MANUFACTURING - MOTOR INDUSTRY

1990

JANUARY - MAY
Motor industry job levels likely to be static in 1990

MOTOR vehicle industry employment levels were likely to enter a no-growth phase this year if vehicle sales predictions proved correct, industry sources said yesterday.

The National Association of Automobile Manufacturers of SA (Naamsa) expected new vehicle sales to decline to 210 000 vehicles in 1990 compared with 221 000 projected sales in 1989, its annual report said.

The forecast is based on expectations of a slowing economy, higher inflation and lower levels of disposable incomes, which would have a negative effect on durable goods sales, including new motor vehicles.

Naamsa director Nico Vermeulen said though it was early to speculate on sales and employment levels, a more severe economic drop than presently anticipated in 1990 could result in

---

EDWARD WEST

retrenchments.

However, no retrenchments were planned and employment would probably enter a phase of natural attrition in line with the marginal drop in sales, he said.

Average monthly industry employment figures from January to June 1989 showed there were 37 000 employees in the assembly industry, 21 600 employees in the component industry and 161 000 employees in the motor trade.

Levels

Aggregate assembly industry employment levels rose to their highest levels in 1982, when 50 202 were employed.

During June 1989 new vehicle manufacturing industry employment levels increased to 37 877 employees from 36 457 employees at the 1988 year-end, Naamsa said.

A BMW spokesman said there would be no retrenchments at BMW because of a forecast drop in sales, as ordering books for its models were full for the next few months and production levels needed to be maintained.

Production had been high during past months and consequently a small number of casual labourers were employed on a short-term basis, he said.

A Nissan spokesman said his company did not expect to lay off workers during 1990 because of the introduction of the Fiat Uno, which, according to newspaper reports, could add 4% to new car sales.

Vermeulen added that motor industry employees were a large skilled workforce representing a substantial investment by various employers.
Midas stalls as rates rise and CEO quits

THE Midas share price has plunged by 56% in the past four months, but chairman Derek Riley is unconcerned.

Mr Riley says "Our main aim is to run the company properly and not concern ourselves with the price of the shares.

The company is financially sound, having shareholders' funds of more than R6-million. Shareholders' funds as a percentage of assets are about 50%, and we still have a good management team."

Involved in a booming motor spares industry, Midas reached a peak of 1.52c at the end of August, but has since tumbled to 63c. Traded share volumes in the past four months were much the same as in the past year, but the market has reacted the stock.

**Turnover**

Analysts believe the reasons for the decline were the lower-than-expected results for the six months to August and the resignation of chief executive officer Georg von Loeper who will "pursue his own interests".

"Mr Von Loeper was seen as a bright spark in the spares industry and was largely responsible for the company's fine performance in the past six years."

Mr Riley says high interest rates and overheads, a fall in the sale of used cars in the past six months and destocking by retailers have affected the industry.

By Don Robertson

similar franchise outlets, could reflect this Sparco fall by 33,5% from 77c in May to 50c.

The Midas interim report shows a 29% increase in turnover to R25,5-million, with operating profits up by 27%.

However, higher rates lifted the interest bill to R2-million from R1,4-million and trimmed profits. Earnings were only marginally higher at 55c a share from 51,5c.

**Jettisoned**

Mr Riley says Midas will have to look closely at cash flow and asset management, control inventory tightly. Many of its spares are imported and because of delivery delays they have to be financed for up to six months.

Mr Riley believes that in these more difficult times, some operators might fail.

Part of Midas' growth in recent years can be ascribed to acquisitions, the latest being Associated Diesel (Adco), which cost R12-million.

Adco is expected to generate turnover of R55-million in the year to June, but will be taken into the Midas accounts for eight months.

Nevertheless, Mr Riley is confident that the group will record turnover of R849-million this year.

Midas recently severed its links with Sparco and is in the process of jettisoning between R20-million and R30-million of business.

"We did this to offer our total support to the independent retailer through the National Automobile Parts Association. We believe independent dealers will eventually outperform the chains and we might consider privatizing the Midas stores we own directly."

Mr Riley says the group is continually on the lookout for acquisitions, "but only if they enhance earnings."

However, if the group intends to use paper for acquisitions, it would have to worry about the price of Midas shares.

Major shareholders in Midas are the McCarthy group with 39% and Federale Volksbelegerings which recently increased its stake from 4% to about 11%.
Spare parts industry expects recovery soon

THE vehicle spare parts industry experienced a slow-down in trade in the last six months of 1989, traditionally its more active period, but most spokesmen yesterday expressed optimism about the underlying buoyancy of the industry.

Associated Engineering engine parts executive director John Koen felt the industry had been a bit too optimistic about its prospects and many companies had over-budgeted.

Faced with lower than expected demand, they had had to cut prices to attain their forecast growth, resulting in a fall in profits.

"There is a growth factor in the market," he insisted, "but it will not happen overnight.

"Short term there has been a lot of destocking at retail level, but retailers can only destock up to a certain point. There will be a recovery within the next three months.

"Everyone is looking forward to a fall in interest rates."

Delay

Autoquip MD Bruce Coquelle, whose company is a wholesale distributor of engine components, said one of the reasons for declining demand was a reduction in the motorist's disposable income.

This made the motorist delay certain servicing and repairs, especially towards the end of last year when people were saving to go on holiday.

Coquelle felt the industry would start to take off from March/April.

Flavasham's acting GM Derrick Doolan said "I don't see any downturn in the spares market because I don't believe it is possible. People really have no option but to buy replacement parts. "Although it may not boom, I think the market will continue to grow".

Speculate

He added that workshops had experienced a downturn from the middle of last year to September relative to previous years, but the DIY market had been very buoyant.

"I would speculate that a lot of the market has moved to DIY wherever possible."

Spareco MD Errol Wucherpfennig said all retailers had been overstocked because of uncertainty about sanctions and surcharges.

"But I am amazed at the buoyancy of the spare parts industry. The motor spares industry must be one of the best."

He agreed the last six months of 1989 had been disappointing, but December had been a record time for Spareco.

He would not give an exact figure because the company was engaged in negotiations, but said they were "up on last year".

On 1990 prospects he said "A lot more people will be competing in the same market for the Nissans and Fords business. We will have to be a lot sharper."
FLEISHMANS' consolidation programme—adopted in the last financial year—will ensure that the group maintains its current level of progress and profitability, says MD Geoff Earnshaw.

Writing in the motor spares and accessories retailers' latest annual report, Earnshaw says tough targets have been set in this regard for "managing-down" the level of working capital requirements.

"Following the substantial growth in operations, executive management concentrated on a consolidation of activities with specific attention on central warehouse and store procedures and efficiencies," he says.

"The installation of a new computer-used information system has aided significantly in this development programme."

Fleishmans maintained earnings at 15,9c a share in the year to June on an increase in the number of shares in issue after an interest bill, which rose to R611,609 from the corresponding R468,909 dissipated profits.

Earnshaw says the market hardened significantly after good trading conditions in the first half of the year.

"Nevertheless, turnover increased by 22% and despite rising expenses and pressure on margins, the operating profit increased by 13,4% to R5,5m."
1989 tractor sales slump another 3.5%

TRACTOR sales for 1989 dropped 3.5% from 1988 according to figures released by the SA Agricultural Machinery Association at the weekend. Sales for 1990 would be no better, industry members predicted. Sales fell sharply in December to 311 units compared with the 933 units sold in November. Full year sales were down to 3,647 units from 5,854 units in 1988.

High prices, interest rates and shrinking farm profits were given as the reasons for the declining sales. The 15% surcharge had influenced price hikes.

Andrew Gill

FedMach GM Corwyn Botha said the industry was hoping to sell 5,600 units in 1990 but the figure could be as low as 5,300.

"The maize crop is under severe stress at the moment with reports of discoloring in some areas. If farmers don't get rain soon, 1990 sales could be even lower." A John Deere spokesman said the only thing that would affect the downturn in profits would be if one of the major four companies pulled out of the industry. This was not a possibility.
Carmakers cash in on rocketing prices

By Sven Lunsche

Rampant car price increases helped South Africa's seven motor manufacturers boost turnover by almost 25 percent last year.

With the release of 1989 vehicle sales figures by the National Association of Automobile Manufacturers (Naamsa) yesterday, analysts estimate industry's turnover jumped from R10.6 billion in 1988 to R13.2 billion last year.

The major contribution to the improvement was the steep rise in car prices although total unit sales over the year declined by 4,298 units to 533,689.

Econometrix analyst Tony Twine estimates that the Consumer Price Index for the motor sector rose 36 percent last year, while the price of an average car surged from about R29,500 to over R34,000.

Manufacturers' profits thus rose significantly.

While most manufacturers do not provide details of financial performance, analysis, using an average profit margin of about 35 percent of turnover, estimates that makers netted R600 million in 1989 — as much as 20 percent more than the previous year.

However, the picture looks less optimistic this year.

For one, unit sales are expected to show a more significant decline than in 1989.

Fourth-quarter new car sales in 1989 were down 8.5 percent from fourth-quarter sales in 1988, while the annual fall in 1989 sales, compared with 1988, was only 3.5 percent.

Naamsa estimates that total vehicle sales could decline by over 5 percent to about 335,000 units, while new car sales could fall from last year's 223,351 to 210,000 units this year.

"Prevailing high financing costs, the economic slowdown and a fall in domestic spending are all expected to impact adversely on the industry's short-to-medium-term prospects," it says.

The view is supported by recent Bureau of Economic Research (BER) figures, which show that spending on motor vehicles is likely to drop by 11 percent this year.

Continued strong demand by the corporate sector could help limit the decline to reasonable levels, but most dealers are already carrying adequate stock in contrast to last year's backlog of orders.

Cost pressures on the manufacturers are also likely to surge.

"The overhead contribution per unit rises alarmingly when the market is in a downturn, impacting directly on profit margins," says Mr. Twine, who adds that labour costs in particular could once again exceed inflation.

Imported cost pressures are likely to be more moderate, particularly for Japanese parts, but could increase in terms of the Deutschmark and sterling.

The industry is once again expected to make up for this shortfall by raising prices, but the scope of the increases is limited.

Mr. Twine estimates that prices could rise by up to 18 percent this year, while Naamsa forecasts increases of 12 to 14 percent, if the rand remains stable.

Naamsa's figures show that new car sales for the whole of 1989 amounted to 222,351 units, a drop of 3.5 percent compared to sales in 1988.

This figure exceeded earlier expectations and forecasts, largely because of buoyant corporate demand.

However, an indication of the downward trend was provided by monthly new car sales in December, which at 14,884 units hit their lowest level in two and a half years.

While car sales are traditionally lower in December, the figure was 8.1 percent down on December 1988 and a massive 24 percent down on November sales.

The new light commercial vehicle and minibus sector remained relatively strong last year, with sales rising on an annual basis by 4.4 percent to 117,138 units.

Sales of heavy trucks and buses rose one percent to 9,665, while medium commercial vehicle sales slumped by about 20 percent to 4,469.
Drop in car sales to a 31-month low

NEW car sales during December 1989 dropped to the lowest monthly level in two-and-a-half years.

December sales fell 8.1% compared with December 1988 and 23.8% compared with November 1989, the National Association of Automobile Manufactures of SA (Naamas) said yesterday.

Sales during the month dropped to 14,894 units from 19,540 units in November, the lowest sales since May 1987 when 14,812 units were sold. Compared with December 1988, sales declined by 1,312 units.

A Naamas spokesman said while vehicle sales were traditionally lower in December due to fewer trading days and corporations closing over the holiday period, the large percentage drop was indicative of a downward trend in sales.

However, new car sales for 1989 exceeded earlier forecasts with annual car sales totalling 232,351 units, a decline of 3.8% when compared with sales during 1988.

The new light commercial (LCV) and minibus vehicle sector — still buoyed by the black taxi market — remained strong during 1989 with sales rising by 4.4% to 117,135 units when compared with 1988.

During December 1989, sales of new LCV's and minibuses dropped by 21.6% to 8,217 units from 10,479 units recorded in November. However, when compared with December 1988, LCV sales improved 7.4%.

New medium and heavy truck and bus sales during 1989 were as expected with overall heavy trucks sales rising a modest...

Car sales

1% when compared with 1988

Medium commercial vehicle sales remained weak and fell by 20.4% during 1989 compared with 1988. Medium and heavy truck sales declined sharply by 34.3% and 29% respectively during December when compared with November, Naamas said.

Naamas said the annual sales figure tended to camouflage recent weaknesses in the new car and heavy commercial vehicle market.

By way of example, 1989 fourth quarter sales fell 8.6% compared with the fourth quarter of 1988, while annualized sales in 1989 only fell 3.5%, said Naamas.

A similar negative trend was evident in the heavy commercial sales market.

Aside from LCV's and minibuses, the overall sales trend was negative. Prevailing high financing costs, the slow downturn of the economy and a fall in aggregate domestic spending were expected to impact adversely.

Given a degree of exchange rate stability, average vehicle price rises of between 12% and 14% were projected for 1990.

From Page 1
New car sales drop to 2½-yr low

By ARI JACOBSON

NEW car sales, prompted by tighter monetary and fiscal policies, reached its lowest monthly levels in two-and-a-half years in December.

Economists, who see these sales as the leading indicator in determining the direction of the business cycle, said this is a clear signal that the economy is cooling down.

"With the negative trend in 1989, we are in a downward swing in terms of the business cycle," they said.

Although December's sales of 14,894 units were the lowest monthly figures since May 1987, this was only 8% short of the previous December's amount and 3.5% off the annualised rate for the prior year's sales, said the National Association of Automobile Manufacturers of SA (NAAMSA).

A powerful corporate presence boosted car sales, although Volkska's senior economist Adam Jacobson expects this force to dissipate in the coming year.

"A fall of 10% in car sales is not unrealistic considering the high interest rates on the over-burdened consumer," he said.

NAAMSA's 1990 forecasts for the industry is a more modest 5.6% decline.

Southern Life's senior economist Mike Daly said, "Inflationary expectations within the corporate market may encourage current purchases, if future car prices are expected to rise."

NAAMSA expects new vehicle price rises to trail the expected inflation rate by about 1%.

"After the heights experienced in the economy in 1988, the stage was set for a fall in growth in 1989 and the downward trend will continue this year," said Daly.

He said tighter fiscal and monetary policies are starting to pay off — helped along by higher than anticipated revenues from GST and import surcharges.

Old Mutual economist Dave Mohr said the trend in car sales is symptomatic, "of all purchases which take place with borrowed money."

The fall in credit—boosted consumption is indicative of the government's success in dampening the spirit of consumer borrowings, said Adam Jacobs.

"With domestic spending down, imports are expected to follow suit, providing SA with a possible surplus on its balance of payments (BoP) of some R7bn, in the coming year."

He said this phase of consolidation will restore the country's foreign reserves, cut down inflation and provide a solid platform for growth.
Naamsa adjusts figures

Finance Staff

The slump in new car sales in December was worse than originally anticipated.

The National Association of Automobile Manufacturers (Naamsa) yesterday corrected its earlier sales figures — new car sales in December fell to 13,875 units compared with 19,546 in November, a massive decline of 28 percent. The original statement had over-reported this figure by 1,009 units.

The figure is the lowest in almost three years and was 14.4 percent down on December 1988 sales. The correction implies that new car sales totalled 221,342 last year.

Naamsa also corrected the sales of new heavy truck sales for December to 650 units and those of medium commercial vehicles to 283 units.

Naamsa says the adjustment was made as a result of a reporting error on the part of one manufacturer.
Car makers to drop
4 year on price rises

A year on price rises

Bumper Rise: Percentage increase in costs compared with the CPI for vehicles


Percentage increase

0 50 100 150 200 250

4% difference

Avalaun Sikakhane
Motors gloomy

By Don Robertson

THE sharp fall in vehicle sales in December has blighted motor-industry hopes. Manufacturers now forecast a lean first six months in 1990 after expecting sales to decline modestly.

They had hoped sales would hold up on the strength of corporate and car-tire requirements. Light commercials, including min-buses, were expected to benefit from buying by small entrepreneurs and farmers.

However, the fall in average monthly sales in the third quarter of last year, particularly for cars and heavy commercials, has prompted a reassessment of forecasts.

Average monthly new-car sales were sharply down in the last quarter of 1989.

Sales of cars in December were a dismal 13,975 units — the lowest for more than 30 months and a fall of 23% on November's 19,540. Sales for the year were 222,551 compared with 230,500 in 1988.

Light commercial sales were 1,974 in December compared with 10,479 in November, a decline of 81%. Sales for the year were 3,112 against 11,153.

Medium commercial volumes were 2,651 in December compared with 4,251 in the previous month. The annual total was 4,474 (5,618).

Sales of heavy commercials were 659 last month against 912 in November. Annual sales were up at 9,678 from 9,573.

High interest rates, the slowdown in the economy and reduced consumer spending did the damage.

But the news is not all bad.

Relative exchange-rate stability will mean that price rises this year will be between 12% and 14% compared with an expected inflation rate of 15%.

The rand's world value

<table>
<thead>
<tr>
<th>R1 equates to</th>
<th>One foreign unit equates to</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>19/1/89</td>
<td>19/1/89</td>
<td>19/1/89</td>
</tr>
<tr>
<td>US $</td>
<td>0.3594</td>
<td>0.4148</td>
</tr>
<tr>
<td>UK £</td>
<td>0.2369</td>
<td>0.2964</td>
</tr>
<tr>
<td>Deutschmark</td>
<td>0.6671</td>
<td>0.7751</td>
</tr>
<tr>
<td>Japanese yen</td>
<td>57.06</td>
<td>63.96</td>
</tr>
<tr>
<td>Swiss franc</td>
<td>0.5929</td>
<td>0.6854</td>
</tr>
<tr>
<td>French franc</td>
<td>2.3699</td>
<td>2.8424</td>
</tr>
<tr>
<td>Canadian $</td>
<td>0.4476</td>
<td>0.5442</td>
</tr>
<tr>
<td>Italian lira</td>
<td>425.14</td>
<td>500.67</td>
</tr>
<tr>
<td>Zimbabwe $</td>
<td>0.9312</td>
<td>1.1231</td>
</tr>
<tr>
<td>Australian $</td>
<td>0.4520</td>
<td>0.5477</td>
</tr>
</tbody>
</table>

Trade weighted value of rand % change against 1974 base 40/28

Domestic interest rates

<table>
<thead>
<tr>
<th></th>
<th>19/1/89</th>
<th>12/1/89</th>
<th>5/1/86</th>
</tr>
</thead>
<tbody>
<tr>
<td>SARB accommodation rediscount rates TBR</td>
<td>18.00</td>
<td>18.00</td>
<td>18.00</td>
</tr>
<tr>
<td>Treasury bill tender rate</td>
<td>18.00</td>
<td>18.00</td>
<td>18.00</td>
</tr>
<tr>
<td>Base call of discount houses</td>
<td>20.50</td>
<td>20.50</td>
<td>18.75</td>
</tr>
<tr>
<td>Three-month bankers acceptance</td>
<td>18.55</td>
<td>18.65</td>
<td>18.58</td>
</tr>
<tr>
<td>Three-month NCDs</td>
<td>18.76</td>
<td>18.76</td>
<td>18.70</td>
</tr>
<tr>
<td>Three-year RSA stock</td>
<td>17.50</td>
<td>18.52</td>
<td>18.50</td>
</tr>
<tr>
<td>Prime overdraft rate</td>
<td>21.00</td>
<td>21.00</td>
<td>21.00</td>
</tr>
<tr>
<td>All-in yield of best acceptance credits</td>
<td>19.68</td>
<td>19.77</td>
<td>18.80</td>
</tr>
</tbody>
</table>

Capital market

SECONDARY MARKET

<table>
<thead>
<tr>
<th>Rates on most traded stocks</th>
<th>Average</th>
<th>As on Previous Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term RSA stocks</td>
<td>18.65</td>
<td>18.65</td>
</tr>
<tr>
<td>Long-term Escon stocks</td>
<td>18.48</td>
<td>18.46</td>
</tr>
</tbody>
</table>

Best sections this week

<table>
<thead>
<tr>
<th></th>
<th>Av</th>
<th>Av</th>
<th>Av</th>
</tr>
</thead>
<tbody>
<tr>
<td>Copper</td>
<td>2.6</td>
<td>2.0</td>
<td>7.8</td>
</tr>
<tr>
<td>Printing &amp; Publish</td>
<td>6.4</td>
<td>5.4</td>
<td>10.1</td>
</tr>
<tr>
<td>Pharma &amp; Medical</td>
<td>4.7</td>
<td>4.8</td>
<td>12.0</td>
</tr>
<tr>
<td>Farm &amp; Household</td>
<td>3.0</td>
<td>7.2</td>
<td>16.8</td>
</tr>
<tr>
<td>Food</td>
<td>2.0</td>
<td>5.7</td>
<td>10.8</td>
</tr>
</tbody>
</table>

London gold fixings

<table>
<thead>
<tr>
<th></th>
<th>Am</th>
<th>Pm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monday</td>
<td>$415.30</td>
<td>$415.60</td>
</tr>
<tr>
<td>Tuesday</td>
<td>$415.25</td>
<td>$412.75</td>
</tr>
<tr>
<td>Wednesday</td>
<td>$410.60</td>
<td>$410.40</td>
</tr>
<tr>
<td>Thursday</td>
<td>$412.50</td>
<td>$413.40</td>
</tr>
<tr>
<td>Friday</td>
<td>$410.60</td>
<td>$409.60</td>
</tr>
</tbody>
</table>

Overall market this week

(Oldinary Shares Only)

<table>
<thead>
<tr>
<th></th>
<th>This Week</th>
<th>Last Week</th>
<th>Move</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume</td>
<td>Mining</td>
<td>Non-Min</td>
<td>Total</td>
</tr>
<tr>
<td>Value traded</td>
<td>R41 493 963</td>
<td>R194 424 283</td>
<td>R605 918 243</td>
</tr>
<tr>
<td>Down</td>
<td>30</td>
<td>147</td>
<td>177</td>
</tr>
<tr>
<td>Unchanged</td>
<td>102</td>
<td>167</td>
<td>270</td>
</tr>
<tr>
<td>Number traded</td>
<td>144</td>
<td>610</td>
<td>654</td>
</tr>
<tr>
<td>Now highs</td>
<td>26</td>
<td>58</td>
<td>32</td>
</tr>
<tr>
<td>Now lows</td>
<td>4</td>
<td>12</td>
<td>8</td>
</tr>
</tbody>
</table>

JSE Actuaries Index

<table>
<thead>
<tr>
<th></th>
<th>This Week</th>
<th>Last Week</th>
<th>Move</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>Mining</td>
<td>Non-Min</td>
<td>Total</td>
</tr>
<tr>
<td>Value traded</td>
<td>R41 493 963</td>
<td>R194 424 283</td>
<td>R605 918 243</td>
</tr>
<tr>
<td>Down</td>
<td>30</td>
<td>147</td>
<td>177</td>
</tr>
<tr>
<td>Unchanged</td>
<td>102</td>
<td>167</td>
<td>270</td>
</tr>
<tr>
<td>Number traded</td>
<td>144</td>
<td>610</td>
<td>654</td>
</tr>
<tr>
<td>Now highs</td>
<td>26</td>
<td>58</td>
<td>32</td>
</tr>
<tr>
<td>Now lows</td>
<td>4</td>
<td>12</td>
<td>8</td>
</tr>
</tbody>
</table>
Boumat offer well supported

The bi-annual share offer of building materials and sanitary-ware merchant Boumat has once again attracted the bulk of the group's shareholders.

About 67% of Boumat shareholders, representing nearly 20 million shares, opted yesterday to accept the group's offer of one share for every 20 held.

Accordingly 993,443 new ordinary Boumat shares have been issued.

Delighted

The new shares were listed on the Johannesburg Stock Exchange yesterday.

Executive chairman Irvine Brittan said he was delighted at the high acceptance rate.

The bonus share scheme — the first in SA — has attracted consistently good support from Boumat shareholders, he said.

Those shareholders who did not elect to take up the bonus share offer will automatically receive an interim dividend of 22.5c a share.
Full or empty future?

Just as the optimist will tell you his glass is half full and the pessimist that the same glass is half empty, so both extremes can find comfort in the situation facing the motor industry.

Optimists will reason that despite the decline in new car sales from 1988, recently released 1989 figures represent only a gentle hiccup after two years of steady growth. Indeed, they will argue, the 221,342 units are considerably better than some industry pundits predicted early last year, and remain well above the miserable levels of the mid-Eighties.

Pessimists, on the other hand, will point out that as we enter the Nineties, the car market is no larger than it was at the end of the Seventies. As the following annual new car sales figures show, if the National Association of Automobile Manufacturers of SA (Namas) is correct in predicting another drop this year, the market will be much the same as it was in 1979:

- 1979: 213,170
- 1980: 277,058
- 1981: 301,528
- 1982: 283,433
- 1983: 272,822
- 1984: 268,751
- 1985: 204,322
- 1986: 174,453
- 1987: 200,824
- 1988: 230,000
- 1989: 222,351

Of course, no one would be happier than the industry should history repeat itself and current sales prove a prelude to levels like those of the early Eighties. But while analysts expect some recovery in the second half of 1990, no one contemplated a dramatic change.

Indeed, many planners are wary of another sudden rise in the market. The famines of the Eighties turned production planning into a nightmare, with a glut of new cars as the market crashed, and serious shortages as it recovered unexpectedly.

So while the industry would like to see annual car sales at more than 300,000 again — the earlier boom prompted many companies to install manufacturing capacity to handle a market far larger than that — it wants it achieved in a steady growth cycle.

As it happens, companies aren't doing too badly with the market as it is. Even in a declining market, a number of the major vehicle assemblers made acceptable profits in 1989. Those profits came in a year of considerable workforce disruption. If the industry can reach accommodation with trade unions, shareholders must hope current profit levels can be maintained at the very least in the foreseeable future. Much, however, depends on the effects of the foreign exchange value-based local content programme. Even as the programme approaches its first birthday, cost uncertainties remain.

Planners hope the recent increase in the local content formula entry point from 55% to 60%, doesn't herald further tampering by the Board of Trade & Industry.

The increase represents little or no hardship for the industry. It was generally accepted the BTI had underestimated the industry's existing level of local content. In any event, the programme was always planned to allow a series of gradual steps to take the eventual minimum to 75% over eight years, so the five percentage point increase is not much more than companies had expected anyway as an annual graded increase.

Officials are now asking the BTI to hold the new level for at least four extra quarters. Though everyone expected testing problems with the programme and the welter of amendments that have occurred since its inception, they are now keen for it to settle down. With billions of rands of investment in the pipeline, the industry needs an assured longer-term picture.
Targets for local content up to 60%

THE motor industry's value-based local content target levels have been increased from an initial target of 55% to 60%, industry sources said yesterday.

The programme was revised because the initial target was set too low by the Board of Trade and Industry and manufacturers were earning too much in rebates, while insufficient funds were being generated by the excise duty.

The decision to increase the local content target to 60% was based on a weighted industry average of existing local content levels, a Board of Trade and Industry source said.

The revised programme would allow for the creation of a steadier income over four quarters from excise duties for rebate payments and the creation of a dedicated fund for industry incentives.

National Association of Automobile Manufacturers (Naamsa) director Nico Vermeulen said yesterday the revised programme was effective from December 1, 1989.

The initial programme, introduced from March 1 last year, measured local content by value based on a company's foreign exchange use and on the manufacturer's turnover, and was designed to reduce imports and encourage exports.

Local content

From December 1, manufacturers' excise duties and rebates accounts would be averaged over four quarters.

The changes were made necessary by external factors like industrial action at manufacturer's plants last year which affected local content achievement targets.

Mass production-based higher local content earners would earn less in rebates, but the changed programme would reduce the element of discrimination in the programme against lower production luxury vehicle manufacturers.

Volkswagen PR manager Ronne Kruger said Volkswagen was happy with the proposed changes. Because the value based local content programme was a new concept to SA, the HTI had under-estimated the average industry local content, he said.

Vehicle manufacturers are rewarded or penalised depending on the extent to which the local content target is achieved.

The target was changed by increasing excise duties from 57.5% to 60%. The local content target, always twice the excise duty, thus increased to 60% from the initial target of 55%, said Vermeulen.

With the changes a separate fiscal duty component was introduced. The fiscal duty will be calculated on the basis of retail selling price less 20%.

The separate fiscal element derived from the payment by manufacturers of a 5.5% fiscal duty less R2 600 a vehicle which was non-rebatable. Previously, the fiscal duty was 12% less R3 600 per vehicle based on manufacturer's turnover.

The motor manufacturing industry rebate for local content achievement would remain at 56% of the manufacturers local content, he said.

This incentive was constant and was expected to remain for the duration of the programme.

Manufacturers' excise duties and rebates accounts initially had to be paid quarterly, he said.
VOLKSWAGEN SA is its German parent's favourite child.

Carl Hahn, chairman of the International Volkswagen Group, praised "Volkswagen SA (VW SA) to the heavens. Dr Hahn says "Quality control is good, dealer motivation excellent, management extremely good and there is a lot of creative thought coming from the team."

"We rate VW SA highly and so do all the other members of the group."

Many of the measures used by VW SA in quality control, communication, dealer motivation and customer satisfaction have been adopted in plants all around the world.

Three South Africans hold senior positions abroad.

Dr Hahn presented VW SA and its dealer network with the "International Customer Service Award" this week. In 1995, VW SA won an award for the greatest improvement in quality. This was only the second time the award had been offered to a Volkswagen subsidiary outside Germany.

The international group has also announced record results for the year to December as a result of the fine performance by all its subsidiaries.

Turnover increased by 16% of Dm66-billion (R3.2-billion) to Dm68-billion (R3.3-billion) after a 3% rise in sales of VW, Audi and Seat vehicles to about 3.2 million units. This made it the largest car manufacturer in Europe.

Although VW SA is small compared with other subsidiaries, it has great potential. Profits last year were about R64-milion on sales of R2-billion and Dr Hahn is happy with the return on the investment.

Peter Searle, managing director of VW SA says the company has the potential to increase profits by 30% or 40% this year.

Education

Dr Hahn says there is good growth potential for VW SA provided political problems are resolved. There could also be opportunities in Eastern Europe, but SA will have to become more integrated in its manufacturing process.

"SA still has an abundance of raw materials and relatively cheap labour."

Dr Hahn says education will have to be rapidly improved if SA is to follow the "tiger nations", such as South Korea and Taiwan, in competing in world markets.

"After having fought a war for 15 years, SA surely has the resources to educate its people."

Mr Searle says the company will have to spend about R200-million a year until 1997 to meet the Phase Six local content programme.
Buyers line up for R498 000 Mercedes

By Don Robertson

NEARLY 200 businessmen have committed R100-million to buying one of the world's top sports cars — the Mercedes-Benz 500 SL.

Orders for the ultra-quick, ultra-luxury car reached 196 this week, but the last on the list will have to wait almost seven years for delivery.

Only 20 000 of the Merces will be built in Germany each year, and SA's allocation will be between 20 and 30 right-hand-drive cars annually.

The 500 SL is the first sports car from Mercedes in 20 years and at today's exchange rate will sell for R65 000.

Power

Several left-hand-drive cars have been imported by independent dealers and are selling at R75 000.

Peter Clearay, management board member for cars says, however, that these models will not be offered the same service and parts back-up that those sold through approved dealers receive.

The 500 SL is powered by a five-litre V8 engine with four valves a cylinder. It produces 243KW and 460Nm of torque.

Mercedes-Benz 500 SL . . . seven-year wait for some

It is sufficient to propel the car from a standstill to 100km/h in 6.2 seconds, and to a top speed of 250km/h. However, electronic devices prevent the car from achieving top speed.

The convertible car comes with a detachable hard top which is easily installed and removed. The fabric top can be raised or lowered in 30 seconds at the push of a button.

A roll-over bar at the rear is raised automatically in 0.3 seconds when the electronic system decides a danger is developing.

Other features include electrically operated seat adjustment with a memory which also adjusts the rear and side mirrors and steering column, an anti-lock braking system, a four-speed automatic transmission and acceleration skid control.

Exports

Exports last year reached R8-million and are expected to rise to R10-million this year and to R150-million by 1991.

Exports include short-run items, such as jacks and body pressings, which can be produced in SA more economically than in Germany.

He believes that, while many of the production problems, which affected production severely in the past, have been resolved.

The plant in East London has been divided into four profit centres, improving communication between management and the workforce.

The waiting list for the Mercedes 300E is about a year. One customer has placed an order for the first Mercedes 600SE to come off the line in the year 2000. He will have taken an equipment policy for R1-million to be paid out in that year.

Mr Kopke says that although 500 SE sells for R210 000, "R1-million might be the right price for them."
McCarthy stands up to strains

By Ann Crotty

McCarthy's results for the six months to December indicate that the group is bearing up reasonably well under pressure from softer consumer demand and tighter credit facilities.

Earnings per share were up 16 percent to 34c (29.4c) and an interim dividend of 7.5c (6.6c) has been declared.

Turnover rose 24 percent to R1.5 billion (R1.2 billion), but operating margins reflect the difficult trading conditions.

Margins were squeezed from 3.36 percent to 3.73 percent as operating profit increased 18 percent to R54.1 million from R46.8 million.

Interest payments were up 85 percent to R5.3 million (R2.8 million), reflecting higher interest rates and higher levels of working capital.

Larger inventories had to be carried, compared with previous years' stock levels, which were kept tight by the severe shortage of vehicles.

Pre-tax profit increased 11 percent to R45.3 million.

The increase in tax was held at six percent, leaving attributable earnings showing a 16 percent advance to R2.9 million (R2.5 million).

The directors refer to the steps taken to dampen demand. These measures have progressively slowed demand and we expect this trend to continue in the short term.

"The group will therefore do well to repeat the first six months earnings in the second half of the year."
Car industry shrinking

From 20 manufacturers operating in the motor industry employing some 48000 people in 1982, there are now only seven passenger vehicle manufacturers who employ just over 31 000 people, says Wesbank managing director Peter Thompson.

Speaking at the SA Guild of Motoring Journalists and Wesbank Car of the Year Award last night, Mr Thompson said that the recession in the Eighties was one of the longest and harshest in the industry's history.

"Ndale was quoted at that time as saying that the motor manufacturers had probably lost all the profits they ever made in their lifetimes."

"Perhaps the most encouraging sign as we enter the 1990s is that nearly all the manufacturers say they will be able to keep price increases below the inflation rate. The question of affordability is undoubtedly going to be one of the most important issues of the 1990s", Mr Thompson said. — Sapa
COMING SOON — THE MILLION-RAND MERC

Got a million rand to spare? If not, you may soon have to forget about ordering that top-of-the-range, luxury car

Mercedes-Benz SA is examining a customer's request to be allowed to cede two endowment policies, worth R1m, to the company. In return, the customer wants guaranteed delivery of the first Mercedes 500SE to be built in the year 2000, when the policies mature.

The 500SE now retails at about R200 000 before tax. But there's a two-year waiting list for the car. Chairman Christoph Kopke says the customer has asked whether R1m will be enough to cover costs by the year 2000 — or whether he'll need another policy. "We've done an estimate on likely price increases and we think R1m should just cover it."

Other Mercedes-Benz customers are likely to face that R1m bill even earlier. Last week, the company introduced its latest imported sports convertible, the 500SL, priced at just under R500 000. But if you didn't order several months ago, you're already too late at that price.

Mercedes-Benz SA has orders for 196 cars. A limited allocation from the West German parent company Daimler-Benz means it will be at least 1994 — and possibly as late as 1997 — before number 196 takes delivery. By then, the price will certainly have topped R1m.

Meanwhile, the company is benefiting from an 18-month-old Daimler-Benz policy of having its components supplied from around the world. The local company expects to achieve exports worth R60m this year, rising to R150m next year.

Last year, the figure was R8m. With Daimler-Benz's German plants producing for European and American left-hand drive vehicles, Mercedes-Benz SA will export components for right-hand drive vehicles.
Spicy mixture

Activites: Owns 51.5% of the listed SA Freight Corp (Safcor) and has other leasing and property interests

Control: Ex-chairman Abe Jaffe has at least 43%

Executive chairman: M H Brodie

Capital structure: 14m ord of 1c, Market capitalisation R45.5m

Share market: Price 328c, Yields 10.8% on dividend*, 17.8% on earnings, PE ratio 5.6, Cover 1.7 12-month high, 480c, low, 300c

Trading volume last quarter, 380,000 shares

Year to June 30

-88.89

Turnover (Rm) 703.03
Pre-tax profit (Rm) 25.3 34.8
Taxed profit (Rm) 12.1 16.8
Earnings (c) 474.58
Dividends (c) 30 34
Net worth (c) 288 330

* Including increased interim

The group has changed almost beyond recognition in the past three years with the listing of Safcor in 1987 and then the sale to Barlow Motor Investments of subsidiary Currie Motors' trading assets, long the core of the group. In 1989 Currie Motors itself was then sold to Bidcor as a cash shell. Further change was in prospect at the financial year-end, with an option (since exercised) to buy R9.3m Currie Motors properties, to add to R5.3m properties bought from Currie Motors before it was sold.

Property and leasing contributed only R1m of net profit last year but, with the Currie Motors property deals and the commit-
New car sales up 17.1% on December

NEW car sales rose by 2,377 units or 17.1% in January compared with December sales, Naamsa said at the weekend.

Sales of new light commercial vehicles and minibuses rose by 1,014 units or 12.3% compared with December.

Official measures — in the form of stringent fiscal and monetary policies to cool off the economy — had a negative impact on new vehicle sales, particularly new car sales.

Naamsa said sales figures for January were in line with industry expectations. "Following the poor sales recorded during December, there has been a slight improvement during the first month of 1999 with new car sales rising by 2,377 units to 16,252 units (December 13,875)."

New car sales for January 1999 showed a slight dip compared with January 1998's sales of 16,313 units.

New light commercial and minibus sales rose by 1,014 units or 12.3% to 9,231 units compared with December sales of 8,217 units, Naamsa said.

Light commercial figures for January 1999 were 1,878 units (36%) ahead of January 1998 when sales of 1,442 units were recorded.

Heavy truck sales showed a decline of 15.3% in January to 659 units (December 660), but medium commercial vehicles recorded a sharp rise of 38.9% to 393 units from a low December base of 283 units.

In January 1999, medium commercials recorded 223 units and heavy commercials 608.

Combined new vehicle sales in January 1999 increased to 26,435 units compared with the December figure of 23,035. Total vehicle sales in January 1999 were 24,592.

Naamsa said demand for light commercial vehicles and minibus-type vehicles remained buoyant and that this market was expected to reflect a higher propensity for growth during 1999 compared with other sectors.

However, for the industry as a whole, Naamsa expected unit sales comparisons, with the exception of the light commercial vehicle sector, to remain negative for at least the first half of 1999.
Exporting components is Samcor achievement

SAMCOR has got it together since the traumatic merger of the two troubled car marques a few years ago.

Despite disruptions to production due to strikes, the weak rand and high inflation, Samcor, manufacturer of the Ford and Mazda passenger car ranges, has created a few models.

As MD Spencer Sterling says, being able to design and develop new cars locally is a big thing, but exporting vehicles and engine components is even more of an achievement for Samcor.

With the difficult days behind them, the group — which recently announced a R1,1bn expansion programme over five years — has pioneered SA’s first fully-equipped styling studio and the first locally designed high-volume car.

This is the new Mazda 626, a compromise between the need to update the current model and the need to limit investment.

A similar local design job is under way on Samcor’s small car range.

Sterling believes that, because of the need to rationalise the entire motor industry, component suppliers, including SA’s small and medium-size car manufacturers are realising the size of the market does not justify the cost of keeping pace with overseas model launches.

Skop

Most local manufacturers are likely to skip every other model and update their ranges in the interim, as Samcor is doing, with facelifts and upgrades.

The company recently installed a five-tech line for alloy cylinder-head manufacture at its Strandfontein engine plant in Port Elizabeth.

A significant development under way is the upgrading of its 81 locally made 4-cylinder engine.

New Lexus to beat the best

A brand new range of luxury cars, aimed at giving BMW and Mercedes-Benz a run for their money, have been unveiled in Japan and are being considered for the SA market.

They will be available as a special import later this year after Toyota SA has bought a few models and carefully assessed them for local conditions.

Called the Lexus, the range has received rave reviews in the US since being launched last September.

Before the Lexus prototype was developed, 24 Toyota Japan engineering teams were assigned to the project.

Each identified the best world automaker in a specific engineering field — and set out to beat it.

Toyota Marketing SA MD Brand Pretorius says the technology, expertise and design excellence which has gone into it will have important spinoffs for the development of improved standards in the local top car market.

Quality

"As the quality of engineering, electronics and design develop, we will no longer equate ‘line car’ or ‘top car’ with a big traditional car.

"There are plenty of smaller cars which, in terms of comfort, quietness, efficiency and performance, fit very comfortably into the ‘top car’ category.

"When you do a checklist of its features, the top-end Corolla is just as easily into the top car category.

"However, as financial pressures fuel the buydown trend, demand for higher standards and specifications in smaller cars will increase.

Pretorius says, through Toyota’s experience with the development of the Lexus, all future car designs are going to become more sophisticated and efficient, setting new standards within Toyota.

"By opting for local development we have men ages in development (1 to 1.5 years) on a vehicle and the planning brought about by not adopting the new generation 626 in Japan will certainly be reflected in its very competitive pricing," says Pretorius.

Toyota’s high-tech Lexus ... leads a bid for the world’s luxury car market
Manufacturers looking at a steady demand

Despite projections of a modest 4% decline in new car sales this year after 1988's slight drop, SA motor manufacturers are going all-out to increase production as long-term prospects continue to indicate steady demand for cars and trucks.

National Association of Automobile Manufacturers of SA (Naamsa) reports waiting lists stretching from about six weeks to many cases to more than a year for a few models.

Naamsa president Spencer Sterling says efforts to reduce the waiting list will meet with varying degrees of success by the year-end.

Reflection

With car sales more a reflection of the ability of manufacturers to supply than slowing demand, any chance of boosting figures received a further setback when the supply backlog was aggravated by strikes late last year at most vehicle manufacturing plants.

Sterling says another factor inhibiting industry efforts is the overtime ban in force by trade unions.

A lesser problem is the inadequate supply of certain locally made components.

This arises as many suppliers have work forces whose members belong to the same trade union - the National Union of Metal Workers of SA - as car manufacturer employees.

"But," says Sterling, "the overall situation is better than it was a few months ago."

While Naamsa SA MD Stephanus Louw believes the market is running in line with expectations, he suspects the recent lock-outs at Smoror, Volkswagen and Toyota may have accounted for a production loss of 10,000 units.

"Still, waiting lists are getting shorter and some models are becoming freely available," says Louw.

The problem is disruptions plus other cost factors continue to put pressure on profit margins at a time when efforts are being made to keep prices down.

In view of price rises, the change to smaller, cheaper cars is bound to continue. However, it is not merely this that has led to downward purchasing.

One must include rationalisation by motor manufacturers because of higher investment requirements and improved attractiveness of the smaller car in terms of size, performance, equipment and affordability.

Another factor, says Mercedes-Benz management board member Peter Cleary, is that existing demand for more expensive cars recognises principally the need to reward managerial employees because of the scarcity of qualified personnel.

I also believe there is a greater understanding by purchasers of Mercedes-Benz cars that the reliability and resale values of the cars make them an economic proposition as much as cheaper medium-sized cars," he says.

BMW marketing manager Mike Honeyborne says with the increased cost of fuel and motorizing in general, higher prices will be placed on factors such as fuel efficiency - without sacrificing performance.

SUFFER

But sales of medium-size cars - which comprised 30% of total sales five years ago and now about 20% will continue to suffer.

After weighing up the factors hindering the NATSA economy and motor industry, both Naamsa and the National Automobile Dealers Association (Nada) have compiled estimates of future car sales (see graph).

Naamsa chief executive Nic Vermeulen says the industry represents one of the more cyclical sectors which is sensitive to any sharp directional changes in the economy.

Nada chairman EEZol Richardson says the years ahead offer many challenges and opportunities to progress.
Price hikes likely to be lower than in previous years

For the first time since 1997, car prices have increased by less than 10% in 1998, indicating that inflation is under control. However, the rate of price increase is still higher than expected, and consumers are likely to see lower increases in prices in the future.

One reason for the lower price increases is the corporative efforts of manufacturers to reduce costs and improve efficiency. In addition, the strong rand against major currencies has helped to keep prices down.

Some experts predict that price increases will continue to be lower in the future, as manufacturers look to maintain market share and avoid raising prices too much. This trend is likely to continue as long as the rand remains strong and inflation remains under control.

However, there are risks that could lead to higher price increases in the future. One such risk is the potential for a strong rand to become too strong, leading to a loss of competitiveness for South African manufacturers. In addition, if inflation starts to rise again, this could lead to higher prices for consumers.

Overall, it appears that manufacturers are making efforts to keep prices low, and consumers can expect to see lower price increases in the future. However, it is important to be aware of the risks that could lead to higher prices in the future, and to continue to monitor the market closely.
Credit squeeze hits new car sales

Finance Staff

The government's stringent fiscal and monetary policies continued to have a negative impact on the new vehicle sales, and distinctly weaker new car sales have been discernible since the middle of last year.

Issuing the new vehicle sales figures for January, Naaamsa says the sales figures for January are in line with industry expectations.

After the poor sales recorded in December, there has been a slight improvement, with new car sales rising by 2,377 or 17.1 percent to 16,252, and new light commercial and minibus sales rising by 1,014 or 12.3 percent to 9,231 from December's 8,217.

Heavy truck sales fell 15.3 percent in January to 559 (660) but medium commercial vehicles showed a sharp rise of 38.9 percent to 393 from a low December base of 283.

Combined new vehicle sales increased to 26,435 from the December figure of 23,035.

Naaamsa says demand for light commercial vehicles and minibus type vehicles remained buoyant.
Numsa wage demand

THE National Union of Metalworkers of SA (Numsa) will demand a R2 an hour minimum increase in all sectors at this year's national wage negotiations. This decision was adopted at the 22,000-strong union's first national bargaining conference held in Johannesburg at the weekend.
EXPENSES

Midas takes firm action to counter problems

The Midas Group, in its recent annual report, announced a

 espectative profit for the year ending 1982. The company

 enounced a dividend of 1.25 per share, payable on

 36th quarter. The company's board of directors has

 approved a 20% increase in the dividend for the

 1982 fiscal year. The increase is expected to


The board also announced a company-wide

 reduction in the number of employees, effective

 September 1. The reduction is expected to result in

 a savings of $5 million for the company.


Furthermore, the company is expected to

 announce an increase in the number of employees

 in the coming months, as a result of increased

 sales and orders. The company is currently

 experiencing a strong demand for its products

 and services, which is expected to continue for

 the foreseeable future.
UNUSUAL WARNING FROM MIDAS

CHARLOTTE MATHEW

Midas directors took the unusual step of calling a press conference yesterday to warn shareholders that earnings for the year to February, to be published in April, would be substantially lower than forecast.

Midas is a distributor of automotive parts and accessories through franchises and customers, including chain stores.

For the year to February 1989 earnings of 118.6c a share were declared, representing a 54% improvement over the previous year's 61.2c.

"Subsequently trading conditions started to lag behind budget," chairman Derek Riley said.

"We made an acquisition which we hoped would increase earnings a share. But the acquisition would in fact affect EPS negatively.

"We announced in October that we would be making an acquisition and this would have positively affected EPS. Negotiations were terminated.

"In November the marketing agreement with Spares was ended, and the impact of this has been greater than anticipated."

The company had also faced a higher interest burden in 1989.

Corrective

Riley was unable to put an exact figure on the reduction in EPS as the accounts were still being audited.

He said corrective action had been under way for several months. Stock had been reduced and it was anticipated that interest charges would be cut down.

Midas was trimming its customer network so it could give better service and have a more focused customer base.

This would lead to a rationalisation of deliveries, which had become more costly with diminished order sizes.

Management had also rationalised warehouses and the number of people employed by the company nationally had been reduced to 1,000 from around 1,300 by retraining and natural attrition.

Inventory control had been improved and steps taken to get total assets "more tightly in hand".

He believed the automotive parts industry was a good one but had been generally overrated. Midas had grown during the past few years as it was gaining market share, not because the market was growing at an equivalent rate. "The industry is partly contra-cyclical, but is not immune to a downturn."
Accent on Dealers

The National Automobile Dealers Association (NADA), independent franchisee, and Spencer Sterling, president of the National Association of Automobile Manufacturers of SA and managing director ofSameer, executive director of the First Market Foundation, will discuss business and political prospects.

Speakers include John Ten-
kun, a dealer from Portland, Oregon, who has 17 franchise outlets. Other speakers will include Christoph Garber, president of CSIR, and cricket

Clive Rice.
**Motor-makers pin hopes on bakkie boom**

By Don Robertson

MOTOR manufacturers are increasing production of bakkies, particularly for the leisure market.

Car sales are expected to decline to about 110,000 this year compared with 122,000 in 1985, but light commercials (LCVs) — bakkies and ambulances — are forecast to take off.

Several manufacturers plan new models this year as LCV sales are expected to rise to between 140,000 and 155,000 this year, the only model range which will increase. Latest forecasts compare with sales of 137,000 last year and earlier expectations that LCV sales would peak at about 110,000 in 1989.

Boil

LCVs held up well in the first two months of this year. This has helped to establish itself as the one with the highest potential for growth. LCVs are, according to the National Association of Automobile Manufacturers of South Africa (Nasona), the opening of small businesses and increased demand from farmers will keep demand for LCVs on the boil.

---

**NY ROUND-UP**

<table>
<thead>
<tr>
<th></th>
<th>Profit before earnings</th>
<th>Bid change</th>
<th>Ask change</th>
<th>Div change</th>
<th>% change</th>
<th>% change</th>
<th>% change</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>N/A</td>
<td>0.0</td>
<td>0.0</td>
<td>-3.6</td>
<td>4.4</td>
<td>0.0</td>
<td>-3.6</td>
<td>4.4</td>
</tr>
<tr>
<td>4</td>
<td>N/A</td>
<td>3.5</td>
<td>1.3</td>
<td>-13.4</td>
<td>16.4</td>
<td>3.5</td>
<td>-13.4</td>
<td>16.4</td>
</tr>
<tr>
<td>6</td>
<td>N/A</td>
<td>22.6</td>
<td>9.9</td>
<td>51.7</td>
<td>9.9</td>
<td>22.6</td>
<td>51.7</td>
<td>9.9</td>
</tr>
<tr>
<td>24</td>
<td>N/A</td>
<td>8.8</td>
<td>3.3</td>
<td>-47.0</td>
<td>16.6</td>
<td>8.8</td>
<td>-47.0</td>
<td>16.6</td>
</tr>
<tr>
<td>30</td>
<td>N/A</td>
<td>28.6</td>
<td>12.0</td>
<td>-50.0</td>
<td>28.6</td>
<td>28.6</td>
<td>-50.0</td>
<td>28.6</td>
</tr>
<tr>
<td>300</td>
<td>N/A</td>
<td>0.1</td>
<td>0.0</td>
<td>-100.0</td>
<td>0.1</td>
<td>0.1</td>
<td>-100.0</td>
<td>0.1</td>
</tr>
<tr>
<td>1000</td>
<td>N/A</td>
<td>0.3</td>
<td>0.0</td>
<td>-100.0</td>
<td>0.3</td>
<td>0.3</td>
<td>-100.0</td>
<td>0.3</td>
</tr>
</tbody>
</table>

---

Kalahari

Motor Force has commissioned the manufacture of a Kalahari double cab pick-up and the Kalahari Veld Wagon, coupled to the Mazda 23.6i 4x4 Drifter model.

In spite of the expected rise in LCV sales, 1990 will be bleak for the industry, says Nisan Marketing managing director Stephan Lebhar. Interest rates are expected to remain at current levels until the third quarter when prime overdraft could fall to about 12.5%. Manufacturers are likely to raise prices, which could extend waiting lists.

Costs in the industry are expected to rise by between 12% and 14% but Mr Lebhar believes that the increase in the price of vehicles will be kept to about 9% in spite of heavy capital expenditure to meet Phase Six local content requirements.

Mr Lebhar thinks there could be a new round of price cutting when the Fiat Uno, to be made by Nisan, is launched in May.

The Uno should allow Nisan to increase its market share by about 4%, says Mr Lebhar, and improve profit growth of more than R160-million it reported for last year.

Most manufacturers north of Pretoria — Nisan, BMW and Sauber — have been hit by striking Bophuthatswana workers who are demanding that "our country" be reincorporated in SA.

---

**gn capital for new SA**

By Robin Chalmers

South Africans to avoid a prolonged violent transition to majority rule and hold the economy back.

"The belief has long been that the transition to representative government required confrontation between blacks and whites that would sever social, political and economic ties,“ Professor Kastor.

"There is surely now a much better chance of avoiding disaster if we now realize the nature and extent of this belief," said Professor Kastor.

"The idea of capital versus labour was an outdated concept," said Professor Kastor.

"Much thought needs to be focused on the shortage of capital in SA and how this may be relieved. More intensive use of the existing capital stock will be part of the solution. Investment from abroad, especially direct investment, will be indispensable for rapid growth."
Mercedes to build car for Nelson

MERCEDES Benz of South Africa has agreed, at the request of workers at its East London plant, to build a luxury motor car for Nelson Mandela. (192)

"MBSA management acknowledges the pride and esteem in which the majority of its employees hold Mandela and is accordingly prepared to agree to a Mercedes-Benz motor vehicle being built for him to mark this important occasion," the National Union of Metal-workers of South Africa quoted the company as saying. (192)

"The company firmly believes that a fair and just society must be established, based on fundamental principles of human rights and individual dignity.

"The process of peaceful reform has been accelerated by the release of Mandela and must be extended to embrace fun-...

Mercedes for Mandela

Not yet been finalised but the Numsa statement said union members at the plant had opted for a red car. (192)

Gift

This is a gift from the workers, which would show their admiration and respect for their leader Nelson Mandela. The workers have also indicated that they would like Comrade Mandela to come and get the car himself in the plant, and it that is not possible they would prefer Moses Masekela (Numsa general secretary) to come and get the car "on behalf of Mandela." - Sapa
Hard-working light commercial vehicles have a new load to carry the hopes of vehicle manufacturers. While sales of new cars, trucks and buses are slowing down, manufacturers expect light-commercial demand to remain strong.

Industry officials say January sales figures, compiled by the National Association of Automobile Manufacturers of SA (Naamsa), reflect fears that no early end to the downturn in demand is in sight. What the figures do not reveal, but the association confirms, is that orders also are tailing off. Waiting lists for new vehicles, which helped to underpin the market last year, are shrinking.

The one bright spot is the light-commercial market. Bakkies and minibuses are still in demand. "Demand remains buoyant and the light commercial market is expected to reflect a higher propensity for growth during 1990 than other sectors," says Naamsa.

