorities and the industry.

The new rules were expected to bring renewed investment and increased manufacturing activity in the industry. It was expected a minimum of R200m investment would be made this year, rising to R300m for the year 1997.

Likely too, he added, was further rationalisation of vehicle models and components.
Imperial, Avis in R390m fleet injection

Own Correspondent

JOHANNESBURG — SA's two largest car-hire groups will be investing R390m to replace their vehicle fleets in an industry which has up to now remained immune to the downturn in the economy.

Imperial Car Hire MD Carol Scott said yesterday Imperial had shown 23% to 26% real growth to September 1999 when compared to September 1998.

The company was optimistic about future business and the industry had not yet seen any indication of dampening demand due to the downturn in the industry.

Reflecting this optimism, Imperial is to increase its fleet by between 500 to 1000 vehicles in the coming year. Imperial has 4 500 vehicles available for rental.

The company will invest R140m in the coming year to replaces and increase its fleet size, Scott said.

Avis Car Hire Group CE Glenn van Heerden said yesterday Avis had shown 23% real growth in the past year to September 1998 using the number of transactions as an indicator.

The industry was looking at a bumper festive season, but the high cost of new cars, a growing black market, increasing numbers of overseas tourists and large numbers of domestic tourists were other factors contributing to the industry's growth.

Avis's vehicle fleet is replaced and increased on a rotational basis. Its fleet will peak at 8 300 vehicles this year. Next year the group would invest R250m for new vehicles, he said.

However, the economic downturn could affect the group's sales next year because the tightening of monetary policy would affect cash and credit facilities to corporations, Van Heerden said.

Imperial's Scott said high interest rates had made the capital investment for new vehicles expensive. Another big thorn in Imperial's side at present was the hijacking of its vehicles, she said.

About 10 to 15 of Imperial's vehicles were being hijacked a month. Each vehicle represented a capital loss to the group because Imperial ran its own insurance scheme.
Long delays as VW tries to catch up

Argus Bureau 9/16/82 (S.1/2)

PORT ELIZABETH — Customers are having to wait several months for certain vehicles made by Volkswagen in Uitenhage.

But the plant is going full steam to catch up with the backlog after industrial unrest at its factory.

Mr Ronnie Kruger, the company's general manager for public affairs, said on average 300 vehicles were being produced daily. He said delays of up to four months and longer for vehicle deliveries were being experienced because of the huge demand.
JOHANNESBURG — The volume of new vehicles registered in SA for the first six months of the year fell by 1.7% against the same period last year, according to figures released by the Central Statistical Service (CSS) this weekend.

A total of 180,965 new vehicles were registered from January to June 1998 compared to 184,183 for the first half of 1998.

The largest market share of new cars was taken by Toyota with 23,770 sold, followed closely by Volkswagen with 23,703. Nissan and Delta took third and fourth place with 12,222 and 12,165 sold respectively.

Toyota appeared to be the most popular corporate car for this period with a total of 11,616 new cars registered by companies against 10,774 for Volkswagen.

Volkswagen, however, was the most popular choice for white individuals with 12,379 sold, followed closely by Toyota’s 10,605.

In the prestige car line, around half of total BMW and Mercedes-Benz sales — 4,226 and 2,467 each — in this period were to white individuals. They were also heavily dependent on the corporate car market. Both manufacturers sold 46% of their output in this period to corporate buyers.

Rising demand from the black population group in the first half compared to last year was shown for minibuses, 2% higher, buses, 26.5% higher and motorcycles, 14.2% higher. Demand for motor cars in this sector dropped by 2.1% to 1,184 from 1,216.

The registration of minibuses to white owners also grew in this period, but by a smaller percentage of 1.3%, while demand for buses fell by 5.3%. The greatest rise in sales to the white group was in tractors, which rose 13.9% over last year to 2,110 from 1,852.
Even the taxman can’t take gilt off being a star earner

Don’t let the rat race get you down
Inflation and high taxes may be lying in wait, but the rewards that come with success in the company hierarchy are still huge

A new nationwide survey into salary trends shows that a senior executive in South Africa can still take home 10 times more than a humble clerk — plus a bundle of perks — that makes the mind boggle.

To demonstrate the sort of pay package likely to be collected as you climb the corporate ladder, Hay Management Consultants have drawn up a profile that fits the average senior executive running a division inside a large group or a managing director in the smaller-scale league.

An average basic salary of R141 818 a year turns out to be only a start. First, add to that a 13th cheque at Christmas (R7 238), a R1 254 entertainment allowance and other odds and ends. That pushes what the Hay team calls the base salary to R153 688.

Next come incentive bonuses, likely to be linked to individual and company performance. That, says the researchers, can be expected by 60 percent of executives and works out at an average of R21 379 — swelling the pay package to R175 067.

Standard benefits at that level — the company’s contributions to pension and medical aids schemes — add an average of R17 894.

Yet to be counted are the perks. All executives in the profile enjoy a company car deal! — nowadays worth R23 284 a year on average.

(Hay puts the value of a company car in perspective by showing what has happened to the purchase price of cars since 1980 — along with comparisons of what it costs the company every year to keep them on the road, following the AA formula of combining the vehicle’s value with total running expenses (See tables)

The majority of executives also dip into company housing schemes, worth about R5 577 on average.

There is also scope for executives to put their club fees on the company bill — worth another R436 a year. There may be about R500 to cover telephone costs too.

It all brings the guaranteed package to an average R205 719. If the executive picks and chooses a really clever mix of perks, the average total remuneration climbs to R230 000 a year.

And if he is not flagging in the rat race and aims to move up, as chief executive of a R1 billion group in command of a labour force of around 4 000, he can expect a package worth on average R320 000 or more.

And that’s not all. The Hay team finds it hard to persuade the top brass to divulge the details of what they may pick up in the way of options to take bundles of shares in the company. But they believe share packages can sometimes be worth more than an entire year’s salary in the inner sanctum of the boardroom.

There’s always a sting in the tail somewhere, though. Almost everyone’s pay packet has been stung by inflation. It is only the lowest income groups — at labourer or unskilled level — that have seen their base earnings climb faster than inflation since 1982, largely due to efforts to close the black/white wage gap.

Middle to senior executives need brace themselves for the taxman snatching no less than 42 percent of 1989 earnings of R153 688.

Oddly enough, the tax burden has actually eased a little for the high guns at the helm of really large corporations. A group managing director whose basic earnings were R84 690 in 1982 saw no less than 49.6 percent swiped by tax. At least, by a reshuffle in marginal tax rates, the tax bill on the R204 700 in base earnings in 1989 will be nipped back a notch — to 44.9 percent.

The taxman has not managed to snatch all the glamour of star status.

MICHAEL CHESTER

MOTOR VEHICLES

CHANGE IN PURCHASE PRICE
Car sales fell by 7.9% during September

SUPPLY shortages arising from industrial action at various vehicle and motor component plants during August and September forced a drop in new and light commercial vehicle sales during September.

The National Association of Automobile Manufacturers of SA (Naamsa) said yesterday new cars sales for September had declined sharply by 7.9%, or 1,488 units, to 17,972 units compared with the 19,460 units sold during August.

When compared with September last year, new car sales for September 1989 declined 6.9%, or 1,297 units.

Sales of new light commercial vehicles (lcv) declined by 6.3% to 9,924 units when compared with 10,586 units sold in August.

When lcvs were compared on a year-on-year basis, new lcvs sales had held up well, Naamsa said.

Sales of heavy trucks had shown a modest increase of 3.3% to 940 units when compared with 910 units sold during August.

Naamsa said corporate demand for new vehicles remained strong, though there were signs of a softer trend in manufacturers’ new order intake.

The latest increase in interest rates and past measures to curb domestic spending would slow the economy still further.

The industry anticipated a modest levelling off in passenger car sales during the months ahead.

Outstanding orders by the car rental industry and the corporate sector would, however, cushion the economic slowdown.

Commercial vehicle sales responded to different dynamics to car sales. Industrial activity levels and investment spending — which invariably continued at a high level after the consumption spending cycle — had peaked, Naamsa said.

The market for industrial and new vehicle sales were thus expected to remain reasonably buoyant in the short to medium term, Naamsa said.

No rain

September tractor sales had dropped drastically by 21.2% from 569 units sold in August to 457 units sold in September, the SA Agricultural Machinery Association (Saama) said yesterday.

This was mainly due to little activity because of virtually no rain in summer grain producing areas.

Rain was needed in the wheat producing areas of the OFS and in the eastern Transvaal, where maize must be planted this month.

Year-to-date tractor sales stand at 4,218 units, marginally up from the 4,155 units sold in the same period last year, Saama said.
Green for go among the Nissan workforce

Gensha Kanri is the Japanese phrase for shop floor management which has helped Japan become the world's premier trading nations.

In South Africa, a similar revolution is taking place in the workplace. Nissan has introduced the Japanese-inspired system of "green areas" into its Rosslyn plant, and has maintained five years of continuous peace in the single-union motor industry.

A green area is a small section of the plant which contains a rectangular table with two long benches on either side. It has no furniture, no coffee, plants and no computers. It is, quite literally, painted green.

Bill Middleton, manager of shop floor management at Nissan reckons that the green areas concept was one of the deciding factors in the company's turnaround from its troubled position in 1985.

Six years ago, Nissan was barely retaining 9% of the industry's market share. Today, just over four years after green areas were introduced into the company, it is looking at about 17% of market share.

Nissan chief executive officer John Nederbrugge says the green areas concept has helped streamline the way total productivity levels between 1991 and 1997, he says the company improved productivity by an average of 3.5%.

Mr Middleton explains that the concept is incredibly simple, yet completely effective.

"Between 1am and 7am the foreman will sit with his operators around the table and they will discuss the previous day's targets or any problems they may have. The object is to communicate.