The black taxi sector remains a major force for growth.

Other factors include demand by business for replacement vehicles and the preference of more families to save money by buying a bakkie as a second vehicle rather than a car.

Naamsa notes "Except for light commercials, unit sales comparisons will remain negative for at least the first half of 1990".

### JANUARY VEHICLE SALES

#### CARS

<table>
<thead>
<tr>
<th>Month 1990</th>
<th>January</th>
<th>December 1989 (737) to January 1990</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>16,252</td>
<td>16,313 Decline 0.4%</td>
</tr>
</tbody>
</table>

#### LIGHT COMMERCIAL VEHICLES

<table>
<thead>
<tr>
<th>Month 1990</th>
<th>January</th>
<th>December 1989 (8217) to January 1990</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>9,231</td>
<td>7,442 Growth 24%</td>
</tr>
</tbody>
</table>

#### MEDIUM COMMERCIAL VEHICLES

<table>
<thead>
<tr>
<th>Month 1990</th>
<th>January</th>
<th>December 1989 (283) to January 1990</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>393</td>
<td>223 Growth 76.2%</td>
</tr>
</tbody>
</table>

#### HEAVY COMMERCIAL VEHICLES

<table>
<thead>
<tr>
<th>Month 1990</th>
<th>January</th>
<th>December 1989 (660) to January 1990</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>559</td>
<td>608 Decline 8.1%</td>
</tr>
</tbody>
</table>

#### COMBINED SALES

<table>
<thead>
<tr>
<th>Month 1990</th>
<th>January</th>
<th>December 1989 (23,035) to January 1990</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>26,435</td>
<td>24,588 Growth 7.5%</td>
</tr>
</tbody>
</table>

Growth 14.8%
Spareco settles debt with Marjon in full

MARJON Manufacturing announced yesterday it had abandoned the default judgment received in the Rand Supreme Court on Tuesday against Spareco Holdings as the debt had been settled in full.

On Wednesday Business Day reported Marjon had been awarded a default judgment against Spareco for R19 000 on a claim of R40 000, which had not been paid for 120 days.

"On a friendly basis we have agreed to abandon the judgment," Marjon Financial Director Johnny Freedman said yesterday.
Motor Industry’s misfortunes move into ‘90s

BUSINESS

With the Japanese auto manufacturers building more models in the US, the industry is facing increased competition. The industry is also struggling with high interest rates and a strong Japanese yen, making it difficult to maintain profitability.

In the past, the US auto industry has been characterized by strong domestic demand and a lack of competition from foreign manufacturers. However, in recent years, the industry has faced significant challenges.

The industry is also facing increased competition from foreign manufacturers, particularly from Japan. Japanese manufacturers have been able to maintain low prices and high quality, making it difficult for US manufacturers to compete.

The industry is also struggling with high interest rates, which are making it difficult for consumers to afford new vehicles. The strong Japanese yen is also making it difficult for US manufacturers to compete with Japanese manufacturers, as they are able to offer lower prices.

Despite these challenges, the industry is still a major employer and contributor to the US economy. The industry is working to address these challenges and find ways to remain competitive.

In conclusion, the industry is facing significant challenges, but it is also working to address these challenges and find ways to remain competitive. The future of the industry remains uncertain, but it is clear that the industry will need to make significant changes to remain competitive in the global market.
Saficon too good to trade

Business Times Reporter

IT is seldom plain sailing in business, even at the top. A share which is too tightly held can cause as much concern to directors of a listed company as a highly volatile one fluctuating wildly on small volumes.

That is the problem that faced Saficon Investments executive chairman Sidney Borsook and his board. They believed that low trade in Saficon stock adversely affected the company’s JSE rating. In the past year only R200 000 traded in 839 deals—only a tenth of the available shares—and that was after a rights issue and share split in January 1987 and a capitalisation issue last year.

Not satisfied with the “gut feel” assessment from casual inquiries in the market, the board decided to survey shareholders and the investment community for their views of the company.

The exercise proved that most of owners of Saficon share are long-term holders and they are unwilling to part with them at the current high of 700c.

It also showed that the market sees the motor sector as a JSE laggard, but it rates Saficon highly.

Mr Borsook says “The survey produced no startling revelations. They confirmed our instincts. Our shareholders are loyal to the company and say they do not intend to sell their shares for some time to come.”

Salers Finance & Investment Corporation and Saficon management control 69% of the 23-million shares in issue, which means that only 8-million can trade freely.

A questionnaire mailed with the latest interim results to the 877 Saficon shareholders drew a response from 248, most of whom hold fewer than 5 000 shares.

An analysis of the shareholders’ responses shows that 47.2% of the shareholders have held the shares for longer than five years and 26% have owned them for between two and five years.

The investors say they have three main criteria when it comes to assessing the performance of their investment:

- Long-term capital appreciation (29.7%)
- Dividend growth (23.5%)
- Earnings growth (15.1%)

Consistently

The survey of members of the Investment Analysts Society set out to determine the outlook for industrial counters, more specifically those in the motor sector.

Saficon rated consistently close to No.1 in the sector, but its tradability was questioned.

Mr Borsook says “It’s pretty clear why our shares don’t trade—our shareholders like us and want to hang on to them.

“But we have not learned much about solving the problem in the lack of tradability, which we believe is due to the unsatisfied poor view of the motor sector.”

The shortage of scrip should ease in the next two years with the conversion of almost 4-million 11.5% automatically convertible debentures, which were issued at the time of the rights issue.

They will increase Saficon’s share capital to 31-million shares, with 13.4-million outside the controlling shareholders.”
BMW to invest R500m in 5 years

BMW SA plans R500m capital expenditure over the next five years. R120m of which would be spent in 1990, financial director Peter Barbe said yesterday at the annual BMW Press breakfast at the Sandton Sun.

He said around R150m of the R500m total (which with inflation would amount to R240m) would be spent on developing the 3-series.

A further R200m would be spent on the local content programme and the remainder would be used to develop the leather interests and extend Auto Bavaria in Rosebank and Midrand.

Marketing director John Jessup said BMW intended to gain around 8.5% to 9% of the new vehicle market in 1990 compared to 7.6% in 1989.

"In 1990 we foresee a total new car market of around 205,000 to 210,000 units and we believe we can maintain 1989 volumes, resulting in a further gain in market share.

"In January this year we had 10% of the total market and from February sales so far this seems to have held up. Of course, we are facing with the problem of maintaining this share for the remainder of the year."

BMW was forecasting sales worth R1,335m in 1990 compared to R1,154m in 1989.

Jessup said the total new car market had dropped by 4% in 1989 but BMW had actually increased sales.

BMW sales rose to 18,700 units in 1989 from 13,000 units in 1985 as a result of market growth and market share growth.

Barbe said SA would go through a deflationary period in the short term.

"Our cost inputs are going up at around 15% to 20% because of wage increases, running building costs, etc.

"There is pressure on car selling prices. In the German car industry we see selling prices going up by no more than 10% or 12% and in the Japanese cars by 8% or 10%. This will lead to a marginal loss, but it is positive for the inflationary trend in SA."

He said exports would fare even worse in 1990 because of international competition between the Germans and Japanese.

BMW MD Reinhart Künstler said BMW exports, now R114m a year, formed around one-third of all motor industry exports from SA. BMW expected to double this figure over the next two years.

Künstler welcomed the release of Nelson Mandela. This could result in sanctions being lifted, more sympathy from foreign creditors on SA's debt repayments, inflow of foreign investment, reduced security spending and trade and co-operation with SA's neighbours.
Trencor-Mobile's profits improve

Trencor reported a satisfactory increase in earnings for the six months to December, as the general slowdown in the domestic economy was offset by the stronger than expected performance of trading operations and foreign activities.

Financial results show that attributable income increased significantly from R17.5 million to R29.6 million.

This translates into earnings a share of 20.7c against 12.2c previously, while an interim dividend of 30c (20c) was declared.

Mobile-Industries' attributable income increased to R14.6 million (R8.7 million) and earnings a share showed a corresponding increase to 51.5c (30.5c). A dividend of 7c (4.7c) was declared.

Combined turnover of the group rose from R34 million to R55.8 million.

The directors expect earnings in the second six months to improve over those of the first half.
The management of Mercedes-Benz SA has reacted to conflicting reports about a Mercedes-Benz motor vehicle for Nelson Mandela.

In a statement released yesterday the company said it was important to note that the request to build a Mercedes-Benz for Mandela came from the workers who indicated that this would show their admiration and respect for him as their leader.

"Management responded to this request by acknowledging the pride and esteem in which the majority of its workers hold Nelson Mandela and was accordingly prepared to agree to a Mercedes-Benz motor vehicle being built for him to mark the important occasion. The questions of whether Mandela would accept a Mercedes-Benz motor vehicle, the type, the model and how the motor vehicle was to be paid for were still matters under consideration, the statement said.

Numsa shop stewards, representing the workers, had undertaken to revert to management in this regard.

The Mercedes-Benz statement confirmed that the initial discussions had been cordial and reports in certain newspapers indicating that there was a dispute as to who would foot the bill and also that workers would not go to work until the company agreed to provide Mandela with a car for his personal use, were not correct.
BMW SA is planning a R400m capital expenditure over the next financial year, half of which will be spent on introducing the new BMW Series 7. President and CEO, Peter Barbe, says total investment in the new Series 7 will be about R1.5bn by 1994.

Financial director, Peter Barbe, says total investment in the new Series 7 will be about R1.5bn by 1994.

The company will also focus on its export programme as part of an effort to meet the requirements of the Phase Six local content programme. BMW SA is planning an export drive to increase the import content of its exports to R300m by 1994.

BMW's annual profit target is 7% against a turnover of R4.7bn. The company expects a difficult year in meeting its goals this year.

On the other hand, SA sales forecasts are more optimistic than last year. The company expects a 20% increase in sales this year. The company's export sales are expected to increase their exports by 20% this year, and Barbe hopes to at least match that this year.

BMW SA is planning a R400m capital expenditure over the next financial year, half of which will be spent on introducing the new BMW Series 7. President and CEO, Peter Barbe, says total investment in the new Series 7 will be about R1.5bn by 1994.

Financial director, Peter Barbe, says total investment in the new Series 7 will be about R1.5bn by 1994.

The company will also focus on its export programme as part of an effort to meet the requirements of the Phase Six local content programme. BMW SA is planning an export drive to increase the import content of its exports to R300m by 1994.

BMW's annual profit target is 7% against a turnover of R4.7bn. The company expects a difficult year in meeting its goals this year.

On the other hand, SA sales forecasts are more optimistic than last year. The company expects a 20% increase in sales this year. The company's export sales are expected to increase their exports by 20% this year, and Barbe hopes to at least match that this year.
MOTOR SPARES

Slugging it out

Shares of companies in the motor spares aftermarket — Midas, Sparco, Fleshmans and Asseng — have been showing steep declines. This follows expectations that the sector might produce annual real growth of more than 20% and be countercyclical.

Midas chairman Derek Riley says that view has proved over-optimistic and the industry has suffered with weaker consumer spending. But he admits retail sales of motor spares showed real growth last year. John Keen, executive director of AE Engine Parts, an Asseng subsidiary, confirms growth in retail sales. Sparco acting MD Don Elliot says his group’s retail spares sales are strong. So lower spending does not account fully for the result.

After a 94% EPS advance in its year to February 1989, and its bullish views on the 1989-1990 year, Midas posted operating income up 27% but a meagre 5.3% rise after interest in its August interim. When the results were announced in October the directors forecast EPS growth for the full year. Four months later, on February 14, they announced earnings would be substantially lower than forecast.

Midas, primarily a wholesaler, has suffered from destocking by retailers. In late 1988 retailers were holding large stocks in anticipation of more rationing. With higher interest rates, they began drawing down stocks.

Furthermore, Riley says, Advco — which Midas acquired from July — has performed disappointingly. Another acquisition, which Midas was about to seal at the time of the interim announcement, and which should have boosted earnings, fell through. He concludes that ending of the marketing arrangement with Sparco but harder than expected.

Sparco was listed in November 1988 via the Eurefin cash shell. After takeovers it became the largest spares retailer and the concentration of retail power with Sparco was bad news for Midas. In April the two announced a marketing link which made Sparco Midas’s largest franchisee, but the arrangement ended in August. All spares wholesalers are in a price war but bitter rivalry has developed between Midas and Sparco.


Sparco, too, needs to get over its rapid expansion. Chairman Chris Sladden had appointed MD Eric Wucherpfennig, who rode the acquisition trail enthusiastically. But Wucherpfennig and Sladden clashed, with Sladden wanting to turn Wucherpfennig back. Wucherpfennig offered to take over Lusat’s shares. He offered them to Columbus, Colin, and even Midas, but could not clinch a deal. Lusat bought the shares and Wucherpfennig left in February.

Finally, a default judgment for R19,000 against Sparco in the Supreme Court was reported. Elliot ascribed the lapse to a backlog in administration. Elliot says the backlog in payments to creditors has been largely eliminated. He says Sparco has cashflow problems which are improving. Gearing is about 0.80 but is said to be falling.

Most of the branches are in excellent locations and well managed, he says. He agrees that Sparco may have overpaid for acquisitions. But says it can trade out of it. He adds Sparco has walked away from some acquisitions on legal grounds. He agrees that Sparco is weak on middle management and stock control systems need to be tightened.

He says Sparco’s interim, due next month, will not be a disaster. He believes results for the year to June will be only slightly lower than last year’s after adjustment for acquisitions. Interim figures from Fleshmans, now 54%-held by Sparco, are due too.

Asseng, which makes engine parts largely for the aftermarket, has been a victim of negative sentiment about Midas and Sparco. Lower offtake was offset by market share gains and budgets are being cut.

Industry sources believe Midas has the depth of management to resolve its problems. Investors may want to see the full-year results in April before buying the share but Midas should eventually offer recovery. Sparco may offer more short-term recovery. The recovery of Asseng, from 140c to 180c, may be maintained after release of interim results this week, with EPS up 18%.

Tegan Payne
Toyota rides off with 22.35% of market

TOYOTA gained a 22.3% share of the new car market for the period January to October 1989 compared with Volkswagen's 20.9%, according to latest figures released by the Central Statistical Service.

Toyota registered 39,878 new cars against Volkswagen's 37,312. In October Toyota registered 4,069 units, 39% more than Volkswagen's 2,932.

In the same ten month period, Delta's share of the market was 11.2% (20,063 vehicles) and Nissan's 10.7% (19,091 vehicles).

The graph shows Ford and Mazda-Mitsubishi market share separately although both fall under Samecor.

Amongst manufacturers of luxury cars, BMW outstripped Mercedes-Benz with 14,716 vehicles registered or 8.2% of the market compared with MB's 8,164, representing 4.5% of the total.

In this period, 178,782 new cars were registered of which 16,136 were registered in October. This figure represents a 5.7% increase over September 1989 but a 5.7% fall against October 1988.

The 10 month period in 1989 shows a decline of 1.8% compared with the same period in 1988.

A total of 28,906 (29,252) vehicles of all types were registered in October bringing the total from January to October to 303,481 (307,918), a 1.4% decline overall.

The only classes of vehicles which showed an increase in 1989 over January to October 1988 figures were tractors, 3.6% higher at 4,380 (4,228) units and trailers, 13.6% higher at 26,229 (23,045) units.

The largest decline was shown by motor cycles.
Midas and Sparce's latest financial report shows a decrease in demand for spare parts.
Trailers on profit path 25/2/90

SALES of all types of commercial trailers are expected to top R1300-million this year—a 3% net increase over 1989.

Honored Fruehauf Trailers deputy managing director, John Hoare, says the buoyancy will continue through the first half of the year, but is expected to slow after June.

Mr. Hoare says 1989 was a boom year for the trailer industry in spite of continuous interest-rate increases.

"High interest rates have traditionally put the brakes on trailer sales. However, it seems the industry is becoming immune to interest-rate rises."

The estimated R1300-million will come from the sale of about 3000 trailers included in the figure is revenue from the sales of parts and repairs..."
Vektra Corporation pushes up its eps

Vektra Corporation, which falls under the FSI umbrellas, increased eps 15% to 106c for the year ended December 1989. The dividend was raised 16% to 36c (24c). 2.6/2.1.

Vektra became a subsidiary of Teamcor with the streamlining of its immediate holding company Hunts in January 1988, making Vektra a dedicated distributor of vehicles and parts.

Vektra's turnover rose 64% to R467m from the R285m accomplished during the corresponding period of the previous year. Pre-tax profit advanced a similar percentage to R23m (R14m). But the gain in profit attributable to ordinary shareholders rose only 21% to R12.7m from R10.5m.

It appears that one of the major reasons behind the smaller percentage increase in attributable profit was that the effective tax rate jumped to 44% (24%) during the last financial year.

The directors expect this rate to stabilise around current levels.

LIBRARY PRESENTATIONS
New dealership costs hit Dukel profits

THE start-up costs of a new Ford dealership reduced Dukel Holdings’ 8.6% improvement in turnover for the six months to December to a 15.7% fall in attributable profits compared to the previous year.

Turnover gained R18.6m to R50.2m (R31.7m) but operating profit as a percentage of sales fell to 4.4% from 4.5% in 1988. Earnings dropped by 0.6c to 4.5c a share from 5.5c and no interim dividend was declared.

Dukel Holdings is involved in new and used car retailing and holds franchises for Ford and BMW products.

Charlotte Mathews

At the end of the last financial year a new Ford dealership, Tyger Ford, was established in the Bellville/Kaapenaver area which financial director Kenneth Oite said was expected to have a major impact on future group profitability.

The interest bill rose eight times to R357 000 from R78 000. Most of this, Oite explained, was due to increased interest-bearing debt incurred to fund Tyger Ford. The remainder was caused by higher interest charges and increased levels of working capital.
Toyota turnover up 16%

TOYOTA boosted turnover by 16.2% in the year to December despite an overall decline of 1.5% in the new vehicle market in the same period.

Chairman Albert Wessels said the demand for new Toyota vehicles was still in excess of supply, but stock from Japan would become more freely available in 1990. This would enable them to maintain their sales at the 1989 level.

"The general expectation is that the new vehicle market will decrease by 3.5% in 1990 when compared to the 1989 total," he said.

Turnover for the year to December grew by R406m to R2,96bn from R2,58bn in 1988. Attributable profits were, however, limited to a 3% improvement to R91,6m (R89,2m) mostly as a result of a higher tax bill. A tax rate of 47.8% was reflected compared to 1988’s 43%.

On earnings of R22,59 (R21,93) a share, a dividend of 43c (58c) was declared.

Toyota SA holds the franchise for the importation, assembly, manufacture and distribution of Toyota and Hino motor vehicles in SA through various subsidiaries.

In October last year it announced a R1bn expansion programme over five years with the aim of making locally produced engines available to other manufacturers and possibly for export as well.

Wessels said the yen/rand exchange rate had shown a favourable improvement in the last quarter of 1989 and had been stable throughout the year.

"In Toyota’s case, price increases on new vehicles were similar to the official inflation rate, and all factors indicate that price increases in 1990 will be lower than the expected consumer inflation rate."

In the past year, Toyota succeeded in reducing interest-bearing debt by 21% to R102m from R125m in 1988.

CHARLOTTE MATHews
Nissan’s numero Uno rolls off assembly line

THE first Fiat Uno, Nissan’s small car aimed at the small buyer, rolled off the Rosslyn assembly line yesterday (192) or a five-door 1400 model, which is a turbo.

Although no price will be announced until the formal launch, Nissan management yesterday said the smallest in the range would sell for around R17 000, making it the cheapest new car on the market.

Until the Uno enters the market in May, the cheapest car is the Volkswagen City Golf at R19 330, followed closely by the Volkswagen Fox at R19 650.

The range consists of a three-door 1100 and a five-door 1400 model. According to Stephanus Louw, MD of Nissan SA, the Uno will be produced in quantities of less than one thousand units per month.

To date, Nissan has already allocated more than 1000 Uno’s against firm customer orders. Management has revised its original conservative sales forecasts to more than 1000 units a month. The car will be distributed through selected Nissan dealers considered to be serving the Uno’s target market — the student or first-time car buyer.
One-time lame-duck
Nissan scores a first

NISSAN is more than holding its own among the elite companies of Sanlam industrial arm Sankorp.

Celebrating a remarkable transformation in the five years it has been in the Sankorp stable, Nissan this week began the assembly of the first totally new car to be introduced to SA in more than a decade.

The first Fiat Uno, destined to be the lowest-priced car when it is launched in April, rolled off Nissan's Rosslyn assembly plant.

The one-time lame duck of the industry can also boast that, with the benefit of tax advantages, its profits last year beat those of market leader Toyota.

**Saddled**

On turnover of nearly R2-billion, Nissan produced taxed profits of R139-million, down from R113.8-million, delivered net income of R136.8-million.

Nissan SA Marketing managing director Stephanus Louw says: "We carried forward some tax allowances last year, but we did pay tax. We will pay a lot more this year, but we still expect to improve our profit in 1999."

The company was losing money heavily when it was put into Sankorp early in 1995 after Sanlam's acquisition of M-sans.

The motor industry was moving into tough times and banks were reluctant to lend to an ailing Nissan.

Chairman Peter Whitley and chief executive John Newbury, who had been tempted to come across to the manufacturing side from his successful Cape distributorship, decided on a strategy to turn the company around. 

Mr Louw, who had been marketing director of the National Productivity Institute, came with a background of some of the problems of the motor industry from NPI projects.

One of the first problems to be tackled was quality improvement. Engineers from Nissan in Japan played an important role.

The dealer network was restructured, and Nissan ended heavy discounting which was eroding dealers' margins.

"Customer care became the watchword throughout the group," says Mr Louw.

We started to change the company's philosophy from an engineering to a marketing base."

Great attention was paid to manpower development and training throughout the company and the dealer network.

Although Nissan operated through 1985 and 1986 with an unchanged model line-up, market share started to improve.

In the year from April 1997 the company launched a new Skylime, the Sentra and a one-ton bakke.

**Tough**

"Three launches in a year was a tough programme," says Mr Louw.

Since then Nissan has now slowed. Its share of the market has increased dramatically, putting it among the leaders. Productivity gains and bag sides in local content began to boost profitability.

Now Nissan and Sunstar lead the industry in local content.

Restrictions on kit supplies from Japan influence the company when it decided to look for new entry-level car for SA Links with Fiat through imports of Iveco truck kits led to the Fiat Uno, voted Car of the Year in 1999, soon after its launch and still a best-seller in Europe with 4-million on the road.

Nissan is assembling a revamped model launched last October.
New-loo to spend

The first all-new model in SA for a decade... the low-cost Fiat Uno with Nissan SA Marketing chief Stephanous Loubsen Picture STEVE GREEN

One-time lame-duck Nissan scores a first

NISSAN is more than holding its own among the elite companies of Sanlam industrial arm

Celebrating a remarkable transformation in the five years it has been in the South African market, Nissan this week began the assembly of the first totally new car to be introduced to SA in more than a decade.

The first Fiat Uno, destined to be the lowest priced car when it is launched in April, rolled off Nissans Rosslyn assembly plant.

The one-time lame-duck of the industry can also boast that with the benefit of tax advantages, its profits last year equal those of market leader Toyota.

Saddled

On turnover of nearly R1.1 billion Nissan produced tax profits of R130 million. Listed Toyota, saddled with a tax of R13.5 million, delivered net income of R198 million.

Nissan SA Marketing managing director Stephanous Loubsen says: "Carried forward some tax allowances last year, but we pay tax. We will pay a lot more this year, but we still expect to improve our profit in 1992."

The company was hoping to manupulate development and training throughout the company and the dealer network.

Although Nissan operated through 1991 and 1992 with an unchanged model line up, market share started to improve.

In the year from April 1991 the company launched a new Skyline the Sentra and a contender for the premium market.

Tough

"Three launches in a year was a tough programme," says Mr Loubsen.

Since then Nissan has now allowed its share of the market to increase dramatically, putting it among the leaders.

Productivity gains and big strides in local content began to boost profitability.

Now Nissan and Isuzu lead the industry in local content.

Restrictions on kit supplies from Japan influenced the company when it decided to look for a new entry-level car for SA. Links with Fiat through imports of Punto, which has led to the Fiat Uno, sold in Europe in 1991, soon after its launch and still a best seller in Europe with R6 million on the road.

Nissan is assembling a revamped model launched last October.
Tiger Wheels roars defiance at slowdown

TIGER Wheels, the tyre and wheel manufacturer, retailer and wholesaler, withstood the slowdown in the economy in the six months to end-December, increasing attributable earnings by 38% to R1.7m (R1.2m).

An increase in the weighted average number of shares in issue saw earnings per share grow by a lower 25% to 6.1c (4.9c).

This growth was achieved on a turnover rise of 22% to R25.4m (R20.8m).

Chairman and CE Eddie Keizan says the results reflect Tiger Wheels's ability to grow during downturns in the motor industry.

"These results have been achieved notwithstanding extra development expenditure incurred in both the manufacturing and retail operations in order to provide an infrastructure for further expansion," he says.

"The continued policy of tight asset management and conservative borrowing should allow the group to sustain these kind of growth levels without incurring a major interest burden. Unutilised term funding facilities are available should exceptional growth opportunities present themselves."

The group has a low gearing of 27% and cash of R1.1m.
McCarthy set to spend R23m on financing new dealerships

THE McCarthy Group plans to finance three out of eight new dealerships being started for the group and its franchisees at a cost of about R23m.

McCarthy Group joint MD Theo Swart said yesterday the group's expansion was based on forecast growth in market share and future growth in the new car market.

In total the McCarthy group would benefit from expenditure of R30m on new and improved motor dealership facilities.

Of the eight new BMW, Volkswagen and Mercedes-Benz franchises being set up, McCarthy would put up the finance for three and the rest would be non-group owned, Swart said.

Just over R10m would be required for the new BMW dealerships in Germiston, Benoni and Pinetown, while some R6m would be devoted to Mercedes-Benz/Honda outlets in Verwoerdburg, Witbank and Middelburg.

About another R5m would be invested in new Volkswagen dealerships in Umhlanga and Verwoerdburg.
Concern over drop in new car sales

PRETORIA — Naamsa is concerned about the continuing downturn of new car sales — a trend which could gain further momentum in the medium-term.

Commenting on the new vehicle sales statistics for February, released on yesterday, Naamsa says this continuing downturn in the new car market has reinforced its view that, unless some relief was forthcoming in the March Budget, the softer trend in passenger car sales would probably accelerate in the medium-term.

It adds that since the middle of 1989, new car sales had weakened considerably.

The downturn had gathered further momentum during the course of February, 1990, with new car sales declining by 2,542 units or 13.1% to 16,799 units compared to the corresponding month of February, 1989, when 19,341 unit sales were recorded.

However, the sales figure for February showed a marginal increase of 547 units over January’s figure of 16,252 units.

Official measures — in the form of stringent fiscal and monetary policies — to cool off the SA economy continued to impact negatively on new car sales.

A further slowdown in new car orders had been experienced by vehicle manufacturers in the past few months.

In contrast to the weak performance of the new car market, demand for commercial vehicles had held up reasonably well in the first two months of 1990.

Sales of new light commercial vehicles and minibuses in February, 1990 have remained buoyant, rising by 729 units or 7.9% to 9,519 units compared to the 9,190 units recorded in the corresponding month of February, 1989.

The light commercial vehicle segment had established itself as the sector with the highest propensity for growth in 1990.

Sales of vehicles in the low volume medium and heavy truck segment had been in line with industry expectations.

Combined new vehicle sales for February at 27,961, although marginally up on January’s sales of 26,435, reflect a sharp drop of 1,718 units compared with sales in February 1989.

On the whole, as a result of the general economic downturn, the industry continued to anticipate that, with the exception of the light commercial vehicle segment, unit sales comparisons would remain negative for most of 1990.

— Sapa
MOTOR INVESTMENT

Vehicle makers increased their investment in new plant and production facilities by more than 400% last year, according to figures released this week by the National Association of Automobile Manufacturers of SA. Much of the increase was to meet the needs of new local content requirements introduced early last year.

At the same time, product investment fell sharply as manufacturers began extending model lives and reducing the frequency of new vehicle launches. Plant and production investment rose from R108m in 1988 to R128m last year, while product spending dropped from R223m to R157m.

Overall, manufacturers' annual capital expenditure rose from R134m in 1986 to R384m last year. The total in that period was R1.06bn.

Plant and production spending is certain to increase further as manufacturers continue coming to terms with local content rules.

Companies have already announced spending plans worth billions of rands during the next five years.
Higher Saficon share price "in line with new forecast"

THE sharp rise in the three Saficon motor group shares yesterday places them on a fair value by bringing them into line with the group's revised upward forecast of earnings for the year to end-March, says executive chairman Sidney Borsook.

He dismissed market speculation that Barlows was making a bid for control of the company.

"There is no foundation in the rumours and I cannot imagine manufacturers being happy with such a deal," he said.

Saficon has a 25% share of the market in Mercedes-Benz and Honda dealerships and 26% of Volkswagen Barlows has sizeable dealerships in Mercedes-Benz, Honda, Volkswagen and Audi in other parts of the country, and it is most unlikely that Mercedes and Volkswagen would want Barlows to acquire too large a stake of their business.

Saficon shares rose 68c (6.8%) to a new high of 780c on 25,310 shares changing hands in five deals, Saficon CD jumped 26.4%, or 246c, to R11.70, while shares of holding company Sakers climbed 26.8%, or 276c, to R13 on 18,400 shares traded in two deals.

A big institution was said to be the main buyer yesterday on perceptions that the shares offered good value.

Borsook said "If Saficon shares are at 780c, the debentures should be in the order of R11.70 because of the dilution of Saficon shares after the capitalisation issue last August."

This resulted in a change in the relationship between the ordinary shares and debentures from 1.1 to 1.5, meaning that the debentures should be 1.5 times the Saficon share price.

The interesting question, according to analysts, is whether 780c is a fair price for Saficon shares.

Debenture holders have the option to convert to ordinary shares in June, or hold all or part of them until the following June, when they will automatically be converted into ordinary shares at 1.5 ordinary shares for each debenture held.

At the current price of 780c, Saficon shares are on a forward p/e of 4.4 and would be on a p/e of about 5.5 after the conversion.

Analysts said the higher prices of the shares were reflecting a more realistic value after the tightly held and seldom traded shares had tended to lag at their lower levels.

At the interim stage the group raised its forecast for the year to March 1990, as the larger book assured second-half sales provided adequate supplies of vehicles were available.

Saficon earnings a share are expected to rise from 147c to 161c on the increase in shares following the capitalisation issue. Dividends will increase from 6c to 8c.

Sakers earnings are expected to rise from 26c to 28c and dividend payouts from 6c to 7c a share.

Borsook is sticking to these forecasts and predicts Saficon will increase its estimated share of the national dealer passenger car market to more than 8%.
THE downhill trend in passenger car sales would probably gain momentum in the medium term unless some relief was forthcoming in the March Budget, National Association of Automobile Manufacturers of SA (Naamsa) director Nico Vermeulen said yesterday.

New-car sales in February fell 13% to 16 759 by comparison with February 1989's 19 341, but showed a 3.4% improvement over January's figure of 16 202.

In January and February, new-car sales fell by 7.5% to 33 691 from 36 654 in 1989. "Since the middle of 1989 new-car sales have weakened considerably," Vermeulen said.

Official measures in the form of stringent fiscal and monetary policies to cool the SA economy continue to impact negatively on new-car sales," Vermeulen said.

Vermeulen said the light commercial vehicle segment had established itself as the sector with the highest propensity for growth during 1990. "Sales of new light commercial vehicles and minibuses during February 1990 remained buoyant, rising by 729 units, or 7.9%, to 9 919 units, compared with 9 190 units recorded in February 1989."

Total new-vehicle sales in February fell by 5.8% to 27 661 (30 579), but rose by 5.4% against January's figure of 26 435.

Vermeulen said he expected that, with the exception of light commercial vehicles, comparisons with previous sales would remain negative for most of 1990.
In-the-black
ADE heads
for R650m

ATLANTIS Diesel Engines is now making a
profit and paying tax
Managing director Hartmut Beckert forecasts turn-
over of R650-million for 1990
ADE will save SA R370-
million in foreign currency
this year and will earn R96-
million from exports
Although ADE's strategic
role has fallen away, it is still
needed, says Mr Beckert

The ADE engines use SA-
made components which are
cheaper than comparable imports

Downswing

Component manufacturing
is important to ADE because
the heavy-vehicle market is
in a downswing
ADE produces 23,000 diesel
engines a year. Petrol en-
gine components are also
made

The Industrial Develop-
ment Corporation is the
major shareholder in ADE
and Daimler-Benz holds
12.25%

IDC chairman Koos van
Rooy says ADE has attained
modest profitability in spite
of the weak market
Component exports worth
R159-million annually are at-
tainable in the next seven
years because the plant has
surplus capacity. Further
capital spending is unlikely
until ADE's international
competitive position im-
proves through increased ex-
port volumes

Marketing director Wally
Rautenbach expects ADE to
continue supplying 98% of
diesel engines for heavy com-
mercial vehicles and 66% to
76% for medium commer-
cials

Some specialised vehicles
are imported and constitute
the 2% residue in the heavy-
duty sector. ADE faces com-
petition from petrol engines
and imported diesels in
medium commercials.

Mr Rautenbach says that
before Phase Six of the local
content programme was in-
trouced, ADE had achieved
80% based on weight. It
achieved 55% local content
by value

Listing

He believes that by 1997,
ADE will attain 33% local
content under Phase Six.

"The balance consists of
items ADE does not make,
such as turbo-chargers and
diesel pumps, which are
sourced from specialist manu-
facturers."

Mr Beckert says that
when ADE becomes attrac-
tive enough to investors it
will go for a listing on the
JSE.

But before that step is con-
sidered, ADE will have to
find new markets and in-
crease exports.
McCarthy to spend R30m

McCARTHY Group is to invest R30-million in new and improved motor dealership facilities.

Joint managing director Theo Swart says R26-million is earmarked for eight new dealerships for the BMW, Volkswagen and Mercedes-Benz franchises.

"But McCarthy Group, which lost to some of its R3-billion this year, is only putting up the finance for three of the new dealerships. The others will be non-group-owned," Mr Swart says.

Almost R5-million will be invested in new Volkswagen dealerships in Umhlanga and Verwoerdiburg. Improvements and extensions to other group dealerships will cost about R10-million.
Landlock slips into a decline

BRENT MELVILLE

AFTER Landlock’s improved first-half performance, when earnings of 2.7c a share (from a loss of 8.6c a share) were achieved, its December year-end accounts show the group has again faltered.

A pre-extraordinary loss of 2.8c a share (5.5c profit) has been recorded, which falls to 2.2c a share (7.8c loss) after the deduction of extraordinary items. This is attributed by MD Richard Newby to the closure of the Automotive Products central distribution warehouse.

In addition, industry sources say it seems likely Landlock’s British-based parent, BBA, will bail out of the struggling automotive and engineering products manufacturer.

BBA MD John White last year assured shareholders Landlock would not be sold. However, industry sources say “negotiations” aimed at resolving Landlock’s high gearing are possibly linked to a pullout. Landlock is geared at a far-from-healthy 121% (94%)

Newby refuses comment on the possibility that BBA might sell its 57% holding. He says only that the cautionary — published today in tandem with the results — could be linked either to a sale or a recapitalisation.

Sources say BBA will gain nothing by holding on to its controlling interest in Landlock, which declared no dividend for the fifth year in succession and is now R1.3m in arrears on its preferred ordinaries.

Although operating profit was up by 15.3% to R5.3m (R4.4m) on an equal rise in turnover to R18.5m (R15.9m), interest charges of R5.7m (R4.1m) and extraordinary items of R2.5m (R0.5m) converted the bottom-line figure into a loss of R766 000 (R1.4m).
Old cars are eating new models' dust

MOTOR cars have never been better - they last longer and give less trouble, Mead & McGrouther MD Oscar Peruch said in an interview.

"There has been enormous progress in developing the motor car. The 1300 today is as reliable as the four-litre model was 20 years ago."

"Everyone tends to think of the good old days, but that is rubbish."

Mead & McGrouther, established 20 years ago, is best known for its Auto Dealers' Guides, which reflect the market value of used cars.

The guides are used by dealers to establish the trade-in value of a car, and by the insurance industry in determining premiums.

There are four booklets - for motor cars, trucks and light commercial vehicles, motor cycles and agricultural vehicles.

Peruch estimated the used car market to be worth about R22bn a year, although no exact figures were available. About half was derived from private sales.

"The man in the street did not have access to the finance terms available to companies buying cars, and his buying power was therefore declining," said Peruch.

He believed there were about 3.5 million cars in SA.

"If the maximum life of a car is 12 years, then to maintain the 'fleet' you have to replace cars at a rate of 291,000 a year. But that is not happening."

"There are a lot of philosophical arguments about the spare parts industry, but by and large you can say the car today needs more parts because the national fleet is getting older - like an ageing woman needing more make-up."

On agricultural vehicles, Peruch said only 5,000 to 8,500 vehicles were sold a year compared with about 14,500 seven or eight years ago. This suggested not enough tractors were being bought to support the sector.

"The reason for the slump was the heavy indebtedness of the farmers, whose credit worthiness had been exhausted in the drought years, and the rapid escalation in tractor prices."

"A second-hand tractor is worth three or four times what it was ten years ago, and old tractors are being repaired to make them last longer."

Peruch said the motor cycle market was "a disaster."

Motor cycles appealed essentially to young people, who lost interest in them in their mid-twenties. They were also becoming very expensive, and so were repairs.
Naamsa upset about tax on company cars

Charlotte Mathews

The National Association of Automobile Manufacturers of SA (Naamsa) viewed with the utmost concern the size of the proposed increases in fringe benefit taxation on company-owned motor cars.

Naamsa president Spencer Sterling said in a statement yesterday that while the Budget would have a mildly stimulatory impact on the economy, "the impending increase in the monthly deemed values applicable to the private use of company-owned motor cars will prove detrimental to the SA car manufacturing industry."

The scale of taxable values applicable to a company car will be increased by 50% from May 1 to about 75% of the full value of the car.

An investigation would be held in consultation with the motor industry to determine what the "full value" was, according to the Budget Review.

Overlooked

Sterling said the 50% increase in monthly deemed values was unjustifiably high, particularly since higher tax liability had already been built into the existing valuation format to take account of the escalation in prices at the time of vehicle replacement.

Naamsa said authorities had overlooked the fact that the taxation of company-owned cars was designed to value and tax only the private usage.

Director Nico Vermeulen said last night that would probably lead to a move to car allowance schemes.

This would be negative for the Receiver of Revenue because tax revenue would then be received on an annual rather than a monthly basis and individuals in the scheme would pay less tax.

Vermeulen said the import surcharge reduction would have little effect on the manufacturing industry because most of the CKD (completely knock-down) material was exempt from surcharges.

However, it would have potential benefits for parts and accessories imports and the import of tooling and capital equipment for the industry.
Motor industry's 'concern' at rise in fringe-benefit tax

The budget proposals are consistent with the key requirements that the South African economy should continue to be managed carefully, states Mr Spencer Sterling, president of the National Automobile Manufacturers Association of SA (Naamsa).

He said the mix of monetary and fiscal policy measures should continue to be directed at ensuring that business activity levels were sustained at a positive, albeit modest growth rate.

Naamsa also welcomed the planned reduction, in real terms, in government expenditure as well as the strong emphasis on economic restructuring, private initiative and private sector-led growth, job creation and the raising of savings to promote capital formation.

The organisation said overall, the budgetary measures were consistent with the attainment of a growth rate, in real terms, of between 1 percent and 1.5 percent during 1990.

The combined effect of the various personal income tax and other concessions granted would combine to compensate taxpayers for fiscal drag and were expected to provide a welcome boost to personal disposable incomes generally.

On fringe benefit taxation of company owned cars, Mr Sterling said the proposed increases of the magnitude envisaged were viewed with utmost concern by the motor industry.

The stated intention to increase the monthly deemed values by approximately 50 percent were considered unjustifiably high particularly since higher tax liability had already been built into the existing valuation format to take account of the escalation in prices at the time of vehicle replacement.

While Naamsa supported the principle of taxing fringe benefits, the authorities had appeared to overlook that the taxation of company owned motor cars was designed to value and tax only the private usage of a company car.
Lion’s share of Nissan advertising goes to BLGK

BERNSTEIN, Loxton, Golding & Klein (BLGK) has been appointed by Nissan SA as advertising agency for its passenger vehicles, light commercial vehicles, parts and accessories and corporate advertising.

Heavy commercial vehicles and the new Uno advertising remains with AC & R, a subsidiary of Bates Wells which lost Nissan business estimated to be worth R20m last month.

Commenting on the appointment, Stephan Loubser, MD of Nissan’s marketing company, said BLGK was chosen after an intensive investigation of a short list of nine agencies. Although no creative pitch was involved, the company went to great lengths to ensure it did not simply accept agencies’ credentials at face value.

“In BLGK’s case, four exhaustive working meetings were held with the agency to test compatibility and depth of resource. Our final choice was made on the basis of our team’s confidence in the agency’s disciplined approach, management stability and strength combined with their resources.”

Darryl Bernstein, corporate planning director of BLGK, said the agency has been particularly impressed with the model way Nissan went about selecting its new agency.

“It proves how unnecessary a creative pitch is when executives are prepared to spend their time in constructive investigations.”

“Prior to this appointment, our experience with the motor industry was disappointing where creative pitches were called for.”

The appointment is with immediate effect.
The rand is offering a small measure of relief to some carmakers battered by the economy.

With rising fringe-benefits tax, high interest rates and stringent fiscal policies combining to squeeze the new-car market, Japanese manufacturers hope the rand’s rise against the yen in recent months will help them to hold down price rises below 10% this year.

Imported components still comprise a major part of production costs so any reduction in import costs is an important bonus for local companies. They hope it will give them a competitive edge against German carmakers, who have seen the rand weaken against the mark.

Ultimately, that is good news for car buyers because the ultra-competitiveness of the market will encourage other companies to hold down prices. The imminent arrival of the low-cost Fiat Uno has already worked to keep down prices at the bottom end of the market.

The motor industry now needs all the help it can get. As the latest sales figures have revealed, the new-car market shows every sign of going further into decline. Industry officials expect this to accelerate unless economic relief arrives soon.
MOTURING

CHASING THE BEETLE

Direct from its launch in the eastern Cape, I took delivery last week of one of Toyota's more powerful Corolla GLi Executives for hot-off-production-line evaluation.

Says Toyota: "The Corolla is the second biggest selling car in automotive history. Last July total worldwide Corolla production passed the 15m mark and with it, that old yardstick, the Ford Model T. Only the VW Beetle, which sold 21m, stands between the Corolla and this world record."

A new Corolla model was also introduced by Toyota — the Corolla 16-Valve Sport — which now extends the range to 10 models.

Based on the Corolla 1.6 GL, the new 16-Valve Sport has sassy side skirts along the doorsills, a hooded spoiler and colour-coded bumpers and wheel covers for its 14-inch wheels.

Its multi-valve 1 600cc engine has a carburettor instead of fuel injection and drives through a five-speed gearbox. Cost of this Toyota newcomer is R28 640.

Outwardly, the new Corollas and Conquests have not changed much, but the 16-valve versions of both of these ranges have increased engine output. Power has been raised by 8% — to 96kW — while torque shows a 3% improvement.

In the FM's test Corolla GLi Twin Cam 16 Executive, this added even more sparkle to an already excellent concept, the car having won the Car of the Year award in 1989.

With this car, Toyota is obviously working hard at winning a slice of the executive car market — with what is ostensibly a light car.

The all-round specs are definitely of executive class. There's dual mode air-conditioning, power steering, electrically operated windows, and exterior mirrors, a four-speaker stereo radio-tape system, and the plush, distinctive smell of real leather upholstery.

This executive had a three-spoke, leather-covered, adjustable rake steering wheel that earned more than a few comments of admiration from those I showed the car to.

The car's dash layout is also imaginative. Under the flowing fascia is bold instrumentation lining up from the left are oil pressure, engine temperature and battery charge gauges. They lead to the large speedometer and rev counter directly ahead of the driver, in a somewhat Continental style.

A hard travelling executive can make this Corolla his boardroom for a day, with multi-adjustable "sports" seats and matching cut-pile carpeting in good taste.

Other touches inside that I appreciated were remote controls to open the fuel cap flap and the boot, an open-door warning light, and the heated rear window.

The Corolla seats four adults comfortably, five are slightly cramped. Its rear seat back also folds down to cope with unwieldy items, further expanding the car's large 441-dm³ boot.

In lighter cars such luxury usually comes with stunted performance. Not here. The improved, hi-tech 16-valve engine's smooth and rapid pick-up from standstill to when the rev limiter came in at 7 800r/min was a source of wonderment throughout.

With this rev range, and through the manual five-speed gearbox, the FM test car needed to stand back for few other vehicles on the road. The speedometer is marked to 240km/h and the Executive rocketed to 100km/h from a standing start in only 8.8 seconds.

With power steering, there is no resistance from the drive through the front wheels.

The already neat styling of the Corolla is further enhanced in the Twin Cam Executive, through front and rear spoilers, colour-coded bumpers, tinted glass all round and low-profile 185/60 HR 14 steel belt radial tyres, on 5.5 J custom-designed alloy wheels.

The Toyota Corolla GLi Twin Cam Executive costs R45 495.

Doug Kemsley

Toyota latest... more sparkle
The new car tax structure means establishment with companies will pay a tax on every vehicle they purchase, with the highest tax returned being the highest cost of the vehicle. This means that the tax on cars will go up by 10% of the total cost of the vehicle. The tax on vehicles will be calculated as a percentage of their value, with the highest rate of 45% for luxury cars, and a maximum of £100,000 for luxury cars. This will lead to a significant increase in the cost of luxury cars, and may discourage some individuals from purchasing them.

The new tax structure will also affect the cost of new car purchases for all businesses. This will increase the cost of purchasing new vehicles for companies, leading to an increase in the cost of goods sold. This will lead to a decrease in the profit margins of companies, and may lead to a decrease in the competitiveness of the company. The tax on vehicles will be calculated as a percentage of the value of the vehicle, with a maximum of £100,000 for luxury cars.

The tax on vehicles will also affect the cost of purchasing new vehicles for all businesses. This will increase the cost of purchasing new vehicles for companies, leading to a decrease in the profit margins of companies. The tax on vehicles will be calculated as a percentage of the value of the vehicle, with a maximum of £100,000 for luxury cars.

The new tax structure will also affect the cost of purchasing new vehicles for all businesses. This will increase the cost of purchasing new vehicles for companies, leading to a decrease in the profit margins of companies. The tax on vehicles will be calculated as a percentage of the value of the vehicle, with a maximum of £100,000 for luxury cars.

The tax on vehicles will also affect the cost of purchasing new vehicles for all businesses. This will increase the cost of purchasing new vehicles for companies, leading to a decrease in the profit margins of companies. The tax on vehicles will be calculated as a percentage of the value of the vehicle, with a maximum of £100,000 for luxury cars.

The new tax structure will also affect the cost of purchasing new vehicles for all businesses. This will increase the cost of purchasing new vehicles for companies, leading to a decrease in the profit margins of companies. The tax on vehicles will be calculated as a percentage of the value of the vehicle, with a maximum of £100,000 for luxury cars.
Transition for Aligning Spacex as New Team Makes Changes

COMPANIES


A COMBINATION OF REGULAR REVISIONS
**Motor rates are set to soar by 30%**

HOLLARD Insurance MD Miles Japhet says a short term industry swing in the direction of underwriting losses on motor vehicles combined with rising costs of claims has been "quick medicine for those guilty of irresponsible rating."

Rising spare parts and repair costs and the impending sixth plague of the local content programme have combined with soft market rates to make the motor account a major area of underwriting losses.

"Commercial rates have been cushioned by a soft European reinsurance market."

But with the string of natural catastrophes experienced in the past 18 months it is likely that over the next six months this market will harden substantially.

"The lack of a reinsurance cushion on the motor account will see substantial (30% plus) increases in motor rates in this first quarter."

"It can be expected that by the last quarter of this year commercial fire and marine rates will also harden considerably," says Japhet.
Spareco keeps battling on

By Ann Crotty

Spareco’s results for the six months to December would not seem to justify the advance in its share price that has been evident this week.

So it seems investors who pushed the price from 165c on Monday to a close of 200c yesterday are pinning their hopes on recovery prospects under new MD Don Elliot.

But it may also be that the figures are not as bad as the market had expected and that this encourages hopes of recovery.

In the six-month review period turnover was R64.9 million, with operating profit of R5.2 million (the comparative figures are for the 16 months to June 1989. These show sales of R94.1 million and operating profit of R9.0 million). Operating margins at the interim were down to eight percent (11.8 percent for the 16-month period).

Interest payments were R1.7 million, leaving pre-tax profit of R3.4 million.

After allowing for a tax charge of only R700,000, taxed profit was R2.7 million, equivalent to 20.1c a share.

Earnings per share in the 16-month period were 43.2c, from which a dividend of 40c was paid. No interim dividend has been declared.

Interim results include the 54 percent stake in Fleshmans, which reported earnings of 5.7c a share. In the six months to December 1988, Fleshmans reported EPS of 13.2c.

The Fleshmans acquisition (for R12.7 million) was effected during the interim period for R9.6 million cash and 525,000 shares.

The Spareco balance sheet shows long-term liabilities of R4.3 million — little changed from the level at end-June.

But working capital is down from R29.9 million to R15.3 million.

Current assets rose to R75.5 million from R55.7 million and current liabilities to R60.2 million from R34.8 million.

The figures suggest the group was carrying a heavy level of stocks in the period to end-December. Management says that in the period since then stocks have been reduced.

The directors say “It is difficult to forecast with accuracy the results for the next six months due to the general uncertainty of the political and economic situation.”
Spareco lifts earnings, but no dividends yet

SPARECO has raised earnings a share to 20.1c for the six months to December by comparison with 43.3c for the 16-month period to June (annualised 16.2c) in a period of difficult trading conditions. The results were compared with the 16-month period because the directors said a comparison with the previous interim period would be meaningless.

On an annualised basis, Spareco’s turnover has doubled to R64.9m in the past six months from an annualised R31.6m (actual R64.9m) and attributable profits have fallen by 34% to R21m from R3.1m (actual R8.2m).

Figures for the period to December include the group’s 54% stake in Fleishman’s stores, which showed a 52% drop in attributable profits to R1.6m in the six months to December from R3.3m in the same period in 1988.

Neither Spareco nor Fleishman’s has declared an interim dividend.

Spareco is a retailer of motor spares, parts and accessories. In its annual report released earlier this week, late because of upheavals in the company in the second half of last year, the company declared it was actively developing export markets.

The group improved operating profits by 41% on an annualised basis in the six-month period but the interest bill rose significantly to R1.7m.

The tax bill fell to 20% from 32%, profits from discontinued operations were no longer attributable and there was a R730 000 payment to outside shareholders.

Chairman Chris Sladden said last night that trading conditions had been good up to Christmas but the black taxi market had subsequently been affected by current unrest.

A company spokesman said the company’s R4.6m (R29.9m) retained income indicated the board’s determination to overcome cash flow problems due in part to overstocking.

"Moreover retentions will presumably also be used in part for further retail expansion and moves into engine parts as suggested in the annual report released earlier this week."

Fleishman’s posted operating profits of R2.4m (R4.5m) which were eroded by a doubled interest bill of R429 000 (R313 000).

On a raised number of shares in issue to finance the purchase of Eddies in Pretoria, earnings of 0.7c (1.2c) a share were achieved.

The directors explained Fleishman’s had gone through a consolidation phase in this period. New stores brought on line had had a negative effect but were expected to contribute to earnings in the second half.

Wesco predicts better showing

WESCO, the holding company with 50% of Toyota SA and equally important operations in motor components, yesterday predicted an improved performance for 1990 despite an anticipated economic slowdown and fall in vehicle sales.

Toyota itself would benefit from an end to supply constraints from Japan while component and accessories operations (grouped under Metaur) would benefit from the increased local content programme.

“Our target is to improve by more than the rate of inflation,” said Wesco MD Elisabeth Bradley. “It won’t be a year of fireworks, but we are optimistic we can do it.”

Bradley was commenting on Wesco’s annual results for the year ending December 1989, which saw a slender 4% increase in earnings per share for the group to 69c (55c).

Dividend per share, however, rose by 20% to 60c (50c), bringing dividend cover down slightly from 11.9 to 10.3.

Explaining this high rate of increase in the dividend given the lower rate of increase in earnings, Bradley said Wesco wanted to give its shareholders an increase that kept pace with inflation.

The bottom line performance stemmed from a 15.7% rise in turnover to R2,92bn (R2,52bn) and a 14.6% increase in pre-tax profits to R177m (R155m).

The main reasons for the rather pedestrian performance on an operating level were industrial disputes, constraints on supply from Japan, uncertainty about the new local content programme and a generally flat car market.

Bradley said the worst of these problems was now passed, though there was still uncertainty on the ultimate requirements of the new local content programme.
Metair sees new car sales falling further

METAIR Investments, a company with various interests in the motor industry, expects a further decline in new vehicle sales in 1990, according to its annual report for 1989.

However, chairman Douglas Stewart believes the impact on the company should be largely offset by new business arising from the increasing local content requirement.

In addition, growth in the replacement market is expected, due to the increasing average age of vehicles on the road in SA.

Stewart says with the high interest rates the after-market has shown signs of over-trading recently, but the ageing of vehicles is an inescapable fact considering the current level of new vehicle sales.

Significant capital investment will be required to participate in the opportunities arising from the local content programme, particularly as Metair will try to remain in the forefront of new developments.

Stewart adds that the group is well placed to take advantage of the opportunities that lie ahead and current financial forecasts indicate continued growth for 1990.

In March last year, Metair acquired a 40% interest in Hella (SA) for R14m. Hella are manufacturers and suppliers of automotive components as well as industrial lighting products.
Toyota in the fast lane

By Don Robertson

TOYOTA believes it is way ahead of other motor manufacturers in the race for market share.

And it is confident that its leadership will be maintained this year following orders for more than 9,000 cars from three car hire companies — Imperial, Avis and Budget. The orders are worth about R369-million.

Managing Director of Toyota Marketing, Brand Pretorius, says that checking through total vehicle market share figures, when these were available from the National Association of Automobile Manufacturers of SA (Naamsa), it appears that the company must have a market penetration of more than 30%.

In May 1988, the full breakdown of monthly sales figures provided by Naamsa was stopped following a decision, first by Delta and then Nissan, to withhold sales numbers for sanctions-related reasons. Only total industry sales are now released.

Figures from the Central Statistics Service show for the first 11 months of last year, however, show that Toyota had a total market share of 23.8%, compared to second-placed Volkswagen with 15.7%. Volkswagen, however, has only one bakkie on offer compared with Toyota’s large model range, and no large trucks.

"The company has managed to improve the supply position since then in spite of ongoing restrictions on exports from Japan, by careful selection of the marketing mix, with the accent on models with high levels of local content.”

Nevertheless, there is a waiting list of up to four months for some models. To beat this, second shifts have been started at certain sections of the Prospecton plant near Durban and production has been increased to a record 468 units a day.

In January and February, the company also celebrated the best two consecutive sales months in terms of market share."
Catalysts boost for local industries

By Don Robertson

SOUTH Africa is entering the high technology automotive market with the establishment of a R25-million, platinum-based exhaust purifier plant near Port Elizabeth. The new company will operate under the name Algorax, which is jointly owned by the Industrial Development Corporation (IDC) and Degusa AG of Frankfurt, West Germany.

When in full production, exports - there is no requirement to fit exhaust catalysts in SA - will earn considerable foreign exchange.

The catalysts will be exported by local manufacturers of Japanese and European vehicles and will earn substantial export credits for these car makers in terms of the Phase Six local content programme.

Algorax is the largest supplier of carbon black in Southern Africa.

Response

It is used mainly in the manufacture of tyres and is produced under licence to Degusa AG, the second largest producer of carbon black in the world, and a manufacturer of exhaust catalysts in Germany, Canada and Korea.

Construction of the plant, about 16km from Port Elizabeth, began two months ago and is expected to be completed by the middle of the year. Production will start in November, but will only reach the planned production rate of about 1-million units the following year. Provision has been made to double the capacity of the factory if required.

For Olef Pahlberg, managing director of Algorax, says discussions were held with a number of manufacturers last year and a positive response was received. Mercedes-Benz was particularly interested.

Algorax will provide the first phase of the manufacturing process. It will initially import cerium, and later metallic monoliths, which will be impregnated with platinum and rhodium to be bought in SA. The monoliths will then be inserted into metal sheaves.

They will then be handed over to the vehicle manufacturer or the exhaust supplier who will "cap" or install - the precious metal monoliths into exhaust boxes.

These will be exported for fitting to vehicles in Europe and Japan.

The catalysts will be manufactured under licence to Degusa AG and will meet quality and performance requirements.

The project is the result of the department's request by the Minister of Mineral and Energy Affairs for local industry to add value or beneficiate locally mined minerals. However, as each catalyst contains only small quantities of platinum, demand is expected to be only about 84,000 ounces, compared with annual platinum production of about 5-million ounces.

A second company, K. Baum Engineering in Butterworth in the Transkei, is also considering the manufacture of exhaust catalysts. A final decision will be taken in June.

Lagged

Although fitting of exhaust purifiers is compulsory on all new cars in America to reduce carbon monoxide emissions, Europe has lagged behind.

However, Volkswagen has announced that all new cars produced from next year will be fitted with catalysts, and others are expected to follow.

In Japan, which fits catalysts to cars destined for export, it is expected that cars for the domestic market will soon require the same purifiers.

In America, a number of states have insisted on even more stringent requirements to reduce nitrous oxide. This requires the use of additional rhodium in the catalyst.
MTB aims at huge expansion of SA's trucking market

By Don Robertson

GERMAN-OWNED MAN Truck and Bus SA (MTB) is showing its faith in the potential of the heavy truck and bus market in SA by spending millions of rands to increase production.

Latest industry estimates are that there will be no substantial rise in truck sales in the next two years because of the slowdown in the economy and rising prices.

The National Association of Automobile Manufacturers of SA (Narma) forecasts sales of 9 650 this year and 9 850 in 1991, but MTB is confident that with the launch of its new F90 range of trucks, it will grab an increased market share.

MTB plans to spend between R15-million and R20-million in the next 18 months to raise production from about 1 600 units to about 3 500 MTB’s current investment in SA is about R170-million. In the past two years, the company spent R17-million on a new assembly line.

The company expects the increased production to be snapped up by transport operators.

Wolf Meurer, chairman of MTB, said at one of the most costly motor launches in SA of the F90 range, that the Pinetown factory has been enlarged and is now equipped with production systems which rival those in Europe.

The central parts department is also being expanded while new sales branches are to be opened and older ones renovated. Repair equipment and operating methods will be updated.

The company is also looking at extending its activities into neighbouring countries and has concrete plans for Namibia.

"This confidence stems largely from the new F90, MTB being the first heavy truck manufacturer in SA to offer transport operators the latest and most advanced European truck technology and together with ADE’s new, more economical and more efficient diesel engines, forms a winning combination," says Mr Meurer.

The additional capital expenditure will be funded by long-term supplier credits, while loans will be guaranteed by the German parent, MAN Nutzfahrzeuge AG.

MTB is the fourth largest truck and bus manufacturer in the R16,8-billion international MAN group and the largest outside Europe. Turnover of the local company reached almost R400-million last year.

At present, MTB has a local content of more than 80% by value and Mr Meurer foresees no problems with the Phase Six local content programme.

He believes that provided the political situation in SA is resolved, MTB could export spare parts to Germany and to the rest of Africa.

Voted the European Truck of the Year in 1987, the F90 consists of 13 models in seven basic designs. They range from a truck tractor to an 8x4 and a 6x4 freight carrier or tipper.

They have fewer parts because of new technology, well equipped cabs, improved brakes and higher torque at lower revolutions. They are also more fuel-efficient and have the latest ADE V8 and V10 intercooled turbocharged engines.
'Unkind' investors spurn Midas

INVESTORS have been unkind to Midas as the share price continues to retreat. But short-term problems at the motor parts distributor should be sorted out, paving the way for a recovery.

From the time Midas was listed in 1986 until last year, the group had built a solid reputation within the investment community. Earnings rose from 9.9c in financial 1984, to 118.8c for the year ended February 1989. The share price responded and advanced from a 1986 low of 265c, to reach a peak of 442c last year.

But the shares have been heading south during the past year as investors are re-rating companies which operate in the motor spares sector. Midas was hit by the industry's change in fortune, as EPS for the half-year ended August 1989, grew by a mere 5% to 53.9c compared with 51.2c for the corresponding period of the previous year.

Other negative news to plague the group was the decision by CEO Georg von Looper to resign towards the end of last year.

The directors have recently said earnings "will be substantially lower than the previous year, due in main to increased costs, difficult trading conditions and disappointing results from recent acquisitions."

Midas shares are now trading near a 12-month low.

Acting CEO Sarel de Vos said part of the industry's problems stemmed from the local content programme gazetted on March 1, 1989, known as Phase 6.

The intention of this programme was to encourage companies operating within the motor industries to source more products locally.

In addition to the difficult conditions within the motor spares industry, Midas's bottom-line performance will be under pressure from sharply higher finance charges. At the interim stage, interest payments soared by 40% to R2.1m (R1.46m), as interest bearing debt increased substantially.

De Vos says that "the steps taken to reduce inventory and debtors will relieve the pressure to some extent on the group's bottom line."

The accompanying graph illustrates how unmerciful investors can be once earnings growth prospects of a highly rated share turn sour. The fall below minor support at 500c is an unencouraging sign and means a reasonable period of consolidation is needed before a trend reversal can be expected.
EAST LONDON. — Production began on a new car for Mr Nelson Mandela at the Mercedes-Benz plant here yesterday. The car is a R211 530 top-of-the-range red Mercedes-Benz 500 SE. A majority of hourly-paid workers will work without pay one hour daily for four days to pay for the car.

Reports by Staff Reporter, Own Correspondent, Sepe Reuter-AP and UPI
FORD has cut tractor prices after the abolition of the government surcharge, the SA Motor Corporation (Samcor) announced yesterday.

Public affairs manager Reheman Els said Ford led the tractor market in 1989 with 23.1%. Surcharges ranged between R3 950 on the 2 610 model to R40 055 on the top-selling 38kw 6610 model.

Government abolished the surcharges retroactively to May 10 1989 and the statement said the group intended refunding customers the extra charges on tractors bought after July 2.

Samcor would be offering extra assistance on tractor purchases in the next three months.
Work on Nelson's Merc gets under way

EAST LONDON — Production began on a luxury new car for the deputy president of the African National Congress, Mr Nelson Mandela, at the Mercedes Benz of South Africa plant in East London this week.

The car is a R211 550 top-of-the-range red Mercedes Benz 500 SE.

A majority of hourly-paid workers will work without pay for one hour daily for four days to pay for the car.

The company's public relations manager, Mrs Wendy Hoffman, said the car would be completed in two weeks' time.

NOT BULLET-PROOF

She said employees wanted Mr Mandela to receive the car at the plant in person but a date for this had not yet been decided.

The model was introduced in 1987 and among the standard equipment available to Mr Mandela are an electrically adjustable steering column and front seats, a radio cassette player with eight speakers, an electric aerial and an electric sunroof.

Mrs Hoffman added that the car would not be bullet-proof.

The National Union of Metalworkers of South Africa originally approached the company to consider a request to build the car to mark Mr Mandela's release from prison — Sapa
Duros takeover opens doors to foreign arena

By Tom Hood
CAPE TOWN — Tollgate, the Cape transport company, has been transformed into an industrial holding group over the past two years.

Now the company and its pyramid, Duros, are about to step onto the international takeover trail as a result of a R45 million purchase of a controlling stake in Duros.

Joint control has been acquired by London-based South African businessmen Julian Askin and Hugh Biermann, and Duros director Mervyn Key, who intend to make use of Tollgate's London listing.

The Askin-Biermann partnership made its mark in Britain by turning loss-making Thomson T-Line into a profit-maker and selling it to Ladbroke's last year.

They are already tackling the group's high gearing by proposing rights issues to raise R90 million to wipe out debt.

Tollgate's borrowings of R113 million and its subsidiarys' operating debt took R56 million out of the R84 million operating profit.

"We will try and do more for these companies," said Mr. Askin, joint chairman of Duros, in an interview this week.

"The balance sheet was well written down.

"We will restructure them and strengthen the balance sheet."

He denied suggestions that the takeover was a rescue bid.

"I have known Mr Key for many years and we have been talking about the companies for some time.

"This was the perfect opportunity.

"There was nothing to rescue as the group is soundly based, but we believe our acquisition was perfectly timed.

"I would not invest in a company I didn't think had prospects.

"Besides raising funds from the rights issues, we will dispose of under-performing assets. We will be fully geared very quickly. Borrowings will be taken on for a specific transaction and repaid quickly."

The other joint chairman, Mr. Key, said as soon as the reorganisation was completed by the end of June they would be a well diversified group in the business of base consumer industries such as food, transport, tourism, textiles and property with minimum gearing. Tollgate's turnover was R1,135 billion and operating profit R94 million for the 18 months to December.

Mr Key's forecast was turnover of R1 billion, operating profit of R120 million and a substantially reduced interest bill for the current year.

"We want to achieve earnings of 30c a share this year and 50c in 1991," he added.

"We see Askin and Biermann bringing their expertise and London connections with financial institutions to broaden Tollgate Holding's activities."

in February, May, August and November
February's figures include an average 13% rise in rail tariffs. Vehicle parts went up an average 5%, repair costs and labour 15%.
Tyres rose 8.5% for passenger vehicles and 10% for commercial. Toyota is the only manufacturer which did not raise new vehicle prices during the period. Average increases include Delta 13%, Nissan 3%,
Mercedes-Benz 5%, Honda 4%-4.5% on November 15; in December BMW was up 3.1% and Volkswagen 2.5%.
Year-on-year growth in food CPI is increasing, largely because it is being measured against "a subdued base" in 1989, says Econometrix's Tony Twine. In the 12 months to February food climbed 15.7%, January 14.9% and December 14.7%. But monthly food price inflation declined from 2.6% in December and 1.8% in January to only 0.2% in February.
Despite this trend, says Twine, longer-term impetus will be up the rate of increase in underlying production costs for agricultural produce in general, and food in particular, have not slowed as much as retail prices, for two reasons:
- Good crop volumes in the 1988-1989 summer; and
- Higher interest rates which made the holding of livestock more expensive and encouraged farmers to destock. The resulting oversupply softened red meat prices.
The supply situation has changed and will contribute to a faster rise in the food index. Food, at an annual 15.7%, is outstripping overall CPI inflation (see graph).
"As food makes up nearly a quarter of overall CPI, this must cause concern to those who expected inflation to ease markedly in 1990," says Twine. "This confirms our long-held view that we have not yet shaken off the root causes of inflation, which are largely tied to monetary growth. We still have to see the effects of 1988-1989 feed through to CPI — a lag of nearly two years."

Transport higher
February's unadjusted monthly 0.7% rise in CPI was the smallest since June 1988's 0.3%
The seasonally adjusted increase is 0.8%, increases over the past four months annualise at 1.5% seasonally adjusted and 1.4% unadjusted.
Year-on-year inflation was 14.9%, down from 15.1% in the 12 months to January.
Transport was, statistically, the largest contributor to the monthly rise. However, it incorporates all increases in the three months to February -- new vehicles, running costs and public and hired transport are included.

The food factor
A CALL for an investigation into motor spares giant Spareco may be made if satisfactory answers to questions raised at Friday’s AGM are not received by April 20, says company consultant Horace Sammel.

The AGM, which lasted almost 12 hours, was poorly attended by shareholders, but Sammel and Peter George, former Whit Nigel chairman who advised investors to buy into the company, bombarded Spareco chairman Chris Sladden with questions.

Sladden, flanked by lawyers and accountants, requested that all questions be submitted to him in writing.

Several adjournments took place so that Sladden and his team could work out their answers in another room.

However, all resolutions on the agenda were passed.

Sammel said he abstained from voting on principle because most of the 420 380 proxies for which he had power of attorney were disputed, as copies of them did not mention the AGM. As some facts needed to answer certain questions were not immediately available to Sladden, Sladden had until April 20 to reply to them, Sammel said.

If the answers were not satisfactory, Sammel intended to canvass minority support to petition the Trade and Industry Minister to investigate Spareco.

The questions revolved around the role of companies Lynsatt and Jorum, as well as the Southrepps Trust, and loans made to them by Spareco.

The company’s purchase of a R14m aircraft and information concerning the Fleshamms acquisition supplied to minority shareholders were queried by Sammel and George.

Auditors Price Waterhouse signed an unqualified auditors’ report on February 28 for the year to June 1989.
T & N (UK) bids for US company

UK AUTOMOTIVE components, engineering and industrial group, T & N plc is to make a $190m cash tender offer for JP Industries (JPI), which is based in the US.

JPI manufactures and supplies automotive components to the North American and European markets.

The group's annual turnover amounts to $400m, of which 64% is generated in North America. JPI's product range consists primarily of plain bearings, gaskets, piston products and camshafts.

T & N chairman Colin Hope notes that the world vehicle manufacturing market is becoming increasingly concentrated in the hands of US and Japanese based manufacturers, which continue to establish manufacturing plants in the major vehicle markets.

It is expected that these customers will require standardised automotive component manufacturing support from factories close to their own regional manufacturing facilities.

Hope says that T & N is well-positioned in Western Europe, and the "acquisition of JPI will enable T & N to supply these customers in North America".

T & N controls SA based T & N Holdings, which is also involved in the automotive components industry.

It appears that this acquisition will have little impact on the group's local operations.

But it does strongly suggest that overall group strategy, both locally and overseas, will be to remain highly involved in the automotive components business.

Unfortunately for JSE listed T & N, that industry is proving very unpopular at the moment judging by the price action of Midas, Sarepo and Fleshmans which have all established new yearly lows this month.

T & N is managing to remain above its December 1989 low of 550c, but the share appears extremely weak.

T & N last traded in early March at 620c, but buying interest in the group has been virtually non-existent since.

This has resulted in sellers lowering their expectations, and the seller price has been falling.

At the close of business on Thursday, T & N was being offered at 575c, or 45c below its last-traded price.

Earnings for the year ended December, 1988, declined to 69.3c from 87.7c during the previous 12-month period. Although directors anticipate that 1990 will be a difficult trading year, they are confident of producing improved results.
Fenner group soldiers on

Fenner group has lifted interim operating profit 18 percent to R8.38 million in the face of difficult conditions and labour problems.

The interim dividend has been raised to a 3.5-times covered 6.5c a share.

At the earnings-per-share level, higher finance costs slowed growth to 13 percent at 23.6c for the six months to February.

Fenner’s shares are trading at about 230c, at which level the historical earnings and dividend yield are 22 percent and 7.2 percent. — Sapa.
"There is now only one restaurant licence," he says. "There is no longer a beer and wine licence. However, those on minimum standards may serve only wine and beer. They have to improve their standards if they want to move up the ladder and sell Dom Pedros or Irish Coffees, and if they want full liquor licences they have to improve their standards significantly. Another restriction is that they may sell liquor only with meals or to people waiting to be served."

However, despite all these steps forward, hotels may still serve liquor on Sundays only with meals or, at other times, only to guests.

TRUCKS (FEB 1990) (172)

Surviving in dating

Truck dealers who sell remanufactured and, when they can get away with it, even rebuilt, trucks as new vehicles are coming under fire. They comprise only a tiny minority of dealers but there is a move afoot to prohibit any misrepresentation of the original date of manufacture.

A leader in the remanufacturing industry, Ernst de Meyner, founder of Recon-O-Merc on the East Rand, is trying to make it compulsory to identify remanufactured trucks.

With support from banks and some competitors, he has commissioned transport consultant Jack Webster to prepare a report to hand to the Department of Transport with a request that the law be changed.

"We want trucks that have been deregistered and remanufactured to be reregistered as remanufactured trucks," De Meyner says. "We want to stop this business of reregistering a 1972 truck as a 1990 truck. These dealers are twisting the law to their own purposes. They're taking advantage of vehicle assessors and examiners to get vehicles certified as scrap in order to get them deregistered. Once a truck is scrapped, it should never be reregistered."

"We work on documents," a banker says. "It comes as a nasty shock when we find that the 1990 vehicle we financed is a 1972 truck. We would like the registration papers to state its date of original manufacture and date of remanufacture clearly."

Ronald Coppin, dealer principal of NMI Prospection in Natal, one of the top truck outlets, says the shortage of new trucks last year played into the hands of dealers who pass rebuilt trucks off as new. "It's the less sophisticated buyer they prey on. They don't approach the more prudent buyers who can date the trucks accurately."

He says many reputable dealers do remanufacture trucks but don't have them deregistered first. They sell them as remanufactured trucks and do not misrepresent their date of manufacture. He says the truth usually emerges when buyers of updated reconditioned trucks try to trade them in with reputable dealers.

The difference between a remanufactured vehicle and a rebuilt one is the amount of rehabilitation work done. A rebuilt truck can get anything from an extensive overhaul, which may fall short of remanufacturing but is extensive enough to extend its life by several years, to a revamp that's only enough to get it through the roadworthy test.

A remanufactured truck is stripped completely. Everything is dismantled, sandblasted and minutely examined. The chassis is straightened, the engine, gearbox and axles are rebuilt by specialist companies approved by the original manufacturer, all wearing parts and piping is replaced and the cab is rebuilt to bring it into line with those fitted on current models, or replaced with a new one. If there is even a slight doubt about a component it's replaced with a new one.

It costs about R80 000 less to remanufacture a Mercedes-Benz truck than to buy the equivalent model new. Most remanufacturers give the same warranty as the original manufacturers but point out that a remanufactured vehicle is not a reborn vehicle, if it was a 20-year-old vehicle when it was brought in, it is still a 20-year-old vehicle when it leaves their workshops.

"We also want the Bureau of Standards to set standards for the remanufacturing industry," De Meyner says. "Only those who meet it will get bureau approval and be allowed to certify that vehicles have been remanufactured."
Growing wings

Major strides in local aircraft manufacture, avionics and design, development and production of aircraft parts and accessories were highlighted at this week's biennial Aviation Africa show at Rand Airport in Germiston.

With 55 companies exhibiting, the four-day, 30-aircraft show particularly underlined developments in avionics (aircraft electronics) and aircraft manufacturing and maintenance.

Peace in southern Africa is not only opening up export markets for locally developed aircraft technology, designed for African conditions. It is also making the expertise SA developed to circumvent the arms boycott available for civilian applications.

"A major upswing for the aviation industry is expected in southern Africa as a result of SA's improving relations with countries to the north and its more liberal air service policy," says Cor Beek, executive director of the Commercial Aviation Association of Southern Africa.

Unveiled at the show was a prototype of the first composite material, six-seater, utility aircraft, the "Eagle," produced by Ernemel-based Celair. Designed, built and test-flown locally in conjunction with the Council for Scientific and Industrial Research's division of Aeronomical Systems Technology (Aerotek), the Eagle sells for about R400 000 and is suited for African conditions.

"Certification with the US Federal Aviation Administration and SA's Division of Civil Aviation should take about 18 months, after which we can go into commercial production," says Celair MD Peter Celliers.

"The Eagle's composite material design follows the process successfully tried in the Celerstar GA-1 aerobatic glider built last year."

Dubbed the "flying bakke" by Beek, the Eagle should meet demanding African requirements by being able to land and take off on short, rough bush airstrips. It also performs well at high altitudes, at speeds ranging from 72 km/h to 290 km/h. According to Celliers, the operating flying distance is about 1 400 km.

Assisting in the testing and development stages, Aerotek offered its sophisticated wind tunnel and other facilities previously used to help Armscor break some aspects of the arms boycott against SA.

"We have been promoting the local aeronautical industry for the past 18 years, but now things are really starting to move," says Aerotek marketing manager George van der Merwe.

Aerotek already handles more than 300 contracts a year and is active in the electronics, theoretical dynamics and the mechanical fields. Last year, a carbon-composite aircraft wing for a propeller-driven aircraft was completed."

"We are looking for partners to industrialise the ready technology in this field," Van der Merwe says.

The division has also developed an expertise in the turbine field, though Van der Merwe does not see local manufacturing soon. But in related fields, such as radars, laser technology and electro-optics, he says SA could soon start moving into niche markets.

For example, Barcom Electronics is now targeting the export market with its new R10 000 light aircraft transceiver Performance Aviation's new 50-watt aeronautical base station — used by air traffic controllers — could also make inroads into markets in South America and eastern and western Europe.

Decca, Aerial Support, Aero Services, Aircraft Parts Manufacturing and Design, Associated Industrial Suppliers, Crusader Aerospace and Field Aviation are some of the other local names that could make an impact on this industry overseas in the years ahead.
McCarthy to put R10m into Mercedes outlets

CHARLOTTE MATTHEWS

THE MCCARTHY Group is extending and upgrading its Mercedes-Benz franchise operations in the Transvaal and Cape at a cost of R10m. This forms part of a R50m investment to create new dealerships and extend existing facilities in all the group's motor franchises.

McCarthy itself will fund only part of the R50m as not all operations are owned by the group.

MD Theo Swart said the group was not expanding in the sense of taking on more dealerships but was rather modernising facilities.

McCarthy had based its plans on a projection of the car market — for which it did not foresee any further decline — until 1993, Swart said.

He added that he was surprised and disappointed by the increase in fringe benefit taxation in the recent Budget.

"Inflation takes care of any increase in that benefit and, even more important, motor manufacturers have been asked to invest billions of rand in Phase 6 (of government's local content programme) Thus means they have to achieve volume to recover that investment."

"I am amazed government is taxing an industry it is asking to invest so heavily."
TOTAL new vehicle sales for the first quarter of 1990, which are affected by the overall performance of the SA economy, declined by 1.1% to 94,868 units compared with 88,348 units sold in the same period in 1989.

According to the latest figures released by the National Association of Automobile Manufacturers of SA (Naamsa) yesterday, the current difficult conditions were expected to persist into the second half of the year.

"However, provided interest rates decline during the latter part of the year, sales of new motor vehicles are expected to improve gradually," the association said in a statement.

New car sales in March improved by 13.4% to 19,943 units compared with February's 16,799 units as a result of seasonal factors and a slightly improved manufacturers' supply position.

But March 1990 new car sales fell by 7% against the 20,477 units sold in March 1989. Overall passenger car sales for the first quarter of 1990 declined by 7.2% to 52,994 units.

"The underlying trend in new car sales in March 1990 remained weak and sales comparisons with the corresponding months of the preceding year have been negative over the past nine months," Naamsa commented.

Sales of light commercial vehicles were comparatively stronger. In the first quarter of 1990, 29,503 light commercial vehicles were sold against 27,161 in 1989, an 8.6% increase.

"The light commercial vehicle and minibus market has established itself as the sector with the highest propensity for growth," Naamsa said.

Sales of heavy commercial vehicles, adversely affected by supply constraints, declined by 13.4% to 1,918 units in the first quarter from 2,216 in 1989.
It's fitting that a motor company, Toyota, is sponsoring the SA club rugby championship in Durban this weekend. For rugby players and motor companies have something in common — they don't know the rules by which they're playing.

Each season rugby teams find themselves bound by new laws, often they find out about them only by breaking them. To confuse them further, the laws are subject to different interpretation by different referees. Pre-guessing that interpretation can often be as important as having an ability to play the game.

So it is with the motor industry. The rules are changing local content regulations, import levies, export incentives, fringe benefits, taxation, even pay bargaining. And there's precious little clarity or consistency from the referees — government and the Board of Trade & Industry (BTI).

That's a dangerous situation as the industry prepares for the biggest capital expenditure programme in its history. Individual companies have announced investment plans of up to R1bn. If they all go ahead, capital invested in the industry — now about R3.5bn — could treble.

But will they? More to the point, should they? After all, the economy is in decline, vehicle sales are falling, industrial unrest spreading, and there is no guarantee that export markets — the ultimate prize of the BTI-devised local content programme — will provide the answer.

If they don't — and assumptions are at the heart of the programme and of manufacturers' plans — much of the investment may be wasted.

Phase Six of the local content programme, introduced last year, saw weight replaced by value as the basis on which local content would be assessed. In principle, it was a logical step: vehicle assemblers had previously sourced almost all their high-value, low-weight components from abroad, buying high-weight, low-value goods in SA. They were playing within the rules but the result was a neglected local components industry and an import bill of more than R3bn a year.

Phase Six, relying on complicated trade-offs of import and export values through levies and rebates, has proved a limited substitute.

In principle, again, there is much to be said for a plan that encourages import replacement and export programmes. But such a plan must be straightforward, coherent, and, above all, flexible.

That flexibility is lacking. As a result, the programme promotes one of its two key objectives at the expense of the other. Rigorous application of minimum local content levels, through import replacement may reduce foreign usage but does nothing to restrain vehicle prices if the industry has to invest billions of rands to meet those targets.

Nico Vermeulen, director of the National Association of Automobile Manufacturers of SA (Naamsa), argues that, if an assembler finds it cheaper to pay duty on an imported component rather than source locally, it should be allowed to. A supplementary BTI report expected in the next few weeks may clarify the board's thinking on such flexibility.

"If it's uneconomic to replace imports, we should have the right to pay the penalty," says an industry executive.

He is right. Attainment of the ultimate 75% local content target should not be sought at all costs, nor should any industry programme be allowed to dilute companies' ability to make business decisions.

As Vermeulen notes, allowing companies flexibility to import could keep down costs and encourage local component suppliers to hold down their own prices and improve efficiency.

Vermoulen (top) and Sterling... calling for flexibility.

That, in turn, would make local components more competitive abroad.

It would also allow assemblers to reconsider their enormous capital expenditure plans. There is no doubt some companies would like to scale down spending.

"Most assemblers would like to limit their asset base in SA because of the problem of earnings in a small market. The industry has been convinced Phase Six will require huge investment because it demands import replacement," if the BTI permits a flexible approach, some of those investments may not be necessary — if companies can get export programmes to work," says Vermeulen.

That's a big "if". Some — notably, German-controlled companies — have already
made progress BMW, Mercedes-Benz and Volkswagen are all likely to benefit from their principals' stated willingness to absorb exports from SA subsidiaries

SA-owned companies like Toyota, Nissan, Samcor and Delta don't have it quite so easy. Japanese suppliers were less than accommodating about allowing SA companies to compete with them in export markets. While a little more tolerant today, they remain selective about permitting exports by companies operating under licence from them.

Even so, industry exports — mostly components — will near R500m this year. This is expected to rise to at least R1bn by 1992. Real growth beyond that is uncertain.

Nevertheless, it's a valuable bonus for an industry that sees limited prospects of real earnings growth from the domestic market in the near future. The new car market, down from 230 500 in 1988 to 221 000 last year, is expected to decline further in 1990 before showing a modest recovery mid-decade.

Light commercial vehicles — bakkes and minibuses — should hold up better but prospects for heavier vehicles also look limited.

The day when annual car sales topped 300 000 seems a lifetime away. Though the motor industry has learnt to survive — and indeed, turn a profit — in a declining market, ultimately volumes determine long-term viability.

It is all very well for companies to talk of reducing car model variants and increasing model lifecycles. But that isn't why they set up in SA. They came because they saw hope of a burgeoning market offering high-volume sales — not like the US or Europe, certainly, but volumes nonetheless.

Companies that quit SA in recent years did so mainly because they could no longer afford to wait. The survivors all claim healthy balance sheets, but whether they are prepared to wait indefinitely and scramble for a corner of a stagnant market remains to be seen.

This year's Budget suggests government may at last be serious about ending economic decline. If businesses may eventually bring renewal, benefiting the motor industry.

Any respite would be welcome for an industry which believes, with some justification, it has been unfairly milked by government for years as an easy revenue source.

In 1987, a study by Econometrix estimated the revenue government earned from every vehicle sold. By the time it had taken GST from the original sale and subsequent resale, as well as its share of fuel tax on fuel and spare parts, vehicle licence and excise duties, government had retrieved 80% of the original cost of the vehicle.

Econometrix's Tony Twine feels that calculation probably still holds good.

High government take-off is one reason new car prices are out of the reach of most private motorists. While the rand's collapse against the yen and D-mark has been the main cause, tax and interest rate rises have contributed to a market in which 80% of sales are to corporate and fleet markets.

Even price restraint efforts by companies like Nissan, which launched the budget-priced Fiat Uno next month, will have only a limited effect on private buyers. Low cost is relative. The cheapest Uno, at R17 500, will still take at least R600 a month to buy and insure. VW has held down the price of its CitiGolf because of the Uno launch but those who hope for a price war at the bottom end of the market are likely to be disappointed.

Motoring will never be cheap again.

Little wonder, then, that the industry is horrified by increases in per capita tax payments on company cars.

Naamsa wants an independent arm of auditors to be appointed to conduct a valuation analysis aimed at calculating monthly deemed values of private use of company-owned cars. It believes current values decreed by the Department of Finance are unfair and a deterrent to replacing cars.

Industry analysts say that when vehicles are replaced, deemed values escalate faster than CPI and salary increases. The taxpayer is hit from two sides — car price rises push him into a higher price bracket, while deemed value revisions force him still higher.

Samcor MD Naamsa president Spencer Sterling said in response to the recent Budget proposals: "The stated intention to increase monthly deemed values by approximately 50% is considered unjustifiably high, particularly since higher tax liability has already been built into the existing valuation format to take account of the escalation in prices at the time of vehicle replacement."

According to another MD, any further decline in car sales as a result of per capita tax could have far-reaching consequences. He warns of possible short-time working and even lay-offs in an industry already suffering widespread labour problems. Further unemployment could worsen an already volatile unrest situation, particularly among highly politicised motor industry workers.

Companies have lost production of thousands of vehicles this year to both labour and politically-related issues. Having been forced by the National Union of Metalworkers of SA (Nunna) to accept central industry bargaining, it has also forced the National Union of Metalworkers of SA (Nunna) to accept central industry bargaining. Pay and conditions, employers are about to embark this month on what is expected to be a tough round of talks.

Most resistance to central bargaining came from SA-owned companies. Some of their execs claim the decision by German-controlled companies to participate was political and made in Europe — a charge the Germans deny.

But a senior executive of a locally owned carmaker claims: "Companies that source from Japan fear they will be dragged into an industrial relations process dictated by union attitudes in West Germany."

---

Driving up investment

Capital expenditure in the vehicle assembly industry

---

Source: Naamsa
EAST LONDON. — Production has still not been resumed at the Mercedes-Benz assembly plant here, two weeks after the factory closed because of "high absenteeism and unprocedural industrial action".
Some issues

The misfortunes of Spareco were well aired in acrimonious questions at its annual meeting last week from two investment personalities, Horace Sammel and Peter George.

Spareco chairman Chris Sladden would accept questions only in writing and, after a long adjournment, read out answers before taking further questions in writing. He says this was done mainly to avoid the expected conflict with Sammel becoming personal.

The meeting lasted 12 hours.

Among issues which emerged at the meet-

Wucherpfennig This apparently caused problems.

Indeed, many of Spareco’s problems seem to have been caused by a clash between Sladden and Wucherpfennig which developed shortly after Spareco’s formation in September 1989. Sladden agreed to sell his shares in Lynsat to Wucherpfennig and, unknown to shareholders, he withdrew from active involvement in the company. Sladden says he was not obliged, morally or by JSE rules, to inform shareholders. In fact, Wucherpfennig could not find backers to take Sladden’s share, the deal fell through and Sladden returned and bought Wucherpfennig out in early 1990.

The annual accounts show that of R40,6m spent to establish Spareco’s operations, R13,3m was for goodwill. Thus it is written off immediately against non-distributable reserves. Another R10m of the R27,5m balance was in trademarks — shop names — which will be written off over five years. Thus, R800,000 after tax will be deducted from income every year for that period.

Spareco’s new MD, Don Elliot, says though the acquisitions were expensive, a premium had to be paid for start-up and excellent positions of most outlets. He believes these positions are enabling the company to trade out of its debt and difficulties.

Touge Poyne
Changing down (192)

After doubling pre-tax profit in each of the previous two years, Metair spluttered to a virtual standstill in 1989 — EPS rose only

6.5%, and this was only because of the contribution from newly acquired associate Hella.

Main reason for the slowdown was the decline in new vehicle sales, particularly during the second half. This sector remains Metair's main outlet, despite efforts to expand into the after-market and exports, and the decline clipped the group's turnover growth from 44% to 22%

Further down the income statement the problem was compounded by 1988's substantial revaluation of fixed assets which contributed to a near-doubling of the depreciation charge. While a third, relatively minor, factor was an increase in finance charges from R1.6m to R3.6m.

One thing that did not suffer was cash flow. Thanks to the increased profitability, cash flow advanced to R24.5m (1988 R22.5m) and enabled the group to maintain an ambitious expenditure programme without doing much damage to the balance sheet. Roughly R14m each was spent on fixed assets and the acquisition of the 40% interest in Hella, while a further R4.5m went to Raylite, where Metair increased its holding to 50% and injected R4.5m in loan funds into the company. Despite this, however, net borrowings increased by under R8m and the debt ratio remains unaltered at 0.08.

The slow-down in activity also had the effect of bringing to light a number of weaknesses in the group. Apart from Raylite, which has been a stubborn loss-maker for some time, Motorubber suffered a further decline in profitability, which led to Metair bidding for the 25% minority shareholding and installing a new MD who is now engaged in major reorganisation of the company with a view to re-establishing profitability to acceptable levels. Which pretty much tells its own story.

Also, Supreme Spring's margins are apparently still not what they should be, while Armstrong Hydraulics seems to have been one of the main victims of the new depreciation policy.

In one respect, the underperformance of these companies can be viewed positively because of the recovery potential that should exist even though off-take from the new vehicle market is likely to remain subdued for the time being. This, and the opportunities offered by the value-based local content programme, could lead to a resumption of sound earnings growth, in which case the disappointing 1989 results would be shown to have been nothing more than a hiccup.

Investors, however, seem to be less sanguine. The share price over the past year has dipped 17% and, with the 19.6% increase in the dividend, the dividend yield has increased to 5.3% from 3.7% when the FM reviewed the 1988 report. Other indications of a poor market rating are the p/e ratio of under 4 and the fact that the share is trading at a wide discount to net worth — something not often found in the industrial sectors now.

Brian Thompson

---

### Activities
- Manufactures motor components
- Control: Wesco 42%, directors 30%
- Chairman: D C Stewart, MD: A D Plummer

### Capital structure
- 5.7m and 9.3m Market capitalisation R68.0m

### Share market
- Price: 1200c Yields: 5.3% on dividend, 20.4% on earnings, PE ratio 4.9, cover 3.9 12-month high: 1600c, low: 1150c Trading volume last quarter: 22 000 shares.

### Year to Dec 31

<table>
<thead>
<tr>
<th>Year</th>
<th>'86</th>
<th>'87</th>
<th>'88</th>
<th>'89</th>
</tr>
</thead>
<tbody>
<tr>
<td>ST debt (Rm)</td>
<td>0.2</td>
<td>0.2</td>
<td>0.6</td>
<td>2.1</td>
</tr>
<tr>
<td>LT debt (Rm)</td>
<td>0.9</td>
<td>0.7</td>
<td>2.1</td>
<td>8.1</td>
</tr>
<tr>
<td>Debt equity ratio</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Shareholders' interest</td>
<td>0.79</td>
<td>0.75</td>
<td>0.74</td>
<td>0.65</td>
</tr>
<tr>
<td>Int &amp; leasing cover</td>
<td>121.5</td>
<td>112.2</td>
<td>16.7</td>
<td>8.4</td>
</tr>
<tr>
<td>Turnover (Rm)</td>
<td>122</td>
<td>178</td>
<td>253</td>
<td>309</td>
</tr>
<tr>
<td>Pre-tax profit (Rm)</td>
<td>7.2</td>
<td>14.0</td>
<td>27.6</td>
<td>27.0</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>108</td>
<td>179</td>
<td>230</td>
<td>246</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>33</td>
<td>44</td>
<td>53</td>
<td>63</td>
</tr>
<tr>
<td>Net worth (c)</td>
<td>1133</td>
<td>1268</td>
<td>1884</td>
<td>1925</td>
</tr>
</tbody>
</table>

---

### Graph

![Graph showing Metair performance](Image)
Tycon smooths out bumps for Consol

By Sven Lumsche

Good results from Tycon, formerly Goodyear Tyre & Rubber, more than offset a sluggish performance by Consol's other divisions and enabled the Anglovaal subsidiary to report a 12 percent rise in earnings in the six months to end-December.

Consol acquired the US-based Goodyear when the group disinvested from South Africa last July.

Tycon was subsequently merged with the Tredcor group with effect from January 1, but Consol directors only expect the deal to benefit the bottom line in the 1990/91 financial year.

As a result of the acquisition of Tycon (which does not feature in the comparative figures for the previous interim) Consol was able to report a 61 percent increase in turnover to R31.7 million (R19.2 million), and an increase in operating profits of 43 percent to R37.5 million (R26.1 million) in the review period.

Higher financing costs and an effective tax rate of 48.6 percent reduced the improvement at the taxed level to 22 percent at R39.5 million (R32.2 million).

After allowing for preference dividend payments, earnings per share increased by 12 percent to 56.3c (50.4c).

The directors say operating profit was adversely affected by static or declining sales volumes in most of the group's packaging markets.

Tycon reported a slight rise in operating profits, despite an 11-week strike and a two-week go-slow at the plant in Port Elizabeth caused by union demands relating to the US disinvestment.

Profit growth was also recorded by the glass division, although sales were negatively affected by generally weak demand and start-up costs related to the new glass furnace at Clayville.

The plastics division, however, reported overall losses as the flexible plastic division suffered higher losses in a weak market.

The paper division achieved meaningful profit growth, despite a decline in market share.

The directors say the rate of earnings growth in the second half of the financial year is expected to exceed that of the first half.

"Contributions from the new Clayville glass furnace and from a normalised manufacturing and sales performance at a post-strike Tycon should enhance profits for the rest of the financial year," they say.
Strike puts the brake on Nelson's Merc
Car sales still drooping

By Don Robertson

THE negative trend in new-car sales for the past nine months was confirmed in March.

Although sales last month were up 13.4% on February, the weaker trend which began last June was again in evidence when compared with the corresponding period of the previous year.

The only bright spot was light commercial vehicles (LCVs), sales of which rose by 4.3% in March compared with February. The total for the first three months rose by 6.6% compared with 1989.

Medium and heavy commercial sales were in line with expectations.

LCV sales were 19,043 in March compared with 16,798 in February. They were 28,477 in March last year.

Sales for the first quarter were 53,094 – 7.2% down on the 56,131 in the first three months of 1989.

The latest round of price increases has been announced by Mazda and Ford, but as expected, are being kept down, in this case 1.5% on average.

Medium commercials were marginally lower in March at 478 compared with 486 in February. Sales for the three months were well up at 1,375 against 606.

Heavy commercial sales were up at 763 in March compared with 656. Total sales for the quarter were well down at 1,918 from 2,216.
Tractors slow down
SALES of tractors fell to 326 in March from 369 in February.
The comparison with the previous year is more marked, sales being down 37% at 196.
Sales for the first three months were 918 compared with 1,439 in the first quarter of 1989. Although sales are expected to improve by the middle of the year, forecasts put the year's total at below 5,000.
Mercedes back to work

Johannesburg - Management of the Mercedes-Benz of South Africa plant in East London and National Union of Metal Workers of South Africa (Numsa) representatives agreed yesterday that normal production would resume today.
VW dispute settled

UTENHAAGE — Production was resumed at the Volkswagen plant here yesterday morning after 6,000 workers had been on a week-long strike. The dispute was settled after talks between the management of Volkswagen and representatives of the union.
Week-long VW strike ends

UITENHAGE — Production was resumed at the Volkswagen plant at Uitenhage yesterday, after 6 000 workers had been on a week-long strike.

The dispute was settled after talks between the management of Volkswagen and representatives of the National Union of Metalworkers of South Africa (Numsa). -- Sapa.
Toyota acts to increase share of market

By Jabulani Shakhabe

Toyota South Africa is hoping for an improved supply of parts from Japan to help the company improve turnover and increase its market share.

Chairman, Dr AJ Wessels, writes in the company’s 1989 annual report released yesterday that the company also expects to maintain its profitability during the year.

During the 1989 financial year, Toyota experienced a demand for vehicles which exceeded available supply. This was partly due to constrained stock supply by the Toyota Motor Corporation in Japan and partly to labour disturbances which affected the company’s plants and supply of components.

In 1989 Toyota sold 90 635 units compared with 94 756 in 1988 and Dr Wessels attributes this reduction almost entirely to supply constraints.

He says the stock constraint has now been largely resolved and labour relations have also been normalised and productivity restored to former levels.

Shortages

“We therefore expect to erase the vehicle shortage at all dealerships within a few months, ensuring a higher turnover for the year.”

Dr Wessels forecasts that 1990 will be a complex year for the motor industry as the Phase VI of the local content programme will have an inevitable influence on investment requirements and production costs of vehicles.

He says the introduction of a new local content programme for the motor industry, of which several aspects are still uncertain, was both disruptive and expensive.

Toyota is fully equipped with regard to both management and funds to accommodate and utilise these changes to strengthen further its position in the motor industry.

Finance

Dashing invests R4-m in new hi-tech furniture range

Dashing Office Furniture is to spend R4 million on the production of a new range of furniture called Unit.

The investment is for specially designed machinery, dies and tooling for the manufacture of an advanced range of modular, multi-purpose office furniture designed by its design partner, Planmobel of West Germany.

It was first shown in Cologne at the end of 1988.

Rudi Schmidt, co-founder of Dashing and the group’s technical director, says “The range is so advanced because it has its modular components and its use of h-tech alternative materials that it will take us into the 21st century.”

Production is expected to start at the company’s Roodepoort factory in June and the range will be available for delivery in September.

The system can be combined in a variety of ways to produce single and multiple desks to create team workstations.

The basis of the design is an extruded aluminium profile which is assembled with connecting components to form the structure which houses all cable ducts.

Francesco Barocas, managing director, says that while the initial capital investment is high relative to this sector of the R120 million-a-year office furniture market, once the high tooling costs have been amortised, the Unit range will be highly cost effective.

Polypropylene pallet

A near- indestructible polypropylene nesting pallet, Samy, which has been designed to replace the thousands of timber pallets stolen, vandalised, damaged or destroyed each year, will be launched at the Rand Easter Show.

Samy is resistant to grease, solvents and oil and is extremely flexible and lightweight.

“The annual cost of suitable timber is astronomical,” says Mr Brian Peasley, a director of Dalma Enterprises, sole agents for Samy.

“Using polypropylene makes replacement almost unnecessary.

“It is economical and recyclable and thefts are few because it has only one basic role — as a nesting pallet.”

Identity system

Marsh Software & Associates has launched Iris, a computerised identity retrieval and imaging system.

The pictorial database is capable of holding digitised photographs, fingerprints, signatures, logos and barcodes.

Identification cards can be produced in minutes as well as all pictorial and textual data of the cardholder which is displayed on monitor screens at security checkpoints.

Staff traffic in and out of controlled areas is logged on continually updated records of date and time to the nearest second.

Paymaster stations with detailed information on time worked, confidential personal records and photographs and thumbprints are available online throughout the system. Fraudulent payouts are, therefore, eliminated.

The database is capable of holding up to 10 000 records of user-definable structure and can be expanded to store records of millions of people.

ESCALATING RENTALS? NO CAPITAL? EXPENSIVE FINANCE?

FAX FOR MORE INFORMATION

TEMPFAX
TOYOTA TO ERECT AN R585M PLANT THIS YEAR FOR NEW ENGINE SERIES

COMPANIES

For the model midway in the year 1980, a complete year

The year 1979 will be a remarkable year

For the motor industry as the so

assess and evaluate

used to the fluctuations in demand

found that break points coincide

in the panel, each auto manufacturer

such supply to Toyota Motor Co.

Toyota Motor Co.

CHLORITE MATHEWS

(192) (1979)
Engine trouble

Plans for a common SA bakkie engine are likely to be scuppered. Only two vehicle manufacturers have shown interest in testing a diesel engine designed for common use. It seems unlikely there will be any more interest in a single petrol engine.

Motor industry officials have suggested for some time that it makes economic sense for bakkie manufacturers to obtain diesel engines from one supplier and petrol ones from another. They say volumes don’t merit the variety of engines now being built.

They argue that bakkies are essentially working vehicles and, unlike cars, their engines are expected to offer essentially the same performance. The need for greater industry co-operation in the wake of Phase Six of the local content programme appeared to generate more support for the idea of common engines.

The most popular idea was that Atlantis Diesel Engine (ADE), the sole supplier of engines to the truck industry, should supply diesel engines for bakkies. Petrol engines should be supplied either by one of the existing manufacturers or by a new engine company in which the manufacturers would be partners.

ADE developed a common engine which, after months of tests, was offered to the industry. But only two companies — Delta and Nissan — have shown an interest in testing it. ADE has fitted its engine into Isuzu and Nissan bakkies and tests are due to start soon.

But, without the support of Toyota and Samcor, the project is unlikely to get off the ground. Diesel bakkies are by far the smaller sector of the market, with annual sales of about 18 000. ADE officials consider this to be the minimum number to make the idea viable.

Companies are evidently loath to surrender any individuality in their vehicles. That being the case, the chances of agreement on a common petrol engine appear remote.

So it’s back to the drawing board.
# MARCH VEHICLE SALES

## CARS

| March 1990 | 19,043 | March 1989 | 20,417 | Decline | 7% |
| January-March 1990 | 52,084 | January-March 1989 | 56,131 | Decline | 7.2% |
| February (16,799) to March 1990 | | | | | |

## LIGHT COMMERCIALS

| March 1990 | 10,353 | March 1989 | 10,529 | Decline | 1.7% |
| January-March 1990 | 29,503 | January-March 1989 | 27,161 | Increase | 8.6% |
| February (9,919) to March 1990 | | | | Increase | 4.4% |

## MEDIUM COMMERCIALS

| March 1990 | 478 | March 1989 | 321 | Increase | 48.9% |
| January-March 1990 | 3,357 | January-March 1989 | 840 | Increase | 61.5% |
| February (486) to March 1990 | | | | Decline | 10.0% |

## HEAVY COMMERCIALS

| March 1990 | 703 | March 1989 | 656 | Decline | 17.9% |
| January-March 1990 | 1,518 | January-March 1989 | 2,216 | Decline | 13.4% |
| February (556) to March 1990 | | | | Increase | 7.2% |

## TOTAL SALES

| March 1990 | 30,577 | March 1989 | 32,183 | Decline | 5% |
| January-March 1990 | 84,872 | January-March 1989 | 86,348 | Decline | 1.7% |
| February (27,860) to March 1990 | | | | Increase | 9.8% |

Source: National Association of Automobile Manufacturers of SA
By Don Robertson

STRIKES in the Eastern Cape have cost motor manufacturers more than R200-million this month.

A 10-day stay-out at Mercedes-Benz in East London and a five-day lock-out at Volkswagen in Uitenhage resulted in lost production of almost 3,000 vehicles worth more than R220-million.

Unprecedented work stoppages and illegal strikes by groups of employees forced Volkswagen to close its plant on April 10.

Volkswagen says this regrettable step became necessary because it is impossible to produce vehicles during disruptions. It had no option but to close the plant.

The closure affected about 6,000 hourly paid employees. VW says many loyal employees were jeopardised by the actions of a minority.

Work resumed on Tuesday after negotiations between management and Numsa officials.

The company produces about 300 vehicles a day.

Mercedes-Benz employees resumed work on Wednesday.

Based on normal production rates, Mercedes lost 260 commercial vehicles, 500 Mercedes and 510 Honda cars. The retail value of lost production is about R155-million.

Lost production will extend waiting lists, which in some cases are as long as 12 months. Volume producer, Volkswagen, has been able to keep the backlog down to about three months for some models.

Mercedes-Benz has waiting lists of up to a year for some models and is unable to meet demand for Hondas.
Finance charges hamper Vaaltrucar

PIERRE DU PREE 192

MOTOR sales, parts and service outlets group Vaaltrucar has seen earnings per share rise 11% to 15.7c (14.1c) for the year ended February 28 1990.

However, an increase of 82% in finance costs largely offset a 12% rise in turnover of R102.1m (R91.3m) on the corresponding period. 2 3 4 1990

Chairman Sarel Germishuizen said results were in line with current expectations.

"The ratio of used cars to new cars in our vehicle sales division had to be reduced in a very tough market. This led to quite a reduction in profits," he added.

More restrictive financing also affected both operating income and income before taxation and had a negative impact on the group's results.

A final dividend of 3c per ordinary share was declared for shareholders registered on May 18.

Germishuizen was optimistic that the group's tight management structure and cost controls left it well poised to weather the uncertain economic climate, and to make strategic acquisitions as opportunities arose.
BUSINESSMEN wanting an investment are inundating Compuwheels with requests for cars like Porsches and Ferraris, says the listing service.

Managing Member Rod Taylor said although the second-hand car listing service had been set up for only seven weeks, it had secured advertising space from more than 80 dealers and several private buyers.

He attributed the success of the service to the advent of fax technology.

"We are handling over 70 calls a day," Taylor said. "We have just secured a deal with Lindsay Saker which has given us access to dealers nationwide. In the future, we will be opening branches in Cape Town and Durban."

A buyer who phones the service is faxed a print-out of models he requests. He can also specify price range or colour.

"Ultimately the intention of the organisation is to gather and disseminate vital statistical information on trends in the wheels business to dealers to assist them in the design of marketing strategies," Taylor said.

Another application Taylor mentioned was a security service to the police force. If the police provided Compuwheels with a list of stolen vehicle registration numbers, the service could check these against its system.

The service is free to buyers. Private sellers pay R50 a month for a space on the computer to advertise their car, while dealers pay R250 a month for 20 computer spaces.
Aurochs seals deal for Crest purchase

THE long-awaited outcome of negotiations between Noristan Holdings and Aurochs on one side and Citizens Holdings and Crest on the other culminated in today's announcement of Aurochs' R7.2m purchase of 100% of Crest Holdings. All four are in the PSI group.

In terms of the transaction Crest shareholders will receive R48.50 in cash and nine Aurochs shares for every 100 Crest shares held. Aurochs shares will be listed and allotted at 650c a share.

Once the transaction is completed Crest will be de-listed.

Noristan MD Hugo Snyckers said yesterday the acquisition was in line with policy of changing subsidiary Aurochs' focus from property to health care.

Aurochs is selling its property subsidiaries to Hunts before the end of June, which will leave it with R12.5m after the purchase of Crest.

"Crest is a leading distributor of medical equipment to state and private hospitals," Snyckers said.

"It is our intention to further develop the Crest businesses together with the existing management of Crest."

He said finalisation of the transaction depended on the major licensor represented by Crest agreeing to the transaction and to the transfer of its licensing and distributorship agreements.

Crest is 70.6% owned by its directors, 9.3% by the public and 20.1% by Citizens. Citizens in turn is 55% held by W & A.

After the transaction Citizens will hold 124,270 shares in Aurochs and R4.8m in cash. If it does not identify a suitable investment opportunity before completion of the sale of its Crest holding, Citizens will become a cash shell and its listing will be suspended.
Bottom line takes sharp knock

COMBINED Motor Holdings (CMH) bottom line for the year to February was hit by an abrupt drop in used vehicle retail prices and in sales of new and used cars in the 1989 third quarter.

CMH chairman Maldwyn Zimmerman said the resale value of used vehicles had declined in the third quarter of 1989 by 15-20%. Later models and medium-sized vehicles had experienced the greatest falls.

Attributable income of R5,3m was 15% below the R6,3m achieved in the previous year even though it was 31% higher at the half-year stage than in the previous interim period.

On earnings of 21c (33,2c) a share, a dividend of 10,7c was paid, the same as in the previous year.

Turnover rose 17,6% to R370,2m for the year from R314,8m. It appeared as if the major proportion of sales was made in the first half since at interim stage turnover was 45% up.

The group paid a heavy interest bill — R3,4m (R930 000) — because it held high stocks of vehicles at the time when new and used vehicle sales market collapsed, Zimmerman said.

“That portion has now been largely corrected with new and used vehicle stock levels having been reduced from approximately R30m during December 1989 to approximately R25m today.”

“It is targeted to reduce further, below R20m by the end of May 1990.”

He said cost benefits were expected to arise from the local content programme and move to fewer models.

These and projections of more stable currency should ensure further price increases were contained below the inflation rate, he said.

He also foresaw more opportunities in the servicing and replacement parts market as the used vehicle fleet continued to age. This would help dealers to counter fluctuating vehicle sales levels.

The contributions to operating profit are 42% from new vehicle sales, 10% from used vehicle sales, 38% from parts and 7% from servicing.
R18-m is written off

Criminal charges have been laid as a result of investigations into the affairs of Quality Tyres and an enquiry under the Companies Act is being held, says Mr Grant Thomas, executive chairman of Malbak.

He says that Malbak has written off the R18 million it invested in Quality Tyres which was placed in voluntary liquidation on December 8, last year.

Malbak purchased the trading assets from the liquidators by open tender and is continuing to run the business under the Quality Tyres name.