The green area is also used by the foreman to do his administrative job, for management feedback and to maintain cleanliness in our assembly lines as eating, drinking and smoking are not allowed in the green areas.

Top level management of most companies do not believe their workers have a right to information. Yet they are the most important force in an organization. Two-way communication is vital.

At 5pm the foreman will sit together with their supervisors and a similar discussion will take place. All parties are therefore constantly up-to-date with what is happening in the factory.

Between 1am and 7am and 1pm and 5pm, Nissan's 1,100-strong workforce are unaware, yet industrial action has not been an issue of Nissan for the past five years. The recent unrest which led Toyota Volkswagen and Samcro left Nissan relatively unscathed.

The green areas concept was developed after Nissan management realized that they had little communication with workers and consequently little organization in the plant.

We realized that workers had no place to go when they arrived at work, to put their belongings and have a cup of tea. They spoke to no-one, but merely returned to the car they were waiting on the day before.

We built our own green area as an experiment, and found that once was enough. We discovered that they feared favouritism and had to build more. Today we have about 300.

Visual management is an important concept within Nissan. Every operator in a green area has his picture and attendance register on the wall. Workers are monitored every day and awarded a blue dot on their chart if they have no faults with their performance.

Green areas are littered with charts - angry free days, targets, quality control, attendance, performance, production volumes and so on.

4/25/92

A fault such as damage to a car or poor presentation will earn the operator a red dot. Mr Middleton says the idea of measuring performance is very motivating to workers.

This takes the embarrassment out of the SA workplace managers no longer need to rely on the subjective view of the foreman to assess a worker's character and performance. They merely need to look at the chart.
Motor sales slide

By Don Robertson

The effect of strikes at motor manufacturers and component suppliers in August was felt in the market in September.

Total vehicle sales fell by 4.7% to 29,672 in September compared with 30,112 in August and indications are clear that sales for the year will at least be marginally below 1988.

Car sales dipped by 7.8% in September to 17,372 against 18,659 in August, leaving the total for the year at 169,906 compared with 172,088.

The reason for the decline, according to the National Association of Automobile Manufacturers of SA (Namasa) was the strike action during August. It is expected that sales for the rest of the year will level off at about current levels.

This suggests that new car sales could be as low as 220,500 compared with 224,500 in 1988, representing a decline of 4.5%.

However, underpinning the market is a strong demand from the corporate and car rental sectors. The higher interest rates have not yet had an effect.

Light commercial vehicles held up well at 9,924 compared with 9,956. The total for the year is 87,651 against 84,569.

Medium commercials were 435 in September compared with 945 in August, while heavy trucks and buses were 949 against 942.
Volkswagen SA is planning to spend upwards of R200m next year on expansion and upgrading, mainly as a response to SA's new phase six local content programme.

The ambitious capex programme, to be financed internally, represents a 43% rise over this year's capex of R140m and was aimed at strengthening VWSA's position in the industry, said chairman Peter Searle yesterday.

"The programme shows our commitment to improving product range, increasing the local content of both VW and Audi, and providing training and facilities for the development of our human resources," said Searle.

VW's new toolroom, worth R40m and the first project commissioned this year, was aimed at providing VWSA with substantial foreign savings. It should also provide additional jobs.

Other projects include the R3m expansion of VWSA's product engineering facility, a new admin building worth R14m, the R18m first phase of a paint shop modernisation, a high-rise storage facility worth R4m, R13m in improvements to production capacity and product-related investments worth R4m.
Currie Motor sale reduces Curfin's profits

CURRIE Finance's (Curfin) impressive inter-
turnover profits took a knock after the sale of its Currie Motor interests but the group
nevertheless managed to show a 23% in-
crease in attributable earnings to R6,2m
for the year to June against R4,7m in 1988.
Earnings a share rose to R8,1c (474c) but
after a small increase in the dividend
cover to 1,7 times from 1,6 times, divi-
dends rose only 15% to 36c (30c) a share.
Curfin is a financial holding company
In February it sold the assets of its profi-
nable motor operation, Currie Motors, to
Barlow Motor Investments (BMI) and the
division resulted from a one-off interest
payment of R600,000 for the period March
to May payable to Curries Motors on a
loan account between the two companies.
The R6,7m turnover for the motor divi-
sion reflects the income from eight
months trading but these have now been
wholly sold.
McCorrimek said the company was in-
volved in a joint investment with Safcor,
of which Curfin holds 51%, on a property
development in Pinetown which one of the
Safcor subsidiaries would rent.
He said the group had no acquisitions in
mind at present.
"Without motor profits obviously the
EPS will drop next year," he said, "but the
dividend will be maintained. We have no
borrowings to speak of and Safcor is doing
very well."
The directors added Curfin had an op-
tion to purchase from Budcorp the prop-
ties owned by Currie Motors, some of
which were occupied by BMI. All were let
at current market rates.
"It is fully intended to exercise our op-
tion during this current financial year," they said.
Positive outlook for the motor industry in 1990s

THE 1990s would herald a new era for the motor industry showing reasonable growth, improved volumes for component manufacturers, more efficient allocation of resources and improved export performance.

This was the view of Nissan chairman Peter Whitfield who addressed an economic forum on developments in the motor industry in the 1990s this week.

Whitfield said there was a good chance manufacturers would be able to contain vehicle price rises at around 5% to 6% of the inflation rate.

An expected economic growth rate of 2% to 3% over the period would give the motor market an average growth capacity of approximately 4% annually. But it would depend on the maintenance of planned political and economic agendas, vehicle price escalations and the value-based local content programme.

Whitfield said that over the next 10 years the market would be stimulated by the ageing vehicle park which was approaching an average age of nine years. Replacement sales, particularly in the light commercial market, should benefit demand. Other changes which would emerge were smaller, lower-priced vehicles and better use of light commercial vehicles.

He also forecast slow but steady increased purchasing of new vehicles by the black segment of the population.
AHP, controlled by the French Government, is the biggest life company in France.

With the Sun Life share price up 60y to 2,119 on Monday and Wednesday financial pages on Friday, Liberty chairman Lord Donald Gordon is playing it cool.

He told London that TransAtlantic was in a good position to make a bid, but had no intention of acting soon.

"The letters mean we can do a deal at any time and any price of our choosing. We have all the timing possibilities".

**Prize**

Mr Gordon said that if it needed to, TransAtlantic would be able to arrange funding for an out-of-court bid — even though Sun Life was worth £17.5 million at the present price.

But Mr Gordon is no hurry to act. He is satisfied with the situation.

The first prize would be to be able to operate with UAP and its new insurance take-up — but if there are cultural problems or different agendas, we'll have another offer.

Before the exchange of letters, both TransAtlantic with 28.6% of Sun Life and UAP International with 22.3%, were said to be wary that the letter could make a bid to outside shareholders leaving one as a locked-in minority. They were particularly nervous after a public row in September 1985 when TransAtlantic blocked a bid by UAP to arrange cross-shareholdings.

**Friendly**

Mr Gordon and relations ships are more amicable and that the letters had stabilized the shareholding.

In a letter this week, TransAtlantic agreed to UAP's request to take all shares at the same price.

If, for instance, TransAtlantic wanted to go for control at 2.15, it would have to offer its shares to UAP at that price.

If UAP rejects them, it will have to either offer shares to TransAtlantic at 2.15, giving TransAtlantic control. Then there would have to be an agreement between the two customers.

**Improved**

Mr Gordon and relations ships with Sun Life chairman Peter Grant had improved, but he would still like Liberty to make more of an effort.

"If TransAtlantic wanted to go for control, it would have to bid high. If it gets shares for UAP at too low a price, UAP could accept them and take control. It is a matter ofteamwork by putting the right pressure on the net management." (Mr Gordon)

"We wouldn't want to push people. We'd like Liberty to come to SA to look at the share price." (Peter Grant)

Mr Gordon said the mechanism would ensure a good enough price for anyone agreeing to sell. However, it would be difficult otherwise to make UAP agree to it.

"We would also like to see some people from Sun Life to come to SA to look at the way we have traded shares." (Peter Grant)

"If TransAtlantic wanted to go for control, it would have to bid high. If it gets shares for UAP at too low a price, UAP could accept them and take control. It is a matter of teamwork by putting the right pressure on the net management." (Mr Gordon)

"We wouldn't want to push people. We'd like Liberty to come to SA to look at the share price." (Peter Grant)

**Non-fiction winners**

"Two books presented at Business Times are breaking new ground in new fiction publications: Sales of The Winning Way, an examination by Antony Ball and Stephen Ashby of how some companies consistently outperform their rivals and the seven characteristics of 100 successful companies in SA and overseas. The book is an eye-opener for anyone who wants to know how to do it right.

"Unrest" in space of labour unrest and lower sales, is an account by Mr Sun Life's chairman, Lord Donald Gordon, of how he got Sun Life to move up to date.

"motor-makers back on track after locust years" by Ian Smith and Charman Naddo.

The recovery comes as the motor makers gear up to play a crucial role in industrial expansion. The introduction of the Phase VI local content programme has led to the formation of joint ventures between the country's capital investment will run at 1986/7.

The National Association of Automobile Manufacturers executive director Nico Vermeulen says that although prospects are good, waiting lists for certain models ranging from six months to a year can be expected.

"If the economy is slowed down for most of next year, prospects will be more likely to improve quickly. The industry has been helped by the relative stability of the rand against the yen and low inflation in the countries supplying kits has played a part in the recovery," Mr Whitfield added.

"While inflation had been slow, the motor industry should be allowed to keep prices under inflation. It provided the deprecation of the rand against the yen did not exceed the inflation differential of SA's main trading partners."
On track

...duty to make a major contribution to an improvement in our balance of trade."

Toyota is investigating the long-term export potential.

"The value-based local content programme makes the manufacture of engines a proposition again," says Mr Wessels.

Mr Wessels says the first range of engines are the Y-Series. The four-cylinder unit, in 1.8l, 2l and 2.2l versions, is used in all HiLux pick-ups and HiAce models and Cresta GS and GS Executive cars.

"We machine the Y-series cylinder block and intend expanding manufacture to include the cylinder head, camshaft and connecting rods."

Manufacturing managing director Ralph Broadley says Toyota is looking for more than 40 additional skilled staff.

Toyota predicts a spin-off for the industry in Port Elizabeth, the aluminium alloy cylinder heads being cast by a Murray & Roberts subsidiary Ferroverm.

Mr Wessels says, "Although the equipment for the new line will at first be used only for the Y-Series it is versatile enough for other types of engines."
Pressure on fleet owners in...

Used-car decline

THE market for second-hand cars has taken a tumble and fleet owners are having great difficulty in getting rid of their used vehicles at acceptable prices.

Used car prices began to decline from the beginning of May and since then, resale values have fallen by between 10% and 15% with the 5 and 31 cars experiencing the largest falls.

Resale prices of 156 and 164 cars have fallen by up to 20% in recent weeks and the fleet owners say that prices of new cars are now only 10% above the current used car prices.

This means that the private buyer has been unable to pick up the used car market, especially in view of the prices that fleet owners expect to get for their used vehicles, based on a planned residual price.

Although there is still a market for used cars, prices have fallen to levels below the expected levels.

Difficulty

This is caused largely by fleet owners who take up about 75% of new vehicle sales having favourable finance mechanisms and who in most cases, must have vehicles to conduct their business.

It has long been the contention that if new vehicle prices continue to rise, used vehicle prices will also rise, but this is not the case.

In contrast, private buyers do not have the same breathing room to make buying decisions and must see the vehicles in showrooms before making a purchase.

The result of these factors is that fleet owners are now facing great difficulty in disposing of their vehicles at acceptable prices.

Problems

To counter these problems, Avis Lease has suggested the use of full maintenance leasing (FML).

In terms of FML, there is no risk for the user of the car as Avis Lease is responsible for the correct disposal of the vehicle at no risk to the user.

Although trading under these conditions is extremely difficult, we at Avis Lease are not concerned that it is happening as it will hopefully bring a bit of sanity to the market," says managing director Grenville Wilson.

"This should put pressure on some of the less profitable dealers who seem to believe that there is no end to the high level of residual prices will go.

As pioneers of FML in SA, Avis Lease has experienced a number of complaints in the used car market and is fully aware of how to handle the situation," he says.

"We are geared up to meet the situation having experienced it before and are able to handle this to the best advantage of our customers," he says.

In the past couple of years, prospective clients have received letters from FMcB, causing them to be difficult to sell their vehicles.

Avis Lease has been disposing of vehicles on a reduced FML and has all the experience to make it work.

John Whitehead, national sales manager of Avis Lease.
Toyota plans R1bn capex

Own Correspondent

JOHANNESBURG — Toyota SA plans to invest R1bn in capital projects over the next five years in an expansion programme which will eventually enable the company to offer locally produced engines to other manufacturers.

Toyota CEO Bert Wessels said in a statement that the capex programme would enable Toyota to offer engines to other SA manufacturers. It would also investigate the potential of exporting engines.

Although equipment for the new engine production lines will initially be used for Y-Series engines, they would also be able to cater for other engines.

This rationalisation of production in the motor manufacturing industry ties in neatly with what Nissan chairman Peter Whetfield said to a motor industry economic forum last week.

He said the motor industry stood on the doorstep of a new era and he foresaw greater rationalisation of components and the common usage of component manufacturing equipment which would result in greater capital productivity.

The starting point of Toyota's massive capex injection into the motor industry is a R55m investment on the first phase of an engine localisation programme at its Prospecton plant.

It will invest over R300m in engine manufacture in the next five years.

Other capex items in the company's five-year plan include more than R200m for new model tooling and R190m for tooling required to increase the value of local content of existing models.

A further R60m would be spent on presses and tool and die manufacture, while another R230m was required for undisclosed purposes to retain Toyota's position in the motor market.

The new engine manufacturing programme would involve the localisation of the Toyota Y-Series range of four-cylinder engines which are used in Hi-Aces, Hilux pick-ups, some Cressidas and some of the Dyna medium trucks.

The manufacture of engines has become viable for Toyota again because of the value-based local content programme, the statement said.
Huge investment by SA carmakers

The Argus Correspondent

Johannesburg — Two major car manufacturers are planning investments totalling R1.3-billion over the next five years to meet requirements of the local-content programme.

Toyota will invest R1-billion in capital projects, and Volkswagen is spending R340-million in a major expansion.

An industry analyst warns, however, that the South African market may not be large enough to meet the additional capacity resulting from the large-scale investments.

1997 Deadline

In terms of the value-based local content programme, introduced by the Board of Trade and Industries (Bti) in March, manufacturers will have to lift the local content of their vehicles from current levels of about 55 percent to 75 percent by the end of 1997.

Analysts say that every one percent rise in local content costs each manufacturer about R30-million.

This means that over the next seven years South Africa's six producers will have to spend about R7-billion on the programme at current prices.

Reliable estimates are difficult to make at this stage, but the capital investments will inevitably lead to considerable cost rises.
We aim to keep you moving

By Don Robertson

EVERYBODY in the motor business wants to help ordinary citizens to pay new cars.

They hope to do so by influencing the Government to lengthen the hire-purchase payback time to five years.

The National Automobile Dealers Association (Nada) and the National Automobile Manufacturers of SA (Namans) not only support the proposal by HP House Wesbank, but claim it is necessary to avoid an industrial calamity.

Nada chairman Errol Richardson says that unless dealers increase sales, "we will have a disaster".

Namans executive director Nico Vermuelen warns that sales are declining.

Government regulations say down that HP debts must be repaid in 48 months.

Restrictive

Wesbank has written to the Registrar of Financial Institutions and the Department of Trade and Industry asking for 48-month contracts.

No comment could be elicited from the Government this week, but economists say any relaxation of credit restrictions would fly in the face of restrictive monetary and fiscal policies.

The counter-argument is that particular industries should not be singled out and that interest rates should be used to control spending.

Santam Bank has taken the clamp for easier finance and has called for more affordable car repayment schemes.

Inflation

Managing director Roland Pecold told the Handelsinstituut's motor congress this week that new methods of vehicle finance were necessary to help first-time buyers.

He said finance houses should restructure financial packages to include inflation.

Monthly instalments could be increased by about 15% a year. Payments in the first year would be low, but would grow with annual salary increases. This would reduce the initial burden on the first-time buyer.

He advocated monthly savings pools among groups of car-buyers along "stokvel" lines.

A stokvel is a form of co-operative saving. Individuals contribute to a pool, and by rotation are allowed to draw...
management and leveraged buy-out opportunities. Corvest will initially have R30 million to help finance buy-outs. It will be prepared to invest in buy-out companies, says Corbank chief executive Laurie Korsten.

The new company already has three or four proposals. "We believe that divestment and corporate restructuring activity will not decline," says Mr. Korsten.

"Managements are showing an increasing willingness to take equity risk in order to share more directly in the wealth they are creating." He says managers can normally fund only a small part of the purchase themselves, and commercial bank loans may not be available or entail too high a level of gearing.

"This is where our money can help."

**Critical**

Corvest will be headed by three executives from First National Merchant Bank — Neil Page, Dick Merks and David Russak — who have had wide experience in MBOs and development capital projects. They will have a minority interest in Corvest.

"We have worked together for four or five years and our combined experience gives us skills in three critical areas — finance, marketing and technical," says Mr. Page.

The formation of the company is a logical move for Corbank. Mr. Korsten became an MBO pioneer at Volkskas when he played an important role in the capital built up. Wesbank managing director Peter Thompson says "New-car purchases for the ordinary man have become a dream. In 1983, the repayment for an average compact car was R310 a month. Today, it is more than R900. A longer contract would put cars within reach of motorists again."

Mr. Thompson says the monthly repayment of a car worth R28,000, after a 15% deposit and GST, is R853 over 42 months. If the contract were extended to 60 months, the repayment would fall to R773 a month.

A car with R48,000 would require R1,883 a month under the present rules and R1,380 a month over 60 months.

"The quality of vehicles is superb these days and the average life of a car has increased dramatically since 1983. It makes sense to extend repayment to 90 months," says Nadia's Mr. Richardson.

He says 301,000 new cars were sold in 1981. The forecast for this year is 220,000. The industry would be in trouble if sales fell below 210,000.

Total vehicle sales, including light, medium and heavy trucks, are forecast at 350,000 or 380,000 annually for the next five years.

The present squeeze coincides with plans by the industry to spend R550 million a year between 1996 and 1997 to meet Phase VI of the local content programme.

Mr. Richardson says that in 1990 there were 3,3 million vehicles in SA, of which a million (29%) were older than 10 years.

The stock of cars increased to 4.1 million in 1985 and 1.3 million (31%) were more than 10 years old.

In 1990, the car stock was 4.7 million and 1.7 million (36%) were older than 10 years. At current levels, it will take about 12 years to replace the car stock.

Mr. Vermuelen says that in the last six months of 1988, new-car sales amounted to 19,720 a month. In the same months of this year, average monthly sales fell to 18,062.

Used-car sales have also fallen. In 1988, used-car sales averaged 38,820 a month, but fell to 37,000 a month in the first half of this year. June sales were 37,100.

Corporate and fleet purchases made up about 50% of new-car sales only a few years ago, but today they represent 70% of the market. Small cars made up about 50% of the market in 1980, but now represent 80%. Their share is forecast to rise to 70% next year. Some fleet owners now buy second-hand cars.
MOTOR INDUSTRY

Investment by decree

We stand in awe at the motor industry’s decision to invest around R1.5bn in what is, to all intents and purposes, a much reduced industry. The way motor manufacturers would have it, they have virtually no choice in the matter — the bully boys of the Board of Trade & Industry (BTI) decreed that they should move away from a mass-based evaluation of local content to a value-based formula to save precious foreign exchange. It is obviously not that simple.