Mr Thomas says the decision to invest in Quality Tyres was based on the audited accounts of a listed company and the subsequent management accounts. Both "have been proven to contain material irregularities affecting earnings, liabilities and net asset value", he said.
Handle with care

Turn on the power! SA’s motorists are demanding more of it — and the manufacturers are giving it to them.

Just about every new or revamped model released on to the market over the past six months has significantly increased engine power characteristics — whether it be Delta’s new budget Kadett, or BMW’s burly top-of-the-range 3-Series as tested in my last column.

This power is being harnessed not so much to allow for higher top speeds — our heavily enforced speed limits see to that — but more to providing cars with improved acceleration and responsiveness up to, say, 140 km/h.

The latest offering from Toyota is enough to bring blood up to the eyeball levels of even the most spirited of motorists. The company has taken “granary” Cressida and implanted turbocharged power under its bonnet, to provide breathtaking performance right up to lift-off-type speeds.

The Cressida has been with SA motorists for over a decade now and is here to stay for many more — a state of affairs we will have to live with, thanks to our government’s debilitating local content and foreign exchange-saving policies. Toyota — and other SA manufacturers — are, therefore, working wonders at making earlier existing models more acceptable to our car buyers.

The FM test car — a Cressida 3.0th Twin Cam Turbo Automatic — is a true tiger in sheep’s clothing. It is only the car’s lower, more aggressive stance, wider Tiger wheels shod with Continental Sport Contact tyres and aidam with twin driving lamps, that leads one to suspect that this is no ordinary Cressida. No turbo badges, challenge stripes or garish skirtling to give the game away.

Inside, the luxury fittings and appointments of the 3.0th Twin Cam remain un-

and you take off like a corporate jet. At about 4000 r/min the turbo is delivering most of its boost; it’s the motorong equivalent of being punched in the back by Mike Tyson.

A speed of 100 km/h comes up in 8.2 seconds, but bear in mind that, with this car’s automatic gearbox, the booster has only just started making its influence felt at this speed.

Wiel magazine, who tested the car shortly before me and provided the accompanying photograph, attained the best top speed for this car so far — 237 km/h. Under hard acceleration, things happen so quickly that you think the automatic gearbox could be caught out with all the rigorous cog-swapping. But no, it somehow works its way through the gears efficiently and smoothly.

With its well-secured sports suspension, the Cressida Turbo is fairly stable at high speed. But when accelerating hard, don’t be caught out by the turbo suddenly delivering its full 60 kPa boost — it tends to make the back wheels spin and lose traction, meaning you could leave the road sideways in a hurry.

Fuel consumption? Forget it. Driving extremely hard, I got a mere 296 km from the 70/fuel tank. Work that one out and judge for yourself whether it’s worth all the enjoyment of such exhilarating motorong.

Toyotaraizes that, after a spell of spirited driving, the engine should be allowed to idle for three minutes before being switched off. This will allow the hard-working, water-cooled turbo to gather itself and get its oil circulation going again. (The driver may also need a bit of time to gather himself!)

This turbo system — with intercooler — has been developed and installed by turbo genius John Conchie, with the full blessing of Toyotara.

High-speed motorong indeed — yet at not too high a cost. This conversion increases the price for the standard Cressida 3.0th Twin Cam Automatic by R8 800 to R75 250.

Doug Kemsley
CAR-MAKERS PUT BREAK ON PRICE RISES

On Monday, the Australian motor industry announced a freeze on price increases for new cars. This move follows a similar decision by the New Zealand car industry last year.

The freeze applies to all makes and models of new cars, regardless of the manufacturer or distributor. The price freeze will remain in place until the end of the year, at which time the industry will review the situation.

'During difficult economic times, it is important that the car industry shows leadership and responsibility,' said Industry Minister, Dr. John Smith. 'The freeze on price increases demonstrates that the industry is committed to maintaining reasonable prices for consumers.'

The freeze is expected to have a significant impact on the bottom line of car manufacturers. However, industry experts believe that the move will help to maintain consumer confidence in the industry.

'Price stability is crucial for the car industry,' said Industry Analyst, Mr. David Johnson. 'Consumers are looking for reassurance that they are getting a fair deal, and price freezes like this one go a long way towards providing that reassurance.'

The freeze also comes as a relief to consumers, who have been承受ing rising prices for cars due to increased production costs and higher interest rates.

'Price increases have been a constant worry for many consumers,' said Consumer Advocate, Ms. Jane Smith. 'The freeze on price increases is welcome news, and we hope that it will lead to a more stable market for car buyers.'

The freeze on price increases is expected to remain in place throughout the remainder of the year, with a review scheduled for December.

By Don Robertson
TOYOTA SA aims to keep average vehicle price increases between 6% and 10% in 1990, according to MD of Toyota Marketing Co, Brand Pretorius.

This is good news for SA motorists, who in recent years have been faced with average industry increases as high as 35.7% in 1986.

Our projected price increases for this year promise to be among the lowest in the industry for many years and will be at least 5% below the expected inflation rate," said Pretorius.

Towards the end of last year we predicted that Toyota's prices would not increase by more than 12% in 1990, compared with 15% in 1989 and 22% in 1988, he said.

Now, largely due to the way the rand has strengthened against the yen since mid-1989, and the special effort we have taken to contain costs, we are able to reduce our forecast price increase for the year even further.

The company recently increased some of our vehicle prices for the first time since the beginning of November last year, and the largest increase was only 1.5%.

"Our plant at Prospecton has been working at maximum capacity of 450 units a day for several months now, but unfortunately we still have a backlog on orders — for some models it is as long as three months."

"We have now employed 120 extra workers at the assembly plant and we plan to increase production in May to an all-time record for the facility of 464 units a day to improve our supply position," said Pretorius.
Second-hand car prices ease

By Derek Tommey

The cold wind of recession blowing through South Africa has brought some good news for would-be car buyers.

As a result of the down-turn in business the prices of good late model second hand cars are some 20 percent lower than a year ago.

This is the experience of Avis Lease which has one of the country's biggest business leasing operations and, has to sell some 130 cars a month coming off lease.

Mr Grenville Wilson, managing director of the company, said these were the only cars the ordinary individual could afford and consequently the market remained reasonably firm.

But the prices of medium-sized cars had fallen significantly and could fall further.

Mr Wilson said the increases in new car prices in the past few years had led many people to expect second-hand car prices to firm.

Cost factor

But the price of these cars was determined by the ordinary man's disposable income and this had not kept pace with inflation - or with new car prices.

The decline in second hand car prices could lead to an increase in leasing costs on new cars.

Two or three years ago the cost of leasing a car was based on it having a residual value at the end of the leasing period of up to 60 percent.

The softness of the used car market suggested that in future car leases would have to be based on a residual value of 40 percent.

Mr Wilson said that firms supplying cars on full maintenance leasing, as Avis did, tended to do well during recessions.

Firms still had to have cars for their business and Avis, specialising in leasing and repairs, was able to provide cars at a lesser cost than the firms could do themselves.

In times of recession this was a bull point for the car leasing industry.
Sanctions ‘could shut down motor industry’

From DAVID BRAUN
The Argus Foreign Service
WASHINGTON: — An international embargo of the vulnerable South African motor industry would result in all seven passenger, car, assembly, plants stopping production within seven months.

Within two years, however, at least three manufacturers would be able to produce nearly 100 percent South African-content cars, probably at a cost no higher than 20 percent above present prices.

These are the main findings of an in-depth case study of full sanctions against the motor industry conducted by Professor Trevor Bell of the Rhodes University in Grahamstown, on behalf of the Washington-based Investor Responsibility Research Centre (IRRC).

The case study forms part of a report of an investigation into the impact of sanctions on South Africa, released by the IRRC in Washington yesterday.

Overseas groups

The detailed paper on the motor industry analysed the effects of disinvestment and trade sanctions to date, then discussed the impact further sanctions might have.

The South African motor industry has been targeted for further sanctions by certain groups overseas.

The study concluded that if a full-blown trade embargo was applied to the motor industry, it would be likely that in the short-term there would be a reduction in the number of motor vehicle assemblers from seven to about three.

In the assembly, component manufacture and retail sectors, there would be a loss of about 120 000 jobs, affecting the Eastern Cape region particularly severely.

Within seven months at the most, all motor vehicle assemblers would have to shut down.
SA ‘could produce own cars in 2 years’

By David Braun,
The Star Bureau

WASHINGTON — A total international embargo of the vulnerable South African motor industry would result in all seven passenger car assembly plants ceasing production within seven months.

However, within two years at least three manufacturers would be able to produce cars with almost 100 percent local content, probably at a cost no more than 20 percent above current prices.

These are the main findings of an in-depth case study of full sanctions against the SA motor industry conducted by Professor Trevor Bell of Rhodes University in Grahamstown on behalf of the Washington-based Investor Responsibility Research Centre (IRRC).

The case study forms part of an investigation of the impact of sanctions on SA released by the IRRC in Washington this week.

Drop

The detailed paper on the motor industry analysed the effects of disinvestment and trade sanctions to date, then discussed the impact further sanctions might have.

If a full-blown trade embargo were applied to the motor industry, the study concluded, the number of motor vehicle assemblers was likely to drop from seven to about three in the short term.

In the assembly, component manufacture and retail sectors about 120,000 jobs would be lost, affecting the Eastern Cape severely.

Within seven months at the most all motor vehicle assemblers would have to shut down.

Assemblers would try to obtain some currently imported components from new overseas sources through sanctions-busting. But, in the long term, the industry would strive for complete self-sufficiency.

Professor Bell estimated it would take at least two years for the motor industry to start up again, manufacturing vehicles with 100 percent local content.

Trucks

If the export of modern machine tools were also embargoed, it might still be possible to resume production after two years, but the number of vehicles would be too low to meet the demand.

The study found SA would have little problem manufacturing its own trucks, as the country had already developed indigenous manufacturing facilities for heavy vehicle engines, truck transmissions, axles and gearboxes.

In the long term, sanctions would not cause a drastic reduction in the overall size of the vehicle market. The level of employment in the industry, once it started up again, would also probably not be significantly affected.

The report found that a greater degree of self-sufficiency in the motor industry was economically desirable.

However, the almost 100 percent local content necessitated by a total embargo, particularly if imposed unexpectedly, would have a detrimental effect on assemblers, workers and motor vehicle users.
R1-bn boost for SA car industry

By Sven Lunsche

South Africa’s motor industry is set for a R1 billion export boost next year when several manufacturers begin production of exhaust systems which incorporate platinum-based autocatalysts.

The export drive has been made possible by recent moves to produce these autocatalysts locally.

UK-based Johnson Matthey (JM), in which Moncor holds a 38 percent stake through Charter Consolidated, yesterday announced plans to build a R35 million catalytic converter plant in Germiston, which will produce up to 2 million converters a year.

JM is the world’s largest manufacturer of autocatalysts and has been expanding production worldwide as clean air legislation in most industrialised nations forces car makers to fit catalytic converters to exhaust systems.

Earlier this year, Port Elizabeth-based Algorax started construction of a R25 million plant which is expected to produce one million converters a year from next year.

And industry sources said yesterday that negotiations were taking place for the creation of other plants.

The local manufacture of autocatalysts will boost demand for platinum.

Christopher Clark, an executive director of JM, said yesterday that when in full production the Germiston plant could use up to 100 000 ounces of platinum a year.

JM, which is also Rustenburg Platinum’s sole marketer, will make use exclusively of platinum supplied by the mine. Rupec announced last week that it will increase production by 30 percent over the next 40 months.

The autocatalysts will be sold to local motor manufacturers, who will either produce the converters directly or contract out to component manufacturers.

When exported the catalytic converters, which currently cost up to R200 each, will provide a significant bonus to the manufacturers.

Industry sources estimate the potential for export earnings at around R1 billion.

This in turn will allow the car makers to offset the value of their imports against converter exports in terms of Phase 6 of the value-based local content programme for the industry.

Mr Clark said that JM had discussions with local motor manufacturers before giving the go-ahead for the plant and he is confident that the full production will be taken up.

Production of converters in South Africa also makes sense in terms of incentives provided for local mineral beneficiation and could speed up the call for local regulations on tighter emission standards for cars.

The demand for platinum-based autocatalysts, which already accounted for almost half of 1999’s total demand for platinum of 3,4 million ounces, is set to soar over the next few years.

The European Community has announced that it will introduce a clean-air policy in mid-1992, forcing small cars to have autocatalyst converters fitted to their exhaust system.

This legislation could be extended to medium and larger cars by 1993, while tighter emission regulations are also expected to be enforced in other industrialised nations.

JM estimates that the European market alone will be worth £500 million by 1993.
Exhaust catalyst plant for SA

JOHNSON Matthey plc, the British company that is the world's largest manufacturer of car exhaust catalysts, said yesterday it was building a R43m plant at Germiston to manufacture 2-million of these converters a year for export.

More than half of the world's 400-million cars have been fitted with the catalysts, which convert the harmful emission of carbon monoxide, hydrocarbons and nitrogen oxides into less harmful carbon dioxide, nitrogen and water.

A third of the world's platinum supply — of which SA producers mine 80% — is used in the manufacture of the catalysts.

Johnson Matthey's existing operations at Wadeville, which makes a wide range of fabricated metal and chemical products, mostly based on precious metals, will also be relocated to Germiston, executive director Christopher Clark said yesterday.

RIAA SMIT

Production would start next year and would be directed at Europe initially.

"This will provide the South African car producers with significant export credits, thereby reducing the foreign exchange required (by the local content legislation) to support the industry's imports."

The European market for catalysts would have an annual value of at least £200m ($2.3bn) when the EEC legislation for all cars was fully in place from 1993, Johnson Matthey market development director Rob Searles said recently.

A local company, Algolax, said in January it was building a R13m plant in Port Elizabeth to manufacture exhaust catalysts. Production was expected to start in January 1991. Exhaust catalysts are not a requirement for cars on the SA market.
By Don Robertson

THE Fiat-Nissan deal to bring the Uno to this country is a coup for the SA company.

The pooling of investments in SA by the two motor giants could lead to closer co-operation by the Italian and Japanese manufacturers in other parts of the world, says Stephanus Louwser, managing director of Nissan Marketing.

Fiat is the first manufacturer to return to SA after withdrawing in the tough times.

Nissan has spent about R28-million on tooling for the five-model Uno range, which has been brought to the showroom only seven months after the new model was launched in Italy.

The base model Uno Fire is the cheapest car in SA, selling for R17 850. The mid-range Pacer five-door will retail for R23 250 and the flagship Uno Turbo for R31 850.

Nissan hopes to dominate the A- or small-car market for the next three years ahead of what it expects to be a rush by other manufacturers to enter the sector.

The small-car market died in 1983 when the Leyland Mini, Renault 5 and Daihatsu Charade ceased production. Small cars made up 4.3% of the market with sales of 11 500 units in 1983.

Mr. Louwser is confident that Uno sales of about 10 000 this year will take 4.4% of the market, rising to 4.6% in 1991 and 5% the following year.

With the possible introduction of the Ford Fiesta, the overall market this week

<table>
<thead>
<tr>
<th>Section</th>
<th>Av</th>
<th>Av</th>
<th>Av</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tin</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diamonds</td>
<td>9.6+</td>
<td>22</td>
<td>0</td>
</tr>
<tr>
<td>Transportation</td>
<td>8.6+</td>
<td>58.7</td>
<td>77.8</td>
</tr>
<tr>
<td>Exclusive</td>
<td>4.9+</td>
<td>10.6</td>
<td>0</td>
</tr>
<tr>
<td>Platinum</td>
<td>0.4+</td>
<td>4.8</td>
<td>13.0</td>
</tr>
</tbody>
</table>

Overall market this week
Record profits for Toyota but market share declines

Toyota has always enjoyed a fine reputation but during the last four years its percentage of vehicles sold compared with that of the total motor industry has steadily declined.

In 1986 it held 29,9 percent of the market, in 1987 26,6 percent, 1988 26,5 percent and now in 1989 only 25,7 percent.

The detailed breakdown shows Toyota had 39,3 percent of light commercial vehicle sales in 1986 but only 31,6 percent in 1989. In 1986 it had 26 percent of all passenger vehicle sales but in 1989 this dipped to only 22,8 percent.

Despite this decline the bottom line has improved spectacularly from R20,5 million in 1986 to R31,9 million in 1989.

Surprisingly, chairman Dr Albert Wessels says little about the declining market share. He is pleased that market research shows Toyota clients recording the highest satisfaction rating in the vehicle market and that last year in Japan his company received the "Best After Sales Service Award."

Nice work, Dr Wessels but why is Toyota losing market share and to whom? I accept that during 1989 demand for new vehicles exceeded available supply due partly to labour disturbances temporarily halting production and constrained stock supply by Toyota Japan. But why the four-year downward trend?

Total debt increased marginally to R178 million at end 1989 compared with R172,8 million in 1988. Will the R1 billion capex programme for the next five years mean higher debt? At end December 1989 Toyota SA already had commitments of R59,9 million (1988: R140,2 million) which note 15 says will be met from further borrowings and the group’s internal resources. Eye-catching was R85,4 million (1988: R52,8 million) “interest received from outside parties.”

Who exactly are these outside parties and has this got anything to do with subsidiary Auto Credit Aid Investments (Pty) Ltd which has not been consolidated due to “the insignificant amounts involved” and that it would be of no real value to the shareholders?

fees to outside parties R1,91 million (1988: R567 000) After deducting tax of R87,5 million (1988: R64,8 million) and crediting insignificant associated companies income, the bottom line improved marginally (but still a record) to R191,55 million (1988: R189,17 million)

Earnings per share were R22,59 versus R21,95 in 1988. The annual dividends were raised to R4,10 (1988: R3,60) a share.

Motor vehicle prices were increased more or less in line with cost increases and this resulted in the six percent in operating income percentage of sales virtually the same as 1988’s 6,1 percent.

The introduction of the new local programme for the motor industry was both disruptive and expensive and the widespread industrial unrest affected Toyota’s plants as well as the supply of components, says Dr Wessels.

The balance sheet is impressive. Shareholders’ interest increased to R653,5 million (1988: R534,5 million) at end December 1989. But this included R233,8 million (1988: R163,4 million) non distributable reserves, predominantly revaluation of fixed assets.


For the first time total assets easily exceeded the R1 billion mark at R1,13 billion (1988: R860 million).

The decline in economic growth will continue in 1990 says Dr Wessels and there will possibly be a decrease in vehicle sales, but his company will maintain and increase market share how?

Don’t worry shareholders Dr Wessels says that with labour relations normalised and productivity in plants restored to its former high level, vehicle shortages should be rectified at all dealerships shortly, ensuring a higher turnover in 1990.

Management expects that the profitability of the group will be maintained. But don’t forget the R1 billion capex programme will need funding.

It might be true that the lower number of units sold in 1989 was due almost entirely to supply restrictions, but are not motor vehicle prices far too high? I believe motor manufacturers are pricing themselves out of the market as corporations are major buyers not the public.

More details about this company and other investments Dat Investments (Pty), Cashin Investments (Pty) and Island of Guernsey incorporated financier TSA Investment Ltd should have been disclosed.

By having used up virtually all 1988’s assessed losses of R17,8 million the effective tax rate has risen sharply to 48 percent (1988: 42 percent) and should remain high from now on.

Also, who received the “managerial and technical service
Auto & General aims to expand

MOTOR vehicle insurer, Auto & General (A & G), aims to have 120,000 policy holders on its books by the year-end.

By end-December there were just over 100,000 policy holders.

Financial director Nicholas Mew said the company had plenty of capacity to fund the expansion — its solvency margin at year-end was 66%, well within the legal requirement of 15%.

Total assets at the December year-end amounted to R89m (R60m) — an increase of 48% over the previous year.

Total premium income generated in 1999 was R150m (R110m) and investment income was R8.3m (R5.2m). The underwriting loss deteriorated from R238 000 to R3.8m, mainly because of inflation's affect on the cost of claims.

About 70% of A & G's business is in the motor account and 30% in household insurance. Unlike other short term insurers, A & G did not increase its motor premiums in 1999 nor has it done so yet this year.

Mew said the trend in the cost of claims was monitored on a monthly basis as almost all policies were monthly policies. When the need for an increase became apparent, this would be implemented.

A new computer system which has been developed to streamline administration will be marketed abroad when completed.

A & G, was established in 1985 when the short-term insurance arm of the Crusader group was taken over by Chairman Douw Steyn and the Hollard insurance group own 90% and a foreign shareholder 20%.
To Grow Rapidly

Nissan expects small car market

By Judson Shults
New car sales plunge by 24%

By ARI JACOBSON

The sharp 24% decline in new car sales for April is indicative of the difficult times ahead for the motor industry, the National Association of Automobile Manufacturers of SA (Naamsa) said in yesterday's release of new vehicle sales statistics.

Expressing concern at the dramatic fall in new car sales, Naamsa said while the underlying trend had been weak for the past 10 months, the magnitude and extent of the decline in April had taken most industry analysts by surprise.

Share prices which lead the economy by ten months have started to level off after a continued upward trend since November 1988, said a motor analyst.

"The downside potential should be accentuated by the lower than anticipated new car sales in spite of the motor sector being cheap on a dividend yield of 5.4% against the benchmark industrial sector at 2.6%".

Naamsa added that the decline in all sectors of the industry would probably force vehicle manufacturers to revise downwards their annual new vehicle sales projections.

Naamsa attributed the decline to a combination of unfavourable factors, including the number of public holidays in April, consumer and business uncertainty, shortages of built-up vehicles as a result of industrial action and the impact of the stringent fiscal measures.

"The high cost of finance and general uncertainty about the outcome of socio-political developments had led end-customers to withhold or defer purchases."

April new car sales dropped by 4 614 units to 14 431 unit sales against March's figure of 19 045.

Compared with the corresponding month in 1989, April's sales reflect a decline of 22.2% or 4 128 units.

Sales of light commercial vehicles and minibuses, medium and heavy commercials, declined by 24.5%, 41.8% and 21.3% respectively against March's sales figures.

Naamsa expected business conditions to remain difficult throughout the motor industry during most of 1990, but a gradual improvement could occur in the latter part of the year if interest rates decline.
Delta sets hot pace in tough motor market

By Derek Tommey

Another name is about to be emblazoned on the list of exceptionally successful South African businessmen.

It is that of Keith Butler-Wheelhouse, chairman and chief executive of Delta Motors which took over from General Motors here.

Since Mr Butler-Wheelhouse headed the management buyout of Delta in 1986, little has been heard of the organisation's internal affairs. But in a new approach, Mr Butler-Wheelhouse has at last lifted the curtain on Delta's achievements since 1986 and what an outstanding success story he has to tell.

The group has no debt, has an annual turnover in excess of R1.3 billion and has become number three in car sales and number four overall.

It is making waves in the export market and increasingly sees itself as one of the top players in the motor industry, even though it has no financial backers.

But last but not least, in what is a heavily unionised industry, Delta can boast of not losing a single day's production in the past three and a half years from industrial action by its own staff. (Although labour problems at some of its suppliers have caused production losses),

But one fact Mr Butler-Wheelhouse was not prepared to divulge thus was Delta's profit.

Asked whether it amounted to R700 million, he replied, "I'd be disappointed if I made so little."

The group's has an impressive record of success. When the Delta buy-out was negotiated in 1986, General Motors South Africa was selling 24,000 vehicles a year.

Delta pushed up sales to 30,000 in 1987, to 40,000 in 1988 and to 42,000 last year, in spite of the slump in the industry.

This year, even though the recession has intensified, Delta again expects to sell 42,000 vehicles and to further increase market share.

"There is still business out there for anyone who is prepared to go and get it," said Mr Butler-Wheelhouse.

Younger target

For Delta it meant re-establishing dealerships, re-positioning the group's products and giving them a more positive image.

Delta aimed at a much younger group of buyers by emphasising its increasing market share, the exciting performance of Delta models and its reinforcement of Delta's participation in motor sport, which showed that the company had the fastest standard production car in the country.

The result is that the average age of buyers of Delta products has fallen by about 10 years.

All this has been achieved while investing huge sums of money from cash flow in upgrading the plant which, owing to the uncertainty about General Motors future here, suffered in the last year of that group's operations here.

"We've been modernising on the run and installing new equipment at the annual shutdown and in the process becoming a specialist in press tools and heavy pressing," Mr Butler-Wheelhouse explained.

Delta can now make virtually all the tooling for a new model and these skills have paid off in a five-to-seven year contract with West Germany for sheet metal pressings for older model Kadettes and Ascomas.

Making these parts would be just an unwanted headache for Opel because the production run was too small for them, he added.

Moreover, the company has been in obtaining an order to provide pressing tools for an Isuzu bakke plant which is building in partnership with a British company in the UK.

Delta has already built the tools for the front end of its own Isuzu

Haifing to extract working capital from the company for its expansion has not meant paying keen attention to asset management. The company had to be more efficient and in particular, shorten the supply pipeline.

One of Delta's achievements has been to raise labour productivity. In 1986 Delta was turning out 7,4 cars for every workman. In 1987 this had improved to 16,2 cars a worker and in 1988 to 12,6 cars.

Delta has some way to go to catch up with the Japanese who produce 20 cars a worker, but its record is a good one for South Africa.

Delta has worked hard to build its workers into a team and get close to them. One way it has achieved this is to invite 100 workers from every department to a party each Wednesday night, at which they can talk directly to Mr Butler-Wheelhouse.

Mr Butler-Wheelhouse has spent all his working life in the motor industry. His first job was in 1961 with Ford in Port Elizabeth and while with them obtained engineering qualifications.

He later joined General Motors and studied accounting at the University of the Witwatersrand. He also has had a stint in marketing. He is therefore extremely well-qualified for his present job.

He said he welcomed the local content programme which he feels the country needs. But he is not happy with the target figures which means that Delta has to raise the local content of its products from an average of 61 percent to 75 percent by 1987.

Delta is in no need of capital and has no intention of seeking a share listing, said Mr Butler-Wheelhouse.

Delta's chairman Keith Butler-Wheelhouse receives a congratulatory kiss from Cheryl Cowen-Davis, a Miss South Africa finalist, when he was named Port Elizabeth's Citizen of the Year for his outstanding community service.
Shocked 20% drop in new vehicle sales

NEW vehicle sales showed an unexpected 20.2% decline to 23,006 units in April 1990, against 28,551 units sold in April 1989, according to figures released by the National Association of Automobile Manufacturers of SA (Naamsa) yesterday.

Passenger car sales fell to 14,431 units in April from 18,357 units sold the previous April and from 19,045 units sold in March.

"Whilst the underlying trend in new car sales has been weak over the past 10 months, the extent of the decline in April was more than most industry analysts expected," Naamsa commentator Mr. Naamsa commented.

A Naamsa spokesman said the sharp fall-off was due to a combination of factors such as the number of public holidays in April, the let-ysis in consumer and business uncertainty and shortages of built-up vehicles caused by industrial action and work stoppages.

Current stringent monetary and fiscal policy measures had also had an effect. Sales of light commercial vehicles fell to 7,811 units in April from 9,557 the previous year, medium commercial vehicles fell to 296 units from 372 and heavy commercial vehicles were down to 256 units from 665.

According to figures released by the SA Agricultural Machinery Association tractor sales for April fell by 4.6% to 338 units compared to 352 sold in April 1989 but were above the 295 units sold in March.

Naamsa said the April figures would probably cause vehicle manufacturers to revise their annual new vehicle sales projections downwards.

They forecast business conditions would remain difficult in 1990 but if interest rates declined later in the year new vehicle sales would show a gradual improvement.
Sales of new cars plunge by 24 pc

By Sven Lunsche

New car sales in April plunged by 24 percent from the previous month, reflecting rapidly deteriorating economic conditions.

Figures released by the National Association of Automobile Manufacturers (Naamsa) yesterday showed new car sales fell from 19 045 units in March to 14 432 last month. Sales were down 22 percent from April last year. Total new vehicle sales in April, at 23 090 units, declined by 20.2 percent compared with the 28 911 units sold in the same month a year ago.

Vehicle sales have been falling steadily over the last year, but April's sharp drop has taken most industry analysts by surprise.

'It certainly reflects the ever-worsening financial conditions the consumer has to face in the wake of higher interest rates and more expensive hire-purchase financing costs,' said one.

Naamsa ascribed the plunge to a combination of factors, including the large number of public holidays in March, consumer and business uncertainty and shortages of stock, as a result of industrial actions.

'The current stringent monetary and fiscal policy measures also had a bad effect.'

Even sales of light commercial vehicles fell to 7 811 units last month, compared with 9 357 units a year ago.
New cycle?

Auto & General (A & G), which has aggressively marketed motor insurance at cut rates, has sold, its much-publicised new building because of a new regulation promulgated under the Insurance Act, which took effect from October 1. Financial director Nicholas Mew explains that property assets of a short-term insurance company must be kept below 5% of aggregate liabilities.

The new owner, he says, is a shareholder in A&G. Though the building is now off-balance sheet, it is still for all practical purposes an integral part of A&G. Ownership of chairman Douw Steyn's Hyde Park, Johannesburg, mansion has also been affected by the regulation and bought by the same shareholder.

Underwriting losses for the 1989 financial year amounted to R6.2m, which Mew attributes to expenditure on new technology, an expanding management structure and conservative reinsurance arrangements.

However, highly competitive premium rates are likely to have contributed. In five years, says broker Jan Erasmus, of Prestast, A&G has built up a market equal to almost 20% of that of the long-established Santam. By specialising in the personal lines insurance, it has made larger companies aware of the potential of that market. Santam's Teleplex is a direct result of A&G's successful entrance, says Erasmus.

But there are dangers to rapid expansion, Erasmus points out that, at this stage in the interest rate cycle, companies can afford underwriting losses "They can get by on investment income. But if interest rates go down, a company has to make an underwriting profit to survive, which could mean increased premiums."
Mercedes moves into medium truck field

Finance Staff

Mercedes-Benz expects to make big inroads into the medium-weight commercial vehicle market with its new Econoliner range of trucks introduced to South Africa this week.

The Econoliner, which cost more than 100 million Deutschmarks to develop, was designed with an eye to mounting environmental concern and the emphasis is on low fuel consumption, low emission, low noise levels, and ease of maintenance.

It has been the top-selling truck in Europe for the past five years, having received the Truck of the Year award in 1985.

Adolf Moosbauer, management board member responsible for the commercial vehicle division, Mercedes-Benz of SA (MBSA), said at the truck's official launch at Neethlingshof wine farm, near Stellenbosch, the parent company's market share in Europe for medium trucks was 60 percent.

In South Africa where the Japanese are close competitors, it was 28 percent.

"But we believe the Econoliner range will put us ahead," he said.

Nissan figures set annual sales in medium-weight category at around 5100, with forecast sales for this year at about 6000.

The market was fairly static because improving utilisation, more efficient maintenance and loading, and greater use of professional operators had prolonged the life of vehicles.

"Product quality also undergoes con-..."
Thin red line

Activities: Distributes automotive refinishing products

Control: Teamcor and AEIC 73.1%
Chairman: K Dienst, MD M Bloom

Capital structure: 21.6m ords Market capitalisation R3.7m

Share market: Price 17c Yield 10.3% on
dividend, 26.3% on earnings, PE ratio, 4.0,
cover, 2.5 12-month high, 40c, low, 17c

Trading volume last quarter, 157,400 shares

Year to Dec 31 '86 '87 '88 '89
ST debt (Rm) 3016
LT debt (Rm) 1.2
Debt equity ratio 2.01 0.69
Shareholders' interest 0.17 0.39 0.38 0.36
Int & leasing cover 9.0 6.0
Return on cap (%) 27.2 30.3 27.5 17.7
Turnover (Rm) 13.7 22.2 27.5 33.9
Pre-tax profit (Rm) 0.9 2.4 2.7 2.2
Pre-tax margin (%) 6.7 10.7 9.9 6.3
Earnings (id) 2.7 8.4 8.5 4.3
Dividends (id) 1.7 3.0 3.0 1.75
Net worth (id) 3.5 14.0 17.8 20.0

Profits slumped last year as Curnow struggled to hold its share of an increasingly
competitive auto paint market. Attributable
income fell 35% on 23% turnover growth as
margins crumbled and finance charges rose.

The trading margin has been sliding since
1987, when it touched 10.7% and reached
5.5% in the second half of 1989. Financial
director Michael van Niekerk hopes the
margin will improve this year as the market
stabilises.

Management is trying to spread trading
outside Curnow's two main and vulnerable
branches and Van Niekerk hopes this will
translate into an improved trading margin
this year. After two debt-free years, Cur
now's debt equity jumped to 6.9% and interest
payments to R0.3m. Van Niekerk says
borrowings are on budget so far this year and
he expects to reduce gearing by December.

Most of Curnow's sales are to panel beaters. And though the annual report is not
specific, it appears the company is having
difficulties in the DIY market. Paint, it

seems, has become too complicated for ama
ateur car restorers to use. As a result, Curnow
is trying to change its product mix to achieve
a better balance between paint and ancillary
product lines.

Van Niekerk says turnover was good in
the first three months of 1990 but dipped in
April. It is unlikely the first quarter's better
sales will translate into a major profit im
provement by year's end

Pam Buskend
Bright Ideas Worth Millions

NISSAN SCORES FROM WORKERS' SUGGESTIONS

By Chairman Kheda

(19251890 3/15/70)
Trusts to improve the quality of life

TOYOTA SA and the
Toyota Motor Corporation
of Japan have established a
foundation aimed at im-
proving the quality of life of
South Africans.

The Toyota SA Founda-
tion is giving preference to
helping communities in
which Toyota employees
reside — mainly in Durban
and Johannesburg, says the
company employees' news-
letter, Mottomaker.

Grants made and pro-
jects funded are in addition
to the established Toyota
SA Donations Fund, which
continues to support ter-
tiary educational institu-
tions and organisations which
help with the social and
economic upliftment of the
less advantaged.

The new foundation con-
sists of two trusts: The
Toyota SA Educational
Trust and the Toyota SA
Charitable Trust.

The emphasis of the foun-
dation is on improving
standards of education,
training, housing and civic
amendments.

Part of the leading motor
manufacturers' new CSR
programmes are to invest
R200,000 in 1800 to equip
two electrical engineering
laboratories at the rapidly
expanding Peninsula Tech-
nikon in Bellville, Cape
Town.

The laboratories are to
be equipped with 30 stan-
dard workstations enabling
students to investigate the
basic principles of electro-
ical engineering.

Toyota's personnel and
industrial relations group
director, Theo van den
Bergh, says "hands on" ap-
proach is the most effective
for teaching the basic prin-
iciples of engineering.

"This is especially the
case in electrical engineer-
ing and electronics, which
involve abstract theoretical
concepts that students
find difficult to understand
unless these are reinforced
by laboratory work."

The technikon, which
started in 1987 with about
200 students, has more than
4000 students and anticipa-
tes accommodating
about 10,000 in the future.

Neighbouring

About 40% of the stu-
dents are from other parts
of SA, including neighbour-
ing states.

Companies in the Trans-
vaal, Bophutatswana, Le-
solho and Transkei send
technicians there for train-
ing.

Toyota is also to invest
R200,000 over a period
of three years in helping
provide technical education
facilities for communities
served by the Education
and Culture Department of
the House of Representa-
tives.

The money will be spent
on equipping machinery
training workshops at two
comprehensive schools in
Johannesburg and Durban.

Van den Bergh says up-
grading of the buildings has
been completed at various
schools, among them Er-
nedale No 2 in Johannesburg
and Fairvale in Durban.

The schools now have
workshops and classrooms
for tuition in skills such as
building, carpentry, me-
work, electronics and
motor mechanics.

Toyota SA Motor
Industry Employees'
Association (AMIEA) have
each agreed to invest
R20,000 in improving facili-
ties for training coloured
auto electricians in Dur-
ban.

The company is also the
first to become a member
of the development board
of the Project Spear train-
ing programme for SA
Black Taxi Association
members.

It has supplied four
Toyota minibuses for the
driver training programme
in the PWV developed in
conjunction with the
National Road Safety Coun-
sil and the Council for
Scientific and Industrial
Research.

Toyota marketing MD
Brand Pretorius says
"Toyota acknowledges the
need for accelerated black
participation in the SA eco-
omy and to substantiate
this, we have pledged our
support to the Foundation
for African Business and
Consumer Services."
APRIL VEHICLE SALES

CARS

<table>
<thead>
<tr>
<th>Month</th>
<th>Sales 1990</th>
<th>Sales 1989</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 1990</td>
<td>14,431</td>
<td>18,557</td>
<td>22.2%</td>
</tr>
<tr>
<td>Jan-April 1990</td>
<td>66,527</td>
<td>74,688</td>
<td>10.9%</td>
</tr>
<tr>
<td>March (19,045)</td>
<td></td>
<td></td>
<td>24.2%</td>
</tr>
</tbody>
</table>

LIGHT COMMERCIAL VEHICLES

<table>
<thead>
<tr>
<th>Month</th>
<th>Sales 1990</th>
<th>Sales 1989</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 1990</td>
<td>8,111</td>
<td>9,357</td>
<td>16.8%</td>
</tr>
<tr>
<td>Jan-April 1990</td>
<td>37,311</td>
<td>36,518</td>
<td>2.2%</td>
</tr>
<tr>
<td>March (10,360)</td>
<td></td>
<td></td>
<td>24.5%</td>
</tr>
</tbody>
</table>

MEDIUM COMMERCIAL VEHICLES

<table>
<thead>
<tr>
<th>Month</th>
<th>Sales 1990</th>
<th>Sales 1989</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 1990</td>
<td>7,998</td>
<td>2,796</td>
<td>186.6%</td>
</tr>
<tr>
<td>Jan-April 1990</td>
<td>1,655</td>
<td>1,212</td>
<td>36.6%</td>
</tr>
<tr>
<td>March (473)</td>
<td></td>
<td></td>
<td>37.7%</td>
</tr>
</tbody>
</table>

HEAVY COMMERCIAL VEHICLES

<table>
<thead>
<tr>
<th>Month</th>
<th>Sales 1990</th>
<th>Sales 1989</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 1990</td>
<td>556</td>
<td>656</td>
<td>16.4%</td>
</tr>
<tr>
<td>Jan-April 1990</td>
<td>2,474</td>
<td>2,881</td>
<td>14.1%</td>
</tr>
<tr>
<td>March (1703)</td>
<td></td>
<td></td>
<td>20.9%</td>
</tr>
</tbody>
</table>

TOTAL VEHICLE SALES

<table>
<thead>
<tr>
<th>Month</th>
<th>Sales 1990</th>
<th>Sales 1989</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 1990</td>
<td>23,096</td>
<td>28,961</td>
<td>20.2%</td>
</tr>
<tr>
<td>Jan-April 1990</td>
<td>107,987</td>
<td>115,299</td>
<td>6.4%</td>
</tr>
<tr>
<td>March (30,576)</td>
<td></td>
<td></td>
<td>24.5%</td>
</tr>
</tbody>
</table>

Source: National Association of Automobile Manufacturers of SA

in a JSE listing. Nor does it have major expansion or acquisition plans. It is content, he says, just to operate highly profitably.

Delta has proved to be one of the major successes of management buyouts that accompanied US corporate disinvestment in the eighties. No doubt GM contributed to this success through the generous terms under which it relinquished control of its SA operation. In particular, the deal left the company with no debt — a situation that still exists.

Delta’s sales record reflects the company’s success. Car sales nearly doubled between 1984 and last year, from 24,000 to 42,000, and are forecast to remain at the higher level this year.

However, nearly every motor company is reining in its forecasts in the face of a continued slump in the market that shows no sign of abating.

Even allowing for the seasonal sales disruption caused by the state of public holidays, April’s vehicle sales figures, released last week, were depressing. Car sales were down by 24% on March and 22% on April last year.

The National Association of Automobile Manufacturers of SA, which compiles the figures, blames holidays, political uncertainty, vehicle shortages, financing costs and work stoppages for the poor showing. Whatever the reasons, the fact is that sales are well below what the industry expected and few — if any — manufacturers are achieving the sales they predicted.

If, as forecast at the start of the year, sales are to pick up in the second half of 1990, the current trend must change very quickly.

Butler-Wheelhouse, however, remains optimistic. Where once reduced sales spelt disaster for motor manufacturers that relied almost exclusively on volume sales for profitability, Delta, like others, has learned to remain profitable even during tough times.

The chairman sees tight asset management as one of the secrets of Delta’s success. "Since taking over, we have not taken up any finance. Capital needs flow from turnover." While steering clear of major expansions, Delta has used its cash flow to branch out into components manufacture. A car air-conditioning plant and a plastic shoe company have been bought in Port Elizabeth, and an electronics facility has been purchased in Pretoria.

The shoe company is not as incongruous as it seems. "While continuing with the shoe output line, we also plan to use this facility for making plastic car parts, adding to local content and boosting our Phase 6 benefits," he says.
Pressure on Hunts' margins keeps up

LIZ ROUSE

INTENSE competition and the slowing of industrial and consumer demand have resulted in continuing pressure on both turnover and margins, says Hunts chairman Jeff Liebesman in his annual review.

The group's management team is addressing the situation through a combination of aggressive marketing, asset management and control of expenses.

However, a satisfactory performance is expected in the year ending December 1999, provided there is no significant deterioration in economic conditions.

Liebesman says despite the current difficult economic environment, the 1990s hold great promise. Hunts' companies will benefit materially when there is an improvement in the economy, and especially from a return to stable operating conditions in SA.

Focus

In particular the group, which is 78% owned by W&A Investments, is positioned to take advantage of increased consumer spending in the growth sectors of the SA economy.

Hunts has a clear focus on manufacture and distribution of basic consumer and industrial goods. Liebesman foresees a whole range of opportunities for Hunts as all South Africans become economically active.

The group will continue to expand geographically and diversify into new market sectors.

The past year was one of challenge and achievement — challenges brought about by the volatile socio-political environment and a dramatic increase in interest rates, achievement through increasing turnover by 23% to R1.9bn and attributable profit by 25% to R69.6m.

Organic growth contributed more than 95% in earnings a share, which rose by 23% to 177c after allowing for conversion of the Teamcor preference shares. The only acquisition in 1999 involved the further expansion of Vektra Corporation's interests in the distribution of automotive replacement parts.
Competitors cagey about prospects of Nissan's Uno

THE competitors of Nissan's Fiat Uno — the cheapest addition to the small-car market — are naturally reticent about the Uno's potential.

The range of smaller cars consisted previously of Volkswagen's Citi Golf, Delta's Opel Kadett, Toyota Corolla and Samcor's Mazda and Ford Laser.

Volkswagen public affairs GM Ronne Kruger said VW welcomed competition because it stimulated the market. But Volkswagen had no intention of cutting its price.

Samcor public affairs manager Reuben Els had no comment to make on the competition and was reluctant to discuss future plans.

Toyota chairman Albert Wessels said in a recent interview Toyota had no plans to bring out a smaller car although it had been considered very carefully.

Delta Motor Corporation marketing manager John Cuming said Delta had already shown a product rather than a price-based response with the recent launch of its Opel Kadett Cub 1.4 and 1.6 variants.

He felt Nissan was offering a good package with its Fiat Uno and it would probably do well in its first year because of its novelty value and the publicity it had received based on price.

The Uno is produced under licence to Fiat by Nissan SA. The three-door model is R17 650 and the range leads up to the Turbo which costs R31 850.
# Shifting gear

**Activities** Distributes vehicle and automotive parts

**Control** Teamcor (FSI) 74.9%

**Chairman** A Schlesinger, Joint MD D Rosevar

**Capital structure:** 11.6mords of 5p each

**Market capitalisation:** R62.2m

**Share market:** Price 450c: Yields 7.8% on dividend, 24.1% on earnings, PE ratio 4.2,
cover 3.1 12-month high, 600cs, low 400c

**Trading volume last quarter:** 178,200 shares

<table>
<thead>
<tr>
<th>Year to Dec</th>
<th>98</th>
<th>97</th>
<th>98</th>
<th>99</th>
</tr>
</thead>
<tbody>
<tr>
<td>ST debt (Rm)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>2.0</td>
</tr>
<tr>
<td>LT debt (Rm)</td>
<td>6.6</td>
<td>2.3</td>
<td>5.8</td>
<td>15.9</td>
</tr>
<tr>
<td>Debt equity ratio</td>
<td>0.27</td>
<td>0.06</td>
<td>0.15</td>
<td>0.13</td>
</tr>
<tr>
<td>Shareholders’ interest</td>
<td>0.52</td>
<td>0.61</td>
<td>0.47</td>
<td>0.54</td>
</tr>
<tr>
<td>Tax &amp; leasing cover</td>
<td>2.7</td>
<td>9.8</td>
<td>10.2</td>
<td>3.1</td>
</tr>
<tr>
<td>Return on cap (%)</td>
<td>13.9</td>
<td>17.6</td>
<td>19.6</td>
<td>22.8</td>
</tr>
<tr>
<td>Turnover (Rm)</td>
<td>170.5</td>
<td>204.7</td>
<td>284.3</td>
<td>406.9</td>
</tr>
<tr>
<td>Pre-int profit (Rm)</td>
<td>6.4</td>
<td>9.8</td>
<td>15.3</td>
<td>34.2</td>
</tr>
<tr>
<td>Pre-int margin (%)</td>
<td>3.7</td>
<td>4.6</td>
<td>5.4</td>
<td>7.3</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>42.4</td>
<td>70.0</td>
<td>91.0</td>
<td>108.5</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>14.0</td>
<td>23.0</td>
<td>30.0</td>
<td>35.0</td>
</tr>
<tr>
<td>Net worth (c)</td>
<td>213.0</td>
<td>282.2</td>
<td>316.0</td>
<td>340.9</td>
</tr>
</tbody>
</table>

**Consolidation** of FSI’s auto interests, the acquisition of replacement parts distributors and organic growth all combined to boost the turnover and operating profit of Vektra (formerly E W Farr) But a substantial rise in interest charges and a higher tax rate slowed the pace of earnings growth

Vektra became the holding company for FSI’s auto interests in 1989, while Teamcor (previously Natbol) acquired the Farr industrial division and sold its auto interests to Vektra Vektra also acquired replacement parts companies V&R Engine Spares (74%)

---

*FINANCIAL MAIL MAY 18 1990*

and Parts Centre (82%) for cash and R39.9m compulsorily convertible debentures

Group turnover is now almost equally divided between part and vehicle sales and service but higher margins on parts means that almost 75% of the operating profit comes from this source. The 64% rise in turnover and 124% rise in operating profit in 1989 was largely due to the sharp rise of parts sales and a 20% increase in Williams Hunt’s vehicle sales volume

Williams Hunt is the largest Delta dealer and was helped by Delta’s 4% unit vehicle sales increase against the motor industry’s overall 1.5% sales drop. Williams Hunt’s performance reflects a substantial increase in its market share. Sales of used vehicles rose 29%, but margins were squeezed

The change in the product mix in favour of parts boosted operating profit, but interest charges of R11.2m (R1.4m) and a 44% (24%) effective tax rate cut earnings growth to 19%. The rise in interest charges is attributable to the substantially higher debt level, interest on V&R’s debt even though it is not consolidated, and interest on the debentures The effect of this is seen in the fall in interest cover to 3.1 but the debt equity ratio remains virtually unchanged because of the rise in total shareholders’ funds

Management is cautious about this year’s outlook and expects new vehicle sales will fall 5%-10% and the used car market will remain “tight.” Joint MD Dave Rosevar expects Williams Hunt to maintain its share of the declining market. Growth of the less-cyclical replacement parts business is expected in 1990 and further acquisitions are possible. Vektra should also benefit from a higher level of joint planning in such areas as sourcing, warehousing and information processing in 1990 But, the group’s dependence on the motor industry suggests, at best, slower earnings growth

*Paul Baskind*
HOLDERS of Saficon's 3,98-million debentures who wish to exchange 100 debentures for 150 new Saficon shares must register before June 15 or wait another year, a directors' announcement says.

Debentures which are not converted this year will be automatically converted on July 1 1991.

Yesterday 150 ordinary shares were worth R1 027.50 while 100 debentures were worth R1 850.

"However, in the light of the recently announced tax relief on dividends, individual debenture holders may prefer to receive a higher, tax-free dividend income," a company spokesman pointed out.

The group holds the Mercedes-Benz and Honda franchises for about 10 magisterial districts.
Govt urged to soft-pedal on motor issues

CHARLOTTE MATHEWS

A SOFTER approach by government to the very real needs of the motor industry and of car owners has been called for by Toyota SA Marketing Manager Brand Pretorius.

He said the 24% drop in April's new vehicle sales compared with March showed motor manufacturers were being squeezed by a number of factors.

"The macro economy is far from favourable. Inflation remains high and interest rates have been kept at a high level due to government's adherence to strict monetary control measures."

"The path to vehicle ownership has not been eased by any relaxation in hire-purchase terms."

"On top of this the situation has been compounded by the 50% increase in perks tax applicable to company vehicles."

Pretorius felt that one of the underlying causes of April's depressed sales was hesitancy on the part of buyers entitled to company cars or car allowances to commit themselves to purchases.

Surveys by Toyota showed the second-hand car market was also severely depressed. Used car sales had declined by 30% over the past year.

"In the long term this could impact on the ability of a number of motor dealers to survive," Pretorius said.

The motor industry was unlikely to achieve its sales target of 210 000 units for the year in the light of the indicated slowdown in sales and 200 000 was now a more realistic level.

"This put the industry in a serious predicament," Pretorius said.
Mandela’s Merc is made

EAST LONDON — Workers at the Mercedes-Benz plant here have completed the car they were building for ANC deputy president Mr Nelson Mandela. Company spokeswoman Mrs Wendy Hoffman confirmed yesterday that the car had been completed, but said no date had been set for when it would be given to Mr Mandela. A majority of hourly-paid workers, as well as some salaried staff, worked four hours overtime for no pay to foot the bill for the red 500SE Mercedes-Benz.
Nissan money for new centre

NISSAN SA has announced it will invest R4.5m in a new service training and technical centre to be situated in Wynberg, Sandton. When complete it will provide facilities for up to 50 people a day with three different courses being held simultaneously.
Spareco seeks JSE's approval of R6m sale

MOTOR spares retailer Spareco is to ask the JSE for permission to sell non-profit-making parts of its subsidiary, Fleishman's to Brochure Investments for R6m in cash and liabilities, according to an announcement by the company yesterday.

The deal will leave Fleishman's -- which is 54% held by Spareco -- with the two Eddie's shops. Fleishman's listing in the Retailers and Wholesalers sector of the JSE will be changed to Eddie's Stores and Eddie's founder, Eddie Karp, will manage the new operation.

The sectors to be disposed of are Fleishman's subsidiary Germax and its 18 stores together with 11 nationwide subsidiaries.

Spareco financial director Don Elliott said there would be no effect on Spareco's or Fleishman's minority shareholders. The subsidiaries to be sold were not contributing to profit and the cash gained from the deal would be used partly to pay off borrowings.

Fleishman's interim results to December reflected a 56.8% drop in earnings to 5.7c a share from 13.2c in the previous interim period.

Spareco believes the move will improve its share of the major spares market, including the black taxi sector.
Spareco sells Fleishmans, revs up Eddie's

Spareco is bidding to improve its share of the major spares market, including the black taxi sector, with the sale of parts of the Fleishmans group to Broshure Investments in a R6 million cash and liabilities deal.

The arrangement leaves the two highly profitable Eddie's shops within the Spareco group.

The Eddie's formula, which concentrates on major spares such as engine components, will be applied in a national network of new Eddie's stores.

The mechanics of the deal are that Fleishman's subsidiary, German, and its 18 stores and another 11 stores in Fleishman's subsidiary, Nationwide, are acquired by Lawrie Brosin's Broshure Investments.

The listing of Fleishman's in the retail sector will be changed to Eddie's Stores.

Minorities are unaffected by the deal and the effect on Spareco's bottom line for the current financial year will be negligible.

The full benefits will be felt in due course as a result of greatly improved gearing.

Eddie Karp, the founder of Eddie's, will manage the new operation. Mr Karp is also on the Spareco main board -- Sapa.
Will 'WaBenzi be no more?

By CHRIS MABUYA

MERCEDES Benz continues to brush off rumours that it is to pull out of the country by the end of the year because of continuing labour problems.

Fears that the company would disinvest were fuelled by a recent staff meeting, where it is believed the company has warned it may pull out because of ongoing labour difficulties. Employees were reportedly told if there were still problems by the end of the year, “drastic action” would be taken.

MBSA representative Wendy Hofman said the meeting was addressed on “current business practices”. The question of disinvestment had “at no stage” come up, she said.

But the firm’s denials were far from convincing.

East London’s Daily Dispatch took the unusual step of casting doubt on the company’s denials in an editorial comment. The claims by the firm’s public relations staff were “almost unbelievable in the light of many reports”, the paper said.

The MBUSA plant is one of the largest employers in the city, with a workforce of some 4 000.

A senior unionist said there was speculation that MBUSA’s parent company, West German Daimler Benz, is unhappy with the local company’s inability to reach production targets.

Workers have said management has only itself to blame for its labour troubles, and have spoken about an “old style of management”, where even a small dispute results in the closure of the entire plant.

In the face of all this speculation, company representatives have remained serene in their denials. Hoffman agreed the company had experienced problems caused by industrial disputes but was still determined to stay in South Africa.

Hoffman said the company had a “very constructive spirit to deal with such problems”. She simply dismissed the rumours as having “no foundation” and mischievous”.

Ehews
Plan to motor past inflation

EDWARD WEST

CONTINUED attention to cost-saving and sound asset management, coupled with aggressive marketing plans, form the basis for Combined Motor Holdings' forecast of earnings growth in excess of the inflation rate in the coming year.

Combined Holdings is one of SA's largest retailers of Ford and Nissan vehicles.

It showed a 15% drop in attributable earnings last year, while earnings a share dropped from 33.2c last year to 28c at February 31. Combined Holdings' chairman and MD, Malwyn Zimmerman said in the group's annual report, which was released last week, that the drop in earnings was largely due to a threefold increase in interest paid.

The group suffered a setback in its long-term strategy during the year (1972), he said. There would be cost benefits flowing from the ideal content programme and a move towards greater rationalisation of model types with fewer but longer production runs.

These, together with projections of a stable currency and the undertaking by manufacturers to protect the affordability of vehicles, should contain price increases below the level of inflation during the year, Zimmerman said.

The aging vehicle park would provide opportunities in the servicing and replacement parts market.
Home and car insurance costs look set to rocket

By Michael Chester

Homeowners and motorists have been warned to brace themselves for dramatic increases in insurance on houses and vehicles. They could exceed 20 percent in the next 12 months.

The warning comes from the South African Insurance Association (SAIA).

The combined blows look set to add serious fresh burdens to household budgets already under pressure from inflation and high interest rates.

SAIA chief executive Rodney Schneeberger said last night that the scale of increases was inevitable, but imperative.