After voicing some protest at the changes — which by their own admission could cause vehicle prices to double in the next few years — industry leaders have fallen meekly, not to say mutely, into line behind the BTI. Hence this major investment.

Presumably, they are comforted by the fact that around 80% of new cars sold in SA go to corporate buyers or the State. R26 000 may seem an inordinately large amount for the man in the street to stump up for the most basic set of wheels, but there's likely to be less resistance from corporate buyers obliged to match salary packages or profligate State departments.

It’s a flimsy one, but the BTI has a point. A country which needs to keep its balance of payments in surplus can’t afford the extravagance of running a high import bill. Halving the motor industry’s R3bn annual imports of component parts would help — no question.

But whether this should be at the cost of further damaging the economic viability of the industry is a moot point. It seems very much like the old import-substitution-at-any-cost argument which we thought, perhaps a little optimistically, had long been dispensed with.

It would have been far better for the industry to admit its structural weakness and rationalise further. Fewer manufacturers means fewer models and variants and, consequently, fewer imports.

Motor manufacturers contend the price of new cars should be kept in reasonable equilibrium by the other leg of the Phase 6 local content programme — encouraging the export of motor vehicles and component parts.

But that seems more like a case of manufacturers believing that if they wish long and hard enough, their wishes might become reality. Truth is that, as relatively high-cost producers, SA motor manufacturers have never been particularly successful in the export market. They're not likely to become so now.

Moreover, it all flies in the face of that other well-known convention that open economies like ours are reliant on free trade. To export means to import. You can’t have it both ways — no matter how hard the motor industry wishes that it could.
SA cars ‘coming up for retirement’

Own Correspondent

JOHANNESBURG — The SA car "population" is coming up to retirement age, according to figures released by the Central Statistical Service (CSS) at the weekend.

According to the figures, the average age of a motor car at June 30 was 8.6. Motor cycles were 6.8 on average and buses were the most venerable at 9 years.

Naamsa director Nico Vermeulen said: "I don't believe that we have ever experienced as old a car population as we have today.

"This is obviously a reaction to the higher cost of new cars and it is a natural response by the consumer. Obviously there will come a point, which varies from individual to individual, when from an economic perspective it makes more sense to replace that vehicle with one of a higher price than to continue incurring high maintenance costs."

He said the average age of the SA car population had risen from 6.6 years in 1978 to its present figure.

He said Naamsa regarded the building up of replacement demand as a positive factor for the motor vehicle industry.

"Traditionally, in a normal year, between 8% and 9% of the vehicle population is replaced. With about 3.3m vehicles on our roads, you are looking at a market of between 260,000 and 290,000 vehicles a year.

"This year we project the industry will sell about 220,000 new vehicles and next year about 210,000. We are behind the historical norm and pressure is building up."

This, added, was bound to create an upsurge in the spares market, which Spareco MD Errol Wucherpfennig endorsed.

"How can our vehicle prices every come down?" Wucherpfennig said. "When will we ever see an improvement in the value of the rand?"

Nissan chairman Peter Whitfield was more optimistic. He said a higher demand for new vehicles would occur if manufacturers could keep the cost of a new car below inflation.

"With the consistency of the exchange rates to the rand over the last 6 or 7 months and the expectation that this can be maintained in the future, the steady cost of imported components should make it possible to keep the price of new cars 2 or 3 points below the inflation rate over the next 12 months," he said.
SURE GROUP Holdings could boast a strong start to the year with the release of results for the six months to September showing a 53% rise in turnover to R26.4m from R17m last year and a 47% rise in the interim dividend to 2.2c (1.5c) a share.

Suregro sells, leases and refurbishes forklifts, trucks and refurbishes trucks, and undertakes specialised transport services.

In the six-month period it boosted operating profit by 28% to R4.2m (R3.2m), showing an improvement in the percentage of operating income to turnover to 15.5% from 13.5%.

Attributable income rose by 56% to R2.3m (R1.5m), which is reflected in earnings of 5.2c (6.2c) a share.

Interest payments tripled to R1.7m (R581 000), reducing interest cover to 2.5 times from 4 times previously.

But MD Keith Blair said the group's recent R15m rights offer in the form of unsecured compulsorily convertible debentures had strengthened the balance sheet and reduced gearing to below 100%.
Motor spares industry plans for boom because of vehicle prices

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The rise in vehicle prices is expected to drive an increase in the demand for motor spares and accessories. The number of people buying new vehicles is on the rise, which in turn is leading to an increase in the sales of spares and accessories. The industry is planning to expand its production capacities to meet the demand.

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Motor spares industry statistics:

- Sales of motor spares have increased by 20% in the last year.
- The market share of the leading spares manufacturer has doubled in the last five years.
- The average price of spares has increased by 15% in the last year.

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Diagram: Increase in sales of motor spares over the past five years
Disposal will affect Curfin

CHARLOTTE MATHews

CURRiE Finance (Curfin)'s disposal of its interest in Currie Motors would affect earnings for the year but dividends should be sustained since a lower dividend cover would be required, Curfin executive chairman Mackie Brodie said in the group's annual review released yesterday.

The trading assets of Currie Motors were sold to Barlow Motor Investments (BMI) from February and the listed company was sold to Bidcorp for R24m.

This leaves Curfin with investments in clearing and forwarding — under listed company SA Freight Corporation (Safor) — property, finance and leasing.

Brodie said Curfin would exercise its option to buy the Currie Motors properties at their value when Bidcorp bought them.

The seven months' trading period of Currie Motors and a good performance from Safor contributed towards Curfin's 31% improvement in pretax profits and 10.7c gain in earnings to 88.1c (74.4c) a share. A dividend of 34c (30c) a share was declared.

Brodie said Safor had enjoyed "a most satisfying trading year", with a 47% increase in attributable profits to R10.7m.

This year Curfin's property portfolio should exceed R23m in value.

The leasing division performed according to expectations.
Volkswagen's 1989 income soars beyond expectations

FRANKFURT — Volkswagen said yesterday its group net income in the first nine months of 1989 soared 45.3%, considerably higher than estimates made by the company's chairman after the second quarter.

Group sales jumped 12% to DM48.3bn from DM43.1bn during the first nine months of 1988. Profit to end-September jumped to DM3.07bn from DM1.2bn a year earlier.

Although Volkswagen does not release official third-quarter earnings, available data show profit for the quarter nearly doubled to DM2.3bn from DM1.2bn in 1988.

Volkswagen was expected to release the nine-month results officially today. On Wednesday, chairman Carl Hahn indicated the company's profit in the nine-month period climbed about 40%.

In a September interview, Hahn said he expected the full-year net profit to rise 30% to more than DM1.7bn from DM1.2bn in 1988. First-half net was 30% above the year-earlier figures.

Speaking in Hamburg on Wednesday, Volkswagen chief financial officer Dieter Ullsperger said parent company earnings climbed 24.5% to DM4.7bn from DM3.7bn on sales that rose 10.2% to DM55.6bn.

Dividend

He indicated the profit trend for the period could follow through for the full year. He was quoted as saying 1989 "could be the best result in the company's history.

The finance chief said he could not make any predictions about the company raising its dividend, as that decision was left for the supervisory board's April meeting.

While Volkswagen has been criticized by many of its shareholders for holding its dividend at DM10 a share since 1979, observers are not optimistic the company will raise its dividend in light of the fact of its imposed rationalization and other cost-cutting measures on the workforce.

Ullsperger said the cost reduction programme had resulted in a potential annual savings of DM2.2bn. He noted a reduction of investment for non-productive branches, general reduction of costs as well as adjustments in indirect activities.

The company said worldwide sales had climbed 4.5% to about 2.2-million units, led by foreign sales, which rose 5.8%. Domestic sales edged 1% lower.

COMPANY RESULTS

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Mercedes strike ends

EAST LONDON — Some 3,000 workers at the Mercedes-Benz plant here yesterday returned to work after a week-long stoppage, a company spokesman said.

Reports by Staff Reporter, Own Correspondent, Sega Reuter, AP and UPI.
Tiger Wheels plans a further expansion

Tiger Wheels plans a further expansion of its manufacturing capacity and improvements in efficiency in the current year to increase output for the replacement and export markets, chairman and CE Eddie Kezan says in the group's latest annual report.

In February the group, which makes and distributes aluminium alloy and steel road wheels, tyres for cars and bakkies and distributes vehicle body parts, moved from the DCM to the main board of the JSE.

Results for the year to June showed a 49% improvement in turnover to R11,5m from R7,3m and an increase in earnings to 11,3c a share from 8,6c.

"Considering the tighter economic conditions prevailing and relatively high interest rates, the excellent financial condition of the group places it in a sound position for the coming period," Kezan said.

Manufacturing capacity at the Babylon plant was increased and average monthly output was 20% higher by the end of the year.

During the year a foreign wholesale distribution business was established and this had become a major customer for aluminium wheels from the Babylon factory.

"The foreign business is budgeting significant increases in sales and reasonable profitability after posting a net loss in its opening year," Kezan said.
Choosing parts
Vehicle component manufacturers are calling for more government pressure on assemblers to buy items locally. At the same time, vehicle makers say local prices are rising faster than those of foreign components.

National Association of Automotive Component and Allied Manufacturers' president, Harry Marston, says that, despite this year's introduction of Phase Six of the local content programme — to reduce motor industry imports — the final 1989 import bill could be R2bn higher than last year's.

He says the first year's target level of 55% local value is too low and predicts that the Board of Trade & Industry, which devised the programme, may be forced to increase next year's level more than it intended.

Marston wants the board to reinstate parts and accessories and the after-market into Phase Six. He also complains that assemblers enjoy import concessions not available to component manufacturers.

Marston adds that there is a pressing need for import substitution in the next five years and that government must "come up with a workable programme to ensure that import substitution by motor assemblers is expedited."

Assemblers probably won't share Marston's desire for early change. Recent business conditions have confirmed to some officials that the longer import channels remain

wide open the better.

The latest quarterly review by the National Association of Automobile Manufacturers of SA shows that, in the third quarter, imported component and raw material supplies were plentiful and relatively stable in price. Local components were neither.

Prices of components made in Japan were unchanged during the quarter and the prices of components made in West Germany rose by about 2.6%. Raw materials' import prices generally were "relatively stable."

Average prices of local components during the same period rose 3.5% with the increases of some items ranging as high as 6%. Commercial vehicle assemblers faced annualised price rises of between 20% and 25% on gearboxes and axles.

Biggest culprits were above-average labour-and-raw-material cost increases. Iscor steel prices rose 4.1% during the quarter.

The manufacturers' association says there were also sporadic component supply problems, partly the result of industrial action, but admits that component suppliers weren't the only ones to suffer. Assemblers also had their share of labour problems. Together, they weakened already strained vehicle inventories.
BRAKE PUT ON PERFORMANCE

SYLVIA DU PLESSIS

A HEALTHY rise in interim turn-
over for specialist motor vehicle in-
hibitant manufacturer Molygrip has
failed to stem the impact of higher
finance costs and increased over-
heads at the bottom line.

The DCM-listed group managed a
50% climb in sales to R35.7m (R4.2m)
in the six months to August, but
finance costs of R156 000 (R124 000),
coupled with operating profit lower
at R247 000 (R353 000), translated
into attributable income of R21 000.

This represents a 56.2% decline
over the corresponding period's
R260 000, and accordingly, earnings
of 2.6c (3.6c) have been declared. It is
not group policy to pay an interim
dividend.

Chairman Robert Spanjaard yest-

derday described the results as satis-

factory, adding that operating costs
were deliberately increased to
stabilise the group's management
team and thereby ensure long-term
growth.

The group, in its first full year to
February as a listed company, sur-

passed predictions to post a 40% rise
in taxed profits to R647 000
(R463 000) and improved earnings of
11.4c (8.9c) a share.

However, its maiden dividend of
3c was below the prospectus fore-
cast of 5.4c. (192)
SA producers unable to overcome high raw material costs — expert

ZILLA EFRAT

SA's potential strategic advantage as a base material producer was not being exploited, said Ferrocotex MD James Greig yesterday in opening the new Ferrocotex factory in Wynberg.

The SA electric motor industry was well-established, had the appropriate product and potential capacity to serve the domestic market and contribute to exports — and yet it currently exported only 3% of production.

Greig said this was because it had to pay exceptionally high prices for base materials and had to overcome political handicaps associated with exporting from SA.

Also speaking at the opening, Trade and Industry Deputy Minister Theo Alani said government was giving special attention to the problem of high costs of local raw materials, but he declined to elaborate further.

Greig said SA produced three base materials required for the manufacture of electric motors, namely, steel, copper and aluminium.

However, the local electric motor industry enjoyed no advantage over its international competitors who could buy their requirements at lower prices from SA than could the local industry.
New broom sweeps away Merc cobwebs

By David Carte

MERCEDES-BENZ chief executive Christo Kopke hopes to shorten the waiting list for cars after important breakthroughs in labour relations.

The good news for frustrated would-be Mercedes owners is that a program which cost the company 25% of last year's production, has been resolved. A threatened strike two weeks ago was also avoided.

Mr Kopke says management and Mercedes-Benz members of Unite had separate meetings at which they identified what they wanted of each other.

"It was amazing. The two camps came up with about 50 different objectives and about 40 of them were common. We have standing committees monitoring progress in their implementation. Relationships have improved enormously.

"It's great to see full production when your inventories are at record levels. Interest rates are killing and there's an 18-month waiting list for some of our cars.

Duties

Mr Kopke declined to be interviewed after his surprise appointment in April. He wanted to get to know the company and to make changes before talking to the public.

The appointment was a surprise because he was a non-Mercedes man at the time - he was doing a great job importing Jaguars and Porsches at LSM, a Lindsay Salmon and Saloon subsidiary.

In its last year in SA, Leyland sold 165 Jaguars last year. LSM sold 460 Jaguars and about 150 Porsches - notwithstanding import duties of 100%. The company also did well with second-hand cars. Selling the rival Jaguar and Porsche marquees side by side at LSM was Mr Kopke's idea.

He says "My parents were German, but I grew up in SA. I went to an English-medium primary school and an Afrikaans high school. Then I went to Germany and under went two apprenticeships - one in industrial sales for Drager, the world's biggest artificial respiration company, and the other in a Hamburg bank.

"I came back to SA and joined United Car and Diesel (UCD), as Mercedes was then known, becoming a junior distribution clerk. Ten years ago I had a bit of luck. My boss and his boss resigned the same day and I was promoted to car sales manager for SA."

Crisis

Times were hard for Mercedes after the fuel crisis of 1979. But after 1981, sales recovered spectacularly, although there were periodic rough times. Mr Kopke learned much of what he knows at the elbow of the legendary Morris Schenker.

Mr Kopke is not sorry that he left Mercedes in 1994 for LSM. "I lacked retail experience. LSM took the view that we were selling entertainment, not merely cars. Our clients were there for enjoyment, not only transport. Our attitude paid dividends."

Strategy

When he took the helm at Mercedes from Sepp van Hulsen, Mr Kopke lacked production experience.

Mr Kopke sat down, looked and listened. He made a point of meeting all 5 400 employees and of talking to all managers.

"I found plenty of strengths, but some weaknesses. As a result, I have completed a major reorganisation of the entire company.

"I have a philosophy that the structure of a company must be the slave of its strategy. Here it was the other way around. Under Morris Schenker for 25 years, the company grew dramatically and a lot of systems became institutionalised.

"Jürgen Schrempp took over for 18 months. He was so preoccupied with the new W124 model and then he was recalled to Stuttgart. Sepp van Hulsen took over and found himself preoccupied with industrial relations for most of his two years.

"Basically, we have flattened the structure. There used to be nine levels in the Mercedes-Benz hierarchy between grade one worker and chief executive. Now there are six. We have also increased the number of employees reporting to superiors.

Ladder

"The prime objective was clear accountability and responsibility. The restructure caused some trauma. People who had spent years climbing the ladder suddenly found themselves below them alongside management. Board members spent a lot of time counseling those who were upset and I am confident they are appeased now.

Mr Kopke acknowledges that Mercedes-Benz, like parent Daimler-Benz, has always been autocratic. But that has been diminished now. He even admits the company used to discriminate on grounds of sex and colour. Now it is remedying this position.

"When a company has done as well over the years as Mercedes, when there are waiting lists for cars, a degree of lethargy, complacency, even arrogance is bound to creep in. That's another thing we have tried to counter since taking over.

Launch

Mercedes still faces other problems. One is the soft rand and what it does to component and tooling up costs. The new S-class will be launched in Germany next year.

Tooling in SA will cost R110 million. Volumes will be limited. Six Mercedes models usually last eight years, so tooling will cost more than R75 million. A car Mercedes is looking seriously at exporting to facilitate compliance with Phase Six local content rules.

Japanese restrictions on Honda components and tooling are another frustration.

Mr Kopke is enthusiastic about possibilities in trucks. Until now, Mercedes has sold trucks weighing more than 7 500 kg. The new Speedliner range in the 7 500 kg to 4 000 kg bracket has been a hit and holds 10% of its market. Mr Kopke foresees Mercedes market share in these categories equaling the 40% in the over-7 500 kg class.

Challenge

Mr Kopke is watching the world car markets with interest. Japanese car-makers, under attack from the South Koreans in the economy market, are moving to challenge the top Europeans.

"They are serious about their challenge and they are not making the mistake that Ford and GM made in the insurance market. They are setting up separate dealerships. This assault will one day affect us."

Mr Kopke is 41, married, with two children and runs a chicken farm near Pretoria West as a sideline.
The motor industry faces a difficult year ahead as the economy slows, inflation rates rise, and demand for new cars declines.

The increasing cost of producing vehicles — brought about by the falling value of the rand against the German mark, the yen, and other major currencies — is expected to affect the market over the next few years, and a forecast of a further decline of about 3% in 1989 is expected to reduce demand for vehicles to levels experienced in 1987.

Nico Vermeulen, executive director of the National Association of Automobile Manufacturers of South Africa (NAAMSA), says the industry should be cautious in its efforts to reduce costs and increase competitiveness.

Inflation is a strong replacement demand, helped by improved company earnings and the revaluation of the rand sector. The average age of the SA car market has increased from 7-1 years to 12 years over the past five years.

One manufacturer, a major mass producer, Volkswagen, has announced that the market will be smaller.

**Stability**

The sale of used cars and commercials has been reasonably stable over the past few years, although Government's measures have resulted in a change in the pattern since the first quarter of 1988.

The industry has also provided a substantial number of jobs. Last year the industry employed an estimated 37,500 people, making it a significant employment earner in South Africa.

In spite of these factors, the market shows signs of weakening. The industry is facing a difficult year ahead, and manufacturers will need to be careful in managing costs and maintaining competitiveness.

By Don Robertson
Cars face hard trip

By Don Robertson

The motor industry faces a difficult year ahead as the economy slows, inflation rises and sales decline.

The increasing cost of producing vehicles — brought about by the falling value of the yen against the German mark and Japanese yen over the past few years, and a forecast of a further decline of between 5% and 10% next year — is the greatest obstacle to the market returning to sales levels experienced in 1981.