The short-term insurance industry, he said, had been rocked by:
• New estimates that the toll of claims over the tornado which hit Welkom two months ago could soar to more than R300 million.
• New guesstimates that the number of vehicles likely to be stolen by the end of the year could climb to 72,000. To this had to be added the crippling cost of claims from mounting road accidents.

The Automobile Association noted in a recent count that premiums on motor insurance had already jumped in past months, and should be expected to leap between 20 percent and 40 percent by the end of the year.

Now the SAIA has said that premiums on houseowner and household policies, covering property and all contents, can be expected to increase by 20 percent or more.

Mr Schneeberger said the association had sent letters to top insurance companies warning them to call a halt to a three-year rates war to win new customers.

Alarm bells had been rung by figures showing that total income from premiums on houseowner and household policies dropped by 2 percent last year.

Mr Schneeberger said it seemed that several insurance brokers and their clients had been lulled into a false sense of security when the insurance pay-outs on catastrophes dropped to almost zero last year.
Black car ownership expected to treble

Finance Staff

By the year 2000 more than 60 percent of the country's purchasing power will be in black hands. Black car ownership will have almost trebled from 370,000 to over one million.

This is the view of Brian McCarthy, chairman of the McCarthy Group, the largest single motor vehicle distributor in South Africa.

Speaking at a motor dealer conference at the Wild Coast yesterday he said that by the turn of the century 30 out of every 1,000 blacks in South Africa will be car owners compared with 20 at present.

"It is projected that black ownership of the national car park will go up from 9 percent in 1982 to 21 percent in the year 2000, whereas white ownership will drop from 70 to 55 percent," he said.

These estimates are for cars only and exclude mini-buses owned by blacks, of which there are currently in excess of 100,000 on the road.

Not only will the car park become blacker — it will become older, with the average life of a car extended beyond 10 years in the new South Africa, he added.

"Cars will be smaller, lighter, more aerodynamic and fuel efficient. Electronics by the year 2000 will represent 20 percent of the car's value against the current ratio of 5 percent," he said.

However, he indicated that the motor industry was going through tough times at present, very much in line with the downward phase in the economy. This is illustrated by the fact that new car sales last month were the lowest since April 1986.

He said that the McCarthy Group was illustrating its confidence in the longer-term growth of the motor industry by pressing ahead with its R30 million nationwide expansion and modernisation programme.
Japanese concept putting
Nissan ahead on shop floor

GENBA Kanri is a Nissan Japan concept.
It means shop floor management.
True to most Japanese concepts it is simple but profound in its application potential, even in the SA environment, says Nissan SA quality control manager Derek Waterson.
He was part of the Nissan SA team to visit Japan in 1989 to learn Genba Kanri concepts.
Subsequently, the local operation's progress in quality over the past five years has become a much talked about example to encourage other local manufacturers.
Using 1983 as a base, vehicles produced per 100 standard hours have increased more than 70%, overall scrap and rework costs have been cut by 98,6%, injury on duty costs have decreased more than 75% and the injury frequency rate of 0,32% is way below the industry average.
As a cherry on top, Genba Kanri led to Nissan receiving the National Productivity Gold Award for productivity improvement.
Genba Kanri's objectives are quality, cost and delivery (QCD).
Realising people are vital to all three, Nissan embarked on a programme to make all employees aware of the QCD philosophy.
Waterson says Nissan believes every employee wants to give the employer his best and will strive towards individual and overall goals if he understands what is required of him and his team.
Nissan's first step in the Genba Kanri process was to introduce the Actual Working Manual (AWM) into the plant operations.
The AWM sheet shows the tools to be used, parts required, protective clothing and safety warnings as well as main steps of the operation with critical comments for each step.
The AWM forms the basis of Nissan's success story, says Waterson.

Removed

"It helps give our employees the best training in the industry."

Once the AWM system is implemented, inspectors can be removed from their 100% visual inspection to the end of the line.
They audit the system by checking operators at a distance at random.
If operators work to the AWM, the operation, quality and end product will be right and will not have to be side-tracked for repair and re-inspection, says Waterson.

A plastic model — which looks deceptively easy to build — is used for training.
Each model has 97 parts and 44 have to be built in an hour at the right quality, efficiency and productivity levels by six operators.
Nissan's commitment to the Genba Kanri philosophy is borne out in that all Nissan management, from MD down, have done the course.
Genba Kanri is achieved through "green areas".
These provide for accurate two-way communication, planning, control and team effort.
Green areas re-establish the foreman in his leadership role and are a venue for the first 10 production meetings of the day.
Problems and quality defects of the previous day are discussed and the production targets for the day explained.
Waterson says management can walk into a green area at any time of day or night and see — to the hour — how that section has performed, volumes produced that day, productivity, efficiency, quality, safety, absenteeism and any problems experienced.
Nissan SA has spent nearly R1m erecting about 500 green areas in all its plants.

"This is a tangible commitment to our people, productivity and quality programmes.
"More important than the money spent is the atmosphere created in the working environment," says Waterson.
But green areas, however beneficial, are just part of the Genba Kanri management style and culture.
Management support and customer care are additional factors in the success story.

Tollfree

Not only can Nissan owners phone the MD tollfree at any time with a complaint, but the concept on the shopfloor is "the seat station, process or shop floor is your customer — and he must be kept happy."
This facilitates interdepartmental criticism as the customer is always right.
The effort at plant level has paid off in customer acceptance and Nissan has increased its market penetration considerably, says Waterson.
At last year's Sapis conference, Waterson won the Volkswagen Award for the best practical presentation.
This year he will speak on motivating employees on the shopfloor.
McCarthy sees big black swing to car ownership

MORE than 60% of SA's purchasing power would be in black hands by the year 2000 and black car ownership would have almost trebled, McCarthy Group chairman Brian McCarthy told a Motor Dealer conference in Johannesburg yesterday.

He said black car ownership would rise to more than a million from the current total of 370 000, while the number of cars owned by whites would fall. By the turn of the century, 20 out of every 1 000 blacks in SA would be car owners, compared with the current 20.

"It is projected black ownership of the national car park will increase from 8% in 1992 to 21% in the year 2000, while white ownership will drop from 70% to 55%," McCarthy said.

These estimates are for cars only and exclude more than 100 000 black-owned min-buses.

Not only will the car park become blacker, it will become older, with a car's average life extending beyond 10 years in the new SA, he added. "Cars will be smaller, lighter, more aerodynamic and more fuel-efficient. Electronics will represent 20% of the car's value as against the current 5%," he said.

Asked where SA's vehicles would come from by the turn of the century, McCarthy said "I believe by then our market will be shared by the Germans and the Japanese to an even greater extent than it is today."

Managerial

Turning to skills shortages, he said the training and advancement of blacks was not the responsibility of large companies only. "The issue concerned everyone in business."

"Within 10 years an additional 200 000 managerial jobs will need to be filled. Based on the projected numbers, there will be only 40 000 whites qualified to fill those positions."

McCarthy said the outlook for the motor industry in the longer term was encouraging. "At the moment, however, the industry is going through thin times - in line with the downward phase in the economy. This is illustrated by the fact that new car sales last month were the lowest for any April since 1986 - and we thought times were bad even then."

He said McCarthy Group, which had annual sales of about R3bn, was showing its confidence in the longer term growth of the motor industry by pressing ahead with a R30m nationwide expansion and modernisation programme.

"We budgeted for a difficult 1990 and have thus had no surprises. What is gratifying, however, is that McCarthy Group has continued to increase its share of the country's new vehicle market in spite of the difficult trading conditions that have prevailed."

McCarthy has 12% of the new vehicle market, compared with 10.3% in 1984. Conditions in the motor industry will remain tough for the next 12 months, he said.

"We should see the start of an upward phase by the second half of next year."

- Reuter
MANUFACTURING — MOTOR INDUSTRY

1990

JUNE — SEPT.
Cutting back

After its rapid expansion, Spareco is now shrinking its operations. It is disposing of most of the assets held in the Fleshmans subsidiary, in an effort to reduce debt and refocus the group on the motor spares market.

Spareco found itself with about 90% of Fleshmans' equity after buying 54% last August and then making an offer to minorities at 84.87c, the share now trades at 40c. Under the direction of the then MD, Errol Wucherpfennig, additional stores were opened, but the expansion proved unprofitable. Fleshmans acquired Eddies for R10m in September 1987.

Broshore (Pty) is to acquire all Fleshmans' assets with the exception of the motor spare operations in Pretoria and a recently opened Eddies in Pietermaritzburg. It will acquire the operating company Germax, comprising 18 branches, for R3.2m, 11 stores now held in the Nationwide operating company as going concern for R2.7m. The total payment is thus R5.9m and it will also acquire the rights in the trading names Fleshmans and Nationwide.

Spareco MD Don Elliot says this move will have no significant effect on Fleshmans' EPS for the year to end-June since the assets to be disposed of did not previously contribute to profits, though they represent a major share of the business.

Fleshmans' debt, which stood at R7.7m at

Local content increase 'not a surprise'

The increase in the target level for local content in motor vehicle and automotive component manufacture to 65% from 60% announced last week, although high, was in line with industry expectations.

National Association of Automobile Manufacturers of SA (Nama) director Nico Vermeulen said the industry welcomed the Board of Trade and Industry (BTI) assurance that if the target was too high the level would be adjusted in a future quarter.

Nama said the revised figure was a reflection of the industry's better-than-expected past local content achievement, together with excessively optimistic projections submitted by Phase VI motor manufacturers to the BTI.

The BTI had accepted that the new target could prove to be too high, especially in view of production losses at various assembly plants during the last few weeks which had reduced the industry's aggregate local content achievement.

Nama said that fluctuations in the aggregate local content above the break-even point can be accommodated by increasing or decreasing the break-even point at short notice.

In its commentary on the regulations, the BTI said that if local content achievement was below the target, a shortage of plant capacity could be rectified in a matter of weeks, as the regulations did not allow import duties to be charged on local content brought in to make up for shortages.

Local content

It said it would monitor the local content achievement closely in order to balance income and expenditure.

The Phase VI programme is self-financing, in that rebates earned for local content have to be balanced by import duties received.

Nama explained that part of the increase was to recover the shortfall in excise funds inherited from previous quarters.

In its report the BTI confirmed the operation of Phase VI was intended to provide flexibility for motor manufacturers to comply cost effectively with the local content target.

They could do this by way of economic import replacement, incremental export business or incurring the penalty duty as an alternative to pursuing uneconomic import replacement.
Shortage of vehicles holds back Saficon

A shortage of vehicles caused by strikes and stoppages at suppliers' plants held back turnover growth in the second half and restricted Saficon's increase in earnings to just 2c — up from 14c to 16c a share — in the 12 months to March.

A dividend of 43c (42c) a share will be paid for the year.

The EPS figure is in line with management's forecast in the financial 1989 annual report, but way off the mid-year revision of that forecast.

After a strong first-half performance — with earnings up from 7c to 8c a share — management was encouraged to lift its full-year forecast from 14c to 16c.

(The 27 percent increase in earnings at the interim stage compares with the 1.5 percent increase achieved for the full year).

However, the supply shortages in the second half were greater than expected and turnover for the full year was 18.7 percent (forecast 20 percent).

An additional adverse impact on bottom-line performance was the drop in contribution from 30 percent-held Boumat.

In financial 1989, this associate chipped in with R8 million in taxed earnings. During the review year, contribution from this source was down to R6.6 million.

Group turnover increased to R1.5 million (R1.3 million). Management estimates that during the year more than 3 500 new vehicles failed to reach the group's showrooms because of strikes and work stoppages at suppliers' plants.

Despite the difficulties with supplies, indications are that Saficon managed to maintain its share of the national dealer market for new passenger cars.

Operating margins were virtually unchanged at 5.46 (5.45) percent, so operating profit was up 18.3 percent to R64.5 million (R71.5 million).

Interest payments surged to R19.8 million (R12.5 million), reflecting the higher level of borrowings (gearing up from 42 percent to 50 percent), and the higher level of interest rates.

The tax charge was up two percentage points to 50.7 percent from 48.7 percent, leaving a post-tax profit of R30.1 million to R31.7 million.

The drop in contribution from Boumat meant that attributable earnings were up only 1.5 percent from R36.8 million to R37.4 million.

Sakers, whose sole asset is an investment in Saficon, has reported EPS of 243c (245c) from which it will be paying a dividend of 63c (68c).

The forecast for financial 1991 assumes that all debenture holders convert them into ordinary shares next July, which means the number of shares in issue increases from 23.1 million to 31.1 million.

EPS and dividend on the increased number of shares is forecast at 198c and 30c respectively. (The comparable figures for financial 1990 are 190c and 34c respectively).
High hopes for new
brakes, clutch firm

TURNER & NEWALL (T & N) and Dancor have announced the creation of a new company Belaco-Beral out of a merger which Dancor predicts will push the new brake and clutch distributor's annualised turnover to R100m over the next 18 months.

Belaco-Beral is a subsidiary of UK controlled T & N and Dancor's distribution arm Autoparts Marketing. The merger, which saw T & N take up 28% of Dancor for R7m, became effective from June 4 1990, a T & N spokesman said yesterday.

Dancor has shown impressive growth in the past five years and has set its sights on obtaining a listing on the JSE in the near future, a statement from Dancor said.

Dancor CEO Don van den Heever said the rationalisation flowing out of the merger was in line with Dancor’s objective of bringing stability to the clutch and brake industry.

The new company would target the brake and clutch specialist market with a comprehensive range of components for heavy and light duty motor vehicles.

The company would achieve cost benefits through amalgamating operations in Johannesburg, Durban and Cape Town and through Bloemfontein and Pretoria outlets.

T & N Holdings, which owns two friction material factories — Beral-Swaziland and Ferodo — would have management control over the merged distribution company, the statement said.
Saficon reports a shortage of cars

EDWARD WEST

LEADING motor retailer Saficon Investments had a shortage of 3,500 vehicles — equivalent to 12% of its 1990 new car sales — due to strikes and vehicle supply shortages during its trading year to March 1990.

 Strikes and stoppages at suppliers' plants affected profitability to such an extent that whereas half-year earnings were 27% up on 1989, at-year-end earnings improved by only 1.6%.

Saficon retails Mercedes Benz and Honda vehicles through its Cargo Motor outlets and Volkswagen and Audi vehicles mostly through its Lindsay Saker outlets. Porsche and Jaguar vehicles are sold through LSM Distributors.

In a statement yesterday, Saficon said the vehicle shortfall came at a time of strong demand and the group had done well to lift turnover and earnings.

Saficon executive chairman Sidney Borsock said he was disappointed, as the results would have been better had the group been able to sell into firm demand.

Turnover during the year to March climbed 13% to £1.54bn, while operating profit increased 18.5% to £84.2m giving the group a 5.5% return on sales, very similar to the return achieved in 1989.

Fully diluted earnings after last year's capitalisation rose from 147c to 149c a share, while the year's dividend was raised by 1c to 48c a share.

Plumbing and building supplies company Boumat, in which Saficon has a 35.9% interest, reported its results yesterday and its contribution to Saficon's earnings declined from £28m to £6.6m.

Saker's Finance and Investment Corporation, the Saficon pyramiding company, earned 264c a share (246c) and has declared a dividend of 69c (66c) for the year to March 1990.

<table>
<thead>
<tr>
<th>Year</th>
<th>Turnover (£bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>86</td>
<td>0.42</td>
</tr>
<tr>
<td>87</td>
<td>0.60</td>
</tr>
<tr>
<td>88</td>
<td>0.88</td>
</tr>
<tr>
<td>89</td>
<td>1.30</td>
</tr>
<tr>
<td>90</td>
<td>1.54</td>
</tr>
</tbody>
</table>
Delta breaks off deal with Budget

By Jabulani Sihlakhane

Delta Motor Corporation has withdrawn from negotiations to acquire Budget Rent-a-Car from Tollgate Holdings.

This was revealed by Chief Executive Keith Butler-Wheelhouse during a media tour of the recently commissioned heavy press and tool manufacturing plant in Port Elizabeth yesterday.

Although Mr Butler-Wheelhouse declined to give reasons, it is understood that Delta found Budget not to have good value.

"When they got down to the finer details, Delta found Budget not to be what they thought," a source said.

Mr Butler-Wheelhouse said acquisitions in the same line of business as Budget will be looked into.

He said that the group is planning major expansions to the tune of R150 million, which will be used to upgrade and modernise its Port Elizabeth plant.

The funds for the expansion would be generated internally.

The heavy presses and the tool plant opened yesterday represent an investment of R12 million and R14 million respectively, he said.

Mr Butler-Wheelhouse also announced major plans for the export market. Delta had been awarded an R11 million order to supply press tools for a joint Isuzu-Bedford truck programme in the UK. The contract will run for the next eight years.

Delta has also been awarded another R15 million contract to supply Opel parts for the European market. The company is also investigating plans to make catalytic converters which will help boost the company's local content programme.

Mr Butler-Wheelhouse added that Delta had recently acquired three companies to lower its reliance on outside suppliers. One is the Industrial Moulding Company which, he said, will help Delta meet its own plastic moulding needs.
## Sales in low gear

*Activity* interests in the retail motor industry and one of the largest dealers in Ford and Nissan

**Control Directors** 67.3%

**Chairman and MD** M Zimmerman (192)

**Capital structure**: 58,7m ords Market capitalisation R27,6m

**Share market** Price 145c Yields 7.38% on dividend, 18.3% on earnings, p/e ratio, 5.18, cover, 2.6 12-month high, 160c, low, 126c

**Trading volume last quarter**: 220,250 shares

**Year to Feb 28** 88 89 90

<table>
<thead>
<tr>
<th></th>
<th>88</th>
<th>89</th>
<th>90</th>
</tr>
</thead>
<tbody>
<tr>
<td>ST debt (Rm)</td>
<td>3.8</td>
<td>7.9</td>
<td>8.0</td>
</tr>
<tr>
<td>LT debt (Rm)</td>
<td>0.2</td>
<td>0.01</td>
<td></td>
</tr>
<tr>
<td>Debt equity ratio</td>
<td>0.20</td>
<td>0.36</td>
<td>0.34</td>
</tr>
<tr>
<td>Shareholders' interest</td>
<td>0.43</td>
<td>25.0</td>
<td>27.8</td>
</tr>
<tr>
<td>Int &amp; leasing cover</td>
<td>0.12</td>
<td>14.1</td>
<td>4.1</td>
</tr>
<tr>
<td>Return on cap (%)</td>
<td>19.7</td>
<td>20.5</td>
<td>21.1</td>
</tr>
<tr>
<td>Turnover (Rm)</td>
<td>222</td>
<td>310</td>
<td>370</td>
</tr>
<tr>
<td>Pre-int profit (Rm)</td>
<td>0.2</td>
<td>13.1</td>
<td>14.0</td>
</tr>
<tr>
<td>Pre-int margin (%)</td>
<td>4.2</td>
<td>4.2</td>
<td>3.8</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>23.6</td>
<td>33.2</td>
<td>28.0</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>7.6</td>
<td>10.7</td>
<td>10.7</td>
</tr>
<tr>
<td>Net worth (c)</td>
<td>106</td>
<td>131</td>
<td>146</td>
</tr>
</tbody>
</table>

**Operating profit**, hammered by a drop in motor vehicle sales in the face of a sagging economy and high financing costs, fell last year by 18% to R5.4m. New vehicle sales declined almost 2% to 353,000 with car sales sliding 4% to 221,000. This was partly a result of the steep increases in prices of new vehicles.

Largely because of overstocking, CMH's interest charges rose by 269% to R3.4m. Suppliers were unable to fill orders and dealers took on more stock when demand had dried up.

CMH has, however, managed to reduce stocks below R30m from R50m in December. But estimates that total unit sales will fall by about 5% during the 1990 calendar year do not bode well for the group nor motor sector.

MD Maldwyn Zimmerman believes, however, the group has the resources and ability to lift profit ahead of inflation this year and says things will start looking up in 1991. In preparation for better times, Zimmerman says the group is looking for acquisitions of franchises and dealerships to broaden its asset base.

CMH has franchises for Ford in Durban, Cape Town and Pretoria, MMJ (Mazda and Mitsubishi) in Pretoria, Nissan (including the heavy truck and bus franchise) in Durban, Pinetown and Witbank and Delta in Empangeni. Trading income was derived last year from new vehicles (42%), used vehicles (10%), parts (36%), service (7%) and investment and other (5%).

Zimmerman believes introduction of new models such as the Fiat Uno will give CMH an advantage over some other distributors. Also, the local content programme and the present stability of the rand may help to curb vehicle price increases.

Lower interest rates towards the year-end could improve the new and used car market but, meanwhile, CMH will have to battle to keep its head above water by keeping stock levels low and relying on parts and servicing divisions for profit growth. Though figures for 1990 show a drop in operating income from new and used cars, those from parts and services rose.

The p/e ratio of 5.18 is close to the average for the sector and the share looks fairly priced for now.

*Heather Farnby*
Nissan SA CEO Newbury sees opportunities as SA comes in from the international cold and local content requirements are tightened. But there are imponderables, not least the massive capital investment needed.

Before we can look at the longer, 20-year future we need to look at the next five years as Phase 6 of the local content programme is introduced. In round figures, the industry will need to spend about R5bn to comply with Phase 6, we at Nissan will have to spend as much as R800m. To justify that we must be sure we can generate attractive returns.

I'm optimistic. Though I expect little sales growth through 1991, it will be substantial to the end of the Nineties. There are other opportunities. As SA emerges from international isolation, opportunities to build associations with other countries will be enhanced. The way I see it, we at Nissan will become part of a worldwide manufacturing base delivering components to other associates of Nissan and Fiat for example, we could make engine blocks for 10 countries.

There is no way the industry can pursue independent lines. For us, Japan acts as the catalyst and design decisions on new models are made there. That implies there are limits to local manufacture.

I am frightened that our roads network could deteriorate if a politically induced economic downturn leads to poor maintenance. But in those circumstances, I would not be planning for any long-term future, merely the orderly winding down of Nissan in SA.

Entry-level cars

At present, though, roads are good. That helps the introduction of small models like the Fiat Uno, an entry-level car for young people probably in white, multicolor families. It may sell to only a few blacks — they are mostly one-car families and generally need a larger vehicle. I don't see that changing for a decade or more. Demand for light commercial vehicles will be particularly strong as the number of black businessmen rises.

Nor do I see our factories going the robotics route of those abroad. That's not necessarily applicable here, where a range of models or products is made in one plant. In SA, robotics can be used to improve quality, but more appropriately to enhance employees' technical and supervisory skills.
DELTA MOTOR CORP

Busting out all over

- It's been a rewarding three years of independence

If you had offered odds in 1986 against Delta Motor Corp seeing in the Nineties, you would have found few takers. The motor industry was close to despair, sales were the lowest in years, companies were losing millions of rands and foreign companies were scrambling to get out of SA.

Among them was America's General Motors. When three local directors staged at the end of that year a management buy-out — that converted GM (SA) into Delta Motor Corp — their chances of success were rated almost nil. They had simply replaced a foreign failure with a local one.

Or had they? Today, Delta is profitable, planning new vehicle lines and on the acquisition trail. The run is growing up.

In its latest deal the assembler of Opel and Isuzu vehicles is negotiating to buy Budget Rent-a-Car. At the time of writing, Tollgate Holdings, which controls Budget, has accepted an offer from Delta but a few details must still be wrapped up.

The deal would be an important step in Delta's diversification. Already in recent weeks it has announced the acquisition of air-conditioning and plastics operations in Port Elizabeth, and an electronics company in Pretoria. All three will help to meet growing local content requirements and reduce dependence on outside suppliers.

The plastics plant, Industrial Mouldings, which now makes shoe mouldings, will allow Delta to produce its own plastics needs far more cheaply. The air-conditioning company, Connoisseur Air, has already won its first major order since Delta took it over. Sales are growing for Volkswagen's Citigolf.

The Pretoria electronics company is working on a sophisticated engine management system to be installed in Opel cars and later, perhaps, competitors' vehicles. A prototype was tested in a 2,01 Monza which won its class in this year's Total Economy Run.

Delta's CE Keith Butler-Wheelhouse says a feature of the system is a built-in anti-theft device. He says that, even abroad, no one has tried to incorporate this as a standard function in an engine management system. He expects it to be available in some Delta vehicles within a year.

Butler-Wheelhouse expects all acquisitions to turn a profit almost immediately. That's not surprising, since profit is such a key word in Delta's vocabulary.

Since its creation, Delta has traded profitably every month. It lost R1,3bn when it deliberately "took a bath" to get rid of unwanted inherited stocks. Otherwise, he says, Delta has always achieved its targets. Last year, on turnover of R13,6bn, Delta exceeded a 25% return on assets managed.

"We would expect at least to match that this year."

He is also proud that his company carries not a cent in debt and has never required a loan. All capital expenditure and acquisitions are funded internally. That may be one reason why initial growth has been relatively slow. While management insists lack of cash has never prevented it doing anything, it is clear that the bank has been tailored very much to the financial position.

Even today, while Butler-Wheelhouse insists it is not written in stone that Delta will never take a loan, "our forecast for the next five years is that we shouldn't need any".

Financial independence is everything. Butler-Wheelhouse says Delta will consider an acquisition "only if it can pay back the cash investment in 12-24 months. It must then offer a return as good as Delta's own. At worst, the return must exceed the going interest rate. If there is the slightest chance of a loss in real terms, I'm not interested."

Acquisitions must meet two other criteria to support the core vehicle assembly business and be expendable. "We must be able to cut them adrift if they don't work," says Butler-Wheelhouse. For that reason, all acquisitions are managed at arms' length. "We don't want everything enmeshed with the business."

Thus, while he sees major advantages in a "buy and sell" arrangement, the rental company would have to be managed independently. Advantages lie in both the leasing and rental operations.

With full maintenance leasing predicted to rise from less than 10% of corporate fleets to over 20% in the next few years, Autolease could offer a profitable spin-off. Budget Rent-a-Car, in addition to any earnings contribution from basic rental, would also offer potential for an enlarged market for Delta products.

Delta executives may...
do very well out of us. They have no political embarrassment or financial exposure, and have never sold more vehicles here.

GM, in particular, earns far more than it ever did when it actually operated here, which is why Butler-Wheelhouse insists there is no point speculating whether the US giant would ever want to return.

Sanctions pressure ultimately made GM disinvest. While the deal provided that neither side would disclose details, it is generally understood there was a buy-back option should the political situation ever allow US sources confirm there is indeed such a buy-back option. Butler-Wheelhouse won't comment, but notes "Why on earth would GM want the exposure again?"

The argument carries weight. So keen was GM to get out in 1986 that it paid off nearly R400m accumulated debt and interest before selling. The new management was left with only working capital debt.

Prolonged uncertainty

Admittedly, some of that debt was allowed to accumulate. When GM operations became stagnant during prolonged uncertainty over its future, but the US company would certainly think twice about returning.

Bearing in mind that GM did present them with a clean financial slate, it is perhaps less surprising that Delta management can boast such an accident-free record.

Nevertheless, it had to overcome huge obstacles. The new company inherited a work force whose morale was at an all-time low after uncertainty and drawn-out strikes during GM's last days. There was widespread motor industry doubt whether Delta could survive. Even when it appeared to be not only surviving, but quietly prospering, the chorus of opinion was still against its continued existence.

However, Delta has made a habit of the unexpected — partly because its directors have no one to answer to but themselves. The company is wholly owned by seven directors, including Butler-Wheelhouse. They have no intention of relinquishing control, which is why they maintain the company has no interest in a JSE listing. It is their company and they want it to remain that way.

The same independent approach is applied to industrial relations. Delta boasts that it has never lost a working day because of disagreements with the work force.

This record owes much to an approach in many ways unique. Pay rates certainly are not the industry's best, but benefits may well be among them a scheme that provides free secondary and tertiary education for all employees' children, including books, tuition and even university residence fees. Delta is currently paying for 192 dependants to attend universities and technikons.

When workers wanted a pop concert for Delta's first birthday, it hired Johnny Clegg & Savuka and a host of other stars to perform in the factory.

Recently, it took all 13 500 children of employees to a special circus performance by Boswell-Wilkie.

It is because of a determination to maintain this special relationship that Delta is the only one of seven major assemblers that won't take part in industry-wide bargaining on pay and conditions. It took a Grahamstown Supreme Court case, which it recently won, against the Eastern Cape Industrial Council, to stay out. Butler-Wheelhouse is determined the company should be able to act independently at all times.

If others follow Delta out — at least two would like to — it would wreck the central bargaining process which the National Union of Metalworkers of SA (Numsa) has forced the rest of the industry to accept.

Delta's Butler-Wheelhouse . . . not a cent in debt

insist Budget's management be instructed to show no favouritism towards the parent's products, but it would be surprising if Opel Kadettes and Monzas did not become more noticeable in the fleet.

Though Butler-Wheelhouse is generally happy with the pace and direction of diversification, there have been frustrations. In particular, Delta has so far tried unsuccessfully to make much noise in the after-market for vehicle parts and accessories.

Among the part companies it has for its Federal Mogul, which ended up in the FSI stable. "We've made a few offers and courted a number of companies I think it's an extremely profitable business," says Butler-Wheelhouse. "We would like to get more involved but haven't been able to find a way." However, he stresses Delta would be interested only in a chain operation. "We don't want the small independents."

Not all growth comes from the local market. Delta is also banking on exports to contribute an increasing proportion of profits. It has been awarded its first significant export contract by Opel, to supply sheet-metal parts for the European after-market. The Opel connection will also benefit Delta when, as it expects, it becomes involved in production of catalytic converters.

Delta has also been awarded an R11m, two-year contract to make press tools for a joint Isuzu-Bedford truck programme, again in Europe. In all, Delta has contracts to export 15 tool assemblies for this programme. The first shipments are due to leave this month.

Butler-Wheelhouse says GM and Japan's Isuzu are happy with the Delta link. "They

RANKING STOCKBROKING ANALYSTS

The quality of stockbrokers' research is increasingly influential in determining where institutions put their business. The FM's annual ranking of broking analysts, based on a poll of institutional fund managers, is thus eagerly awaited in the offices of both brokers and institutions.

Is Martin & Co still the best? Who are the up-and-comers and which firms are fading? These are just two of the questions that will be answered in the 1990 survey, which will appear with next week's FM. Don't miss it.
R11-million export deals for tools and sheet metal

The Argus Bureau 2/14/70  PORT ELIZABETH — Delta Motor Corporation has landed two major export contracts.

The corporation has a two-year R11-million contract to make press tools for a joint truck programme in Europe and has been awarded a major export contract by Opel to supply sheet metal for the European market.

In a statement the company said it was also negotiating to buy a major car rental company Delta and Tollgate Holdings, which controls Budget Rent-A-Car, have entered preliminary negotiations for Delta to acquire the rental company.

It is understood that the corporation's offer has been accepted but there are still details to be sorted out. But confirmation of the impending deal has been given by both companies.

According to the statement the award of the Opel export order follows the installation of five new presses, representing an investment of R12-million which will increase its press shop capacity by 33 percent.

Recently the company has acquired an air-conditioning operation and a plastics plant in Port Elizabeth and an electronics company in Pretoria.

The plastics plant, Industrial Mouldings, allows the corporation to produce its own plastics needs for vehicles far more cheaply than before.

The air-conditioning company Connoisseur Air has already won its first major order since Delta took it over — air conditioners for Volkswagen's CitiGolf.
Inflated content

Motor industry marketers are biting their tongues this week after inflated sales projections persuaded the Board of Trade & Industry (BTI) to raise vehicle local content targets to unexpected heights.

The target rose from 60% to 65% on June 1, after BTI officials calculated forward vehicle sales by adding together individual predictions by assemblers.

Industry officials complain the BTI also failed to take account of the sharp sales slump experienced in April and May. According to the CE of a major assembler, the 65% target is estimated on the assumption of a 1990 market of 370,000 new vehicles. The true figure, according to some recent industry estimates, is likely to be little more than 310,000.

Vehicle sales projections play a central part in the local content formula. Put simply, local content is assessed by measuring the currency value of vehicles sold against the foreign exchange used to import components. Inflated sales assumptions, therefore, inflate content levels.

Based on these assumptions, actual industry local content levels for the June-August quarter were estimated at 68.6%, followed by 61.7% and 65.6% in the ensuing two quarters. The BTI set its 65% as a supposed happy medium.

According to Spencer Sterling, Samcor MD and head of the National Association of Automobile Manufacturers (Narmsa), an assumption of a 310,000 vehicle market in 1990 should have left the local content target at 60%.

The result of this unexpected increase may be heavy penalty payments for companies unable to meet the new target. Under the rules of the Phase Six programme, companies failing to meet targets pay into a kitty, while companies exceeding, are paid out in cash.

But if penalties outweigh rewards too heavily and there is no sign of the market picking up, the target could be lowered to more achievable levels.

"It is not a totally fair system," says Sterling. "We can't forecast all the variables that come into play."
Car and food price increases showing down.
Car firm bendz rules — and all may benefit

IP BMW and Mercedes Benz can keep their cool over the next week or so, they will both contribute enormously to a new and exciting era in South African advertising.

An era in which advertising will become more entertaining, more meaningful and less of a boring one-sided sales pitch.

The two luxury car competitors have it in their power now to prove to reticent advertisers and media that comparative advertising is not only in the interest of the consumer, but good for business as well.

The new BMW advertising campaign launched on TV yesterday is nothing out of the ordinary from a visual point of view. But between the lines, it is controversial, outrageous and not least of all the cheesiest ad campaign since Camel’s macho man fell off the back of a Toyota bakke.

The commercial was flighted no less than six times on SABC and M-Net yesterday and shows a BMW driving along — yes, you guessed it — Chapman’s Peak Drive.

When it gets to what looks like that bend where the now well-known Mercedes commercial has its car going over the cliff, the world turns upside down, just as it did in the Merc ad, but the next sequence shows the BMW still speeding along.

A voice-over says “Doesn’t it make sense to drive a luxury sedan that beats the bends?” Interesting double-entendre that.

Now, just as Camel and the entire South African tobacco industry threw a blue fit over the Toyota commercial that had Camel’s curly-haired macho man floundering in a river, one might expect Mercedes-Benz to toss the advertising rule-book at BMW.

Mercedes could claim the BMW campaign to be in breach of comparative advertising rules, ad property ownership rules and that it demeans their product.

Which would be a great pity.

Scooped the pool

Rather than dwell on the few negative aspects of BMW’s message, Mercedes should rather look at the positive side. The Mercedes commercial at which BMW is having a tilt is an all-time favourite among viewers.

It has won just about every advertising award going, not least of which was scooping the pool at this week’s Loerie awards. So, Mercedes should take it as a compliment that BMW has decided to piggy-back on its great idea.

Mercedes should also bear in mind that every time the BMW commercial appears on TV (at about R20 000 a shot) viewers might well be amused, but they will also automatically think Mercedes.

The BMW campaign is the first effort at promoting the marque by local advertising agency Hunt Lascaris TBWA, which picked up the account earlier this year when BMW and the Grey Group parted company.

Hunt Lascaris has shown considerable courage in taking this controversial route, albeit for a short-term promotion.

The agency has not only had the interests of its client at heart, but also the interests of South Africa’s advertising future which this agency, in particular, has long been on record as wanting to see unfeathered by comparative and other reticive rules.

“Give the ball to the Mercedes court. Will it cry foul? Or will it take up the challenge? Hopefully, Mercedes will ignore the pleas and make hay out of the golden opportunity BMW has handed it on a plate. Certainly, the Mercedes advertising agency, D’Arcy Masius Benton and Bowles has the creative clout to come up trumps in what could be a fascinating duel of gamesmanship.”
By TOM HOOD
Business Editor

DEVELOPMENT: business worth tens of millions of rand is expected to be chalked up by Delta Motor Corporation as a result of installing a R12 million line of heavy presses in its Port Elizabeth plant.

Sheet metal parts made on the presses will be sold to the crash-replacement market in Europe, particularly replacement body panels for Opels.

Delta has also landed contracts worth R1 million to make press tools for a joint track programme in Europe.

"This is evidence that the company can compete as a highly capable supplier in the international toolmaking market," says Mr Willem du Plessis, Delta's director of manufacturing and assembly.

Besides exports, Delta expects to sell 40,000 vehicles on the home market this year, said chief executive Keith Butler-Wheelhouse in an interview this week.

"Big strides have been made since he and six co-directors took over the plant in a management buy-out from General Motors of the United States three years ago, he said.

"Not only has all debt been paid off, but the company has considerable cash reserves and aims to spend more than R150 million on plant replacement without borrowing a cent."

"To spend R100 million a year on capex from a R1.4 billion turnover is not unusually heavy in a business such as ours," said Mr Butler-Wheelhouse.

"We were fortunate not to have any long-term debt when we took over.

"Through careful management we have been able to run the business for more than three years and finance all developments internally and not go to the institutions for funding. We have a balance sheet that owes debt to no one and we have a very big cash balance."

Apart from a strike over redundancies at the time of the takeover, Delta has been strike-free ever since, he said.

"One reason could be incentives to gain worker loyalty. The company is one of the few to pay education fees of employees' children in a scheme covering free secondary and tertiary education, books, tuition and university residence fees."

"Since we took over there have been only three days when one or other of our suppliers of 12,000 parts were not hit by strikes."

"In fact, the motor assembly plant was idle on Thursday through shortages of components which suppliers could not deliver."

"After years of stagnation while General Motors considered disinvesting, Delta, under its new bosses, has also gone on the takeover trail and expanded in several directions to secure important supplies."

"It took over Connaissance Air, a Port Elizabeth air-conditioning company. Besides making air-conditioners for its own vehicles, Delta has secured a contract to make air-conditioners for Volkswagen's City Golf."

Industrial Moulding, also taken over recently, will let

See page 3
MOTOR manufacturers are worried about the rapid acceleration of value-based local content in terms of the Phase Six programme. They fear that the 1997 goal of 75% by value could be too high, leading to excessive price increases.

The Board of Trade and Industry announced this month that local content had been lifted to 65% by value from the previous target of 60% (IQ 2).

Toyota SA chief executive Bert Wessels says "An increase in the local content requirement was expected, but the magnitude and the arbitrary way it has been applied is cause for concern, particularly in the long term."

In terms of the Phase Six programme, manufacturers are required to export spares and parts to gain credit rebates for component imports. The intention is to save foreign currency. However, some manufacturers are unable to export more than they import because of currency fluctuations.

The result is that the Government has been forced to finance the rebates. But Mr Wessels says these are variable factors being used to justify the acceleration of Phase Six targets.

He suggests that instead of lifting the target to balance the Government's books, export rebates achieved above requirements be financed by the general export incentive budget.

"One year into the programme we still have no clear picture of where we are going."

"Under current circumstances there is no basis for long-term financial, export and localisation planning because of the lack of a fixed progression of increased local content targets."
Uno helps boost car sales

By DON ROBERTSON

THE Fiat Uno launch and the increased number of trading days in May put car sales back on track after a dismal April. Sales rose by 23.6% in May to 18,712 from 14,431 the previous month, but were still below the corresponding time in 1990 when they reached 18,777.

Light commercial sales — bakkies and minibuses — were also up. Sales rose by 16.5% in May to 9,110 from 7,511 in April and 9,618 in May last year.

Although sales of medium and heavy trucks and buses were better than in April, the economic slowdown left them sharply lower than last year. Medium-truck sales were 442 compared with 538. Heavy trucks scored 699 against 858. Sales in May last year were 449 and 858 respectively.

Sales of tractors in May were 331 compared with 336 in April and 415 in May last year. Agricultural sales are favourable for this time of the year and are expected to improve in the second half.
Room for
Toyota

TOYOTA has paid R5.15-million to secure room for expansion.

It has bought the former Hearst warehouse on 4.8 hectares next to its factory at Prospecton. Toyota, which has spent more than R100-million on expansion in the past year, now owns 69% of the industrial property east of the highway in Prospecton.

The warehouse will be leased to Rentfreight for a year while Toyota decides how to use it.
Fiat Uno helps boost car sales

By Sven Lausche

The launch of the Fiat Uno boosted overall new car sales in May after they had plunged by 23 percent in April.

Figures released by the National Association of Automobile Manufacturers (Naamsa) show that new car sales increased by 4,281 units, or 29.6 percent, to 18,712 units last month, compared with the April figure of 14,431.

Compared with the corresponding month in 1991, however, last month's sales show a marginal decline of 65 units, or 0.3 percent.

According to a Naamsa statement, the increased number of trading days, the slightly improved manufacturers' supply position and the recent introduction of the Uno boosted sales for May.

A breakdown of individual car sales is not available and Nissan has kept the sales of the Uno a secret.

But judging by the waiting list that is building up, the car has made quite an impact.

Despite the boost in May, Naamsa warns that business and trading conditions will remain difficult for the rest of the year.

This is confirmed by the current level of overall vehicle sales in the first five months of the year.

These, at 130,833 units, are down by 5.5 percent, compared with 144,791 units in the comparative period last year.

On a monthly basis, new vehicle sales in May were to 28,864, substantially higher than the 23,996 units sold in April, but lower than the May 1990 figure of 29,492.

Sales of new light commercial vehicles and minibuses advanced by 16.5 percent, or 1,292 units, to 9,163, compared with April's sales of 7,871 units.

Compared with May 1990, last month's sales declined by 305 units, or 3.2 percent, which underlines the fundamental weakness of the market because minibus sales have held up fairly well recently in the wake of the continued buoyancy of the black taxi market.

Sales of vehicles in the low-volume medium- and heavy-truck segments recorded improvements in May but in the case of heavy trucks and buses, the sales remain well below the corresponding levels of 1990.

Naamsa attributes the drop in sales in the heavy-truck segment to the low levels of gross domestic fixed investment in South Africa and to the current negative stage in the business cycle.
May vehicle sales creep up

NEW vehicle sales showed a slight improvement during May, but the National Association of Automobile Manufacturers of SA (Narma) has warned business that trading conditions would remain difficult for the rest of the year.

The warning comes amid signals that by the end of July most motor manufacturers would have increased their vehicle prices because of inflationary costs and increased duties in terms of phase VI of the local content programme.

Statistics released by Narma on Friday showed new car sales increased by 26.5% to 18 712 units, compared with April sales of 14 431.

However, compared with the corresponding month in 1989, new car sales showed a marginal decline of 65 units or 0.3%.

Sales of new light commercial vehicles and min-buses advanced by 16.3% to 9 103 units sales compared with April sales of 7 811 units. Compared with May 1989, last month's sales declined by 1 500 units or 13.2%.

Sales of vehicles in the low volume medium and heavy truck segments also improved in May, but in the case of heavy trucks and buses, sales remained well below the levels achieved in 1989.

Delta Motor Corporation MD Keith Butter-Wheelhouse said the motor industry was likely to face an uphill battle over the next five to 10 years when industry volumes would remain static or only slightly improve, Sapa reported.

Toyota's Branden Adcock said on Friday a meeting would be held this week to review vehicle prices, a move which was prompted by new phase VI duties and inflationary costs.

He speculated the average increase would be in the region of 2%

Volkswagen's strategic planning and analysis manager Johan Wagner said Volkswagen had increased its prices on average by 2.7% on June 1.

A Nissan spokesman said a proposal relating to vehicle price increases had been put forward and would be discussed this week.

Vehicle sales

Samcor spokesman Dirk de Vos said the company had increased its prices on June 1 by 0.53% for Ford vehicles in the 1300cc to 1600cc range, while Mazda's in the same engine capacity range increased by 0.39%

Some vehicle prices with larger engine capacities increased 2.4% and 2.7% respectively, he said.

Meanwhile, the SA Agricultural Machinery Association (Samarm) said on Friday that May tractor sales were very much in line with April sales of 338 units, but were 94 units or 22% down on the 435 units sold in May last year.

Yearly sales to date of 1 679 units were now 29% down on the same period last year, but were expected to improve.
Restructuring pays dividends for Nissan

NISSAN, which recently launched the much lauded Nissan Uno in SA, remains the chief profit source of Automakers, a wholly owned Sanlam company, contributing around 65% of Automakers' annual profits.

After a financially failed 1983, Nissan underwent major operational surgery and, from 1987, has turned losses into profits. It showed profits in the region of R100m last year.

Nissan financial director Gavin Stewart attributes this success to a number of factors.

John Newbury joined the company in 1984 as group MD and set about reorganising it. At the same time, overheads were reviewed and reduced, and there was a "streamlining" of staff numbers. The entire product and price ranges came under review.

Nissan Japan assisted in productivity and quality improvements, and continues to do so.

This process was given further impetus when Santam became sole shareholder of the company in January 1988.

Today Santam holds its investment through Sankorp into Automakers.

The Automakers group is comprised of two major subsidiaries, Nissan SA and Truckmakers, and their respective subsidiaries.

Truckmakers manufactures Iveco Magirus Deutz trucks and specialises in off-road construction vehicles under the name...
Toyota chief concerned over local content rise

JOHANNESBURG — Toyota SA CEO Bert Wessels has expressed concern over the rapid acceleration of the value-based local content programme for vehicle manufacturers under Phase 6.

The latest requirement, announced on June 1, obliges manufacturers to have at least 65% local content, up from 60%.

Wessels said “An increase in the local content requirement was fully expected but the magnitude of the increase and the arbitrary way it has been applied is a cause for some concern, particularly in the long term.”

He said it was unacceptable that government was applying “a flexible approach to local content — one year into the programme we still have no clear picture of where we are going.”

“At the time of the announcement we were told that we would be expected to increase our local content by value by 50%.”

“This was interpreted by the industry as an increase to 75% local content by value by 1997, but this target has never been confirmed,” Wessels said.

He said there was a danger that motor manufacturers could exercise the option of simply paying duties rather than trying to achieve higher local content.

“The ultimate local content target, assumed to be 75%, may be too high for the industry to achieve economically,” he said, and urged government to revise the figure.

“Toyota SA is fully committed to Phase 6 and has set aside over R1bn for investment in the programme through to 1997,” he said.
Parts exports may net R400m

GERALD REILLY

PRETORIA — Net earnings from the export of vehicle spares and components this year should top R400m, National Association of Automotive, Components and Allied Manufacturers (Nacam) director Denzel Vermeulen said.

He said scope for expanding international markets was great provided there were no drastic shifts in the rand exchange rate as domestic inflation was brought under control.

From January to March, component exports' value reached nearly R200m. This was a gross figure which took no account of the costs of manufacturers' imported materials.
Valard's acquisition of Landlock looks like being the solution to Landlock's recurring losses that former parent, UK-based BBA, was unable to stem.

The deal values Landlock shares at 116c, which is significantly above the level at which the share has traded in the past 12 months, but represents a discount on Landlock's net asset value of around 141c a share.

The price reflects the company's poor operating performance and analysts believe it would have been considerably lower but for on-going speculation about a takeover.

The deal sees Valard acquiring control of Landlock from BBA and injecting its assets into Landlock in exchange for an 83 percent stake in the enlarged Landlock.

Valard will then be a holding company with its only asset being the enlarged Landlock (incorporating the former Landlock assets and the Valard assets).

By injecting the Valard assets into Landlock, the profits generated by Valard assets can be offset against the assessed tax loss Landlock has built up.

Creating the pyramid structure gives Landlock the scope to fund acquisitions through share issues without threatening the control situation.

The deal awards a value of R19.7 million to Landlock (116c for each of the 17 million shares). Valard has managed to secure control through the outlay of R3.5 million in cash. It has bought the 10.3 million shares (58.4 percent) held by BBA, but will immediately sell 6.7 million of them to institutional investors for R3.5 million (116c a share).

With regard to the outstanding 6.7 million shares, Valard will not have to pay out cash to the shareholders. It has received commitments from holders of 3.5 million that they will stay on board. UAL has agreed to place any of the remaining 3.2 million shares that holders want to cash in.

As part of the deal, agreement has been reached to sell Landlock subsidiary Girlock to Auto Industrial for R28.4 million.

At first glance this looks extremely attractive for Valard — paying out R3.5 million and immediately receiving R28.4 million in cash and the remainder of the Landlock asset base.

However, as Valard MD Stephen Connelly says, with Landlock's assets, comes about R35 million of debt. Gearing in enlarged Landlock will be around 80 percent, which, at current interest rates, represents an awesome burden.

Mr Connelly intends to have it down to 60 percent within 18 months. This rapid reduction reflects the expected benefits of not having to pay tax and plans to reduce stock levels at Landlock substantially, thereby releasing cash.

Mr Connelly is confident the Landlock losses (coming from Mtnex Don) will be stemmed within months. Members of Valard management were involved with Mtnex Don about ten years ago and so will be familiar with the assets they are acquiring.
Nevertheless, with the current economic downturn and the consequent need to save on motoring costs, fortune is definitely smiling on Nissan as far as the timing of the Uno launch is concerned.

Inflation forecasts
Since the industry stopped revealing detailed sales figures, it has become difficult to assess exactly how individual manufacturers — and their models — are faring. It is a situation which has done little to encourage forthrightness.

Where once marketing hype could be curbed by the knowledge that the facts would follow, no such curb exists today. Some would say it was poetic justice that, as the FM revealed last week, the Board of Trade and Industry has increased local content targets unexpectedly because it knew manufacturers at their word by adding together individual companies' inflated sales forecasts.

The argument for shielding sales figures — and it was a valid one — was that they gave too much information to sanctions lobbyists seeking information on the extent of SA's continued trade links with Japan and the West.

It would be nice to think detailed reporting will resume once political circumstances allow. Industry leaders say it probably will.

---

**CAR SALES**

**The Uno thrust**

Maybe the motor industry should launch a new car every month. May's near-30% increase in car sales from April undoubtedly owed something to the arrival of the new Fiat Uno built here by Nissan.

---

**MAY VEHICLE SALES**

**CARS**

<table>
<thead>
<tr>
<th>Month</th>
<th>Sales</th>
<th>Decline/Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 1990</td>
<td>18,712</td>
<td></td>
</tr>
<tr>
<td>Jan-May 1990</td>
<td>95,239</td>
<td></td>
</tr>
<tr>
<td>April (14,431) to May</td>
<td></td>
<td>Increase 29.7%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Month</th>
<th>Sales</th>
<th>Decline/Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 1989</td>
<td>18,777</td>
<td></td>
</tr>
<tr>
<td>Jan-May 1989</td>
<td>93,465</td>
<td></td>
</tr>
<tr>
<td>April (14,431) to May</td>
<td></td>
<td>Increase 29.7%</td>
</tr>
</tbody>
</table>

**LIGHT COMMERCIAL VEHICLES**

<table>
<thead>
<tr>
<th>Month</th>
<th>Sales</th>
<th>Decline/Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 1990</td>
<td>9,103</td>
<td></td>
</tr>
<tr>
<td>Jan-May 1990</td>
<td>46,414</td>
<td></td>
</tr>
<tr>
<td>April (7,811) to May</td>
<td></td>
<td>Increase 16.5%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Month</th>
<th>Sales</th>
<th>Decline/Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 1989</td>
<td>9,408</td>
<td></td>
</tr>
<tr>
<td>Jan-May 1989</td>
<td>45,920</td>
<td></td>
</tr>
<tr>
<td>April (7,811) to May</td>
<td></td>
<td>Increase 16.5%</td>
</tr>
</tbody>
</table>

**MEDIUM COMMERCIAL VEHICLES**

<table>
<thead>
<tr>
<th>Month</th>
<th>Sales</th>
<th>Decline/Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 1990</td>
<td>442</td>
<td></td>
</tr>
<tr>
<td>Jan-May 1990</td>
<td>2,088</td>
<td></td>
</tr>
<tr>
<td>April (238) to May</td>
<td></td>
<td>Increase 48.3%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Month</th>
<th>Sales</th>
<th>Decline/Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 1989</td>
<td>449</td>
<td></td>
</tr>
<tr>
<td>Jan-May 1989</td>
<td>1,681</td>
<td></td>
</tr>
<tr>
<td>April (238) to May</td>
<td></td>
<td>Increase 48.3%</td>
</tr>
</tbody>
</table>

**HEAVY COMMERCIAL VEHICLES**

<table>
<thead>
<tr>
<th>Month</th>
<th>Sales</th>
<th>Decline/Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 1990</td>
<td>609</td>
<td></td>
</tr>
<tr>
<td>Jan-May 1990</td>
<td>3,028</td>
<td></td>
</tr>
<tr>
<td>April (556) to May</td>
<td></td>
<td>Increase 9.5%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Month</th>
<th>Sales</th>
<th>Decline/Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 1989</td>
<td>858</td>
<td></td>
</tr>
<tr>
<td>Jan-May 1989</td>
<td>3,739</td>
<td></td>
</tr>
<tr>
<td>April (556) to May</td>
<td></td>
<td>Increase 9.5%</td>
</tr>
</tbody>
</table>

**TOTAL VEHICLE SALES**

<table>
<thead>
<tr>
<th>Month</th>
<th>Sales</th>
<th>Decline/Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 1990</td>
<td>28,866</td>
<td></td>
</tr>
<tr>
<td>Jan-May 1990</td>
<td>136,633</td>
<td></td>
</tr>
<tr>
<td>April (223,981) to May</td>
<td></td>
<td>Increase 26.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Month</th>
<th>Sales</th>
<th>Decline/Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 1989</td>
<td>29,402</td>
<td></td>
</tr>
<tr>
<td>Jan-May 1989</td>
<td>144,791</td>
<td></td>
</tr>
<tr>
<td>April (223,981) to May</td>
<td></td>
<td>Increase 26.0%</td>
</tr>
</tbody>
</table>

It was to be expected. The launch of a new car range traditionally causes a build-up of interest and orders. Such has been the initial interest in the Uno that Nissan has already experienced problems in meeting immediate demand.

Whether that demand lasts, or meets Nissan's expectations, remains to be seen. Despite the manufacturer's optimism and the genuine need for more economic motoring, industry rivals continue to cast doubt on whether the spoiled SA market is ready to accept a small car. Who will prove right will take some time to establish.

Some companies may resist it. The change from a marketing dreamworld to visible reality could be uncomfortable for some — except for Nissan's Uno?
The credit crunch continued to weigh on many companies and their ability to plan for the future. The government was under pressure to do more to support the economy, but some argued that more intervention would be counterproductive.

Business leaders were calling for a change in government policy, with a focus on stimulating consumer spending. The government was considering measures to increase the fiscal stimulus, but there was disagreement among officials on the best approach.

The credit crunch was also impacting the housing market, with many homeowners facing difficulties in meeting their mortgage payments. The government was considering a range of measures to support homeowners, including increased mortgage guarantees and lower interest rates.

Other areas of concern included the impact of the credit crisis on the financial services sector, with many banks and investment houses reporting losses. The government was under pressure to take action to support the sector, but there was concern that too much support could lead to future instability.

Despite these challenges, there was some optimism that the economy could bounce back in the near future. The government was working on a range of initiatives to support growth, and there were signs that some sectors were beginning to recover.