Wynne Vokes, executive director of the National Association of Automobile Manufacturers of SA (Naarm), says in the latest annual report that efforts to reduce domestic expenditure, restrictive monetary policies, expected strike action, limitations of component supplies from Japan, high local inflation, higher fuel prices and the complications in the Phase VI local content programme are other factors which will inhibit the industry.

But all is not gloom and doom.

On the positive side, there is a high dependence on the need for vehicles for the transport of people and goods, prospects of an increase in the spending power of blacks, the need to export components to meet Phase VI, the potential growth in demand for light commercial vehicles to meet deregulation plans and what has been a fairly stable rand in the past seven months, are seen as encouraging.

In addition, there is a strong replacement demand, helped by improved company earnings and the requirements of the rental sector. The average age of the SA car has risen from 5.6 years in 1976 to 1.2 years this year. At the same time, the average age of light commercials has increased from 5.3 years to 6.5 years.

Not all manufacturers agree on the potential for the market next year. However, the major mass producers — Volkswagen and Toyota — concede that the market will be smaller.

**Light Commercial Sales**

<table>
<thead>
<tr>
<th>Sales 000s</th>
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<tr>
<td>78 90 81 82 83 84 85 86 87 88</td>
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**Passenger Sales**

<table>
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<th>Sales 000s</th>
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<td>350 300 250 200 150 100 50 0</td>
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In spite of this, the sale of many models is insufficient to meet demand.

"We are disturbed by the very strong possibility that this year we will not be able to build stocks to see us through December and January, when the manufacturers will taper off their new car sales during these months."

**Shortages**

It is estimated that Volkswagen, one of the most affected by strikes, lost production of more than 6 000 vehicles as a result of strikes this year, while Mercedes-Benz lost 3 000 production days at a cost of R131 million.

One result of stock shortages has been a decision by some dealers to move out of the industry, as they are unable to earn sufficient commissions.

However, Errol Richardson, chairman of the National Automobile Dealers' Association (Nada), says that many dealer groups have been paying a premium to the more experienced salesmen based on previous performance in an effort to keep them.

In spite of these factors, manufacturers enjoyed good or even exceptional business conditions last year. For the first six months of this year profits and earnings rose to more respectable levels. In the second six months, the average increase in sales tapered off, mainly because of strikes at plants and component factories. In the third quarter new orders showed a softer trend.

"Nevertheless, current business conditions in the industry continue to be characterised by a relatively high level of outstanding orders and continuing demand by the corporate and car rental sectors. This should serve to underpin demand for new motor vehicles in the short-term," says Naarm.

On the pricing side, Toyota says it expects to be able to hold price rises to 15% this year, compared to 15% last year, because of the stable rand/yen exchange rate.

Volkswagen says it is difficult to predict prices next year because of the uncertainty in the Phase VI local content programme. However, most manufacturers will be able to keep prices within the inflation rate.

Both agree that sales will rise at a rate lower than the expected 3% growth in the Gross Domestic Product over the next five years.

The size and influence of the motor industry on the local economy is clearly stated by Naarm.

In 1988, the value of vehicle sales was more than R12,8 billion and is expected to rise to R12,9 billion this year.

Total revenue, excluding fuel sales, generated by the motor industry was R12,7 billion last year and is forecast to rise to R12,9 billion this year.

**Stability**

The sale of used cars and commercials has been reasonably stable over the past few years, although Government austerity measures have resulted in a change in this pattern since the first quarter of 1989.

The industry also provided a substantial number of jobs last year, the assembly industry employed 35 301 people. This rose to 37 150 at the end of June this year. The component industry employed 56 000 in 1988 rising to 61 000 in June, while dealers employed 157 563 in 1988 and 163 900 by the end of June.

To meet the requirements of Phase VI, which repeals the local content to be increased, by value, from 25% to 75% by 1997, it is expected that the industry will have to spend R326 million a year over this period.
Great year fuels Tencor trucks

By Ian Smith

There is no magic formula behind the success of manufacturing and transport group Tencor, which has continued its meteoric climb up the Top 100 ladder.

The group has never lost the economic control of the balance and the financial understanding of its major areas of operation, which came from founder Joe Trebor. The company has since maintained a dominant transport business with a convertible truck. 18 years ago.

This year Tencor is fourth in the Top 100, with an all-time return over five years of 84.4%. Last year the company's net profit was R10,000,000, a return of 65.7%.

Concern chairman, Neil Triner, said that in the last five years, the company has been a testament to the company's ability to withstand the ups and downs of the market. We have been able to maintain steady growth and profitability.

Although the company's growth is impressive, it is not without challenges. The group is currently facing increased competition from new entrants and a slowing economy. However, we are confident that we will continue to grow and adapt to these challenges.

The company's overall performance has been strong, with a significant increase in earnings per share. We are proud of our achievements and look forward to continued growth in the future.

Turlings

Earnings per Share

1983: R3.00
1984: R3.50
1985: R4.00
1986: R4.50
1987: R5.00
1988: R5.50
1989: R6.00

Tencor has diversified its operations into manufacturing, transport, and real estate, which has helped to diversify its revenue streams and reduce its dependence on any one sector.

With a strong focus on innovation and customer service, we are confident that we will continue to grow and expand into new areas of operation. We are committed to providing quality products and services to our customers and look forward to continuing to do so in the future.

Credit

The group is well-placed to continue its growth, with strong financial health and a well-structured management team.

Tencor has a strong balance sheet, with a healthy cash flow and low debt levels. The company has also been able to maintain a strong credit rating, which has helped to attract new investors and customers.

The group has a happy balance of shareholders and management, which has contributed to its success.

The group's commitment to sustainability and corporate social responsibility is also a testament to its success. We are committed to reducing our environmental impact and giving back to the communities in which we operate.

Tencor is a leader in the manufacturing and transport sector, and we are proud of our achievements. We look forward to continued growth and innovation in the years to come.
Car-makers foresee lean first half

THE motor industry can expect a lean first six months in 1990, but there are signs that a turnaround could be experienced in the second half.

It is expected that sales of new cars could be between 210,000 and 215,000 in 1990 compared with an estimated 224,000 this year. Sales in the previous year were 220,500.

Sales of heavy commercials are expected to remain at about 9,500 units, and there is growing demand for light commercials.

Nissan Marketing manager director Stephanus Loubser says that although few models will be launched next year, manufacturers will introduce high-profile advertising campaigns and financing packages which will make new cars more affordable at lower monthly instalments.

There are also indications that interest rates could ease in the second half of the year. This should help to stimulate sales and make up ground lost in the first six months.

Manufacturers have kept price increases below the inflation rate for some time.

Mr Loubser says: “If the industry is able to sustain this trend for the next three years or so, I believe that private buyers will find it a lot easier to afford a new car.”

Until this happens, however, the industry will have to rely on fleet sales for about 75% of its volume.

Growth

Mr Loubser sees further growth in the industry in the months ahead, spawned by the large insurance companies.

“There is a limit to the amount of money these corporations can contribute to the stock exchange and any overflows, which as we see things today could be quite substantial, could be used to stimulate growth in the economy,” he says. “New investment opportunities are sought in the business arena.”

“Interest rates have been eased to a level where the private buyer simply cannot afford to buy a new car. We are in a situation where the average life of vehicles is being extended and these factors will combine to depress sales in the short term.”

Mr Loubser believes that the introduction of the Fiat Uno, which will be assembled by Nissan, could add about 4% to new-car sales.
The Team tightens screws on its R1-billion turnover

By David Carte

TEAMCOR is the heart of top company W&A Investment Corp. Before you ask, "Teamwhat?" Teamcor is the industrial holding company for National Bolts, Vektra, Tarrys and the Elecentre investment.

It has total assets of R80-million, turns over R1-billion a year and earns an operating profit of R8-million. It employs 4300 in 19 factories and 115 offices.

Chief executive Alan Schlesinger explained recently to the Investment Analyst Society that Teamcor has deliberately diversified from cyclical manufacturing businesses into steady distribution. “We have four main areas manufacturing machinery, electrical supplies and fasteners, National Bolts, Universal Clips, Lockbolt and Overseas tools, equipment and hardware (Tarrys, M&G, Maxis, Carasaw) automotive (Vektra, which owns Femo, V&R and Williams Hunt). Finally there is the 35% investment in Elecentre.”

Shortly after acquiring National Bolts in 1980, that division was rationalised into several new companies. One of these is National Bolt acquired Universal clips from the group's founder, Terry Tollefson, partly to get dominance in hose clips and partly to secure him as a manager.

Mr Tollefson took over management of National and transformed the company, before hiring Mr Schlesinger from Bape Proprietary to take the ball and run with it.

In 1987 National started rationalising the electrical goods manufacturing and distribution industry. It bought Kees and Le-ton, then passed them on to Elecentre, which is owned by the Cibes, for a 35% stake in Elecentre.

Says Mr Schlesinger, "We play a management role in Elecentre but are quite happy to leave it to the best operators in the business. There were no qualms about sacrificing control to such outstanding management." Mr Schlesinger says the portfolio today is well balanced. He believes Teamcor's teamwork approach will ensure good performance. "We are trying to hold teams of entrepreneurs, manufacturers, traders and administrators. Teamwork genuinely works for us. People here are secure enough to think and act creatively."

"I believe our philosophy of aligning the interests of management with those of the company enables us to attract and retain the best people. We work with each other, not for one another."

We've set demanding, yet achievable, budgetary goals and applied the same disciplines to all divisions. We have quarterly operational and financial reviews. We make a point of seeing management in its own operational environment and are involved in all major spending decisions."

A cornerstone of PSS philosophy is that companies should use their local bases to develop offshore. Several Teamcor companies are significant exporters. National Bolts Exports are only 26% of revenue, though, and the target is to build that up to 48%.

Five

Manufacturing efficiency is as important to Teamcor as financial effectiveness. Five Teamcor operations have qualified for the eagerly sought SABS 3177 manufacturing standard. Four have applications pending and four more are going for the coveted A-rating. A number of products carry the SABS mark and some have the British Standards Institute mark, which is helpful in export markets.

Mr Schlesinger acknowledges that sanctions and local contractor surpluses are threats, but believes the company's proactive industrial relations policies make it less vulnerable than most. As to opportunities, he reckons Teamcor can become a more dominant in auto parts for original equipment and the after market. The company aims at a profit margin of 30% of the total profit and 25% of the parts business.

The establishment of Teamcor in 1985 of PSS Investments increased marketability of the shares. PSS has 40% of the equity, 25% of individual holding and 25% of the equity, 28% of the equity, 32% of the equity, 34% of the equity and 35% of the equity.
Little growth seen in new car sales

By Sven Lunsche

The National Association of Automobile Manufacturers (Naamsa) predicts only minimal growth in new car sales over the next three years.

In its 1989 annual report it says the slower economic growth expected over the next few months will, in due course, have a negative impact on motor vehicle sales.

But apart from the macro-economic factors, specific factors relating to the motor industry are also exerting pressures on manufacturers' sales forecasts, it says.

These include the adverse impact on vehicle production as a result of industrial action which has aggravated an already low-built-up inventory position, and domestik cost increases well in excess of inflation.

Naamsa says that since the end of 1988 there has been a sharp decline in used-car sales, indicating that individual, as opposed to corporate, demand is being met by above-average earnings.

Prospects of a dramatic rise in black ownership of vehicles against the background of sharp projected increases in their personal disposable incomes.

Weighing up these factors, Naamsa forecasts new car sales of 221,000 in 1989, followed over the three successive years by sales of 210,000, 219,000 and 228,000 respectively.

Total vehicle sales figures for the years 1989 to 1992 are predicted at 350,000, 355,000, 346,000 and 320,000 respectively.
A MODEST decline is projected for new car and light commercial vehicle sales during 1990 compared with expected 1989 sales, National Association of Automobile Manufacturers of SA (Naamsa) president Spencer Sterling has said.

In Naamsa's annual report released yesterday he said: "During the course of the third quarter of 1989 signs appeared of a softer trend in manufacturers' new order intake.

"Nevertheless, current business conditions in the industry continue to be characterised by a relatively high level of outstanding orders and continuing strong demand by the corporate and car rental sectors.

"This should serve to underpin demand for new motor vehicles in the short term."

Positive factors for the motor industry he identified included the high dependence on motor cars and commercial vehicles in SA and prospects of a dramatic rise in black ownership of vehicles.

Replacement demand pressure was seen as the average age of the SA population rose.

Manufacturers had a high level of orders on hand with waiting lists stretching from six weeks to over a year for some models and there was enhanced demand for utility and commercial vehicles as a result of the deregulation of economic activities.

He also expected that Phase VI of the local content programme would lead to increased emphasis on exports of vehicle products and lead to economies of scale in production. The negative side of the programme was the uncertainty and forward planning complications it had created.

Negative factors facing the industry in the coming year were government's efforts to reduce the aggregate level of domestic expenditure.

Recent industrial action had also affected the industry, and, Sterling said, "the consequent stock shortages aggravated an already low industry built-up inventory position."

Accelerating domestic cost pressures experienced by vehicle manufacturers was well in excess of the average rate of inflation. Assembly operations had become more expensive as a result of the dramatic depreciation in the value of the rand.

"The prevailing high level of new vehicle prices represents the single greatest obstacle to the new vehicle market returning to the sales levels experienced during the early 1980's," Sterling said.

Since the end of 1988 a sharp decline in used car sales, generally accepted as a measure of individual as opposed to corporate purchases, had been identified.

Sharp increases in the cost of fuel in 1988 and 1989 would also have a depressing effect on sales.
Mercedes Benz planning to spend R100m

The regulations gazetted last week had reduced fiscal tax discrimination against producers of larger vehicles — Mercedes and BMW — and he was now far happier. However, there remained problems with the “small print.” For example, the very inefficient structure for administering the programme meant 15 people had to be employed solely on this task.

Kopke said improvements in industrial relations were mainly the result of two initiatives:

- Firstly, certain changes in management personnel had brought about communication — which was "virtually nil" a year ago — for a fresh approach.
- Secondly, the company and Numsa shop stewards had participated in a "relationship by objectives" (RBO) exercise.

A one-week workshop had shown that 80% of the parties' objectives were similar.

Most cheaply, had enabled Mercedes in SA to reduce the cost to only 15% higher than that of equivalent vehicles, compared to 50% a few years ago.

Mercedes’s dealer network and parts back-up compensated for that differential, he believed.

Kopke said parts turnover had increased in real terms by 15% a year over the last four years, mostly because people held on to their vehicles for longer, hence the need to upgrade parts production.

With regard to regulations on phase 6 of the local content programme, Kopke said...
High local content drives up car prices

By AUDREY D'ANGELO
Financial Editor

High local content is pushing up the price of SA cars, Brian Kantor, professor of economics at the University of Cape Town, said yesterday.

And it would be better for people in this country to be able to drive good cars like the West Germans than "terrible cars like the East Germans."

Speaking at a media day at the Atlantis Diesel Engine (ADE) factory, Kantor said that if the State President succeeded in changing international attitudes towards SA it would mean more investment in the country and more imports.

This would mean increased competition for local industry.

Meanwhile, to increase local content of cars was bad news for the consumer and for the economy. It was protection by another name and meant the consumer would lose.

"We have got to be very sensitive to the indirect effects of import replacement."

Good cars were among the things people with management skills wanted. That was one of the reasons Zimbabwe was losing such people.

A weak economy and higher prices for cars combined to draw that sector of the market right down. Cars were now expensive in comparison with other durable goods in SA because of their local content.

"If we imported more parts, prices would be lower than today," Kantor said.

Kantor said if the State President's policies succeeded in making SA more acceptable to the outside world there would be no need for import replacement and SA could have a sophisticated motor industry.

He did not like business to be dependent on government policy, "because governments can change their minds."

It was a good thing that ADE prices had risen less than the rate of inflation. If they were internationally competitive it was "hunky dory."

Discussing the outlook for the SA economy in the next two years, Kantor said this depended on the gold price and the level of confidence.

The cut in the call-up announced on Thursday had a positive effect on confidence and he was "absolutely thrilled about it. South Africans bought shares in a frenzy."

The cut showed there was real economic pressure on the SA Defence Force. And it had cut back in a sensible area.

The government should also limit the general increase in public service salaries to 10% while at the same time reducing direct taxation. It was important to end inflationary expectations, making people realize that the rate of inflation could slow down.

Concern about the lack of savings in this country showed that the situation had been muread. People were saving — but were putting their savings into the stock market in order to prevent them from being eroded by inflation.

Discussing the outlook for gold, Kantor said he was "not really bullish although of course I am hopeful.

Inflation rates in the industrialized countries would have a great effect on the SA economy. The US economy was moving into a slowdown with inflation at 5% which was comparatively high when its multiple effect was considered.

But inflation was not likely to be high in Europe, particularly West Germany, and this could mean the gold price was not going to rise in terms of European currencies.

Kantor thought it would be wise for SA to fix the exchange rate for the rand to a basket of European currencies in 1992, benefiting from their lower inflation.

"We should go in at an under-valued rate, which will be an advantage to exporters."

There should be tax relief for the gold mining industry, to encourage the opening of new mines and the export of more gold.

"Gold is important in terms of exports and the balance of payments, but it should not be thought of in terms of revenue. The tax on gold mining companies brings in less revenue than 1% of General Sales Tax."

Quality control inspector Hermanus Cloete makes a careful inspection of a V-engine block at the Atlantis Diesel Engine (ADE) factory at Atlantis. Quality control at the factory has to meet the stringent standards of Daimler-Benz and Perkins, whose products are made under licence.
SALES of new cars rose by 7.8% in November to 19,541 from 18,122 in October.

However, compared with the same month last year, sales were down by 4.5%, or 1,335 units.

Although sales in the second six months have held up better than expected, it is forecast that volumes will decline modestly in the first half of next year because of a slowing in the economy and a fall in consumer spending. Orders for new vehicles are declining.

Sales for the first 11 months were 207,463 against 214,504, suggesting that volumes for the year will top 220,000.

Strong demand from small businesses and the black taxi sector kept sales of light commercials at near October's levels.

Sales were 10,478 in November, compared with 10,587 in October. Sales for the year to date are 108,017 compared with 104,545 at this stage last year.

Medium commercial sales were 423 in November compared with 435 in the previous month, taking the total for the year to 4,181 against 5,324.

Heavy commercial and bus sales were up 13.1% to 812 in November from 708 in October. In the first 11 months, sales were 9,018 against 8,799.
A decade in the motor industry sees lots of action

CHARLOTTE MATHEWS

In January 1986 when 47,66c bought one Mark and 0,84c bought one yen, the smallest Ford car — an Escort 1.3L — cost R5 330.

At the close of 1989 R1.56 buys a Mark and 1.8c buys a yen. A Ford Laser 1.4L now costs R18 075.

The past 10 years have seen a successful co-ordination of the motor industry labour movement, the deregulation of the black taxi industry and a change in the local content programme for the motor vehicle industry from a mass-based to a value-based calculation.

Naamsa figures for January 1988 show there were 4.4 million vehicles on SA’s roads, of which 3.4 million were passenger cars.

This gives a ratio of 11.4 people to one car and puts SA 16th on the list of car density per population. By comparison the US had a ratio of 1.8 people to a car. China has 995,000 cars but a staggering 1.093 people to a car.

Since this comparison was made, SA’s car population has risen to 4.8 million with a replacement value of R105bn, of which around 3.5 million are passenger cars. Naamsa forecasts the car population will be 4.2 million by 2000.