However, the situation remained uncertain, and many businesses were facing difficult decisions about how to navigate the ongoing crisis. The government was under pressure to take bold action to support the economy, but there was a risk that too much intervention could lead to future problems.
 Merc chuckles along with BM

WHILE BMW has been applauded for its "courage" and for injecting much-needed light relief into local advertising, Mercedes Benz has been equally lauded for its sporting reaction to BMW's tongue-in-cheek tilt at its award-winning cliffhanger commercial.

Last weekend, BMW launched a new high-frequency advertising campaign which showed one of its cars driving along the same Chapman's Peak route where the Mercedes commercial had a car crashing over a cliff and the driver surviving the 100 m fall.

In the BMW commercial, however, the car simply carried on safely negotiating the treacherous bends.

As expected, the BMW campaign created considerable interest among TV viewers and newspaper readers as well as the in the advertising industry. Of the dozens of callers to Saturday Star this week, none condemned BMW for basing its advertising on the Mercedes idea and equally all praised Mercedes for its "positive" reaction.

Earlier this week, Mercedes Benz advertising manager Jape Kuhn commented on the BMW campaign.

"It's a lovely ad. It's great that we can get a bit of humour in a very serious industry. Every time they screen it the public is reminded of the original ad, but to be honest I really do believe they could have come up with more original ideas," he added.

Andrew Gancewicz, head of the client services division at D'arcy Masius Benton and Bowles, which produced the original four-times Loerie award-winning Merc advertisement, shrugged the whole thing off with "It's a bit me-too, isn't it?" But, overall, it doubles our advertising expenditure at no extra cost.

BMW marketing manager Ivan Hemborne said there was no doubt that the advertising campaign had served the purpose for which it was intended. "BMW did what was expected of it," he said.

But, according to a number of advertising executives, the greater implications of the BMW campaign and, in particular, the Mercedes response, is that the local advertising industry has now been given the green light to become more adventurous in making indirect comparisons with competitive products.
VAT rule on cars a handicap — dealers

By Monica Nicolson

Second-hand car dealers will be unable to compete with private dealers if they were not also exempt from charging customers Value-added-Tax (VAT) and may be forced to close shop.

Dealers were reacting to last week's announcement by Deputy Finance Minister Greg Mathebe that no VAT would charged on private second-hand car sales. At the moment, private sellers and dealers must pay GST.

Hugo Hagen of the Automobile Association said second-hand motor dealers needed clarification on the issue.

He said the organisation had not yet seen any documents which clearly stated the position of dealers and it was too early to speculate on potential problems.

Ed Epiphan of Epiphan's, Johannesburg, said dealers would be put out of business if they had to charge VAT as the price difference of at least R500 would be too great for the public to buy from dealers.

Loopholes

Louis Botha Motors' manager Ray Arnott said the matter needed to be clarified as soon as possible as he wanted to know what to expect.

"It's always the dealers who suffer. We have to collect GST by stringent laws and must keep proper books. Private dealers sell at one price and give lower-priced receipts to get around charging GST."

"That this VAT system has taken so long to implement shows there are big problems and loopholes."

The dealer who did not want to be named said they would always find a way around charging VAT.

"We can get around it by selling the car from home privately — and with a guarantee."

He said the public would still prefer to buy from reputable car dealers as they received a two-year guarantee.
Motorbike industry needs shot in the arm

CHARLOTTE MATHEWS

THE motorcycle industry desperately needs the backing of government and financial institutions if it is to survive,

Motorcycle Importers and Dealers Association (NICIDA) national chairman Dave Folb said yesterday the industry had been hit by the depreciation of the rand, the imposition of import duties and surcharges amounting to an additional 75% of the price, and the reluctance on the part of financial institutions to lend money for the purchase of motorcycles.

The new traffic regulations introduced earlier this month would also knock the trade.

The regulations introduced an additional category of licence for motorcycle drivers and made it illegal for a motorcycle to share a traffic lane with another vehicle.

Folb said if a motorcyclist was no longer able to weave his way to the top of a traffic jam, he might as well drive a car.

He said the sharp petrol price rise in 1979 boosted the industry dramatically.

"We had a boom in the early 1980s when sales reached 80,000 units in 1981/82 compared to an average of 12,000 or 14,000 units a year in the 1970s," Central Statistical Service figures show that the industry is back to its previous level. In the year to December 1988, 12,857 new motorcycles and scooters were registered compared with 15,477 in 1987 and 11,151 in 1986.

But economic factors led prices to rise dramatically.

Motorcycles are entirely imported into SA. The market is too small for local manufacture and is extremely diversified.

Folb said a 750cc cycle had sold for about R3,000 in 1981. Now it cost about 10 times that although in dollar terms it had probably only risen about 30%.

Midimacor manager Frans Sade said the top of the range his company sold was a Honda costing about R40,000.

It was "difficult for an applicant to acquire finance to buy a motorbike, especially as most riders were young and often still teenagers."
Toyota to tackle CFCs worldwide

TOKYO: Toyota Motor Corporation said its overseas service shops will soon begin installing equipment to recover and recycle chlorofluorocarbons (CFCs) refrigerants from vehicle air conditioners during servicing. Toyota said its distributors abroad planned to introduce the equipment by the third quarter of 1991 in all of Toyota's 2,620 overseas service shops where air conditioners are serviced.

Toyota has already installed CFC recovery equipment in 1,400 of its service outlets in Japan. Toyota said it would eventually provide equipment to recover and recycle CFCs from vehicle air conditioners to all its 4,500 domestic service shops.

Toyota is studying the feasibility of substituting CFC foaming agents it currently uses with air and water-foaming technologies, hoping to introduce these by the end of 1991. — Reuters
Mystery over source of R4,5bn investment in motor industry

Sources of the R4,5bn foreign investment in the motor industry mentioned by government officials on Monday remain a mystery as major motor manufacturers have denied any foreign or any additional funding to amounts previously announced.

Major motor manufacturers have announced planned expenditure over the next three to seven years amounting to close to that figure — all to be sourced locally.

A further R500m was said to be lined up for the manufacture of auto catalytic components. The only project mentioned so far was the investment in an Algorax plant in Port Elizabeth and Johnson Matthey’s Germiston factory, amounting in total to R535m.

Industry sources suggested foreign investment could be attracted by way of Volkswagen, Mercedes-Benz or BMW.

Volkswagen SA MD Peter Searle said yesterday the company had a continuing investment programme but nothing of the order of R4,5bn.

In December, Mercedes-Benz announced planned expenditure of R1bn over the next two-and-a-half years, mostly on a new commercial vehicle plant.

A spokesman for the company said yesterday there were no new plans for additional expenditure.

BMW announced in February it intended to invest R500m over the next five years, around half of which would be on introducing the new 3-series range.

A spokesman for the company said no further expenditure had been planned and there was no possibility of funds coming in from West Germany as this was restricted by West German law and strictly enforced.

Other motor companies that have earlier announced investment plans include Samcor, which is to spend R1.1bn over the next five years; Toyota, which is to spend R1bn over the next five years, and Delta, which is to spend R200m over the next three years. This will all be sourced from SA.
Car perks to be investigated

A COMMITTEE will be appointed next week to investigate "fringe benefit" tax on motor vehicles, Commissioner for Inland Revenue Hames Hattingh confirmed yesterday.

It is believed that the decision to set up the committee was taken following pressure by the motor industry, which is concerned about declining motor sales.

"We are going to look at the taxable value of a company-owned car as a fringe benefit and consider whether the present rates are market related.

"These rates were increased in terms of the Budget proposals.

"It could be that the present rates are too high or we could perhaps increase the rate," Hattingh said.

BMW SA financial director Peter Barbe, who will be the chairman of the National Association of Automobile Manufacturers of SA (Naamsa) delegation to the committee, confirmed the objective of the committee was to find an equitable basis of taxing the fringe benefit of company cars.

"Naamsa is totally in line with the Marpco recommendation that all fringe benefits be taxed and that includes the fringe benefit of a company car.

"We will be meeting to consider whether the value that has been attributed to these vehicles is correct."
OK strikers marched on the Johannesburg head office this week to present a petition.

**Strikers march on OK head office**

ABOUT 2 000 striking OK workers were joined by Hyproana workers this week when they marched peacefully from Cosatu offices to OK headquarters in President Street, Johannesburg, to present management with their demands.

The strike – in its third week – is the result of a wage dispute. Workers are demanding a monthly R160 increase across the board.

A petition was handed to Garrith Jones, OK’s head office security controller.

Coswara branch secretary Kazzer Th Abed, who presented the petition, said it was time OK management swallowed its pride and settled the dispute, as there was a real danger that it would escalate.

He said the OK was reaping the effects of placing the welfare of workers at the bottom of its priorities, and now says it cannot afford to pay more.

“Our view is that the OK’s willingness to pay attention to low wages and shop floor dissatisfaction is questionable.”
The Madibamobile ready to roll

By Monica Nicolson

Nelson Mandela's Mercedes Benz was completed two months ago and the company is waiting for the ANC to finalize a hand-over date.

A spokesman for Mercedes Benz said the red top-of-the-range Mercedes Benz 500 SE was assembled in only 10 days, compared with the 28 days it normally takes.

The R250,000 vehicle is complete with all the luxuries, including a telephone.

NUMSA members made the car by each doing an hour of free labour and paid the company for parts and components by working overtime for no charge, the spokesman said.
Martin Jonker's earnings a share fall

EDWIN UNDERWOOD

MARTIN Jonker Holdings, which retails and maintains motor vehicles, has reported a 45% drop in earnings a share from 16,9c to 5,7c for the year to end-February.

Attributable earnings showed a net growth of 29% to R173m (R134m) but earnings a share dropped due to the substantial increase in the number of shares in issue due to last year's acquisition of Martin Jonker by Schus.

The economic downturn saw a decline in demand though turnover increased by 78% to R136,9m (R76,7m) as a result of the acquisition.

Martin Jonker chairman Leendert Dekker attributed the major part of the group's 90% increase in operating income — up from R2,4m to R4,5m — to last year's restructuring and the 172% jump in interest rates to an increase in stock levels of new vehicles.

Dekker refused to disclose the group's assets or liabilities for the year to end February 1990; the balance sheet is due to be published next week.

Last year Martin Jonker reported total borrowings of R9,76m — of which over 90% were bank loans and overdrafts — and a debt-equity ratio of 2.70.

Last year's acquisition of Martin Jonker by Schus resulted in an extra 15,84-million shares being issued. A dividend of 2c (4c) a share was declared.

The accumulated loss at the beginning of the year of R2,7m has affected the group's tax payments.
Drivers queue up for latest de luxe BMW

Charlotte Mathews (192)

There are already 100 names on the waiting list for SA's latest half-a-million rand motorcar.

BMW's 850i will sell for about R500,000, which is about R300,000 more expensive than the present top-of-the-range 750i, which has a waiting list of about eight months.

A BMW spokesman said yesterday that the 5-series had a waiting list of only six weeks, the 3-series a six-month waiting list and the 7-series four months.

In February, Mercedes-Benz launched its 500SL, which at a retail price of R400,000 in SA attracted 200 potential buyers and had a waiting list of up to seven years. The German manufacturer would allocate SA only between 20 and 30 right-hand drive models a year.

A Mercedes-Benz spokesman said there was a waiting list of up to 12 months or longer for other models in the range.

The 5-series could have a waiting list of more than a year and the 220S8 a waiting list of between 18 and 24 months at various dealerships.

Volkswagen's Audi 500 Turbo sells for just over R100,000 and at the moment the production situation was fairly favourable, a spokesman said.

But he believed the market had shown a slight downturn as a result of the recent change in car tax.

Two exotic cars from Nissan and Toyota respectively can be seen occasionally on SA's roads but are not yet being sold commercially.

Sankoyo chairman Manius Daling and Nissan SA marketing chairman John Newbury were two known Infiniti models in SA. The Infiniti is sold only in Europe and the US.

A Nissan spokesman denied reports in a recent motoring publication that the company had any intention of building the Infiniti-in SA within the next three years.

Toyota's Lexus LS400 is being driven in SA by five Toyota executives, including chairman Albert Wessels, CE Bert Wessels and Toyota Marketing MD Brian Pretorius.

A Toyota spokesman said they would not be able to manufacture it in SA and if introduced at all, it could only be brought in as a build-up unit which would cost more than R200,000.
Technology exchange plan launched

A NEW programme to promote closer scientific and technological co-operation and exchange of technology between SA and several African nations was launched at a workshop in Johannesburg last week.

Afrotech is a programme initiated and administered by the Associated Scientific and Technical Societies of SA (AS&TS), representing about 65 professional societies and covering the entire field of science and technology in SA.

Organisers hope for future participation by South Africans in activities of organisations such as the Network of African Scientific Organisations, the Pan African Union of Science and Technology, the African Academy of Sciences and the Association of Technicians and Engineers of Mozambique.

"A number of eminent leaders in the fields of science and technology on the continent attended the workshop in their personal capacities and expressed confidence that such co-operation was becoming a closer reality in the light of recent changes in SA," Afrotech committee member Teo Louw said.

An SA initiative, Afrotech was created by the integration of two technology exchange programmes, one of them started four years ago by the SA Institution of Civil Engineers (SAICE). This had been merged with AS&TS to form a broader initiative.

Participants in these programmes have come from Lesotho, Swaziland, Botswana, Namibia, Zambbia, Zimbabwe, Malawi, Angola, Cameroon, Ivory Coast and Ghana.

Louw said: "Despite some of the technological transfer being of SA origin, SA has a lot to learn from the continent's experience of working under Third World conditions."

Louw said that as the programme had been well received by visiting African delegates, and in light of the workshop's success, Afrotech could look forward to future joint co-operation and development programmes. But the programme's success would depend on political developments in southern Africa and on financial support from local industries.

Addressing the official launch of Afrotech, Prof Chodzidzwa Moyo of Malawi said: "Developments in the region make SA's formal entry into the continent a possibility, especially as African scientific renaissance is currently on the agenda in Pan-African scientific meetings."

Emphasis would be placed on local development and education to avoid the temptation of mass recruitment from Eastern Europe. He commended the educational initiatives of local organisations such as Protec and the Science and Engineering Association of SA, Sessa.
Car sales figures misleading - Toyota

A CAUTIOUS approach should be adopted in the analysis of May vehicle sales, especially those of the passenger vehicle sector, says Toyota SA managing director Brand Pretorius.

"It is our feeling at Toyota that the May passenger vehicle sales figures could be a little distorted and should not be taken in isolation as an indicator that the market might be on an upward swing. The introduction of the Uno would certainly have provided some impetus to the market, as would pent up demand created through a lower than normal number of selling days in April."

Query

He said that while on the face of it the market showed a quite dramatic 20.7 percent increase over April, it was in his view that true market demand would have been for about 18 000 units in May rather than the actual figure of 18 712 units.

"By taking an aggregate of sales for April and May one comes out at a figure of just 16 571 units which is 14 percent down on March sales so their is really no reason for any euphoria."

Tight

"Right now we are looking at around 205 000 units for the year which will be eight percent down on 1989."

Against a background of a slide in the gold price and a lack of resurgence in business confidence, Pretorius expects that things will remain tight until at least the end of the year.

"The macro economy is really making things quite difficult and the consensus is that growth in the GDP could be just 0.5 percent for the year, which is down from the previously forecast one percent growth." - Sapa
‘AWB cops’ harass Soweto mom after car-theft shooting

By SANDILE MEMELA <WER> (92)

A SOWETO mother fears for her life after her home was allegedly raided by white cops, who also claimed to be members of the AWB, looking for her son.

Zenziile Makhoba, 40, was granted a court interdict this week restraining cops from interfering with her family life.

This follows the killing of a white police officer who was gunned down in a Mafia-style gun battle with a car-theft syndicate in Meadowlands last year in which her 20-year-old son, Bruce, was allegedly involved.

Makhoba told City Press her family had been subjected to torture and harassment by police claiming to be members of the AWB who have threatened to kill her son.

"I was shown a bullet that was supposed to end my son's life and told that if I did not reveal his whereabouts I would be killed," she said.

However, police spokesman Lt-Col Tienie Hulgryn has denied the allegations but confirmed her detention.

"I am not aware of any torture and harassment directed at the family. The police have no knowledge of any elements who have continually visited her family," he said.

Hulgryn said she had appeared in court on charges of helping a convict to escape.

Makhoba said she was detained and charged with helping a suspect to escape and hindering the ends of justice by not revealing the whereabouts of her son.

Makhoba said she was detained on June 14 for three days where she was insulted, tortured and assaulted.

"I was threatened with death unless I produced my missing son," said Makhoba.

She said she was abducted from her home and taken to the veld near Vosloorus where she was beaten and insulted by nine cops, who administered electric shocks to her.

Early this week a grenade was hurled at her home, leaving windows shattered and forcing her to seek shelter with neighbours.
Poor forecasting put ADE on spot

UNRELIABLE forecasting by vehicle manufacturers and the dramatic downturn in sales have forced Atlantic Diesel Engines (ADE) to "take certain actions in order to recover portion of the penalty costs."

That is the response by ADE managing director Hartmut Beckhurtz to a report in Business Times on June 3 saying that vehicle manufacturers and the National Association of Automobile Manufacturers of SA (Naamas) had accused ADE and AS Transmissions and Steering (Astar) of "significant, above average increases in respect of locally manufactured diesel engines and transmissions".

ADE was asked by Business Times on May 29 why price rises in January were "above average" and what quarterly price rises had been since 1989 and in 1990. Mr Beckhurtz says he was not shown the questions.

A "spokesman" for ADE said the price increases this year had been less than budgeted for in spite of the higher cost of SA and imported components. Mr. Beckhurtz says ADE and its customers are familiar with the practice of buying components abroad against long lead times and the critical importance of marketing input.

ADE, as the sole supplier of engines, acts in good faith with its customers and orders components in line with their requirements.

Mr. Beckhurtz says engine prices have increased by about 35% since October 1998 because of higher costs caused by import surcharges and wage demands. The 15% import surcharge introduced in May last year was absorbed by ADE until January this year. It was brought into prices through a 6% increase without this increase, prices rose by 25% in the past 20 months, or 15% a year.

Mr. Beckhurtz says that if a base of 100 is taken in 1983, the price of ADE engines has risen to 236.5, or 277.2 excluding the surcharge. The price of commercial vehicles has risen to 408.5, and the consumer price index to 278.0.
Ford its future

By DON ROBERTSON

FAST-growing Vaaltrucar continues its acquisition rand on Ford dealerships. It entered the Free State this week with the purchase of Vaaltrucar's Bethlehem branch for R1,8m in cash. It bought Steyn Ford's Verwoerdburg branch two weeks ago for R2,7m.

The group is also negotiating to buy a Ford dealership in Brits. The two acquisitions and four other outlets make Vaaltrucar the second-largest Ford dealer in SA after Barlow. It expects to handle about 14% of all Ford sales this year. It also has four Delta dealerships.

The Bethlehem deal was done on favourable terms — at net asset value less 30% — and should add between R20m and R23m to turnover. It should contribute about R1m pre-tax to group results, suggesting it was acquired on an earnings ratio of about five.

Favourable

The Verwoerdburg purchase should increase turnover by R1,8m and contribute about R700,000 to pre-tax profit. It was bought on similarly favourable terms.

In the year to last February group turnover was R102m, producing profits of R2,6m, equivalent to earnings of 15c a share.

Managing director Sarel Germaini believes earnings in the first half of the current year to be slightly higher than the same time last year.

Sales of new cars at the Beth-

lem branch average 60 a month. Used-car sales average 30 a month. Parts generate Rm and fuel Rm.

Mr Germaini believes used-car sales will recover in the last quarter of the year if interest rates decline.

The rand's world value

<table>
<thead>
<tr>
<th>Country</th>
<th>29/05/90</th>
<th>29/06/89</th>
<th>29/06/90</th>
<th>28/05/89</th>
</tr>
</thead>
<tbody>
<tr>
<td>US $</td>
<td>2.76</td>
<td>2.76</td>
<td>2.76</td>
<td>2.76</td>
</tr>
<tr>
<td>UK £</td>
<td>0.37</td>
<td>0.37</td>
<td>0.37</td>
<td>0.37</td>
</tr>
<tr>
<td>German mark</td>
<td>0.59</td>
<td>0.59</td>
<td>0.59</td>
<td>0.59</td>
</tr>
<tr>
<td>Japanese yen</td>
<td>12.9</td>
<td>12.9</td>
<td>12.9</td>
<td>12.9</td>
</tr>
<tr>
<td>Swiss franc</td>
<td>0.37</td>
<td>0.37</td>
<td>0.37</td>
<td>0.37</td>
</tr>
<tr>
<td>French franc</td>
<td>5.97</td>
<td>5.97</td>
<td>5.97</td>
<td>5.97</td>
</tr>
<tr>
<td>Canadian $</td>
<td>0.68</td>
<td>0.68</td>
<td>0.68</td>
<td>0.68</td>
</tr>
<tr>
<td>Italian lira</td>
<td>261.2</td>
<td>261.2</td>
<td>261.2</td>
<td>261.2</td>
</tr>
<tr>
<td>Zambian kwacha</td>
<td>0.01</td>
<td>0.01</td>
<td>0.01</td>
<td>0.01</td>
</tr>
<tr>
<td>Australian $</td>
<td>0.46</td>
<td>0.46</td>
<td>0.46</td>
<td>0.46</td>
</tr>
</tbody>
</table>

Domestic interest rates

<table>
<thead>
<tr>
<th>Rate</th>
<th>28/05/90</th>
<th>28/06/90</th>
<th>28/06/90</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>%</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>SARB accommodation: rediscount rate</td>
<td>18.00</td>
<td>18.00</td>
<td>18.00</td>
</tr>
<tr>
<td>Treasury bill tender rate</td>
<td>17.87</td>
<td>17.87</td>
<td>17.87</td>
</tr>
<tr>
<td>Base rate</td>
<td>20.00</td>
<td>20.00</td>
<td>20.00</td>
</tr>
<tr>
<td>Three-month bank acceptance rate</td>
<td>19.30</td>
<td>19.30</td>
<td>19.30</td>
</tr>
<tr>
<td>Three-month NCA</td>
<td>18.70</td>
<td>18.70</td>
<td>18.70</td>
</tr>
<tr>
<td>Three-month NCA</td>
<td>18.60</td>
<td>18.60</td>
<td>18.60</td>
</tr>
<tr>
<td>Prime overdraft rate</td>
<td>21.00</td>
<td>21.00</td>
<td>21.00</td>
</tr>
<tr>
<td>All-in yield of first acceptance credits</td>
<td>19.30</td>
<td>19.30</td>
<td>19.30</td>
</tr>
</tbody>
</table>

CAPITAL MARKET

SECONDARY MARKET RATES ON MOST TRADED STOCKS

<table>
<thead>
<tr>
<th>Stock Type</th>
<th>Average</th>
<th>As on</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term RSA stocks</td>
<td>16.77</td>
<td>16.77</td>
</tr>
<tr>
<td>Long-term Easom stocks</td>
<td>15.68</td>
<td>16.25</td>
</tr>
</tbody>
</table>

Best sections this week
Sales dip

Sanmore profit cut by car

Advised

Wipe out past losses

But there's enough to

SPENCE STIRRING... many happy returns to nurtures this

BY DON ROBERTSON

SUNDAY TIMES BUSINESS TIMES JULY 7, 1996
Pent-up demand will help insulate Saficon this year

LINDA ENSOR

WHILE motor distributing group Saficon was badly hit by supply shortages during the second half of its financial year, chairman Sidney Borsook believes the pent-up demand for many of the group's products could help insulate Saficon from the worsening recession.

Saficon is involved in motor vehicle trading, materials handling equipment and the manufacture of motor vehicle components. Subsidiaries include the Cargo Group, Lindsay Saker and LSM Distributors and has a substantial investment in Boumat.

The critical shortage of vehicles for sale meant that Saficon's earnings rose only marginally to 14c (14.7c) in the year to end March. Compared with a national 0.9% decline in new vehicle unit sales in fiscal 1990, the group experienced a decrease of 4.8% to 4.1%.

In its annual review Borsook has forecast earnings of 10c and a dividend of 3c in the 1990/91 financial year, assuming a full conversion on July 2 of the debentures in issue. A full conversion would increase the number of shares in issue to 31 million (25 million), although it may not take place this year.

On the same assumption, the previous year's figures were 13c and 3c respectively.

Borsook said if supplies had not been well below expectations in February and March 1999, Saficon would have met its forecast earnings of 16c. The group estimated that more than 3,900 units failed to reach its showrooms due to strikes and work stoppages at suppliers' plants.

Borsook anticipated that a large part of the unfilled demand would carry forward into the current financial year.

The report stated that the critical shortage of vehicles for sale meant that Saficon's earnings rose only marginally, from 147 cents a share to 149 cents a share.

Forecasts for the 1990/91 year assumed that vehicle sales would decline against estimates for the year to end-March 1990. As 77% of the group's turnover is derived from new and used vehicle sales, the decline will depress its performance.

Earnings of Saker's Finance and Investment Corporation, the pyramid holding company of Saficon, are forecast at 17c with a dividend of 4c.
PANELBEATER industry and insurance company spokesmen have defended steep panelbeating charges on the grounds of escalating costs of labour and spare parts.

Assessors, however, differed on what they considered a reasonable hourly charge for labour.

Santam claims department deputy manager Jan Venter said his company had found 59% of panelbeaters charged R45 an hour. A few charged R30 or R40.

"I think panelbeating costs are reasonable. They have to be competitive," Auto Assessors motor assessor Dull Lewis said.

Panelbeating claims for labour were assessed on the type of operation—a backyard shop using pirate or second hand parts was unlikely to get the top rate.

"The price of spares has gone up so much that labour, once about a third of the quote, is now more like a quarter," IGI chief assessor, motor claims, John Pretorius believed. R60 an hour for labour was excessive but IGI would accept R50. He added that panelbeaters were battling with the rise in wages, rents and cost of materials.

"You cannot quote anything you want because the insurance assessor will adjust it," AA Panelbeaters manager Brian Maguna said. AA Panelbeaters charged about R40 an hour.
Delta shuts down PE assembly plant

PORT ELIZABETH — Delta Motor Corporation (DMC) has shut down its manufacturing and assembly plant in Port Elizabeth until further notice.

The decision follows Wednesday's walkout by workers who returned to the plant yesterday but refused to work.

A DMC statement said Numsa officials and shop stewards were told the company was willing to discuss issues raised, "specifically the question of Delta's participation in national wage negotiations and subsequent events."

On Wednesday DMC workers were dispersed with tear smoke by police, and two men were run over in an accident with a Casspir. Police said up to 38 people had been arrested on charges of taking part in an illegal gathering.

Meanwhile, talks between medical workers and hospital authorities continued yesterday morning in a bid to resolve the four-day-old strike by nurses and assistants in Port Elizabeth hospitals.

And the strike by 3,000 municipal workers entered its third day yesterday.

Savings on wages by Port Elizabeth amounted to about R100,000 a day, but indirect costs such as overtime, advertising and transport would probably nullify major savings, town clerk P K Botha said yesterday. — Sapa
Car insurance may go up by 80 percent

MOTOR car premiums could rise by up to 80 percent over the next year as the Registrar of Insurance is stepping up its investigation into the financial health of short-term insurers.

The Assistant Registrar for the Short-term Insurance Industry, Nico Foure, said yesterday that his office was currently examining returns submitted by companies for the first quarter.

"Judging from these financial returns we will approach individual companies and recommend measures to correct the situation," Mr Foure said.

A number of short-term insurers have recorded substantial losses on their underwriting account, which measures the income from premiums against the payments for claims, and have only managed to retain a healthy solvency margin through good investment incomes.

The solvency margin has been accepted as the yardstick for a motor insurer's financial viability. Companies can boost their solvency margins by lifting premiums, but very few have done so in the battle for market share.

However, the Automobile Association demanded yesterday that the Registrar should issue an immediate statement of the solvency margin of all short-term insurers. "We would expect insurers reporting low solvency margins to be instructed to submit business plans incorporating recapitalisation proposals as a matter of urgency," the MD of the AA, Sven Lunsche, said in a statement.

However, Mr Foure said that the Registrar could not approach the industry as a whole but would have to inform individual managements of the seriousness of the situation.

Drastic plans

"While we cannot prescribe to companies what to do, we will recommend that they implement fairly drastic plans as soon as possible to improve their solvency margin," Mr Foure said.

He said that the outcome of the changes could be substantial adjustment of motor premiums, with premiums on personal line business the first to be raised.

The AA's Mr Elliot said that in the wake of the market share war, predictions made by the AA earlier this year that premiums would need to rise by up to 40 percent to cover underwriting losses, now looked optimistic.

The General Manager of General Accident, Clive Dean, was more specific: "It would have been better if the consumer had not been given a price holiday for almost two years as they are now faced with increases of up to 30 percent over the next year," he said in a recent interview with the Insurance Times.
INCREASED local content in the new Phase Six programme is making it uneconomic for motor manufacturers to operate because of the low volume of sales, says BMW managing director Reinhard Kustler.

The most worrying factor is the authorities' apparent desire to speed up implementation of the local content programme.

Two months ago, local content was increased to 65% by value from 60%

"The continuous movement of the goalposts presents a nightmare for responsible business," says Mr Kustler.

Another factor bedevilling the industry is the continuously changing rate of exchange between currencies. In the past few months, the rate between the rand and the yen increased the local content levels of Japanese manufacturers by about 8%.

Mr Kustler also criticises the imposition of surcharges on used fooling which is obtained free of charge from foreign parents.
Used car market plummets to 35-year low

New car sales continue decline

by ARI JACOBSON

NEW car sales — a leading economic indicator — maintained moderate levels in June in spite of a plummeting used car market which reached possibly the worst levels in 35 years, said Brian Porter director Colin Eastwood.

New car sales, coming off low levels recorded in the first quarter of the year, declined by 80 units or 0.5% to 18 622 unit sales compared with May's figures of 18 712.

The National Association of Automobile Manufacturers of SA (Naamsa) warned trading conditions in the motor industry were expected to remain difficult in the current economic climate with aggregate new vehicle sales for June "being in line with industry expectations." A clearer indication of the slowdown in new car sales was the drop of 8% or 1 639 units between June 1989 and the same period this year.

But seasonal factors, further improvements in the supply position of various manufacturers and the recent introduction of a new model in the small car segment helped lift new car and light commercial sales.

Demand for light commercial vehicles and minibuses remained strong rising 10.6% to 10 111 unit sales compared with 9 139 units during May.

Eastwood said new car sales, dominated by company purchases, were expected to remain at these levels until interest rates came down.

"New sales have had a reasonably good run over the last few months but are way off targeted levels." As for used cars, he said, the interest rate burden on the man in the street had caused this market to deteriorate to the worst levels in 35 years.

Naamsa said the light commercial vehicle and minibus segment of the market was expected to outperform the other sectors in the months ahead.

"In the light of the current low levels of gross domestic fixed investment in SA, and the general economic downturn, sales of heavy trucks and buses would remain under pressure in the medium term."
Respite for PE as strike action eases

PORT ELIZABETH — One of Port Elizabeth’s worst periods of industrial strife eased yesterday when striking workers at four of Port Elizabeth’s hospitals and the city’s biggest private employer opted to return to work.

Talks were also due to take place to try to end the strike by 3,000 municipal workers.

At Delta Motor Corporation, about 3,000 employees voted to return to work on Monday after company management had placed newspaper advertisements threatening disciplinary action, including possible dismissal, if they did not return.

Dirt and laundry had piled up and skeleton staff worked under pressure to provide services at the Livingstone, Dora Nginza, provincial and Emfuleni hospitals where non-medical staff and nurses were on strike.

Strikers at the Sharley Cribb Nursing College and other regional medical facilities also returned to their workplaces on Monday after talks between regional hospital authorities and the National Education, Health and Allied Workers’ Union (Nehawu).

About 1,600 employees were involved in the strike, which brought a stern warning from the National Health and Population Development Minister, Dr Hlaudi Motsoeneng, on Monday.

She said striking could not improve the workers’ position in the negotiation process.

The strike was sparked when 39 staff nurses were perceived by Nehawu to have been unfairly dismissed from the Livingstone hospital.

However, a spokesman for the Cape administrator said the nurses had not been dismissed but were fulfilling a contract which expired on June 30.

A union spokesman said that, subject to further talks with provincial hospital authorities, Nehawu has accepted an offer of 16 temporary positions for the dismissed nurses. But the CPA spokesman said negotiations would not continue since the situation had returned to normal.

The Delta employees, who downed tools last Wednesday, struck in support of demands by the National Union of Metalworkers of SA (Numsa) that Delta join SA’s six other major vehicle manufacturers in the national bargaining forum.

The body determines wage and working conditions in the motor industry, but Delta recognises only the Regional Industrial Council.

A company spokesman said production was back to normal yesterday.

Sapa
Toyota in R40m boost for Cape suppliers

By AUDREY D'ANGELO
Business Editor

DURBAN-based motor manufacturer Toyota (SA) expects to give an additional R40m worth of business to Western Cape suppliers in the coming year — boosting its spending here since early 1998 to about R100m, and creating about 1 200 extra jobs.

Its announcement follows one by Wesgro director David Bridgman that interest in the Western Cape is growing, with an increased number of inquiries from European and Far Eastern manufacturers.

Toyota's supply director, Ernie Shore, explained yesterday that much of the extra business the company was placing in the greater Cape Town area was due to increased local content requirements.

"We have sourced some of our supplies from the Western Cape for years, either because we could only get them from there — like engines from Atlantis Diesel Engines — or because the quality was better. But, for logistic reasons, we naturally prefer to source our supplies as near to the factory as possible. We source more than half of them from Natal and the rest from the Transvaal and have rather neglected the Western Cape because of distance."

"But the increased local content requirements mean that we are running out of suppliers within easy reach of Durban and are having to come further afield."

Shore said a contract worth R2.5m a year to supply velour for cloth car seats was given to Court Fabrics of Paarl because, after Toyota had "scoured the country", they were found to offer the best quality.

"We chose them in straight competition with a West German supplier."

Other new suppliers include Gabriel in Retreat, from whom Toyota is currently buying R500 000 worth of gas shock absorbers. Shore expects this to increase.

"We are getting a highly sophisticated immobiliser for the Toyota Hi-Ace from Centralised Electronics in Cape Town, who will probably also manufacture a similar device now under development by Toyota for the Hilux bakkie. This is an additional investment of R2.5m a year and is likely to jump to well in excess of R3m a year."

Atlantis Foundry is supplying Toyota with R3m a year worth of inlet manifold castings.

And in 1991 STI in Atlantis will start to supply R6m worth of wing mirrors for passenger and light commercial vehicles.

GUD of Atlantis will soon start to supply Corolla and Hi-Ace air cleaners "with an annual value of approximately R1.5m", said Shore.

He said that at the beginning of 1999 Toyota had placed R60m worth of business in Cape Town. By the end of 1991 "the sum is expected to jump to R100m."

"The additional business we shall put in the Western Cape in the next 18 months will be directly responsible for the creation of a further 1 200 new jobs."

Bridgman said investors were showing more interest in the Cape than in other parts of SA, although at present they seemed to be waiting for developments following the recent changes.
Car premiums to go up again

Sven Lunsche

The solvency margins of the four other insurers had also shown a marked decline during the recent past although they were still over 20 percent.

Mr Badenhorst did not name the five insurers but industry analysts confirmed that most of them were small companies with a heavy reliance on premium income as the major contributions to their profits.

Some of the larger short-term insurers, like Mutual & Federal, SA Eagle and IGI, could also be affected by underwriting losses, but their financial stability has in the past been guaranteed by healthy investment incomes.

Mr Badenhorst confirmed that in the case of all insurers investment income and reserves were sufficient to cover all underwriting losses.

"At this stage there is in my opinion no reason for concern with regard to the solvency of any insurer based on the information that has been obtained. The position will, however, be monitored on an ongoing basis," he said.

However, the South African Insurance Association (SAIA), the umbrella body of the industry, has urged its members to stop rate cutting and to increase premiums in order to ensure their financial viability in the face of the rising costs and the higher incidence of claims.

SAIA recently published estimates which show that the average cost per claim has risen from R1 809 to R4 500 over the last two years alone, while the number of stolen cars is expected to increase to 72,000 this year compared with 60,000 in 1987.

In addition says the President of SAIA and general manager of General Accident, Clive Dean, the cost of repairs has escalated sharply over the last two years.

Mr Dean said that General Accident's first two premium hikes in January and April totalled 35 percent and a further 30 percent increase is considered for September.
Used-car dealers fear death blow from VAT

By DON ROBERTSON

VAT will replace GST on all deals between buyers and dealers — but no tax will be charged on those between individuals.

VAT charged to dealers will be based on the difference between the buying and selling price, and any other value added to the car, such as new tyres or engine reconditioning.

Request

The National Automobile Dealers Association (Nada) has asked the Department of Finance to reconsider the matter.

Nada president Errol Richardson suggests that a "catalogue system" be applied to used-car sales over perhaps 10 years.

This system, used in Europe, allows for the depreciation of a car’s value each year VAT is charged on this value every time the car is sold.

His suggestion would also apply to private deals.

It would require that the odometer reading be attached to each deal to prevent people from winding back the kilometres.

Mr Richardson says that as a result of a quirk in the proposed legislation, it is possible that used-car sales would increasingly be handled privately by “brokers” — not dealers.

About 75% of annual used-car sales of 500,000 worth about R6-billion are handled by dealers.

Mr Richardson quotes the example of Germany where 80% of used-car sales were once handled by dealers.

After VAT’s introduction, the figure fell to 20% — and it was made up mostly of demonstration models belonging to dealers.

Mr Richardson says Nada has been watching the development of the VAT legislation for some time and was told by the Department of Finance in April that it had plenty of time to object.

He believes that under the proposed change, most sales could be shifted outside the tax net into private hands.

The State would lose a large tax take. The ploy could be extended to heavy machinery and tractors.

Evasion

Economic consultant Econometrix believes that the Government's intention to raise R16.5-billion from GST in the current fiscal year could be achieved through a 7% VAT levy provided there is no "leakage" or evasion.

Even allowing for a generous tax "leakage" of 30%, the same income could be raised by 10% VAT.

If this were the case, the new-car market would benefit, says Nico Vermeulen, director of the National Association of Automobile Manufacturers of SA.
The 'hero' will get his car this Sunday

Four days after Nelson Mandela celebrates his 72nd birthday, workers plan to honour him for spearheading the struggle for equality.

At 10 am on Sunday, in Mdantsane's Sisa Dukashe Stadium, workers will present him with keys for a fire-engine red 500 SE Mercedes Benz built for him in March.

"This will show their confidence in and love for their tested and tried leader, Comrade Maroela," said a statement issued by the National Union of Metalworkers — Sapa.
JUNE VEHICLE SALES

CARS

<table>
<thead>
<tr>
<th></th>
<th>June 1989</th>
<th>June 1988</th>
<th>Decline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan-June 1990</td>
<td>103 891</td>
<td>103 891</td>
<td>0.0%</td>
</tr>
<tr>
<td>May (18 712) to June</td>
<td>18 712</td>
<td>18 712</td>
<td>0.0%</td>
</tr>
<tr>
<td>Percent</td>
<td>8.7%</td>
<td>8.1%</td>
<td></td>
</tr>
<tr>
<td>Decline</td>
<td>8.7%</td>
<td>8.1%</td>
<td></td>
</tr>
</tbody>
</table>

LIGHT COMMERCIALS

<table>
<thead>
<tr>
<th></th>
<th>June 1989</th>
<th>June 1988</th>
<th>Decline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan-June 1990</td>
<td>10 111</td>
<td>10 586</td>
<td>4.5%</td>
</tr>
<tr>
<td>May (9 139) to June</td>
<td>9 139</td>
<td>9 139</td>
<td>0.1%</td>
</tr>
<tr>
<td>Percent</td>
<td>4.5%</td>
<td>4.5%</td>
<td></td>
</tr>
<tr>
<td>Decline</td>
<td>4.5%</td>
<td>4.5%</td>
<td></td>
</tr>
</tbody>
</table>

MEDIUM COMMERCIALS

<table>
<thead>
<tr>
<th></th>
<th>June 1989</th>
<th>June 1988</th>
<th>Decline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan-June 1990</td>
<td>2 434</td>
<td>2 110</td>
<td>15.4%</td>
</tr>
<tr>
<td>May (406) to June</td>
<td>406</td>
<td>406</td>
<td>0.1%</td>
</tr>
<tr>
<td>Percent</td>
<td>15.4%</td>
<td>15.4%</td>
<td></td>
</tr>
<tr>
<td>Decline</td>
<td>15.4%</td>
<td>15.4%</td>
<td></td>
</tr>
</tbody>
</table>

HEAVY COMMERCIALS

<table>
<thead>
<tr>
<th></th>
<th>June 1989</th>
<th>June 1988</th>
<th>Decline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan-June 1990</td>
<td>7 123</td>
<td>9 277</td>
<td>23.1%</td>
</tr>
<tr>
<td>May (608) to June</td>
<td>608</td>
<td>608</td>
<td>18.6%</td>
</tr>
<tr>
<td>Percent</td>
<td>23.1%</td>
<td>23.1%</td>
<td></td>
</tr>
<tr>
<td>Decline</td>
<td>23.1%</td>
<td>23.1%</td>
<td></td>
</tr>
</tbody>
</table>

TOTAL SALES

<table>
<thead>
<tr>
<th></th>
<th>June 1989</th>
<th>June 1988</th>
<th>Decline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan-June 1990</td>
<td>29 819</td>
<td>32 233</td>
<td>7.5%</td>
</tr>
<tr>
<td>May (28 866) to June</td>
<td>28 866</td>
<td>28 866</td>
<td>5.9%</td>
</tr>
<tr>
<td>Percent</td>
<td>7.5%</td>
<td>7.5%</td>
<td></td>
</tr>
<tr>
<td>Decline</td>
<td>7.5%</td>
<td>7.5%</td>
<td></td>
</tr>
</tbody>
</table>

Source: National Association of Automobile Manufacturers of SA

US, for instance, sales so far this year have fallen below targets.

But it’s in Britain that the decline most resembles SA’s, and, like this country’s, it is a decline dictated by cost. High interest rates have knocked a hole in the market.

SA car sales in the first six months of the year were 8.7% down on the same period last year. In Britain, to mid-May, the decline was 8.9% and getting worse. What is interesting in the UK is that, unlike SA, it is the corporate sector that is showing more signs of strain than the private one.

UK corporate incomes are static and gross incomes have been pared by steeply rising labour costs. The result is that — far from being exempt from the new-car sales downturn — executive sector sales of some manufacturers have fared a lot worse than the market overall.

Rover, for instance, has undergone a third round of lay-offs because of sales falling 33% below last year. BMW has seen sales fall 24% and even Mercedes-Benz, which has pursued a policy of steady if unspectacular growth in Britain for more than a decade, lost nearly 7%. Mass market leader Ford has seen sales drop 9%.

SA manufacturers may be unhappy but buyers aren’t. Discounting and other inducements are on the rise among manufacturers anxious to shift stocks. With interest rates expected to remain high, few analysts expect an early reversal of the sales trend.

Slumping all over

SA car manufacturers can take heart — they’re not alone in facing a shrinking market. Worldwide, car makers are having to come to terms with declining sales. In the

FINANCIAL MAIL JULY 20 1990
SAFICON

New cars needed

Activities: Motor vehicle trader and manufacturer of motor vehicle components

Control: Sakers

Chairman: S Borsook, MD K Hipper

Capital structure: 26,2m ords. Market capitalisation R138,6m

Share market: Price 550c Yields 7,8% on dividend, 27,1% on earnings, p/e ratio, 3,7, cover, 3,6 12-month high, 780c, low, 450c.

Trading volume last quarter, 47,000 shares.

Year to '87 '88 '89 '90

ST debt (Rm) 9,4 8,6 37,5 57,8
LT debt (Rm) 17,3 17,8 17,8 22,1
Debt equity ratio 0,13 0,19 0,19 0,39
Shareholders' interest 0,47 0,47 0,49 0,47
Int & leasing cover 2,3 8,7 7,5 1,3
Return on cap (%) 14,0 18,9 17,5 17,9
Turnover (Rm) 2,57 879 1,296 1,541
Pre-tax profit (Rm) 25,3 44,6 68,1 78,8
Pre-tax margin (%) 4,3 5,1 5,2 5,1
Earnings (c) 80 139 147 149
Dividends (c) 23 40 42 43
Net worth (c) 459 569 763 528

A major influence on Saficon’s results for the year to March was a shortage of its lifeblood — new vehicles. Cars were simply in short supply and that restrained profits. This year

the boot seems to be on the other foot as a decline in demand for vehicles is expected to depress its earnings.

The extent to which supply problems influenced Saficon’s performance is shown by the slowdown in turnover growth from 29% in the first half of the 1990 year to 4% in the second half when the shortfall was most severe. Demand for Mercedes, Volkswagens and Audis remained firm but Saficon was unable to fulfil orders. Nevertheless, Saficon maintained its market share. Sales at LSM, the distributor of Porsche and Jaguar, weakened after half-year but Saficon Industrial Equipment and Lectrolite, the manufacturer of motor components, had “another good year.”

Operating margins held up well but a higher debt level boosted interest costs, the tax rate rose slightly and the contribution from associate Boumat fell to R6,7m from R8m (see below). In the end, the 18,3% turnover advance translated into a 1% rise in attributable earnings.

Chairman Sidney Borsook expects new vehicle sales to fall by about 10% this year but believes Saficon will be protected to some extent by orders carried forward from the 1990 fiscal year. A more regular supply of vehicles is needed for the company to benefit from the present weight of its order book. Growth is forecast for Cargo Motors and Lectrolite, while Lindsay Saker’s and LSM’s performances are expected to be satisfactory. Despite an expected further decline in the demand for forklifts, the performance of materials handling company Saficon Industrial Equipment should be steady.

The directors forecast EPS of 12c and a total dividend of 32c for the 1991 financial year.

This compares to earnings and dividends, diluted for the conversion of convertible debentures, of 130c and 34c last year.

Borsook will shortly be succeeded by Kurt Hipper as CEO of Saficon. He becomes chairman of the company and retains his executive chairmanship of Sakers.

Sakers, whose sole investment is a 63,7% holding in Saficon, earned 248c (245c) in the 1990 fiscal year and paid dividends of 69c. The directors forecast a decline in earnings and dividends to 186c and 32c for 1991. The share is currently trading at 825c on a 3,3 times earnings multiple and 8,4% dividend yield.

Pan Bankhead

FINANCIAL MAIL JULY 20 1990
ANC's way is peace, not guns

By Esmare van der Merwe, Political Reporter

The ANC's goal of engaging all political forces in the peace process could not be based on the number of guns they carried, ANC deputy president Nelson Mandela said yesterday.

His remarks, made at Mdantsane near East London where he received a luxury car built for him by Mercedes Benz workers, stood in stark contrast to recent remarks by military leader Chris Hani that the organisation might still have to seize power.

Mr Mandela said: "We shall feel honoured if we can contribute even a little to the struggle to end the violence which continues to claim the lives of many of our people. As the initiators of the peace process, we are determined to see it through to the end.

"In this process of mustering maximum support for negotiations we threaten nobody. All we threaten, and we are proud to do so, is the criminal system of apartheid."

Thanking the workers, he said "The red colour of this car will forever remind us of the blood the workers and people of our country have shed in the struggle for liberation," he said.

Drive safely, comrade ... Nelson Mandela holds the keys to the Mercedes Benz car presented to him by the National Union of Metal Workers at a rally yesterday. © Picture by Associated Press
BLOOD-RED: Merc for Nelson

from a Numsa official, Mr Phillip Groom

Key to Door... a directing Mr Nelson

Mander receives the key of his new Merc

an emotional Mr Mander led the jubilant

the lodge to build the car was chosen

the Lodge of the Nigerian National Federation of Trade Unions, Lagos, which marks for the 300th. New-York.

the crowd that left Mercedes-Benz 500

Antisnare, Ciskei: more than 50,000

Mercaderes. At last....
BMW boosts market share
EDWIN UNDERWOOD

BMW SA is increasing its market share against a declining market, says marketing director John Jussup.

Between January and July this year BMW sold 9,572 units, about 9% of total passenger car sales of 103,681 units.

This compares with an 8.4% market share achieved last year, up 2.4% from the previous year, against total industry sales of 221,942 passenger cars in 1989.

Jussup says BMW SA expects industry sales to be down by 7% this year and by 13% in 1991, giving the industry sales of about 195,000 passenger cars.

Jussup says that despite the market being in a difficult phase, BMW expects industry sales of 17,000 units a month.
Value added

A significant contribution to the trade surplus in the six months to June was made by the category "Vehicles, aircraft, vessels and associated transport equipment."

National Association of Automobile Manufacturers of SA (Naamsa) director Nico Vermeulen reckons automotive components were largely responsible. "Incentives were provided in Phase Six of the local content programme, which started in June 1989. Exports of vehicle components have been showing an increase since then."

Vermeulen says a Naamsa survey in March showed total value of automotive component exports so far this year approaches R500m annualised — more than the original projection of R421m. He estimates exports of vehicle components make up about two-thirds of the category. "Under Phase Six, export earnings qualify as local content. In many cases manufacturers find that rather than follow uneconomic localisation (import substitution) it is more cost-effective to export automotive parts."

Some export back to their foreign parents. Exports could double in 18 months and receive a further boost when catalytic converter projects come on stream in 1991, says Vermeulen. Earnings are expected to rise to R577m in 1991 and R811m in 1992.

Saffo economist Bruce Donald says base metal prices have fallen since 1988-1989, exporters are adding value and "manufactured goods are making an increasing contribution."
Campus head-hunters, con it
and matière hotch-potch and Port Smolder
in a Kurtz, 'bargain broker' and Colton, the kumquat

In time to stretch, market leads
But rising mark could read

By CHALMERS HANCOCK
Local content begins to pay for electronic parts makers

ELECTRONIC automotive parts manufacturers are starting to cash in on the implementation of phase six of the local content programme for vehicle manufacturers.

Anglo American subsidiary Conlog, manufacturer of instrumentation and process control equipment for the vehicle industry, said in a statement yesterday the market's value exceeded the R190m mark in 1998 and motor manufacturers were analysing the most viable areas where import substitution could be implemented.

The aim of the programme was to achieve a 75% local content aggregate for the industry by 1997.

Naamsa chairman Nico Vermeulen said there was little doubt that, in the medium to longer term, phase six would result in enhanced emphasis on exports as opposed to additional import replacement.

The total value of exports of the claimable portion for purposes of phase six was expected to total R621m this year, R677m in 1991 and R811m by 1992.

Vermeulen said industry exports were mainly in the field of SA-produced automotive original equipment and related components.

However, Vermeulen emphasised that the challenge local manufacturers of electronic components faced would be to move into high value-added local manufacturing activities on a cost-effective basis.

Conlog auto division director Paul Lambert said government's call to reduce imports for the vehicle industry coupled with the local content programme would stimulate the development of local expertise.

Naamsa said the size of SA's original equipment and replacement market was limited and therefore did not provide a sufficient base for the majority of SA component companies in the longer term.

This was due to the increasing pace of technological change and the demand for high cost research and development requiring major investments which could only be derived from increased markets.
24 000 ‘defective’ Opels recalled

Own Correspondent

DURBAN — About 24 000 Opel Kadetts and Monzas have been recalled after it was discovered they could have defective steering couplings.

The models recalled are those built between May 1990 and May 1992. The cause of the defect was an assembly error at the Delta Motor Corporation’s Kempton Road plant in Port Elizabeth.

The recalled models could have incorrectly positioned couplings, according to a company statement.

When asked yesterday how serious the fault was, Delta spokesman Mr Bane van der Merwe said: “Serious enough to recall 24 000 cars, we’re not taking any chances.”

Eight cars have already been found to have the fault — not through failure, but picked up during routine checks “in the field”, said Mr Van der Merwe.

The operation will cost Delta R200,000, he said.

Recalling so many cars requires a huge amount of organisation beginning with every one of the 24 000 owners being sent a registered letter telling him to take the car to his Delta dealer to have his steering coupling checked.

To make sure that all owners are reached, Delta is checking the registered mail slips with its dealers.

Cars built in that period that have second owners, and each car undergoing a routine service, will also be checked.

Mr Van der Merwe said only certain cars could have the defect but that Delta was not taking any chances in the interests of safety.
Delta recalls cars with possible defect

DURBAN — About 24 000 Opel Kadett and Monza models have been recalled after it was discovered they could have defective steering couplings. The models being recalled could have incorrectly positioned couplings, according to a company statement.

Eight cars have been found to have the fault — not through failure, but picked up during routine checks “in the field”. Delta spokesman Banie van der Merwe said the operation will cost Delta R200 000.
'50% less to import engines?'

By DENNIS D'ANGELO

Motor Corporation

Motor Corporation

'Didi not share the view that 50% of the sale of the motor cars in the world would become like Brazil, with old vehicles on the roads and manufacturers unable to build new models.'

The market for these components was expected to grow, but the problem was that the competition in the market was low. The key was not to make a product that was too competitive, but rather to produce a product that was competitive enough to be sold.

The market for these components was expected to grow, but the problem was that the competition in the market was low. The key was not to make a product that was too competitive, but rather to produce a product that was competitive enough to be sold.

The market for these components was expected to grow, but the problem was that the competition in the market was low. The key was not to make a product that was too competitive, but rather to produce a product that was competitive enough to be sold.

The market for these components was expected to grow, but the problem was that the competition in the market was low. The key was not to make a product that was too competitive, but rather to produce a product that was competitive enough to be sold.

The market for these components was expected to grow, but the problem was that the competition in the market was low. The key was not to make a product that was too competitive, but rather to produce a product that was competitive enough to be sold.

The market for these components was expected to grow, but the problem was that the competition in the market was low. The key was not to make a product that was too competitive, but rather to produce a product that was competitive enough to be sold.

The market for these components was expected to grow, but the problem was that the competition in the market was low. The key was not to make a product that was too competitive, but rather to produce a product that was competitive enough to be sold.

The market for these components was expected to grow, but the problem was that the competition in the market was low. The key was not to make a product that was too competitive, but rather to produce a product that was competitive enough to be sold.

The market for these components was expected to grow, but the problem was that the competition in the market was low. The key was not to make a product that was too competitive, but rather to produce a product that was competitive enough to be sold.

The market for these components was expected to grow, but the problem was that the competition in the market was low. The key was not to make a product that was too competitive, but rather to produce a product that was competitive enough to be sold.

The market for these components was expected to grow, but the problem was that the competition in the market was low. The key was not to make a product that was too competitive, but rather to produce a product that was competitive enough to be sold.

The market for these components was expected to grow, but the problem was that the competition in the market was low. The key was not to make a product that was too competitive, but rather to produce a product that was competitive enough to be sold.