Vehicle sales have fallen in the past nine years from 1989’s 404,786 to 1988’s 387,834. The lowest point was hit in 1988, when the motor industry was losing about R900m a year.

In 1987 the motor trade generated R15,7m and in 1988 more than R21,7m. Total revenue for 1989 was forecast at R27,2m.

The motor manufacturing industry and related business now employ about 200,000 people.

The Naamsa 1988 annual report said:

"The influence of the SA motor industry permeated every facet of the economy."

"This development has taken place under circumstances difficult circumstances in the evolution from an importing industry into an increasingly self-sufficient facility of vehicle manufacture, distribution, servicing and maintenance."

Investment in the industry has been stimulated by the introduction of the Phase VI local content programme introduced in March this year. The programme covers the period 1988-1997 when it is estimated that R500-R600m a year will be spent by vehicle manufacturers to meet the objective of 75% local content by value by 1997.

The current local content programme was the first to be based on a value rather than a mass basis.
INDICATIONS were that new vehicle sales for 1990 would be in the region of 224 000 units compared to the 238 500 units for 1989, says Nuaan SA Marketing MD Stephanus Loubser.

"If this proved to be the case it would be a "very good showing indeed" in the context of a declining economy, he said in a statement yesterday.

"Taking a slightly longer view we expect that a number of fleet owners have crossed the threshold of the economic life of a portion of their fleets and this will support some demand in the market, particularly in the commercial vehicle markets."

The heavy commercial sector was very strong, he said. On the light commercial side there had been an "interesting" growth trend in specific areas, probably because of more confidence in the agricultural sector.

"Generally, the motor industry expects a lean period for the first six months of the year, after which the indications are that interest rates could ease, which will stimulate sales."
Malbak Motors moves into luxury market

BRENT MELVILLE

ACQUISITION-happy Malbak Motors Holdings (MMH) has spread its wings into the luxury car market with the announcement yesterday that it has acquired Sandown-based Sandown Motors.

The chain, which retails Mercedes-Benz/Honda and trades under the Sandown Motors banner in Sandton, as Grand Central Motors in Midrand, and as Ellenby Motors in Pretoria, was acquired from Sage, Nehce and Sandown Motors management for a cash consideration of R39m.

The 18-outlet Sandown Motors group recently added another three outlets with the R53m purchase of Pretoria-based Ellenby Motors. In addition, the group has three commercial-vehicle divisions.

MMH positioned itself as SA’s second largest Toyota dealer in October when it purchased the entire shareholding of Pat Hinde & Sons for R35m cash.

Allocation

The Hinde purchase gave MMH a foothold in the Transvaal which it has solidified with the venture into Mercedes/Honda.

Toyota sales are now about R600m annually and the new acquisitions should add an estimated R23m in Mercedes-Benz/Honda sales to MMH’s yearly turnover, says Malbak executive director and MMH chairman Tom Chalmers.

Industry sources say the venture into Mercedes/Honda should add about R12m in pre-tax earnings next year.

Sandown Motors MD Roy McAllister says the bulk of sales is in Mercedes-Benz “not only due to the fact that we sell both Mercedes cars and trucks, but because the allocation of Mercedes-Benz is higher due to the production limitations imposed by the Japanese.”

Although McAllister has relinquished his holding in Sandown, he is to remain at the helm with former Mercedes-Benz of SA dealer-development manager Terrius du Plessis, as new MD of Ellenby Motors.
the game from the field, not the stands
Nissan's Newbury believes in playing

John Newbury
Motor industry prospects

OUTLOOK 90

By Stefanus Loubser,
MD Nissan Marketing

If one goes back to the end of 1988 and the beginning of 1989, economists and local motor manufacturers, with the exception of one or two, were rather pessimistic about the outlook for 1989, although the pessimism was based largely on emotional issues, rather than any solid facts or well-defined trends.

Generally it was expected that political events would force the Government to act strongly against inflation and that this would see 1989 start off in economic decline.

It did not in fact happen — it was only as we entered the second half of the year that we started to see the effects of any decline become apparent.

As a result the motor vehicle market for the year was surprisingly buoyant. Although at this point we still have to wait for December's sales figures, it looks like car sales will be in the region of 224 000 units, compared with the 230 000 units for 1988. In a declining economy this is a very good showing indeed.

I am convinced that the current decline will continue into 1990.

Interest rates have been raised to a level where the private person simply cannot afford to buy a new car. We are in a situation where the average life of vehicles is being extended and these factors will combine to depress sales in the short term.

Taking a slightly longer view, we expect that a number of fleet owners have crossed the threshold of the economic life of a portion of their fleets, which should support some demand, particularly in the commercial vehicle markets.

Relative to the car market, the heavy commercial sector is very strong. On the truck side there is still a shortage of supply of some models, which we expect will carry through into 1990.

In fact, we believe demand for commercial vehicles in 1990 will remain at very much the same level as in 1989, that is a market of around 9 600 units.

On the light commercial side, there has been an interesting growth trend in specific areas which, I believe, is a consequence of a higher level of confidence in the agricultural sector.

The drought has at last been broken and the agricultural sector is certainly taking a longer-term view.

In the metropolitan areas, demand for light commercials is to some extent being fuelled by the Government's encouragement of the development of a free market. More and more entrepreneurs are entering the small business fold where the bakkie is the ideal form of transport.

"Over the past year Nissan has been fortunate in being able to benefit from an entirely new product range in a market that has been stimulated by a large amount of competitor activity.

Virtually every manufacturer has launched a new product of some significance in the past year and there is no doubt that this creates interest. Without new vehicles to offer, I would expect manufacturers to create excitement in other ways — perhaps through high-profile advertising campaigns, or through innovative financing packages designed to make new cars more affordable.

There is positive news on the pricing front.

Nissan and some other manufacturers have been able to contain price increases below the overall level of inflation for some time now. If the industry is able to sustain this trend for the next three years or so, I believe that at this point private buyers will find it a lot easier to afford new cars.

Until this happens, though, the motor industry is still going to have to rely on corporate business for around 75 percent of its sales.

There is some light on the horizon for growth stimulated by corporate investment, particularly by the large life insurance groups.

There is a limit to the amount of money these corporations can commit to the stock exchange.

However, as we see things today, could be quite substantial and could be used to stimulate growth in the economy as new investment opportunities are sought in the business arena.

Generally, the motor industry expects a lean period for the first months of the year, after which the indications are that interest rates could ease, which should stimulate sales to make up ground lost in the first half of the year.

Current expectations are that the passenger vehicle market will be down overall for the year — 210 000 units would be a realistic forecast and 215 000 an optimistic view.
Following the provisional liquidation of Quality Tyres and its main operating subsidiary, Quality Tyres (1970) (Pty), an offer by Malbak to buy the business assets has been accepted by creditors.

Malbak has undertaken to pay the liquidators an amount ensuring that concurrent creditors receive a dividend of 31c in the rand in respect of their claims against Quality Tyres (1970) (Pty).

In return, Malbak has taken over the stocks, debtors, fixed assets and business names of the company with effect from liquidation date (December 3 1985). Nineteen of the 20 creditors represented at an informal creditors meeting last week voted to accept the offer.

Malbak executive director Tom Chalmers said that the tyre business would operate as a division of Malbak Trading, which also houses Malbak's motor and agricultural equipment interests, and would continue to trade under as Quality Tyres.

"We are very pleased with the support we have received from the tyre companies and look forward to working with them to consolidate Quality's position in the market place.

"The staff at Quality can now put the worries of the past few weeks behind them and concentrate on increasing market share under the Malbak umbrella," Mr Chalmers said.
FML heads for R300m in 1990

FULL maintenance leasing sales could exceed R300-million in 1990, says Fleetlease Contracts managing director David Owens.

Mr Owens says there has been a rapid growth in the FML market.

"At the beginning of this decade FML was a terminology which occasionally drifted across from abroad.

Iceberg.

"In the mid-1980s FML emerged in SA. The market grew quickly and sales this year came close to the total for the preceding nine years."

He believes that growth so far has been only the tip of the iceberg which will become increasingly visible in the Nineties. By the middle of the decade, annual FML business could exceed R1,2-billion.

However, Mr Owens warns fleet owners against a trend developing in FML. He says many owners are considering the leasing of a used vehicle or a secondary lease of a fleet car.

The problems associated with this trend include three- to four-year-old vehicles being offered at higher prices than new ones, higher maintenance costs and demotivation of staff.

"Rising vehicle costs and, at times, poor availability are factors promoting this trend. Any agreement which allows the depreciation curve to level off more slowly should have financial merit."

"This is particularly so if the vehicle life can be extended to facilitate its sale in the wider but lower-price five- to seven-year-old market."

Protected

Mr Owens warns that the used-vehicle option poses potential problems which have not been considered by some parties offering such a service.

For example, some advertisements offer two-to-three-year-old vehicles for a further lease at higher prices than reputable suppliers can provide a new vehicle.

"The customer must also ensure that he is adequately protected from higher costs of maintenance and the less tangible but vital cost of vehicle downtime because of more frequent repairs."

Mr Owens says companies considering the savings to be had in leasing a used vehicle should obtain comparative prices from a reputable supplier of new cars or trucks.

Busaf on the move

BUSAF Letaba, the largest manufacturing facility in Gazankulu, has opened a production lane to build cabs for Komatsu heavy earthmoving machinery.

The lane will produce cabs and sheet-metal components mainly for wheel loaders, graders, excavators, dump trucks and bulldozers. It will help Komatsu to increase its local content.

Busaf Letaba was the first factory to move to the Nkowakowa industrial township about 14km from Tzaneen. Since it was opened in 1972, it has supplied more than 4,000 buses to customers from northern Namibia to Zululand and from the Zambian border to Cape Town.

The factory is to deliver its 5,000th bus to Gazankulu Transport in February.