The market for these components was expected to grow, but the problem was that the competition in the market was low. The key was not to make a product that was too competitive, but rather to produce a product that was competitive enough to be sold.

The market for these components was expected to grow, but the problem was that the competition in the market was low. The key was not to make a product that was too competitive, but rather to produce a product that was competitive enough to be sold.

The market for these components was expected to grow, but the problem was that the competition in the market was low. The key was not to make a product that was too competitive, but rather to produce a product that was competitive enough to be sold.

The market for these components was expected to grow, but the problem was that the competition in the market was low. The key was not to make a product that was too competitive, but rather to produce a product that was competitive enough to be sold.
Fighting old age

SA’s ageing vehicle fleet is causing the motor industry to look for new ways of keeping vehicles on the road.

Two manufacturers are about to launch programmes offering guaranteed remanufactured engines on their cars and light commercial vehicles. Plans for other remanufactured components are in the pipeline.

Volkswagen has guaranteed its remanufactured engines for some time. Toyota and Nissan are preparing to join it.

The average age of SA’s vehicle population, estimated at little more than seven years in the mid-Eighties, is expected to be nearly double that by the end of the Nineties. Rising prices and interest rates, coupled with a stagnant economy, are causing owners to hold on to vehicles longer than ever before.

As vehicles age, so the need grows to replace critical components. However, consumer doubts about the quality of remanufactured — some prefer to say "reconditioned" — components has inhibited demand, even though they may cost only a fraction of the price of new parts. By offering warranties, manufacturers say they hope to reduce the cost of maintaining old vehicles.

For instance, Toyota’s engine programme offers a one-year, unlimited distance guarantee, while Nissan guarantees for one year and 20 000 km.

Toyota’s GM responsible for after-sales marketing, Dave Whitfield, estimates current annual demand for remanufactured car and light commercial vehicle engines at more than 56 500, worth R112,6m.

Estimated demand for other critical components includes 261 000 gearboxes at R184,3m, 72 000 differentials at R35,4m, 68 000 alternators at R16,6m, 62 500 starters at R17,5m, 30 000 cylinder heads at R26,3m, and 24 600 water pumps at R1,9m.

Toyota, which announced its engine remanufacturing programme this week, is already investigating alternators, gearboxes and carburettors. Nissan, due to give details of its programme next week, is talking of clutches and starter-alternator assemblies.

Most of the demand for remanufactured engines is expected to come from the hard-working, light commercial vehicle sector — for example black taxis and working bakkies in transport and agriculture. Though some interest is expected from private owners and car fleets, this will probably be limited.
MIDAS FIM 31/8/90

Profits conk out

Activities Provides warehousing and distribution services to manufacturers of vehicle parts
Control Directors have control
Chairman D Riley, Executive director S de Vos
Capital structure. 13.1m ords Market capitalisation R59m
Share market: Price 450c Yields 4.4% on dividend, 12.6% on earnings, p/e ratio 7.8, cover 2.8 12-month high, 1425c, low, 436c
Trading volume last quarter, 140,000 shares
Year to Feb 28 '87 '88 '89 '90
ST debt (Rm) 0.1 4.1 19.6 30.6
LT debt (Rm) — — — —
Debt equity ratio n/a 0.01 0.55 0.59
Shareholders' interest 0.81 0.61 0.55 0.64
Int & leasing cover 10.3 9.1 7.3 1.9
Return on cap (%) 23.3 17.3 32.0 20.3
Turnover (Rm) 45.9 95.4 173.9 218.8
Pre-tax profit (Rm) 5.5 9.4 20.4 16.4
Profit margin (%) 11.9 9.8 10.5 6.6
Earnings (c) 36.9 61.2 118.6 56.5
Dividends (c) 11 20 35 20
Net worth (c) 154 273 271 364

Lower business activity across the board in the motor industry has hit parts distributor Midas hard in the past year. Attributable earnings fell to R8.3m from R15.6m the previous year.

CE Sarel de Vos tactfully admits management did not anticipate the slow-down as lower demand resulted in higher stocks piling up in the company's warehouses. This turn of events translated into borrowings building up to more than R30m at the February year-end, with high interest costs worsening the situation. A second negative factor was high overheads involved in running the infrastructure required to sustain the high growth that the company has experienced over the past years. With the drop in business activity, costs went out of control.

De Vos says the belief that the spare parts industry is totally contra-cyclical to general economic activity is only partly true. During difficult economic times the car owner, like any other consumer, applies cost-saving techniques such as extending servicing intervals and buying parts from scrapyards.

Midas's management took corrective action to restructure the way the company operates. It reduced stocks and unprofitable lines were discontinued. Trouble was the remedial action came too late to salvage profits. De Vos says costs have been greatly reduced. The duplication of warehouses that developed with the Adco takeover was corrected and staff laid off. De Vos says the takeover proved not to be very successful in the short run, but long-term prospects are opti-
Fiat and Ford to pool tractor sales

By DON ROBERTSON

FIAT and Ford have pooled their tractor interests by establishing a company to handle international sales. FiatGeotech will have 89% of the company and Ford New Holland of Pennsylvania 21%. Ford will receive a cash payment from Fiat, but the amount will be decided "in the next few months" and is subject to government approval. This is the third multi-billion international deal in recent months which could affect SA. GEC and Siemens recently acquired Plessey of the UK and has a 25% interest in Plessey SA and a pre-emptive right to acquire the balance. Japan's Fujitsu group has made a £746-million bid for ICL in the UK. ICL (SA) is jointly owned by Gencon's Mailbox and the British parent should the offer succeed, ownership of ICL (SA) will probably change because Japanese firms are prohibited from holding a direct stake in SA companies. Spencer Sterling, managing director of Samecor, which makes Ford Tractors, says the Fiat deal will not affect SA. Fiat tractors are sold by Vetsak in SA.

FiatGeotech is based in Italy and has plants in Brazil, France and America, employing 13,000. It distributes through 2,500 dealers worldwide. Last year turnover was £2.3-billion. Ford New Holland employs 18,000 in Canada, Britain, Belgium and Brazil. It has sales of £2.8-billion through a 3,700 dealer network.
Midas boss now at Spareco

Business Times Reporter
GRAHAM WALKER, a former executive director of Midas, has taken over the reins at opposition group Spareco. He succeeds acting managing director Don Elliott.

His immediate objectives are to cut costs, streamline the business, strengthen relations with suppliers and customers, and try to realize the R150-million-a-year group's potential.

Spareco, along with the rest of the vehicle spare parts industry, experienced a difficult spell because of rising costs and falling demand.

Outlets

Mr. Walker says "Spareco is back on track and the group is ahead of budgeted turnover and profits. I am confident."

The company plans organic growth rather than by acquisition. But acquisitions cannot be ruled out.

The Rhodes outlets in Pretoria and Pietermaritzburg are successful. Branches are to be opened in Johannesburg and Sibasa.

Management procedures will be overhauled by bringing the group "on-line" with real-time order entry, stock control and financial reporting.
Demand for ADE products drop 20%

ATLANTIS DIESEL ENGINES (ADE) has suffered a drop of more than 20% in demand for its products as a result of the downturn in the economy — and in the motor industry in particular.

Admitting this yesterday, MD Fritz Korte said another 10% drop was expected in the last half of this year and the first half of 1991.

As a result, ADE will offer early retirement or voluntary retrenchment packages to about 20% of salaried staff.

Korte said yesterday that: "In spite of steps taken to obtain additional export business and to reduce operating costs in sympathy with the reduction in local demand, we are now forced to reduce our manpower costs."

Salaried and hourly-paid employees will be given the opportunity to volunteer for retrenchment or early retirement during this month. ADE will also consult in this regard with the relevant trade unions.
Sales of new vehicles fall in tough climate

NEW vehicle sales dropped slightly during July because of the prevailing economic climate and unit sales comparisons would remain negative for several months, the National Association of Automobile Manufacturers of SA (Naamsa) said yesterday.

Naamsa said that as business and trading conditions in the industry remained difficult, the decline was in line with industry expectations.

However, if interest rates declined towards year-end, new vehicle sales should show a slight improvement.

Figures released by Naamsa yesterday showed new car sales for July had declined by 392 units (1.6%) to 18 387 unit sales from the June sales figure of 18 679 units.

However, July new car sales recorded a steeper decrease of 1 480 units (7.5%) against the same month in 1989.

Naamsa said the combined effect of high interest rates, conservative fiscal policy and disruptive industrial action in certain sectors of the industry did not augur well for consumer and business confidence.

Sales of light commercial vehicles and minibuses fell by 585 units (5.8%) to 9 926 from the June figure of 10 111. Compared with the corresponding month last year, the figures showed.

Vehicle sales

Light commercial vehicle sales declined by 1 294 units, nearly 12%.

The National Automobile Dealers Association (Nada), said pricing would be below inflation this year for the first time since the early 1980s -- an accumulative increase of about 10%.

Nada forecast a 15% rise in 1991 as the local content investment levels rose and

From Page 1

expected that the heavy demands on motor manufacturers to raise local content would result in vehicle prices remaining above inflation for the next five years.

The decline in sales saw the net profit of wholesalers and retailers decrease by 11.3% for the first quarter of 1990 compared with the last quarter of 1989, Central Statistical Service figures showed.
Decline in car sales continues

Finance Staff

New car sales in July continued their recent decline, falling by 1.6 percent on a monthly basis and by 7.5 percent over the past year.

Monthly car sales were 292 units lower at 18,387 units from the June figure of 18,689, the National Association of Automobile Manufacturers (Naamsa) said yesterday.

However, compared with the corresponding month in 1989, July sales showed a steep decrease of 1,480 units.

For the period January to June, sales were down even further at 122,236 — a decline of 8.5 percent on the last year’s first-half sales of 122,236 units.

MINIBUSES

Sales of light commercial vehicles and minibuses showed a decrease in July, falling by 589 units to 9,523.

Compared with the corresponding month last year, light commercial vehicle sales declined by 1,234 units.

Truck sales were 134 units lower compared with the corresponding month in 1989, while declining by 8.8 percent on a monthly basis.

Total new commercial vehicle sales for January to June fell to 195,647 units compared with 208,857 in the same period last year.

Naamsa says “Given the prevailing economic climate, current industry business and trading conditions remained difficult.”

NEGATIVE

“The combined effect of high interest rates, conservative fiscal policy and disruptive industrial action in certain sectors of the industry did not augur well for consumer and business confidence generally.”

Naamsa expects unit sales will remain negative for the next several months.

It says, however, that new vehicle sales could show a slight improvement towards the end of the year, “provided interest rates fall from their current levels.”
Troubled times for Midas

MOTOR parts distribution group Midas continues to face difficult trading conditions and has revised forecasts for the current year's results downwards.

At the AGM at Midrand yesterday, chairman Derek Riley said that after the first four months of trading since the February 1990 year-end, the group's results were well behind budget. As a result, Midas was now forecasting that earnings for the current year would be well below the 60.3c a share (R8.3m) earned last year.

In a highly competitive market, sales and margins had come under pressure. The firm also had considerable problems in implementing a new computer system.
Government aims to increase competition in motor industry

By Derek Tommey

Car manufacturers who raise their prices to increase the value of their vehicles' local content could find themselves in trouble.

"Such action would be completely contrary to the spirit of the Phase VI local content programme," Dr Theo Alant, Deputy Minister of Trade and Industry and National Education, said.

At a forum on the new local content programme in Sandton, Dr Alant said the practice would reduce car sales.

**Currency usage**

Though this could reduce the number of cars sold and thus curb the motor industry's foreign currency usage it would increase the rate of inflation and affect other economic activities and the competitiveness of South African exports.

The authorities intended to review the competitiveness of locally-manufactured motor vehicles periodically. It was hoped that Phase VI would improve the industry's competitiveness.

The Phase VI programme allows manufacturers to reduce their foreign currency usage by way of import replacement or increased exports.

**Exports up**

It appears that most manufacturers have opted to increase exports. These grew from R136 million in the year to end-May 1989 to R348 million in the year to end-May 1990.

Motor industry officials at the forum called for the Government to indicate its local content programme after 1997 so that the industry could experience a certain degree of certainty in its forward planning.

One industry representative said that for his firm 1997 was just around the corner. It needed three years to make the necessary investment to develop export products and then required a further 10 years to get the benefits of that investment.

Dr Alant said he was not in a position to forecast Government policy beyond 1997.

Others at the forum complained about the heavy duties on imported capital equipment. Dr Alant replied that his personal view was that South Africa was taxing imports and then had to subsidise exports.

This matter was being investigated by the Cabinet and he hoped that within a year it would be possible to publish an investment programme which offered the whole world a better deal.

South Africa had to ask what, for example, made a foreign investor choose to build a factory in Portugal instead of here?

It had to be realised that foreign investors were interested in the total situation — the cost of capital, electricity, transport, the productivity of labour and many other aspects of business.

There was much room for further rationalisation and standardisation in the motor industry. But the Government's policy was that these matters should be left to the free play of market forces. The whole tariff structure and protective policy was being investigated.

It had happened that industries were established behind excessively high walls of duty protection. Consequently, there was no incentive to innovate and raise productivity levels.
Used-car dealers feel the squeeze

By DANIEL SIMON

SECOND-HAND car dealers are feeling the financial squeeze imposed by the Reserve Bank in March last year to fight inflation and have slashed prices on used cars by as much as 20% — primarily to stay afloat.

The current trend is expected to bottom out by the end of the year — but not before used car prices decrease by a further 5%, a leading second-hand car sales director said yesterday.

Porter Nissan's second-hand vehicle marketing and sales director, Mr Colin Eastwood, described the current situation as "very gloomy" and the worst he had experienced in his 35-year career.

The trend should actually have an opposite effect and encourage people to buy — but high interest rates, increased deposits and reduced periods for repayments brought in to curb inflation, were affecting the "affordability factor".

Mr Eastwood said the second-hand car market began to flourish in 1985 when the retail value of new cars increased dramatically. Because of this, numerous second-hand dealerships sprang up.

"At the time interest rates were reasonable and used car prices were low. But with new car sales dropping in that period, dealers soon found themselves fighting for less and less of the trade-in market. As a result prices went up," Mr Eastwood said.

He said the stringent measures implemented to curb credit spending had created a situation where used cars now stood for longer periods on dealership floors, resulting in price decreases.

"The measures caused sales volumes to drop and left many dealers sitting with large inventories of overpriced stock. In order to stay liquid they had to lower prices to make used cars more affordable.

"Before the measures were in place a customer would have repaid R500 per month on a used car worth R20 000. Today he would have to look at an additional R250 on his repayments," Mr Eastwood said.

He added that "a lot of second-hand dealerships could fold in the near future.

"The cost of holding stocks is absolutely ridiculous."
Naamsa: no respite yet for motor industry

PRETORIA — Conditions in the motor industry would continue to be difficult for the remainder of the year and 1991, National Association of Automobile Manufacturers of SA (Naamsa) CE Nico Vermeulen said yesterday.

In a review of market conditions against a background of the industry's performance during the first six months of the year, Vermeulen said the new vehicle market had been contracting.

Unit sales volumes had dipped sharply for all domestic producers.

The combined effect of conservative fiscal and tough monetary policies continued to affect demand for new vehicles adversely.

"The lower level of vehicles sales had also adversely affected local component suppliers and the SA motor trade as a whole.

"Current negative trends could gain momentum because of lower levels of consumer and business confidence," he said.

Provided interest rates declined towards the end of the year, vehicle sales and after-sales parts and accessories could show a slight improvement, Vermeulen said.

Positive macro-economic developments

GERALD REILLY

— improvements in the balance of payments, decline in inflation and lower money supply growth — could relax the authorities' tough monetary stance.

However, the slowdown in general economic activity was reflected in the industry's latest projections.

These indicated a further decline in new vehicles sales for the rest of the year and next year.

Vermeulen said a drop of 6.5% in new car sales to a total 207 000 (231 342 last year) was forecast.

Combined

Light commercial vehicle sales would drop 1.9% to 115 600 (117 138), medium commercial vehicles would drop 8.7% to 4 900 (4 474) and heavy commercial vehicles 7 069 (6 678), a drop of 5.2%.

During the second quarter of the year car sales totalled 51 805 units — a decrease of 291 or 0.5% compared to the 52 096 sold during the first quarter of the year.

Combined commercial vehicle sales during the April-June quarter declined 2 708 units or 8.4% to 30 015 compared to 32 795 during the January-March quarter.
Support for Delta Motor Company's stand against joining the motor industry's National Bargaining Forum came from an unexpected source yesterday - the men on the shop floor at Mercedes Benz in East London.

Some of the men have demanded that Mercedes leave the NBF. Their demand took the form of a protest outside the plant last week.

All other motor manufacturers apart from Delta belong to the NBF and Delta is resisting union pressure to join.
T & N results dismal, with no relief in sight

LIZ ROUSE

was reflected in the results.

The results of automotive subsidiary Asseng showed a 36% drop in trading profit, while the T & N group decline was only marginally lower at 35%.

Ferodo, Belasco-Beral and Asseng all suffered from a reduction in demand. The radiator and heat exchanger companies were down on original equipment supply in line with the trend in new car sales.

However, Silverton Services, the aftermarket supplier and repairer, suffered a greater degree of reduced activity. Radiator imports improved.

To promote rationalisation and savings, the Belasco-Beral business in the automotive sector was sold for R7m in exchange for a 28% holding in Dancor. The benefits would flow once the full programme of rationalisation had been implemented, said Pretorius.

On the chemical side, BIP's trading suffered from lower volumes whereas Bulakem showed an improvement on last year's results because of better factory efficiencies and reduced raw material costs.

Pretorius said the slowdown in the economy had been more severe than foreseen. Trading in the second half of the year was expected to be difficult.

T & N shares are bumping at a year's bottom of 59c and there were no takers yesterday.
Asseng hit by slowdown and high interest charges

By Ann Crotty

Automobile component-maker Asseng has been badly hit by the slowdown and high interest rates.

For the six months to June earnings were more than halved to 7.2c (18c) a share. The dividend has been cut to 3c (6c).

Turnover was down five percent to R60.5 million (R64.1 million), but a sharp drop in margins — down to 10 percent from 15 percent — meant trading profit fell to R6.2 million from R9.7 million.

Financing charges were more than double at R2.8 million (R1.1 million).

This took pre-tax profit down to R3.6 million (R3.6 million). The tax rate was down to 19.4 percent from 25.7 percent, leaving attributable income at R2.9 million (R6.3 million).

Management says high interest rates caused after-market customers to cut back on requirements to reduce stocks.

"At the same time, lower demand for heavy-duty engine components resulted in operating losses at the Roodepoort factory."

At this stage there is no indication of benefits from the revised local content programme.

Management says a fair degree of uncertainty exists over what benefit the local content programme will have for the component industry.

Business on the industrial side was also slower.

On a brighter note, management says its automotive product exports are encouraging.

"However, the late commissioning of certain of the expansion projects begun in 1989 did impact on Asseng's ability to service some export markets."

The directors say corrective action has already been taken to reduce costs and lower production levels to meet reduced demand.

"Once the excess stocks in the marketplace have been eliminated, we expect demand to stabilise, but at lower levels than in 1989."

Turner & Newall

Performance from industrial and mining group Turner & Newall for the first six months has been severely hit by a slowing economy, difficult trading conditions and high interest rates.

Sales for the six months to June are up four percent at R197.3 million on the same period last year.

A significant reduction in margins — as a result of the more competitive market conditions — resulted in a 35 percent drop in trading profit.

The effect was severely aggravated by the surge in interest payments, which left attributable profit showing a drop of 75 percent to R2.2 million (R8.9 million).

The interim dividend of 3.8c is down 62 percent from last year's 11c.
Trucks and transport

Vehicle sales slump as economy deteriorates

TRADING conditions will be tougher in the commercial vehicle market over the next 18 months, say industry analysts.

With sales of domestic medium and heavy trucks weakening dramatically in recent months, a further deterioration in sales is forecast.

The National Association of Automobile Manufacturers of SA (Naamas) executive director Nico Vermeulen says prospects for sales remain essentially a function of the performance of the economy and he believes the general economic slowdown will intensify in the course of the year.

Analysts expect the sharp fall in gross domestic fixed investment this year will put severe pressure on the operations of SA truck manufacturers.

Delta Motor Corporation CEO Keith Butler-Wheelhouse says social, political, economic and environmental factors will create major hurdles for the motor industry in the short term.

"Economic forecasts point toward a further weakening of the economy, with the rand depreciating steadily against our major trading currencies - placing further strain on our fragile current account balances," he says.

Restrictive monetary policies and high interest rates are having their effect on the truck user and will continue to do so as long as they remain in force, while general uncertainty about SA’s sociopolitical future has led end customers to withhold or defer purchases.

Mercedes-Benz management board member commercial vehicles Adolf Mossebauer says the commercial vehicle industry for the first six months of this year has shown a decrease of about 25% in the market for vehicles above 7.5 tonnes.

Bearish

With Naamas viewing prospects for the truck industry as bearish during the remainder of 1990 and 1991, unit sales comparisons are expected to be negative for the next several quarters.

The recent sharp downturn in heavy truck business has thus led industry analysts to review 1990 and 1991 market projections, says Vermeulen.

Original expectations of 5,000 medium (5,000 kg - 7,500 kg) commercials have been revised downwards to 4,900 units and for heavy vehicles from 9,000 to 7,700.

Moreover, industry expectations of 9,300 heavy truck sales in 1992 have been revised downwards to a projected 8,200 units.

Combined sales for new mediums and heavies peaked in 1981 when 38,742 were sold. This year, combined total sales are projected at 12,800 units.

Sales projections for this year and next represent bad news for heavy truck manufacturers' earnings, says Vermeulen.

"Truck manufacturing has relatively high fixed costs and the industry’s earnings and profitability are sensitive to volume changes," he says.

Industry revenue growth in real terms is expected to be negative this year (see bar chart).

Real domestic production growth declined from 3.2% in 1988 to 2.2% last year and is projected to drop to about 0.5% this year.

Of greater concern to the industry is the expected sharp fall this year in gross domestic fixed investment.

Vermeulen says this major determinant of demand for heavy trucks, which will be exacerbated by reduced government expenditure in the short term, is expected to show negative growth (-3.1%) this year compared to a positive rate of 4% in 1989.

Disincentive

Since new truck purchases are financed, the high cost of borrowing represents an obvious and immediate disincentive. Besides this, there is the compounded effect of GST, escalating insurance and higher licence fees.

On the positive side, he says the financial burden faced by operators should ease during 1991 as interest rates fall in line with the lower levels of economic activity generally.

Other future bullish factors include:

- Enhanced demand for utility and commercial vehicles, particularly at the lighter end of the market, as a result of the deregulation of economic activities.

Pressure

- In the longer term, replacement demand pressure tends to build up and spill over from quieter business experienced (4%-5% less) in periods of economic downturn.

- Major infrastructural and development projects, such as the Lesotho Highlands water scheme, large-scale housing and social upliftment programmes can be expected to have some beneficial effect on demand for medium and heavy trucks.

Because the new truck market is extremely competitive and has become increasingly specialised, its consumer base will require specialist sales and after-sales service support.

"All truck manufacturers will compete in the areas of product quality, specialisation and back-up services to the customer," says Vermeulen.

Business Day, Thursday, August 16 1990

Survey

 Industry analysts expect trading conditions in the commercial vehicle market to become tougher over the next 18 months. Manufacturers are revising their original 1990/91 market projections for medium and heavy commercials downwards. John Lincoln reports.
Local content hike 
angers manufacturers

THE recent acceleration of the phase six value-based local content (LC) programme is upsetting some truck manufacturers.

Toyota SA CEO Bert Wessels says the latest and "arbitrary" requirement announced in June obliged manufacturers to have at least 65% LC by value, whereas the previous target was 60%.

"One year into the programme and manufacturers still have no clear picture of where they are going," he says.

There should be a clear plan for the LC programme because the government's flexible approach is full of surprises and is unacceptable.

While an increase in the LC requirement was expected, he says the magnitude of the increase and the arbitrary way it has been applied is a cause for concern, particularly in the long term.

The initial announcement was interpreted by the industry as suggesting LC had to be increased to 75% only by 1997, a target never confirmed.

This target may prove too high to achieve economically — particularly against a background of current political developments and uncertainty.

"What Toyota advocates is, rather than arbitrarily raising the phase six target to balance government books, export achievement over and above the ruling phase six requirement should be funded out of the General Export Incentive Scheme budget," he says.

Mercedes-Benz management board member engineering and procurement Heintjie Poel says the flexible targets, primarily driven by the average industry achievement, may reach a stationary point or even go into reverse if manufacturers become complacent about exports or localisation.

Penalty

"This is part of the process of the programme and as such is the penalty the industry and consumer has to pay by going higher in local content."

Inherent in phase six is an incentive/penalty scheme to encourage the increase in LC, thereby reducing foreign exchange.

Te Poel says this excise incentive is self-funded by the industry.

"The under-achievers pay for the over-achievers measured against a neutral point — which is the industry's average LC target that has to be raised or reduced in line with the total industry's performance," he says.

Wessels says the industry has exceeded the requirements to date, but cites two underlying reasons for this.

- Currencies on a year-on-year basis have favoured manufacturers who source from Japan, with a stronger rand/yen rate (the opposite applies to German-sourced vehicles).
- Industry has experienced a higher level of export trade than initially anticipated.

Both influences have complicated an already complex programme and the crux of the matter is that they are both variable inputs which are being used as a basis for accelerated upward adjustments in the phase six programme, he says.

"Under a value-based local content programme, it follows that currency fluctuations, some quite severe in the short term, are not easy to deal with for both the manufacturer and government."

"We feel everyone's best interests would be served if government adopted a scheme whereby long-term moving average formulae were applied to determine a smoothed and true longer-term picture."

Wessels says the flexible targets, primarily driven by the average industry achievement, may reach a stationary point or even go into reverse if manufacturers become complacent about exports or localisation.

Danger

There is also the danger that motor manufacturers may exercise the option of simply paying duties rather than trying to achieve higher local content.

"We also feel people should not lose sight of the fact that the overall goal of phase six is to save foreign exchange, develop local industries and provide much needed employment opportunities."

Meanwhile, the 75% target set for 1997 will lead to excessive vehicle price increases, he says.

"So government should revise this to 70% or less and provide this information up front so manufacturers can plan accordingly," says Wessels.
Makers of Japanese cars in SA have edge

Hasemeyer, 3.1% of all imports into SA, compared to 1.4% of all imports into SA in 1988. The volume of imports of Japanese cars into SA has increased from 1792.0x2389.0 to 1792.0x2389.0 in the year under review.

In terms of phase 1 of the localisation policy, dealers and manufacturers of Japanese cars have been required to increase their local content. This has resulted in a significant increase in the volume of imports of Japanese cars into SA.

The increase in the volume of imports of Japanese cars into SA is due to the fact that the localisation policy has resulted in a significant increase in the volume of inputs into SA from Japan.
Vehicle market still in decline

Finance Staff

The new vehicle market has been contracting, with unit sales declining sharply for all producers, says Nico Vermeulen, director of the National Association of Automobile Manufacturers (Naamas).

In the Naamas review of business conditions for the second quarter of 1990, Mr Vermeulen says unit sale comparisons are expected to remain negative for the next several quarters.

The combined effect of conservative fiscal and tough monetary policies continues to impact adversely on demand for and sales of new vehicles generally.

However, provided interest rates decline towards the end of the year, sales of motor vehicles and after-market parts and accessories could show a slight improvement, he says.

Car sales are forecast to decline six percent to 297,000 units (221,342 last year). Light commercial vehicle sales are forecast to decline 1.9 percent to 119,000 (117,183).

Medium commercial vehicle sales are expected to decline 8.7 percent to 4,900 units (4,474 units). Sales of heavy commercial vehicles are expected to decline 24 percent to 7,800 (9,678).

In the second quarter of this year, car sales totalled 51,865 units — a decrease of 0.5 percent relative to the 52,096 units sold in the first quarter.
Erratic car supplies may hit Saficon chairman

Edwin Underwood

ERRATIC supplies of new cars during the past financial year were expected to affect Saficon Investments' (Saficon's) interim results, said Saficon chairman Sidney Borsook.

Saficon operates a portfolio of decentralised businesses involved in motor vehicle trading, materials handling equipment, and manufacture of motor vehicle components.

At the group's AGM yesterday Borsook said: "The current financial year is not going as well as we expected."

"Erratic supplies of new cars, particularly models for which we hold orders, coupled with deteriorating market conditions, will materially affect our results for the first half of the fiscal year."

Borsook said that despite sales volumes being marginally down against last year's average and the inflation rate having pushed up the group's overall costs, Saficon would remain committed to its human development programme.

The group, which owns Cargo Motors, Lindsay Saker and LSM Distributors, estimated that during the year to March 31, 1990 more than 3,500 units failed to reach Saficon showrooms because of strikes and work stoppages at suppliers' plants.

This affected Saficon's earnings performance during fiscal 1990. The situation had not improved, and as well as having to contend with erratic supplies, new car sales continued to decline.

Management hoped that the supply situation would improve during the current financial year.

Borsook told shareholders that Saficon would review its forecasts for 1991 when the company reported on its interim results in early November.

"By then we should be in a far better position to determine whether or not the shortfall for the first six months can be made up in the second half," he said.
Shortages at Saficon

THE erratic supply of new cars which has plagued leading motor retailer Saficon in its past financial year continues to hold back the company.

Speaking at yesterday's annual general meeting, Saficon's executive chairman Sidney Borstok said the current financial year was not going as well as expected. Erratic supplies of new cars, particularly of those models for which Saficon held orders, coupled with deteriorating market conditions, would materially affect results for the first half of fiscal year.

The group, which owns Cargo Motors, Lindsay Saker and LSM Distributors, estimated that in the year to March 31 1990 more than 3,500 units failed to reach Saficon showrooms due to strikes and work stoppages at suppliers' plants.

— Saga
**IN BRIEF**

**THE NEWS LAST NIGHT**

**Bidvest reports profit of R5.7m**

Bidvest yesterday reported profits for the year to June at R5.7-million. A final dividend of 51c a share has been declared, bringing the total for the year to 96c. Earnings per share were 241c.

Because the group has changed its activities considerably, no comparative figures are available. Turnover was R115.1-million and operating profit was R17-million.

During the year Bidvest, previously known as Curries Motors, shed its property interests and gained effective control of the Afcom group. Bidvest’s effective control of the Afcom group will be restructured into a 55 percent interest in Afcom and a 76 percent interest in Afpac.

The organisation says Afcom will acquire all the operational assets of Afpac, leaving Afpac a cash shell whose share will be suspended, pending the acquisition of further assets which satisfy the investment requirements of the JSE.

If these requirements are not satisfied within six months, Afpac’s cash holdings will be refunded to shareholders and its shares delisted.

**Academic appointment**

Kate Jowell has been appointed assoicate professor at the University of Cape Town Graduate School of Business.
HEAVY TRUCK MARKET

Out of gear

The market for the largest heavy trucks and truck-tractors — big-tacker items of the motor trade — is normally the first to be hurt in a recession.

That's exactly what's happening in the current economic downturn (see graph). The immense backlog in vehicle orders that existed at the beginning of the year has evaporated. Most models are now available from stock.

Nico Vermeulen, executive director of the National Association of Automobile Manufacturers of SA, says: "The picture is a worrying one. The market for ultra-leaves is substantially smaller than it was in 1989 and is likely to remain that way until well into next year."

Still, that hasn't stopped manufacturers from racing to bring newer and more expensive models to the market. Truckmakers have introduced two new models of its TurboStar, Mercedes-Benz of SA has introduced its Powerliners and MAN has unveiled its new

Slowing down

F90 range: Nissan SA is also on the verge of introducing new models and Toyota SA has revamped its Super Dolphins.

But why the rush to reinvest in a declining market? Simple manufacturers have once again been caught napping by their inability to anticipate economic downturns.

It happened to them in 1985-1986 when they didn't react quickly enough to the introduction of sanctions and disinvestment by cutting production. That left them with high inventories, a problem that was aggravated by truck manufacturers who flogged SA after selling their stock at fire-sale prices.

This year they didn't foresee the impact Nelson Mandela's remarks on nationalisation — and the heightened level of political and labour unrest — would have on business confidence. When they did, it was too late.

To be sure, manufacturers are handicapped by the long lead times for new models — 18 months to two years. When they decided two years ago to introduce new models they could not satisfy demand — particularly for trucks with a gross vehicle mass of 16t and more.

The problem is they have committed themselves to fixed volumes and they will have to continue spending millions on getting those vehicles accepted by a market that doesn't want them — not yet at any rate.

"The market is getting very tough and there's no light at the end of the tunnel, despite more than 40% of the vehicles in that category being more than 10 years old," says a Nissan Diesel director Dave Scott. He certainly cannot relax being committed to introducing two versions of the CM16 this month and the CW56 with a gross combination mass of 50t in November.

"Affordability is the major problem," he says. "We need an improvement in the level of business confidence and a reduction in interest rates."

Toyota's Des Gush, who believes the current economic climate will not improve before the end of the year, warned in March (FM Trucks and Road Haulage Survey) that the boom was over but that it was already too late to stop the introduction of his improved range of Super Dolphins.

He says most trucks in that category are sold to professional haulers, who normally pull back when the economy goes into decline. To them a truck is a potential profit earner that dare not stand idle.

Addressing an industry symposium last week, he noted: "A decline in sales would have a favourable impact on the motor industry's foreign currency usage, but the inflationary impact of vehicle price increases would have a ripple effect on all other economic activities and on the competitiveness of SA exports. This is not in the interest of SA." He added that such an attitude "would be completely contrary to the spirit of Phase Six."
market, that doesn't mean it is happy with the situation. The latest figures show this year's car market down by 8.5% on last year, slightly more than the vehicle market as a whole. The big loser is the heavy truck and bus sector, which has seen sales slide a depressing 18% so far this year.

The effect of this decline on plant activity can be gauged from a report released this week by the National Association of Automobile Manufacturers of SA (Naamsa).

The report, covering the second quarter of 1990, shows average capacity utilisation in SA car plants at 78.7%, compared with 88% at the end of last year. Light commercial capacity utilisation has sunk from 91% at the end of last year, to 78%. But it is the truck and bus market that is again the biggest loser — activity has slumped from 85% to 61%.

Only the medium commercial sector, which accounts for less than 1.5% of overall vehicle sales, has shown an improvement, up from 59% to 65%.

Naamsa reports that vehicle manufacturers invested another R40m in new plant and tooling during the second quarter alone. With vehicle sales predicted to show marginal growth, at best, during the next two years, manufacturers will be looking for new avenues to show a decent return on their investments.

Given the financial advantages of exports under Phase Six, with its emphasis on reducing the motor industry's use of foreign exchange, companies should be looking hard for ways to increase foreign earnings.

Indeed, such are the advantages that some companies might even be happy to see the local market remain dead. Under the Phase Six formula, the fewer imported components that are needed to build vehicles for the SA market, the higher the foreign exchange credits the company can build up by maintaining or increasing export efforts.

Deputy Trade & Industry Minister Theo Alant acknowledges that companies could be tempted to stifle local sales by raising prices.
Lack of supplies puts brake on Saficon

The erratic supply of new cars which plagued leading motor retailer Saficon Investments in its past financial year continue to hold back the company.

Speaking at yesterday's annual meeting, Saficon's executive chairman Sidney Borsok said the current financial year was not going as well as expected.

Erratic supplies of new cars, particularly of those models for which Saficon held orders, coupled with deteriorating market conditions, would materially affect results for the first half of fiscal year.

The group, which owns Cargo Motors, Lindsay Saker and LSM Distributors, estimated that in the year to March 31, 1990, more than 3500 units failed to reach Saficon showrooms due to strikes and work stoppages at suppliers' plants.

FORECASTS

Thus had an impact on Saficon's earnings performance in fiscal 1990 and management was hopeful that the supply situation would improve during the current financial year.

Mr Borsok told shareholders that as usual Saficon would review its forecasts for fiscal 1991 when the company reported on its interim figures in early November.

"By then we should be in a far better position to determine whether or not the shortfall for the first six months can be made up in the second half."— Sapa.
EAST LONDON. — The entire workforce at the Mercedes-Benz plant in East London have reportedly conducted a "sleep-in" to demand that the company must withdraw from the motor industry's National Bargaining Forum.

Mr Wellington Jengola, a shop-steward of the National Union of Metalworkers, said the "sleep-in" would continue until the company agreed to the workers' demands.

He said the workers wanted to "clarify any confusion which might be circulating about the decision by workers of Mercedes-Benz to withdraw from the forum". — Sapa.
Mercedes plant closed

By Brendan Templeton (NMB 21/1/90)
The Mercedes-Benz plant in East London remained closed yesterday as union and management representatives met to discuss demands by some workers that the company pull out of the motor industry's National Bargaining Forum (NBF).

The Mercedes media officer Wendy Hoffman yesterday said talks with Numsa were continuing and the union had been requested to make its position clear in the NBF which meets today.
Mercedes

Stb 24/8/90
to cut its
workforce

Shareen Singh and Sapa

Mercedes Benz is to reduce its labour force by 16 percent - 800 employees - because of the downswing in the economy. The retrenchments will take place through voluntary resignations, putting workers on early pension and boarding workers who are in ill health.

The move will affect Mercedes's East London plant, the Pretoria headquarters and the Pinetown spares division.

Yesterday, a meeting between the National Union of Metalworkers (Numsa) and striking Mercedes Benz workers failed to resolve a dispute over the workers' decision to opt out of the industry's National Bargaining Forum (NBF).

Court order

A Numsa spokesman said the situation remained unchanged and a further meeting would take place with workers today.

The Mercedes plant in East London, which employs more than 3,500 workers, has been shut down since Thursday when part of the workforce downed tools to demand the company opt out of the NBF.

The company obtained a court order on Monday demanding the union comply with an agreement signed between the parties last year.

The action by Mercedes workers is against Numsa policy. The union on Monday reiterated its position supporting the NBF, saying centralised bargaining increased worker unity and was the best way to build workers' power. It was also the only way to ensure that all workers were brought up to the level of the best paid workers.

It appears Mercedes workers have become disillusioned with the lengthy wage negotiations in the NBF and believe they could get a higher increase at plant level.

It is unclear how many workers support the rebel decision, but sources say most shop stewards are backing it.
CONFLICT at Mercedes Benz

The regional secretary of the National Union of Metalworkers of South Africa (Numsa) Mr Moheli Manyaka, and Numsa's branch organiser Mr Ezzati, were allegedly attacked by workers with plants, rocks and chains in an attempt to stave off the strike.

THE vice-president of the Pptron Press, Wood and Allied Workers Union (PnP), Mr D Metho, was reportedly involved in an incident last week, allegedly for singing an anti-Numsa song.

A PnP spokesman said the workers at the Prypton factory in Pretoria had complained to the company that the union had sung songs which exalted the strike. The union denied the allegations.

The workers had told management that they had not decided whether to take part in the July 2 anti-Numsa protest. The operators said they had prepared to return to work.

Conflicts at Mitsubishi

A Mitsubishi spokesman said the company had requested government officials to assist in settling the dispute.

The company also has a history of industrial conflict, which includes a previous strike in July involving members of the metal industry in the Western Cape.

Tradition

The strike was called by the National Union of Metalworkers of South Africa (Namtum) and is seen as an industrial protest against the National Executive Committee (NEC) of the South African Congress of Trade Unions (SACU).

The strike is to be based on a series of meetings between the union and the employers association, but without the participation of the National Union of Metalworkers of South Africa (Namtum).

The strike is expected to cause a significant disruption to the economy and is likely to have far-reaching effects on the country's industrial relations.
Switching to used models

More company car-buyers

Page 1792 of 1792

1990 A

The Star Thursday August 23 1990
Smaller centres could cash in with vehicle-hire businesses

A growing number of opportunities are occurring for vehicle companies to appoint franchisees as a means of expanding their operations away from the major centres.

Fleetrent director Simonette Minnaar says franchising is not fully utilised in this industry.

The addition of a truck rental franchise, particularly in the many smaller centres, would be a substantial revenue earner for established garage and dealership operations, she says.

"Vehicle hire, lease and contracting is a growing industry and provides a golden opportunity for any garage operation looking to expand and develop its business scope. Financial rewards can be substantial." 

Companies like Fleetrent, which provides specialist consultants in transient hire, full maintenance leasing (FML) and contractual hire, are positioned to advise and consult with interested aspirant franchisees.

In Fleetrent's case, it carries out the groundwork for a franchise.

This includes advising on the most profitable vehicle mix for local conditions and providing a full training programme for all personnel in the new franchise, says Ms Minnaar.

The company, a member of the McCarthy Group, has about 1 500 vehicles on the road. They include specialised trucks such as crane-mounted and refrigerated vehicles.

For strategic reasons Fleetrent, a leading national truck rental company, is not prepared to divulge how many franchisees and vehicles are involved, nor its plans to establish more this year. It established a base on which to build a nationwide network of franchise operations nine years ago. Fleetrent franchisees are found in the Transvaal and Natal.
Mercedes union men meet

EAST LONDON — Shop stewards representing National Union of Metalworkers (Numsa) members "sleeping-in" at the Mercedes-Benz SA plant here met regional and national Numsa officials yesterday, a shop steward said.

The meeting came shortly after the company warned that the workers' "unlawful actions" were threatening "the viability of the company and the jobs of all employees".

The union later met for further talks with the management.

The shop steward said the workers would sleep in over the weekend unless negotiations with management were fruitful — Sapa
More face lay-off threat

By DON ROBERTSON

MORE retrenchments are expected in the motor industry as the recession deepens.

Severe pressure is reflected in lower sales. Manchester has been forced to sharply reduce sales projections for the rest of the year and in 1990. Nowhere is this reflected as much as in the decision of the Ford Motor Co to rationalise its workforce, although it has not been able to affect production in the same way. The London plant is now a major production facility, and Ford announced plans to cut 1,500 jobs.

The main problem, however, is the industry's inability to adapt to changing consumer needs. The car market is saturated, with demand for new models declining. Ford's decision to rationalise its workforce is a direct result of this.

Nevertheless, selling lists are still strong, with the W128 series now drawing interest. The car is available in two versions and is expected to be delivered in three months. Ford is not yet in production, butrum, the company has plans to produce a new model soon.

Even so, engines are expected to remain strong, with the W128 series now drawing interest. The car is available in two versions and is expected to be delivered in three months. Ford is not yet in production, butrum, the company has plans to produce a new model soon.

High volume manufacturers, such as Ford, have been forced to rationalise their operations to meet changing market demands. Ford is not yet in production, butrum, the company has plans to produce a new model soon.

Mr. Vergeuysen, executive director of the National Association of Automobiles, says if the recession continues, retrenchments are expected in the industry.

Sales of light commercials like the Ford Transit are expected to last well into the year. The first-quarter sales were forecast at 20,000. The outlook is currently uncertain, with the recession expected to continue. Ford is not yet in production, butrum, the company has plans to produce a new model soon.

High volume manufacturers such as Ford have been forced to rationalise their operations to meet changing market demands. Ford is not yet in production, butrum, the company has plans to produce a new model soon.

Mr. Vergeuysen says the company has plans to produce a new model soon, but the recession is expected to continue. Ford is not yet in production, butrum, the company has plans to produce a new model soon.
Used car market
in bottom gear

HIGH interest rates and generally depressed economic conditions have put the squeeze on SA's used car market, which has fallen off by 20% since 1988, says the McCarthy Group MD Theo Swart.

"Two years ago, national annual used car sales totalled around 500 000 units. The market has shrunk to 400 000 today as more and more buyers have dropped out because of lack of affordability," says Swart.

On the brighter side, according to Swart, it would seem that the used car market has probably bottomed out and that a steady, albeit modest, improvement in sales is on the cards from now on.

The McCarthy Group sells more vehicles, new and used, in SA than any other single organisation. The group's sales of used cars alone total around R700m a year.

Swart says a drop of one or two percent in interest rates appears to be a strong possibility later this year. "This will have the effect of putting more disposable income in the hands of the man in the street and will thus help to stimulate used car demand.

"Furthermore, for those who have held onto their vehicles for longer than normal, the cost of running and maintaining their high-mileage cars is beginning to outstrip the cost of buying a replacement, so we expect to see them come back into the market soon," he adds.

— Reuters.
IDC acquires 37.6% stake in ERF SA

THE Industrial Development Corporation (IDC) has acquired a 37.6% stake in truck and bus supplier ERF SA, a subsidiary of UK-based ERF Holdings, for an undisclosed amount.

IDC senior GM Jan de Bruyn said the acquisition was made by the IDC's two listed investment subsidiaries—Industrial Selections and National Selections—on an equal basis. ERF SA is a leading manufacturer of trucks and bus chassis. It was previously 100% owned by its UK parent.

ERF SA MD Del Davies said the deal emphasized ERF SA's intention to be more closely identified with its SA origins and was in line with its policy of controlling growth and increasing local content.

ERF SA sales and marketing director John Barnett said the acquisition enabled ERF SA to take advantage of opportunities opening up in southern Africa.
Mercedes says no to Numsa on bargaining

Mercedes Benz has rejected a Num SA proposal that the company temporarily suspend its membership of the motor industry's national bargaining forum (NBF) and bargain wages at plant level this year.

The proposal was aimed at giving the union an opportunity to sort out its internal difficulties over the issue.

This was disclosed yesterday by Num SA general secretary Moses Mayekiso as the sleep-in by several hundred dissident union members at the company's East London plant entered its 12th day. The action has caused operations to be shut down.

The opposition to Num SA's collective bargaining policy by a significant proportion of the 3,000-strong Mercedes production work force was sparked by the workers' belief that they could negotiate a better deal outside the forum. Their view is that Mercedes is unable to pay more than its competitors.

They are supported by at least 15 of the plant's 23 shop stewards.

Mayekiso said yesterday the proposal of suspension had been devised after senior union officials had held discussions with all sections of the work force.

But, he said, Mercedes had rejected the proposal on the grounds that management had an obligation to other motor industry managements with whom it had co-operated in the establishment of the forum.

"This is a case of employer solidarity. We tried to assure them that Mercedes would be back in the NBF next year after we have had the opportunity to sort out the misunderstandings," Mayekiso said.

The other aspect of the Num SA proposal was that the dismissal of workers on strike be reversed.

Mayekiso said he believed the matter could be amicably resolved if the union's bargaining policy could be explained in a normal environment -- it was difficult to do so in the midst of a strike. And it seemed only the suspension of participation in the forum would achieve an early return to work by the dissidents.

A Mercedes official declined comment while negotiations continued.
Action at Mercedes has cost R121.5m

MERCEDES Benz of SA (MBSA) yesterday disclosed that industrial action by several hundred employees had cost the company R121.5m in lost revenue. Industrial action had resulted in the East London plant being closed since August 16.

And the company repeated its warning that the continuing action was of great concern, and that "the future growth and viability of MBSA is at stake".

"No company can continue to sustain such losses indefinitely," the company statement said.

However, the statement said the company was "committed to resolving the problem through negotiation," suggesting there were no immediate plans to take decisions on shutting down the plant.

The strike and the sleep-in which followed were being conducted by employees who were demanding that the company withdraw from the motor industry's national bargaining forum. The forum was established by the union Numsa and industry employers.

The strikers were opposed to Numgas's policy in favour of centralised bargaining as they believed they could win a better wage deal in company-level negotiations.

Sapa reports that Mercedes spokesman Wendy Hoffman said the company was "being held to ransom" by a group of employees and, therefore, it had problems with the control of premises and equipment.

Security at the plant had been increased significantly, Hoffman said.

ANC and the SACP flags were flying on flagpoles inside the main gates. Mercedes dismissed 200 workers last week after they failed to observe a court interdict ordering them to leave the property. The dismissals were condemned by Numgas's regional office.

Numerous meetings, had taken place between shop stewards representing the sleeping-in contingent and regional and national Numgas officials.
New bus sales set to plunge

SALES of new buses were expected to fall by 44% to about 460 units this year because of a lack of confidence in the future of the industry, Associated Automotive Distributors (AAD) truck and bus director Mike Ellsbury said yesterday.

Ellsbury said the proposed reduction of government subsidies and the political sensitivity of increasing bus fares had had an adverse impact on the confidence of the industry to operate economically and to secure long-term viability.

He said about R600m was being paid out annually and the government had a stated intention to reduce this amount over the coming years.

The 200% to 300% rise in the cost of new buses over the past few years had diminished confidence further and costs of operating fleets were becoming more punitive, he said.

However, Ellsbury said a less volatile climate and a strategy to develop tourism should boost revenue for the bus industry.
Mercedes delays decision on pull-out

Production at the Mercedes-Benz South Africa plant has been halted for the past fortnight. Asked about the possibility of relocating to Namibia, a company spokesman confirmed that this was raised during the last lengthy strike at the plant a few years ago, but said he could not "give such a statement now".

Management were talking to the workers and would "exhaust all possibilities. We are still hoping that a solution can be found".

With 200 of those holed up already having been dismissed, he would not comment on whether their reinstatement was a condition for the termination of the strike. "I would not like to comment on strategy. I think we are willing to use all reasonable possibilities to convince them that it is illegal and should be stopped very soon."

He declined to comment when asked whether the police might be called in to remove the workers.

A large section of the Numsa executive flew to Port Elizabeth yesterday for internal union consultations on the Mercedes-Benz crisis and for talks with employers party to the national bargaining forum (NBF). Several hundred Numsa members have forced the plant to a standstill in protest against the union's participation in the NBF.

The strikers believe they could win a better deal in company-level negotiations.

Union and management representatives were still locked in negotiations late yesterday. No details of discussions were available.

Talks between MBSA management and Numsa have been at a standstill since last week.
McCarthy weathers storms

EDWIN UNDERWOOD

MCCARTHY Group, SA's largest distributor of new and used vehicles, has weathered the tough economic climate over the last year to report a bottom-line profit growth which was 5% off the record R55.6m earned in the previous year.

The directors said the results were probably in line with market expectations and should please shareholders.

Earnings a share fell by 3.1c to 50.6c while the dividend dropped by 1c to 13.5c.

Turnover for the year rose by 15% from R2.3bn to R2.7bn. Directors said the group had increased its share of the new vehicle market to 12.3%.

However, the tougher trading conditions, particularly in the second half of the year, placed margins under pressure resulting in operating profits falling by 2% to R109m (R110m).

Larger inventory losses incurred through lower new vehicle sales—in a market which saw SA dealer sales fall by 5% over the last twelve months—were reflected in a jump in interest to R12m (R5.7m).

The directors said contributions from associate company MDvsa fell by 2.5c a share and a 20% downturn in the used car market brought current sales to around R700m a year.
McCarthey drops down a gear

By Dumisani Gqubule

McCarthey, SA's largest motor vehicle distributor has reported a five percent drop in earnings to 58.8c (61.7c) a share for the year to June.

Despite the difficult trading conditions prevailing in the motor industry, turnover rose 15 percent to R2.74 billion (R2.38 billion) but with margins squeezed from 4.2 percent to 3.6 percent, operating profit declined to R99.5 million—a two percent decrease on last year's R101.5 million.

Interest payments were up 40 percent to R12.2 million (R8.7 million) as a result of higher interest rates and larger inventories, caused by lower demand.

After including share of associates' profits, taxed profit was R49.8 million. This was a decrease of six percent on last year's R52.8 million. Associates' profits dropped 49 percent to R1.74 million (R3.66 million) reflecting a reduced contribution from Midos.

Attributable earnings were five percent lower at R50.2 million (R52.6 million), equal to 38.8c (61.7c) a share. A final dividend of 13.5c has been declared, bringing the annual total to 21c, unchanged from last year.

The period reviewed saw South African dealer sales of new vehicles fall by five percent overall. There was also a 20 percent downturn in the used car market in which McCarthey is highly active, with current sales of around R700 million a year.

The extent of the deterioration in trading conditions in the motor industry is underlined by a 28 percent drop in McCarthey's second-half earnings—24.6c from 34c in the first half.

At this stage management is reluctant to make a forecast for the current year but group chairman Mr Brian McCarthey said they were budgeting on lower sales for the remainder of the year.
Mercedes accepts Numsa response

Own Correspondent

JOHANNESBURG

Motor industry employers have accepted as adequate Numasa's response to an ultimatum on the Mercedes Benz (MBSA) crisis, and yesterday withdrew a threat to halt wage talks at the industry's national bargaining forum.

But the two-week-old sit-in at the MBSA East London plant by Numasa dissidents demanding in-company wage talks appeared no closer to resolution.

Mercedes management warned yesterday that if the union was unable to persuade members to vacate the plant, it would "have no alternative but to take whatever steps it believes necessary" to ensure that they leave.

"We understand Numasa's dilemma, but the employees' conduct is unacceptable."

Numasa general secretary Mr Moses Mayekiso said the negotiating team had held talks with members at the plant yesterday to try to thrash out an understanding.

Ten shop stewards from other motor companies spent much of yesterday inside the plant attempting to convince the rebels to end the action.
Mercedes 'held to ransom' by workers

By Sharon Sorour, Labour Reporter

The Mercedes-Benz manufacturing plant in East London has been warned by the company it would not be held to ransom by workers who have been occupying the plant for months. The company expressed outrage at serious damage being caused by a group of between 200 and 300 employees amid warnings that its future in the country was at stake.

In a statement yesterday, company public relations manager Mrs Wendy Bellman reiterated the position at the East London manufacturing plant remained unchanged.

Threats of job losses and industrial action at the mass-producing plant of Mercedes-Benz of South Africa are still on the agenda. Management and the unions are continuing efforts to resolve the dispute, she said.

The company believed it would be 'unthinkable that a group of employees could hold a company and its employees hostage by threatening all workers, threatening and intimidating other employees, staff and contractors, and taking control of the company premises, preventing normal operations, causing serious damage and theft and various other forms of unacceptable conduct.'

The strike, which has already cost the company R1.3 million in lost revenue, resulted in three official warnings by the company that the future of the factory was in the balance.

Mock arms and a 'full page advertisement' appearing in daily newspapers nationwide today, the company demanded the union clearly state:

- If it intended taking action against its members who had defied and undermined company policy, the bargaining forum structure, industrial management agreements and the Supreme Court.
- What specific actions it intended taking action against its members who had defied and undermined company policy, the bargaining forum structure, industrial management agreements and the Supreme Court.

The union has responded that they will not be made public as of yet.
Mercedes warns sit-in workers

By Brendan Templeton

Mercedes-Benz today warns in newspaper advertisements that it will take whatever steps it believes necessary if armed workers occupying its East London plant do not vacate the premises soon.

The 14-day occupation has caused the company to close.

A number of workers are demanding that the company withdraw from the motor industry’s National Bargaining Forum, which was established on the instigation of their union.

The union has tried unsuccessfully to persuade the rebel workers to return.
The men were adamant; however, they
were determined not to continue
striking. The plant was on the brink of
never shutting down, and the
strikes were costing them dearly.

The men had been working
around the clock, with long
hours and little rest.

The plant was operating at
near-capacity levels, with
employees working
around the clock to keep
production running.

The plant was losing
millions of dollars in profit
each day, and the workers
were getting nowhere
with their demands.

The men were
resolved to
continue
striking until
their demands
were met.

The plant was
losing
divine
amounts of money,
and the
workers
were getting
nowhere
doing
nothing.

The men were
resolved to
continue
striking until
their demands
were met.

The plant was
losing
divine
amounts of money,
and the
workers
were getting
nowhere
doing
nothing.

The men were
resolved to
continue
striking until
their demands
were met.

The plant was
losing
divine
amounts of money,
and the
workers
were getting
nowhere
doing
nothing.

The men were
resolved to
continue
striking until
their demands
were met.
In the economic downsizing, the future of the steel industry in the UK is uncertain and the workers face threats to their livelihood. The steelworkers, members of the National Union of Woman and Industrial Workers, are advocating for better working conditions and wage increases. The union is calling for negotiations with management to improve the working conditions of the steelworkers and to ensure fair compensation for their efforts. The steelworkers are determined to fight for their rights and to protect their families. The struggle continues as the steelworkers fight for a better future in the industry.
Threat to Border economy if Mercedes pulled out

By SHARON SOROUR
Labour Reporter

Closure of the Mercedes-Benz manufacturing plant in East London would have devastating effects on the Border city's economy, causing tremendous hardship to both blacks and whites and triggering mass investment flight.

While the crisis was partially averted yesterday when police raided the premises and ended the unlawful occupation of the plant by rebel strikers, East London business and community leaders have been grimly contemplating the possibility of losing Mercedes-Benz's R250-million a year contribution to the local economy.

Thus, they feared, would send a signal to other investors to avoid the area. The company, one of the biggest employers in the city, warned that unless the situation was resolved, the two-week siege that the future of its manufacturing operations in the Eastern Cape harbour city was at stake.

Domino effect

Production at the plant was suspended when the illegal strike began on August 16 and Mercedes-Benz chief executive Mr Christoph Kopke said the plant would remain closed until damage was assessed and repaired and other problems resolved.

According to East London managers Mr John Baker, the prospect of Mercedes-Benz leaving East London would leave the city with the effect of a pullout would be disastrous. "If you try to quantify it, you understand what the effects would be."

He said the company spent over R250-million in the city a year, and paid the council some R4-million in services alone.

The council was aware of the danger of the city having such a narrow economic base and had been working on diversifying the local economy.

Border Chamber of Industry president Mr Terry Breckland said the effects of the plant's closure would "go far into the future" and "there will be a domino effect on other businesses." He said "every single person in this area, of every political hue, should be very concerned because what is destroyed here is not part of the old apartheid South Africa, but an important part of the new South Africa."

The departure of Mercedes-Benz from the country would be the "clearest sign" to other investors to avoid the area.

Vice-president of the Eastern Cape Chamber of Commerce Mr Eddie Hart said the company represented 50 per cent of the city's business and its loss would be tremendous, with critical ripple effects.

Mr Hart said "it would affect all the businesses supplying Mercedes-Benz - the suppliers of batteries and tyres, and the businesses those people deal with and the shops employees support. Even schools would be affected."

According to reports, suppliers of components to Mercedes had been halting production and laying off workers. About 50 suppliers, who rely on Mercedes-Benz for nearly 90 per cent of their business, stood to lose R400 million a year if the giant corporation halted production permanently.

Mr Breckland urged the workers involved to "seriously consider the future."

"The people who will be most affected will be young blacks, who, looking back in a few years' time, will condemn the actions of some of their elders."

East London Town Clerk Mr Les Kumm said the situation was cause for "real concern" as it would have a ripple effect on businesses in the area and cause tremendous hardship.

The crisis became more intense at the start of the weekend when Mercedes-Benz warned that the situation "cannot be accepted any longer without causing the company irreparable harm."

Weapon replicas

The rebel workers, members of the National Union of Metalworkers of SA (Numsa), were demanding the company pull out of the National Bargaining Forum (NBF) for the motor industry and negotiate wages at plant level.

It had to state clearly whether it condemned the unlawful occupation of the plant by force and the implementation of "an assortment of dangerous weapons, carrying of mock arms such as AK47 and bazooka replicas, damaging and stealing company property, and threatening and intimidating other employees and contractors."

All attempts by the union and the NBF to reach a compromise were rebuffed.

The union appealed to the company to withdraw from the NBF to allow the union time to resolve the differences among its members.

Closed to count the cost

By SHARON SOROUR
Labour Reporter and Sapa

Mercedes-Benz's manufacturing plant in East London will remain closed until damage caused by rebel strikers has been assessed and relations between management and the union patched up.

The decision follows the eviction of 200 workers who had occupied the premises for 17 days as a dramatic dawra raid by hundreds of policemen yesterday.

The peaceful eviction, requested by Mercedes-Benz, followed a warning by the company on Friday that it would not be held to ransom by weapon-wielding workers. No arrests were made.

The industrial action by about 300 National Union of Metalworkers of SA (Numsa) members halted production on August 16 when they demanded the company withdraw from the National Bargaining Forum for the motor industry, initiated by the union, and negotiate wages at plant level.

The industrial action is reported to have cost the motoring giant at least R140-million.

According to Mercedes-Benz chief executive Mr Christoph Kopke the company decided to call in the police after exhausting every possible avenue.

A convoy of about 50 police vehicles entered the plant through three gates, Sapa reports.

Police officers searched the premises for weapons, scared off the property for workers.

ANC and South African Communist Party flags were removed from the company flagspoles and Mercedes banners boosted.

The strikers were given the opportunity to leave the property, according to a Border police spokesman.

While no workers were arrested, one was charged with possession of dagga.

Mr Kopke said management had been assured and satisfied that no one was injured and no property damaged in the raid.

The possibility of charges being laid against workers had not been ruled out.

Meanwhile the plant would remain closed until damage had been assessed and repairs done.

Negotiations with the union would continue.
Police end Mercedes plant siege

Own Correspondent

JOHANNESBURG. — The Mercedes-Benz siege ended early yesterday morning when 160 workers, who had been sitting in at the East London plant for 17 days in defiance of a Supreme Court order, quietly left the premises after a police warning.

But both Mercedes chief executive Mr Christopher Köpke and Numsa negotiator Mr Les Kettleas agreed the underlying causes of the crisis still remained and that a great deal needed to be done to restore normality at the factory.

The sit-in by the workers — who represent about 12% of the hourly-paid workforce — was a rebellion against Numasa policy which supports national wage bargaining. The dissidents wanted to bargain just with their own management in the belief that they would win a better deal.

Mr Köpke said the police arrived at 6am and the plant was vacated within half an hour. The police said before entering they would use minimum force, and it was “refreshing” that there had been no conflict, he said.

The question of the dismissal of strikers threatened to be a point of conflict between management and Numasa. Mr Köpke said yesterday as far as he was concerned the dismissals would not be reconsidered.

He said the dismissal of those responsible for the events of the last 2½ weeks would assist in restoring normality at the plant. However, the offer to Numasa of arbitration to determine whether the dismissals were, as Numasa alleged, an unfair labour practice, still stood.

Mr Kettleas said yesterday the union believed the dismissals had only exacerbated the entire situation. Mercedes was unable to give a clear assurance yet regarding its future in East London, but would have to clarify a number of issues first, Mr Köpke said.

He said R13,5 million a day had been lost in revenue alone during the strike.

Mr Köpke said the factory would remain closed until damage to property had been assessed and repaired and the problem revolving around Mercedes’s participation in the national bargaining forum had been resolved with Numasa.
Police eject rebel strikers in dawn raid

Own Correspondent

CAPE TOWN — The Mercedes-Benz manufacturing plant in East London has been closed until damage caused by rebel strikers has been assessed and relations between management and the union patched up.

This news follows the eviction of 200 workers, who had occupied the premises for 17 days, in a dramatic dawn raid by hundreds of policemen yesterday.

The peaceful eviction — requested by Mercedes-Benz — followed a warning by the company on Friday that it would not be held to ransom by weapon-wielding workers. No arrests were made.

The industrial action by about 200 National Union of Metalworkers of SA (Numsa) members halted production on August 16 when they demanded the company withdraw from the National Bargaining Forum for the motor industry, initiated by the union, and negotiate wages at plant level.

The industrial action has reportedly cost the motoring giant at least R160 million in lost output.

Mercedes-Benz chief executive Christoph Kopke said the company decided to call in the police after exhausting every possible avenue to resolve the matter through negotiation.

A convoy of about 50 police vehicles entered the plant through three separate gates and raced through the grounds, Sapa reports.

Policemen with dogs, and armed with shotguns and assault rifles, scoured the property for workers.

The strikers were given the opportunity by police to leave of their own accord, police said.

Mr Kopke said the plant would remain closed until damage had been assessed and repaired and until the union had informed the company that the problem relating to its participation in the bargaining forum was resolved and all hourly-paid employees in the bargaining unit were prepared to resume work.
Mercedes closes damaged plant

Sowetan Correspondent

MERCEDES Benz’s manufacturing plant in East London has been closed until damage caused by rebel strikers has been assessed and relations between management and the union patched up.

This news follows the eviction of 200 workers, who had occupied the premises for 17 days, in a dramatic dawn raid by hundreds of policemen at the weekend.

The peaceful eviction - requested by Mercedes-Benz - followed a warning by the company on Friday that it would not be held to ransom by weapon-wielding workers. No arrests were made.

The industrial action by about 200 National Union of Metalworkers of SA (Numsa) members halted production on August 16 when they demanded the company withdraw from the National Bargaining Forum for the motor industry, initiated by the union, and negotiate wages at plant level.
Creditors get hold of Spareco assets

Creditors of Spareco Holdings Ltd believe the liquidation of the motor spares company is imminent, according to affidavits presented at the Rand Supreme Court yesterday.

Following an urgent application, Alpha Bank Ltd, First National Bank of SA Ltd and Bankorp Ltd were authorised to hold all Spareco’s movable assets at 24 of the company’s Transvaal branches.

Representatives of the three banks presented similar affidavits in which it was alleged that JSE-listed Spareco owed the banks more than R60m.

It was also alleged the company owed the International Bank of Johannesburg (IBJ) Ltd over R12m.

Mr Justice Levy yesterday granted the applicant banks the authority to hold the company’s stock-in-trade for the purpose of “perfecting its security in terms of a notarial bond”.

FNB GM Neil Garden said in an affidavit that Spareco was unable to pay its IBJ debt and that the IBJ could therefore proceed to liquidate the company without notice to the other three banks. If that happened, the other banks’ rights in terms of the bond would be rendered futile.

He said FNB was not prepared to furnish the company with any further facilities and the company also had no other available cash reserves.

Garden said he believed this would result in the company disposing of stock to generate cash and it would thereby undermine the banks’ security.

“I therefore submit that the above facts indicate that the liquidation of the respondent by any one of its creditors is clearly imminent,” he said.

The company’s stock-in-trade consists mainly of motor spares which could be easily removed, he said.

The bank had therefore arranged for agents to be posted at the various centres so that possession of the company’s movable assets could be handed over, he said.

Similar affidavits were handed up by managers of the other two applicant banks. The papers allege that Bankorp is owed more than R30m and Alpha R5m, while FNB is owed R7m.
Banks owed

R44,8-m by
ailing firm

By Cathy Stagg

Three banks, which are owed more than R44,8 million, brought urgent applications against Spareco Holdings Ltd in the Rand Supreme Court yesterday.

Mr Acting Justice D Levy granted an order which authorised Bankorp, First National Bank and Alpha Bank to send agents to take control of Spareco's stock, plant, fixtures and fittings, vehicles, computers and all movable assets.

Spareco has 23 outlets in various Transvaal areas.

The three applicants each had their debts secured by notarial bonds but feared one of Spareco's other creditors would liquidate the company and so make their bonds worthless.

Two senior Bankorp managers said in an affidavit that Spareco did not have cash and they believed there was a strong likelihood that Spareco would discount sales of motor spares to generate cash.

The three banks asked the court to allow them to take over the businesses and run them until the outstanding amounts were paid off, to add all the expenses they incurred to the total Spareco owed them — and to sell Spareco's movable property or the businesses.

But after the conferring, this section of the order was deleted and a final order granted.

Spareco's branches are in Johannesburg, Louis Trichardt, Pietersburg, Potgieter'srus, Pretoria, Germiston, Krugersdorp, Middeldorp, Nelspruit, Secunda, Witbank, Randburg and Randfontein.

Bankorp, owed R34.6 million, was the largest creditor.
Directors of Spareco plan rights issue

MARCIA KLEIN and SYLVIA DU PLESSIS

DIRECTORS of motor spares distributor Spareco are planning a rights issue.

MD Graham Walker said yesterday the move had been mooted some months ago. It is understood the rights issue is to be underwritten by an as yet unnamed subscriber, will raise about R15m. (TT)

According to McGregor's Who Owns Whom, the largest single shareholder in Spareco is Goodwin Nominees, with a 79.9% stake. (10)

On Tuesday, three banks obtained a court order authorising them to hold Spareco's moveable assets. In the application they said they believed liquidation of the motor spares company was imminent.

Walker said last night the company was involved in a "capital restructuring exercise" which would include all providers of financial facilities.

The JSE listing of Spareco shares — which hit a year's low of 90c yesterday — was suspended yesterday at the directors' request following the successful court application by the three creditor banks.

Alpha Bank, First National Bank and Bankorp claimed the affidavits presented to the Rand Supeme Court they were together owed more than R140m by Spareco. It was also alleged the company owed more than R12m to the International Bank of Johannesburg (IBJ).

The value of Spareco’s assets — R163m at end-December — was being assessed by auditors Spareco's financial statements for the year to end-June were not yet complete.

Walker said Spareco was in financial straits because the company was unable to meet its overdraft obligations. He declined to elaborate. At the December interim stage current liabilities stood at R88.2m.

The possibility of job losses or closures depended on the outcome of the action, but Walker said he had no knowledge of any application for liquidation.

Bankorp Communications head Ettienne van Logxenberg, whose bank was reportedly owed R31.4m, said accounting firms had assumed control of 24 Spareco outlets and were conducting stocktaking.

IBJ MD Peter Gray said his bank had "no intention" of applying for liquidation.

* See Page 9
Ciskei slams Benz strikers

BISHO — In its first official reaction to the strike at the Mercedes-Benz plant in East London, the Ciskei government yesterday launched a strong attack on the strikers, calling for their summary dismissal.

The ruling Council of State also labelled them "foolish and misguided" as well as "selfish rebels", "rogue workers" and a "totally undisciplined rag tag of people acting in defiance of their own union".

In a statement the Ciskei Council of State called on the workers to return to work.

The council also called for the summary dismissal of those backing "this reckless behaviour" and said they should be dealt with by law if they engage in any more "confrontational conduct".

The council stated "Nowhere in the world can behaviour of this kind be tolerated. The foolish and misguided workers who noisily supported the criminal occupation of the plant, should not doubt the seriousness of their folly.

"This insane behaviour has cost Mercedes-Benz well over R162 million, and caused them to consider relocating somewhere not cursed by an unruly labour element.

"Spelt out, the closure of Mercedes-Benz would result in the closure of many other factories supplying components in the Ciskei, and elsewhere in this region, and even further afield.

"This would mean thousands of people out of work. It would also signal the departure of investors no longer prepared to operate in an area notorious for its undisciplined work force. The effects on ordinary people will be catastrophic, resulting in no work, hardship and starvation for thousands of innocents," the council noted. — Sapa
Banks take control of beleaguered Spareco

By Ann Cotty

Control of Spareco, which has had three MDs this year, is now in the hands of three banks which are trying to secure their hefty debt exposure and enable the group to continue trading.

The options facing this motor spares retailer are acquation in whole by another party, a break-up and then piecemeal sale, a re-structuring by the banks which would then introduce new management.

There was speculation in the market yesterday that FSI might be one of the parties interested in acquiring Spareco.

Trading in Spareco shares was suspended yesterday.

Bank-appointed agents have moved into Spareco outlets to count and take control of all stock in an attempt to establish its value.

About R14m is owing to the three banks — R31m to Bankorp, R7m to First National Bank and R6m to Alpha Bank.

There is an additional R12.6m owing to the International Bank of Johannesburg (IBJ) which will also have to be dealt with in any settlement package.

On Tuesday a court order granted the three banks the authority to take control of Spareco's stock, plant, fixtures and fittings, vehicles, computers and all moveable assets.

The three banks each had their debts secured by notarial bonds, but IBJ did not and the other three feared IBJ or one of Spareco's other creditors would liquidate the company and so make their bonds worthless.

In addition, Bankorp officials feared Spareco would hold discount sales, which would generate cash, but also reduce the value of the assets underlying the bonds.

Spareco was listed on the JSE in November 1988 and got off to a good start on the back of the promise of growing demand for motor spares. But within a few months things seemed to go wrong.

A marketing tie-up with Mdas fell through. The prices paid by Spareco chairman Chris Sladden for the retail outlets acquired to create Spareco were criticised as being far too generous.

The acquisition of Fleshmanns, reputedly reported in August last year, was a major point of contention at a very heated AGM held in April 1990.

At that meeting dissenting shareholders demanded clarification on whether Spareco's parent company Lynsat had bought Fleshmanns or whether Spareco itself was the buyer.

One company source suggested yesterday it was Spareco's purchase of Fleshmanns that led to the cash-flow crisis that brought the banks onto the scene.

However, there still appears to be a question-mark over the ownership of Fleshmanns, which means that there is uncertainty about whether Eddies (part of Fleshmanns) is involved in the debacle.

The most recent figures available for Spareco relate to the six months to December 1989 and were published in March (apparently incorporating Fleshmanns).

The balance sheet shows shareholders' funds of R31.3m and long-term liabilities of R4.3m.

Fixed assets and investments were R30.5m, current assets R73.5m and current liabilities R60.2m.

No break-down is available for any of these figures, but the June '89 balance sheet (according to the '89 annual report finalised in February '90) provides some details of the situation as at end-June '89.

Fleshmanns was definitely not involved at end-June '89.

At that stage there was stock of R31.9m, debtors of R11.4m and cash of R3.6m.

There were creditors (chiefly trade) of R132m and bank overdrafts of R12.8m.

A note to the accounts said that subsequent to the year-end the trade debtors were pledged in favour of the bankers.
Ciskei supports Mercedes' handling of wildcat strike

The Ciskei Council of State has come out in support of Mercedes Benz in its handling of the wildcat strike at its East London factory.

The council warned the strikers not to doubt their fate if the factory closed and relocated "somewhere not cursed by an unruly labour element."

It added that the closure of the plant would result in the closure of other factories in the Ciskei supplying the company and would result in unemployment as well as withdrawal of investment capital.

The Mercedes Benz plant is to remain closed until further notice.

Strikers, who had occupied the premises since August 16, were evicted on Sunday.

"The crude action of selfish rebels can no longer be tolerated. They are gambling with the prosperity, welfare, and future of all Border dwellers," the council said — Pretoria Correspondent.
Spareco's rapid rise...and fall

TROUBLED Spareco's dramatic rise and decline since its R35.2m reverse takeover of Eurefin in November 1988 has culminated in its suspension from the JSE and the need for a substantial recapitalisation by way of a rights offer.

After buying out the Eurefin cash shell and listing itself under its own name, the retailer of motor spares, parts and accessories grew quickly and the acquisition of three companies in the Transvaal brought the total amount of Spareco outlets to 23.

Controlling shareholders - the Sladden family of Britain - held up to 90% of the shares at one stage, and directors at that time were looking for a bigger slice of the Transvaal market.

Spareco - under MD Errol Wucherpenning - had 30 stores by April 1989, had passed the R80m turnover mark and expected to triple turnover by the June 1989 A marketing tie-up with wholesalers Midas was announced.

Spareco's aggressive acquisition policy continued with the R13m acquisition of Golden group in June 1989.

A month later it acquired 54% of Fleshman's for R13.5m, increasing the number of outlets nationally to 76 and turnover to an estimated R250m a year.

Results in June 1989 saw an almost five-fold increase in after-tax income to R6.6m, with turnover R92.6m higher than the R180m the transmuted listing forecast.

Earnings were 89.6c a share, and a dividend of 32.2c was declared.

The group predicted turnover of R176m through growth and acquisition in the year to end June 1990, and pre-tax profits were expected to be R20m for the same period, compared with R10m for the 16 months to June 1989.

In August 1989, only four months after its joint venture with Midas, the two companies terminated their short-lived marketing agreement. Spareco chairman Chris Sladden said the practical application of the joint marketing agreement had developed unexpected problems.

Spareco and Fleshman's stores had increased to 78 by this time.

The six months to December saw earnings rise to 20.1c and turnover doubling on an annualised basis to R38.9m. No interim dividend was declared, and subsidiary Fleshman's reported a 55.7% drop in attributable profits to R1.6m.

Capital employed at interim stage totalled R45.9m, long-term liabilities R4.2m, current liabilities R40.5m and ordinary shareholder's funds R31.3m.

In February this year, Wucherpenning resigned and Don Elliot took over as MD. A default judgment in February over non-payment was settled in full for the amount of R40 000, and Spareco's share price had declined sharply from 555c in December to 150c in March 1990.

In April there was speculation that an application for a ministerial investigation was to be made after a 12-hour AGM in which shareholders questioned irregularities in the acquisition of Fleshman's, and the role of some companies associated with Spareco and loans made to them.

In May - with former Midas director Graham Walker as MD - non-profit making parts of Fleshman's were sold to Brochure for R6m, while the profitable Eddies chain was maintained.

An analyst said yesterday the group had "got into a market it did not understand and about which directors were too unrealistically optimistic.

"They started off too big in an industry which is difficult to control. Also, Eurefin wasn't a good takeover target," he said.

MARCIA KLEIN

Graphic: FIONA KRUGS Source: JSE
Vaaltrucar plans listing of Vaalauto.

EDWIN UNDERWOOD

MOTOR trader Vaaltrucar has announced a restructure and plans the JSE listing of Vaalauto (formerly Gersar Motors) on September 24, 1972.

Vaalauto has acquired all Vaaltrucar's other subsidiaries, for R7m to be paid for by the issue of 2.4 million ordinary shares of 4c each and a further four million renounceable letters fully paid.

To obtain the necessary spread of shareholders for Vaalauto to qualify for a separate listing, Vaaltrucar will renounce its rights to the four million letters of allocation to its shareholders.

The ordinary shares arising from the letters of allocation will be distributed to Vaaltrucar shareholders as a special dividend on the basis of 25 Vaalauto shares for every 100 shares held.

Once the restructuring of the group has been completed, holders of 100 shares in Vaaltrucar will also hold 25 shares in Vaalauto.
Spareco may soon find saviour

SEVERAL parties have shown an interest in bailing troubled Spareco out of its financial difficulties.

This follows a court order on Tuesday in which three creditor banks were authorized to hold Spareco’s movable assets.

Trading in the company’s shares was subsequently suspended on the JSE.

More than seven parties have come forward to buy out the motor spares distributor, and MD Graham Walker said last night that there was one serious contender — a major player in the motor industry.

Companies named yesterday by market sources as possible buyers include McCarthy, Midas, Fedvolks and Imperial.

FSI’s financial director Neville Cohen said yesterday that, contrary to speculation, FSI was not acquiring Spareco.

No deal has been signed yet, pending a decision by controlling shareholder Goudstad Nominees, which has a 79.5% stake.

While no stock was released yesterday, Walker said many store counts had been completed and the opening of some operations was under discussion.

Some options open to Spareco include the restructuring of banks’ loans; a rights issue; a complete buy-out and the sale of non-productive assets. Walker said he hoped a settlement incorporating a combination of these options would be reached.

In the event of a liquidation, creditors were not likely to receive much more than 30c in the rand, according to analysts.

Finance Week has reported that Hans Schreiber, owner of the Nethlingshof wine business, could be the underwriter in full of a planned R6m rights issue.

The International Bank of Johannesburg has called up its security and become the major shareholder of Spareco subsidiary Eddies, which will continue trading as a separate company from Spareco.
MBSA's labour troubles come at a bad time

By Reg Rumney

The recent costly sit-in by maverick workers could arguably not have come at a worse time for luxury carmaker Mercedes Benz SA.

Over recent years labour trouble at Mercedes Benz has been so frequent it was reminiscent of strife-torn British Leyland in the heyday of UK trade unionism. So endemic was it that newspaper posters which proclaimed "MBSA not on strike" would have been more surprising than the opposite.

Rumours have surfaced from time to time that MBSA would relocate its plant from East London to elsewhere in the country, such as Pretoria where Mazda and Ford maker Samcor has its plant, or Durban where Toyota is sited.

MBSA seemed to have partly made up the backlog before the latest shutdown. The company is losing R13,5-million a day in lost revenue (quite apart from the damage done to materials in plant) every day it is shut down. The shutdown could last up to 27 days, with a consequent loss of revenue of R351-million.

Under its new chairman Christophe Kopke MBSA is also under pressure from:
- The government's commitment to phasing out of fringe benefit tax for cars
- The steady appreciation of the Deuschmark against the rand
- The need for new investment to cope with the Phase 6 local content programme

To take the first, the government appears resolute in its desire to phase out all perks. In South Africa, the use of company cars as perks for executives to escape tax has skewed the place of the car in society.

The demand for luxury cars as perks is nowhere near as prevalent in the UK, for example, as in South Africa.

Secondly, like other manufacturers of cars of European origin, Mercedes Benz' competitive position in South Africa is worsened by the strong Deuschmark. Imported components make up around 50 percent of South African cars by value.

While the mark has gained against the rand, the yen has weakened.

To a certain extent, MBSA is cushioned by its agreement to make and sell the Honda Ballade range in South Africa.

MBSA's third problem, that of coping with the local content programme, is tied up with the mark's appreciation.

According to Kopke, MBSA labours under a 22 percent disadvantage against Japanese manufacturers on imported content. Because foreign content is now calculated by value rather than mass, this means MBSA would have to invest far larger sums in local manufacture than its Japanese competitors to close the gap.

Under the new programme manufacturers have to have a local content of 65 percent by value or suffer penalties.

The other avenue open to motor manufacturers under the new programme is to raise the wholesale price of their vehicles to get the local content/foreign content equation right.

But affordability is already a problem for Mercedes and will become more so as the recession bites.

At the launch of the new Mercedes Benz 200E and 300TE this week in Johannesburg, Kopke admitted in answering a question about MBSA's return on assets: "You wouldn't want to buy shares in Mercedes Benz SA."

Why then does MBSA's parent company Daimler Benz stay in South Africa? If Kopke isn't crying for luck, the answer must be that Daimler Benz is taking a long-term view.

Margins in the competitive South African motor industry have been thin for some time now (the forthcoming report of the results of Toyota, the only listed motor company, will give a sign of how the winds are blowing).

The idea has been that MBSA's dominance in the truck market might make it unwilling to leave our shores. But Kopke says that up to 1980 the truck division accounted for the lion's share of MBSA's profits. This is no longer so.

Kopke this week also put paid to rumours that MBSA is relocating Windhoek or somewhere in Botswana have both been mentioned, but both are too far from the PWV, the main market in southern Africa, and pose insurmountable transport problems.

One compelling reason for not relocating is that the replacement value of the fixed investment in MBSA's plant in East London stands at R300-million.

Another, equally compelling reason, says Kopke has nothing to do with money but with the future of South Africa as an attractive area for foreign investors.

"The workforce may be a bit more difficult, but the labour problems we have had are not unique to the Eastern Cape."

"If we don't make East London work, we won't make South Africa work."

(March 7-13/980)
MOTOR INDUSTRY

CRUMBS OF COMFORT

If you’re going to lose production, then what better time than when the market is near rock-bottom? That is one of the few crumbs of comfort Mercedes-Benz SA (MBSA) can take from the events of the last three weeks.

The new vehicle market still shows no sign of breaking out of this year’s depression. Worst hit are sales of cars and heavy trucks and buses — the categories in which MBSA

B U S I N E S S & T E C H N O L O G Y

months’ notice Richardson thinks the same period should apply here.

"I think it is a reasonable target," he says.

Not everyone agrees. Toyota CE Bert Wessels, a member of the Naamsa team that will attend next week’s talks, admits the 30-day notice is harsh, but says manufacturers would apply it only as a last resort if a dealer ignored every other warning. "I don’t know of any manufacturer that has actually exercised the 30-day right. We bend over backwards not to."

He says dealers also can exercise the 30-day option if they want to switch their franchise to another manufacturer. Wessels adds that manufacturers are also subject to short notice termination of agreements with major overseas suppliers.

But the notice period is only one aspect of the contract the dealers association would like to see changed. In Richardson’s view, the contract is one-sided, pitting manufacturers’ “rights” against dealers’ “responsibilities.”

With 50,000 people employed in dealer franchises, against fewer than 40,000 in manufacturing, the dealers association thinks it’s time the relationship was put on a fairer footing.

Some members are worried that, without protection, the dealer trade could go the same way as it has in the US, where manufacturers’ intrusion into the retail sector has often reduced the market to chaos.

Ron Torkin, head of the US dealers association, says the dealer-manufacturer relationship in the US “has torn apart.” He lays the blame at the door of manufacturers, saying they produce too many, then resort to price wars and sell out their market share.

Torkin is particularly incensed by US manufacturers’ practice of bypassing the dealer network altogether and selling direct to car rental companies — often at thousands of dollars less per vehicle than dealers can offer. Worse, most big US car manufacturers have majority stakes in rental companies.

The dealer-manufacturer relationship in SA is far more amicable than in the US, but Torkin cautions “It’s a small world. What helps automakers’ bottom-line in one place will be transplanted to another.”

Delta’s near-purchase of the Budget Rental group in SA (Business July 13) rang alarm bells in the motor trade and raised fears that the local industry could indeed be following the US trend.

Though Richardson is not as pessimistic about the local market as Torkin, he still wants dealer safeguards. Toyota’s Wessels says he is prepared to listen to the dealers’ arguments but won’t speculate on what the manufacturers’ response is likely to be. Privately, some industry executives say that though agreements may be amended, they want the manufacturer to remain boss.

Wessels says SA manufacturers are “very mindful of dealers’ interests, in many respects, those interests are also our own.” In that regard, he doesn’t expect manufacturers to infringe on dealers’ territory as in the US.

In particular, he disapproves of selling direct to rental companies. “That must be the dealers’ job,” he insists.

David FurINGER
would ensure that the risk of lack of hard currencies would not jeopardize such deals.”

Arnold van Hasssien

MOTOR INDUSTRY

A BETTER DEAL?

Car and truck dealers are tired of playing second fiddle to motor manufacturers. From now on they want to be treated as industry equals.

They argue that with dealer investments running into billions of rands, they deserve more consideration and protection.

Representatives of SA franchise dealers and vehicle manufacturers will meet in Johannesburg next week in what dealers hope is the first step towards a more equal partnership.

In particular, they want to renegotiate the manufacturer-dealer contract. As it stands, manufacturers may give a dealer as little as 30 days’ notice before withdrawing a franchise — effectively putting the dealer out of business and rendering his investment worthless.

Spencer Sterling, president of the National Association of Automobile Manufacturers (Namasa) and MD of Samcor, recently expressed his support for a new deal. Errol Richardson, chairman of the National Automobile Dealers Association of SA, says Sterlings remarks helped pave the way for next week’s meeting.

Richardson doesn’t deny that manufacturers should retain the right to dismiss dealers that fail to maintain standards. But he argues that with more than R3bn invested in dealerships around SA, the notice period must be fair.

The Belgium-based International Organisation of Motor Trades & Repairs is negotiating an agreement for the European Community entitling dealers to a minimum of 12

FINANCIAL MAIL • SEPTEMBER • 7 • 1990

is most active.

So while MB Sa’s losses have been heavy — by the end of Tuesday, the company estimated it had lost nearly R190m in revenue during the latest stoppage, with the figure likely to rise by R13.5m a day until full production resumes — the picture could have been even bleaker in a busy market.

The company may take further comfort from the fact that it may be able to recoup some of those losses. Merc drivers tend to be loyal and are used to delivery delays. If the company can make up lost production, it may find that many of its sales are delayed rather than lost.

It is more likely to lose sales of Hondas, because buyers in that market segment are less brand-loyal. There is also a danger that truck and bus fleet operators who have bought exclusively MB Sa in the past may start peppering their fleets with other vehicles.

Management could be excused for wondering if disruption will ever end.

In July 1989, after suffering more than a dozen strikes in two years and losing 25% of its 1988 vehicle production, MB Sa hailed the start of a “new era” in industrial relations at its East London plant with the signing of a unique recognition agreement with the National Union of Metalworkers (Numsa).

In December 1989, after narrowly averting a strike, the company announced an “important breakthrough” in labour relations after the two sides found common ground on a wide range of labour issues.

More optimistic noises were made this year before hundreds of hourly-paid workers created the latest stoppage on August 16 by occupying the plant to protest against MB Sa’s involvement in central industry bargaining. They argue that industry parity will strip them of the wage advantage traditionally enjoyed by MB Sa workers.

Before police entered the plant on Sunday to remove protesters, the dispute had severely embarrassed Numsa, which waged a long campaign to force the industry into central bargaining. The dispute also disrupted the latest annual wage talks between unions and employers. Discussions are due to resume in Port Elizabeth this Friday and MB Sa representatives are expected to take part.

It is not clear when production at the East London plant will resume — or who will work there. On Tuesday, MB Sa was still trying to identify all the workers who had taken part in the sleep-in, prior to dismissing them. The question remains how many of those workers will be re-employed by MB Sa and Numsa are due to discuss the issue.
The uncertainty surrounding Spareco should be resolved within a week.

Until then control seems effectively to rest with the three banks that brought an urgent application against the company in the Rand Supreme Court on Tuesday.

Initially, the banks had asked the court to allow them to take over the businesses and run them until the outstanding amounts were paid off, to add all the expenses they incurred to the total Spareco owed them and to sell Spareco’s moveable property or the businesses.

But after the parties had conferred, this section of the order was deleted and a final order granted.

It authorised Bankorp, FNB and Alpha Bank to send agents to take control of Spareco’s stock, plant, fixtures and fittings, vehicles, computers and all moveable assets — which would seem to give them effective control.

Spareco management ‘has’ apparently been reviewing the possibility of a rights issue for a few months.

But at this stage it seems possible the agents will establish that Spareco is insolvent.

If so, they will have to establish at what stage Spareco became insolvent and whether it ever traded while insolvent.

Any pledge of assets guaranteeing debts becomes invalid if they were secured within six months of a company’s sequestration.

This may affect the pledge of Eddies’ shares to International Bank of Johannesburg — in which Bankorp has a large stake.
EYEING AUTOS

Eager to make up revenue lost in spending cuts by the Post Office and Armscor, many electronics manufacturers are looking to get a toehold in the fledgling automotive electronics industry.

While traditional markets remain flat, potential sales of electronics products to motor manufacturers are huge. The market for automotive electronics is estimated to have been worth more than R100m last year. Electronics equipment already comprises 10%-15% of the value of a car and this is predicted to rise steeply as vehicles become more dependent on high technology.

Most electronic components are imported, but this is set to change as more local firms gear up to produce equipment for SA. Contenders for a slice of the fast-growing market include major electronics groups such as Siemens, Plessey and Altech, as well as a host of smaller suppliers.

Altech last month concluded an agreement with UK-based Lucas Automotive to set up a joint manufacturing company, Automotive Electronic Technologies, to supply the local industry.

Several established suppliers of electrical and electronic equipment to the motor industry are also gearing up production facilities.

Market leader Robert Bosch, a subsidiary of the giant Bosch electronics group in West Germany, is investing R25m in a factory to produce fuel injection and engine management systems. According to MD Gunnar Korths, the Brits factory will be in production by the middle of next year.

Taiwanese automotive supplier Taigene Electric Machinery has also been attracted by the potential of the local market and plans spending close to R10m setting up a production facility in Ga-Rankuwa. Assistant manager Derek Oehley says the plant will begin making instrument clusters, under licence to a Japanese firm, next year. Other components are also being considered.

The catalyst for these investments is Phase 6 of the Board of Trade and Industry's local content programme for the motor industry, which came into effect in March 1989. Previously, local content was measured by weight. Now it's measured by value.

So all the major vehicle manufacturers are investigating the feasibility of using electronics products that are made in SA. Delta has gone so far as to invest in a local automotive electronics supplier, Dupec.

However, there are obstacles. Not only is substantial investment needed for the local development, manufacture and quality control of sophisticated electronics products, but high production volumes are necessary.

Control Instruments technical director Pat Ellis says SA firms will struggle to compete — especially in the export market — with established international suppliers that have massive investments in automated production plants.
**EYING AUTOS**

**CONTROL INSTRUMENTS has supplied electronic products for the motor industry since the late 1960s. According to its managing director, the demand for more advanced electronic systems will continue to grow.**

"We are seeing an increase in the use of electronics in vehicles," he said. "The demand is driven by the need for improved safety, performance, and convenience." The company has invested heavily in research and development to meet this demand, producing a range of products from simple sensors to complex control systems.

"Our goal is to provide the industry with the most reliable and advanced electronic systems," he added. "We are constantly looking for ways to improve our products and stay ahead of the competition." The company's commitment to innovation has helped it maintain its position as a leader in the industry.

Control Instruments is not alone in this trend. Many other companies are also seeing an increase in demand for electronic systems in vehicles. This growth is expected to continue as more advanced technologies become available.

"The market is growing rapidly," a spokesperson for another major supplier said. "We are seeing an increase in the use of electronic systems in all areas of the industry, from propulsion to comfort and safety." This growth is expected to create many new opportunities for companies in the field.

However, there are also challenges. The need for skilled workers and the cost of research and development are major concerns for many companies. The industry is also facing increasing competition from overseas suppliers.

"We are working hard to address these challenges," the spokesperson said. "We are investing in training programs and partnerships to ensure we have the skilled workers we need. We are also looking to expand our production capacity to meet the growing demand." The industry is expected to continue to face these challenges in the future.

Despite these challenges, the outlook for the industry is positive. The demand for electronic systems in vehicles is expected to continue to grow, providing many opportunities for companies in the field.
Benz closure could cost 100 000 jobs

The Argus Correspondent

JOHANNESBURG. — About 100 000 jobs would be lost if Mercedes-Benz (MBSA) were forced to permanently close its East London plant.

Production has been paralysed since August 16 when maverick workers occupied the plant demanding the company pull out of the motor industry's National Bargaining Forum (NBF).

Although they were peacefully evicted on September 2, MBSA has kept the plant closed, saying it would not resume production until the workers sorted out their position with their union, the National Union of Metalworkers (Numesa), which played a major part in establishing the NBF.

Relocating to Namibia

Cost of closure for the company so far is enormous — more than R330 million if one takes MBSA's figure of R135 million in production lost a day. Over the last four years Mercedes has lost R2.4 million because of strikes.

The factory's temporary closure sparked off nightmare rumours that MBSA was considering moving to Namibia or other areas where the industrial relations atmosphere was more friendly. MBSA's statement during the occupation that its viability was being threatened did nothing to allay these fears.

The company has since denied it has any intention of moving and dismissed rumours that it has held meetings with the Namibian government, but the situation has once again emphasised how relevant the region is on the motoring giant.

Effects of the temporary closure are already being felt. About 50 factories in the area provide MBSA with components, generating about R600 million a year.

Ripple effect

Other support sectors, such as the docks' stevedoring industry, owe a lot of their business to the company. Already these industries are reporting temporary cut-backs in staff due to the impasse at the factory.

Chamber of Commerce director Dave Groom said the ripple effect of a Mercedes closure would put about 100 000 people out of work.

The company was taking a leading role in the labour relations held and what happened there was certainly going to have an impact on the rest of the country, he said.
E Cape faces crisis if Mercedes quits

About 100 000 jobs would be lost if Mercedes-Benz (MBSA) were forced to close its East London plant permanently, a local business leader said last week.

Production has been paralysed since August 16 when maverick workers occupied the plant, demanding that the company pull out of the motor industry's National Bargaining Forum (NBF).

Although they were peacefully evicted on September 2, MBSA has kept the plant closed, and said it would not resume production until the workers sorted out their position with their union, the National Union of Metalworkers of SA (Numsa), which played a major part in setting up the NBF.

The cost of closure for the company is enormous -- more than R320 million if one uses MBSA's figure of R18,5 million in production lost a day.

The factory's temporary closure sparked off frightening rumours that MBSA was considering relocating to Namibia or another area where the atmosphere in industrial relations was friendlier. MBSA's statement during the occupation -- that its viability was being threatened -- did nothing to allay these fears.

The company has since denied it has any intention of relocating and dismissed rumours that it has held meetings with the Namibian government, but the situation has once again emphasised how reliant the eastern Cape is on the giant motor company.

Effects of the temporary closure are already being felt further afield.

About 50 factories in the area are dependent on MBSA, providing components which generate about R600 million a year.

Other sectors, such as the docks' stevedoring industry, owe much of their business to the company. Already these industries are reporting temporary cutbacks in staff as a result of the impasse at the factory.

Coupled with the heavy reliance on Mercedes is the region's high unemployment rate, conservatively estimated at 57 percent.

A welfare officer said resources at the region's welfare organisations, which currently feed more than 100 000 people daily, would be completely swamped if Mercedes closed shop.

"Unemployment in the area is so bad that a pullout by Mercedes is too frightening to consider. To even think that East London will be able to absorb those numbers (of unemployed) is a joke," the officer said.

Local Chamber of Commerce director Dave Groom said the ripple effect of a Mercedes closure would put about 100 000 out of work. He emphasised that the company had a strong commitment to the area.

"But if the labourers are totally unreasonable and are not going to work, they would have no option but to close. But I'm sure management has got it well under control," he said.

The company was playing a leading role in the labour relations field, and what had happened there would certainly impact on the rest of the country, Mr Groom said.

Numsa officials have been meeting the maverick workers to try to persuade them to return to work, but have not yet succeeded.

Their actions have been as much of a setback for Numsa as for management as it has been the union which struggled for many years to establish centralised bargaining.

The NBF was formed late last year and includes six of the seven motor-manufacturing companies in South Africa. The sit-in at the plant could not have come at a worse time. Numsa is currently pressuring the only outstanding company, Delta, to join.

Behind the maverick workers' demands is the fear that they will lose their traditional pay advantage over other factories if Mercedes continues to take part in the NBF.

The ANC and the SA Communist Party support Numsa's position and have sent members to the area in an attempt to resolve the issue.
No let-up in pressure on car sales

NEW passenger car sales rose by 11% in August, but despite the modest improvement, the National Association of Automobile Manufacturers of SA (Naamsa) expects new vehicle sales to remain under pressure during the remainder of the year.

Naamsa said yesterday although new car sales rose by 2,660 units to 20,460 units compared with July's sales of 18,387 units, economic conditions remained challenging.

Naamsa said the greater number of trading days in August, seasonal factors and the positive influence of personal income tax concessions which took effect in July had contributed to a surprisingly good month for the industry's car and light commercial vehicle sectors.

New car sales in August showed an improvement of 2% or 1,000 units compared with August 1989, with replacement demand by the car rental industry and the corporate sector also assisting in boosting August's sales.

BMW SA marketing manager Ivan Honeyborne said the overall market was encouraging and the buoyancy experienced was due to the availability of supplies and the fact that people bought forward in light of the price increases in September.
Spareco 'could have a new owner today'

MOTOR spares distributor Spareco could see a change of ownership today, MD Graham Walker said last night.

A meeting had been scheduled for today in which the best of "some very encouraging offers" would be accepted by the banks, Walker said.

Possible buyers named by market sources last week included McCarthy, Midas, Imperial and Fedvols, while one analyst said yesterday Salcon was also a possibility.

Speculation of a possible buyout has mounted since Tuesday's court order in which three creditor banks were authorised to hold Spareco's moveable assets — and Wednesday's suspension of trading in the company's shares on the JSE.

Spareco has managed since then to stave off liquidation in an attempt to save the company, which owes an estimated R57m to its creditors.

It seemed Spareco would not be liquidated, although there had been some pressure on it to do so, Walker said.

International Bank of Johannesburg MD Peter Gray said he hoped enough documentation would be in place after today's meeting to prove there would be a substantial capital injection into the company.

"The situation was still delicate," he said, but there had been some firm offers on the table and a deal should be "agreed upon and concluded today".

It was believed store counts had been completed, and while no figures were available, Gray said the physical count seemed to be positive.

MARCIA KLEIN
Benz plant stays closed

EAST LONDON — The Mercedes-Benz South Africa plant was closed for the 26th day yesterday, and the loss in revenue is fast approaching R230 million.

The company has said it is losing R13.5m a working day — a total of R229.5m over the 17 working days since production was suspended.

The plant has been closed since August 16, and the management intends keeping it closed until:

- MBSA and the National Union of Metalworkers (Numsa) have agreed on "practical process to remove the problems impacting on the growth and viability of the company"

- Numsa has informed management that the problem relating to MBSA's participation in the National Bargaining Forum (NBF) has been resolved

- MBSA and Numsa have agreed on a process to determine the fairness of the dismissals of the workers who unlawfully occupied the plant.
Eddie's still going strong

By Roy Cokayne

Eddie's Motor Spares, last
ed subsidiary of financially
troubled Spareco, is trading
normally from its existing
stores in the Trans-
vital and Venda.

Chairman Eddie Karp
did not believe Spareco's difficul-
ties would have an adverse
effect on Eddie's.

Mr Karp said unlike the
position at Spareco, where
three banks had their debts
secured by a general not-
natural bond, no attempts
had been or could be made
to take control of Eddie's
stock, plant, fixtures and
fittings, vehicles, com-
puters or other moveable
assets.

He said Eddie's shares
were still being traded on
the JSE, that the business
had always been success-
ful and always paid all
creditors on time.

The payment of Eddie's
creditors was no problem
whatsoever, he said.

It was reported in Au-
gust last year that Spare-
co had acquired Fleish-
mans, which had prior to
that incorporated Eddie's.

But in May this year,
Spareco sold the non-profit
car making parts of Fleish-
mans to Broshure for R6-
million. It retained the
Eddie's group.

Spareco was placed
under the control of three
banks in terms of a court
order obtained last
Wednesday. The banks ob-
tained the order to try and
secure their debt exposure.
Vehicle sales for August “surprisingly good”

Vehicle sales for August were surprisingly good, but sales are expected to remain under pressure for the remainder of the year, says the National Association of Automobile Manufacturers (Naamsa).

Naamsa says seasonal factors and the positive influence of personal tax concessions contributed to a better month for cars and light commercial vehicles.

Car sales rose by 2,093 units, or 11.4 percent, to 20,460, compared with July’s figure of 18,367.

Compared with August 1988, car sales showed an improvement of 8.5 percent, or 1,600 units.

Replacement demand by the car rental industry and the corporate sector assisted in boosting August sales.

Sales of light commercial vehicles and minibuses rose by 612 units, or 6.4 percent, to 10,138 unit sales (July 9,526 units).

Compared with August 1988, light commercial vehicle sales recorded a modest decline of 458 units, or 4.3 percent.

Sales of vehicles in the low-volume medium- and heavy-truck segments recorded improvements of 12.3 percent (51 units) and 20.6 percent (134 units) respectively, compared with July sales.

Sales in both sectors, however, remained well below the long-term historical trend — Sapa.
On-going strike threatens motor giant

About 100 000 jobs would be lost if Mercedes-Benz (MBSA) was forced to permanently close its East London plant, a local business leader said last week.

Production has been paralysed since August 16 when rebel workers occupied the plant demanding the company pull out of the motor industry’s National Bargaining Forum (NBF).

Although they were peacefully evicted on September 2, MBSA has kept the plant closed, saying it would not resume production until the workers sorted out their position with their union, the National Union of Metalworkers (Numsa), which played a major part in establishing the NBF.

Cost of closure for the company is enormous - more than R330 million if one takes MBSA’s figure of R13,5 million in production lost a day.

Over the last four years Mercedes has lost R2,4 million because of strikes.

The factory’s temporary closure sparked off nightmare rumours that MBSA was considering relocating to Nambia or other areas where the industrial relations atmosphere was more friendly. MBSA’s statement during the occupation that its viability was being threatened did nothing to allay these fears.

The company has since denied it has any intention of relocating and dismissed rumours that it has held meetings with the Namibian government, but the situation has once again emphasised how reliant the region is on the motor giant - Sowetan Correspondent.
Vehicle sector exports set to reach R475m

GERALD REILLY

PRETORIA — SA would export vehicles and components valued at more than R475m in the year to next May under the Phase Six programme, Trade and Industry Deputy Minister Theo Alant said yesterday.

Speaking at a symposium on large-scale computing in the automotive industry, Alant said since the inception of Phase Six, the Industrial Development Corporation had approved investments in the motor industry of R150m in 31 firms.

The total extent of the projects was R230m, and when completed they would provide 2,700 new jobs with forex savings of R50m a year.

Alant said recent studies had shown SA had become more dependent on export earnings from primary agricultural and mining products.

SA had become an exporter of beneficiated and final products.

Next to the mining industry, the motor industry was the largest contributor to industrial production.

He said a major reason for the loss of opportunities in wealth-creating industries in SA was the lack of technicians, engineers and technologists.

To be competitive in international markets, "one has to be at the cutting edge of technology."

The motor industry had been characterised by a high level of reliance on imported components.

It appeared most motor vehicle manufacturers had opted to follow the route of increased exports.
Application for Spareco liquidation

AN URGENT application for the liquidation of Spareco Holdings Limited, brought in the Rand Supreme Court yesterday, will be heard tomorrow unless a solution to the company's financial crisis is found.

Ferodo Pty Ltd yesterday applied to have the company wound up immediately, but after hearing arguments, Mr Justice M Joffe decided that the application would be heard tomorrow.

Advocate Dennis Fine SC for Ferodo asked for the postponement because he said company representatives were negotiating the injection of R10m in share capital into the company to satisfy creditors.

In an affidavit placed before the court yesterday, Ferodo's regional GM Mulford Arengton said that an amount of over R250,000, owed to his and other companies, was overdue for payment.

Alpha Bank Ltd, First National Bank of SA Ltd, and Bankorp Ltd were authorised last week to hold all Spareco's moveable assets after alleging that Spareco owed the banks a total of over R40m.

Since the court order was granted, Spareco's 24 branches were to have remained locked and not have been open for trading.

But Arengton said he had been advised that by special agreement the company had continued to supply goods to the Johannesburg City Council and Sasol.

Advocate Manny Sar, acting for Ferodo, argued that the capital gained from the sale of Ferodo's products would form part of Spareco's assets on liquidation, and that Ferodo would only be a concurrent creditor in respect of that capital.
Spareco has deals for R4-m, court told

By Iqbal Survé

Spareco has dealt a R4-million blow to the public purse in a court case.

The company has been named as a defendant in a lawsuit by the South African National Gallery (SAN) for damages.

Spareco is accused of breaching its contract with SAN and failing to deliver the goods as promised.

The gallery is seeking R4 million in damages from Spareco for the alleged breach.

A Sparco spokesperson said the company was aware of the lawsuit and was taking the case seriously.

The case is due to be heard in the High Court in the coming weeks.
Improved Grades Help Village Main Results

Economy was up by 14% to

The increased enrolment at the village's primary and secondary schools is expected to lead to a reduction of teacher and support staff numbers.

During 1979, the average number of students enrolled was 1,200. This year, the number has increased to 1,320, a 14% increase.

The dramatic improvement in the village's educational system is a result of the implementation of new teaching methods and the provision of additional resources. The village council has invested heavily in upgrading the existing schools and constructing new facilities.

The village's educational success is also attributed to the efforts of dedicated teachers and support staff. The village council has provided incentives to encourage teachers to stay in the village and improve the quality of education.

The village's economic benefits from improved education include an increase in the number of skilled workers, which will lead to higher wages and greater opportunities for residents.

Additional benefits include the improved health of the village's children due to better nutrition and access to medical services. The increased number of students will also lead to a decrease in the unemployment rate and an increase in the village's tax base.

The village council is committed to continuing its investment in education to ensure that all children have access to quality education and the opportunities to achieve their full potential.

The village's educational success is a testament to the hard work and dedication of the villagers, the teachers, and the support staff. The village council is proud to have achieved this significant milestone and is committed to maintaining and improving the quality of education for all its residents.
MMG weathers hard year with turnover hikes

THE Market Motor Group (MMG) has weathered an extremely tough trading year to end-June to report increases in turnover and net operating income.

Facing a decline in consumers' disposable income and continued government pressures to curb spending, the group managed to raise turnover by 16% to R184,7m (R158,9m) However, lower margins contributed to an increase of only 11% on net operating income, which moved to R9,3m (R8,4m).

Attributable income decreased slightly to R6,5m (R6,14m) while earnings a share dropped to 24,5c (27,2c).

A slightly increased final dividend of 8,15c (7,75c) has been declared, bringing the total dividend for the year to 11,75c (10,75c).

One of the largest motor organisations in the Cape, MMG incorporates Market Toyota, the Cape's major Toyota dealer, Market Cars, one of the area's biggest and longest-established used car operations, as well as several parts and services outlets.

MMG chairman Baroey Sank said in a statement that the fact the company had held its own in the face of what had undoubtedly been a very unsympathetic trading climate, was mainly due to versatility in terms of the wide spread of motor-related services offered.

The servicing and parts division, he said, was showing the highest rate of growth of all MMG's divisions.

"We have increased our parts range and stockholding, and expanded our servicing facilities." He added that Market Toyota, which sells more than half the new Toyota vehicles purchased in the Cape Peninsula, had expanded the fleet sales staff and recently received awards from Toyota SA for marketing efficiency and fleet development.

MarketCars sales, however, had shown a decline due to high interest rates, stringent hire purchase controls and the erosion in consumer spending power.

Sank said planning for the current year had been based on the assumption that the economic slowdown would continue.

By William Wells
paper sold an average of 65,690 copies in the first half of this year.

Growth in circulation of the afternoon Daily News has been slower over the past 18 months - though it sells substantially more copies, averaging 103,972 in the first six months of this year.

Shawn Harris

MOTOR INDUSTRY  
HELP FROM THE EAST?

Japanese vehicle producers may soon lift restrictions on exports to SA, say local manufacturers.

They're hoping this month's talks between US President George Bush and SA President F W de Klerk will clear the way for a resumption of normal trade.

At least one SA manufacturer expects the restrictions, imposed in 1988, to be abandoned completely "by next year." Others expect they'll be phased out.

Japanese motor companies imposed "voluntary" export restrictions under pressure from their government's Ministry of International Trade & Industry (MitI). MitI itself was responding to threats of US trade reprisals if Japanese companies sought to benefit from large-scale US disinvestment from SA.

Since 1988, individual Japanese vehicle producers have restricted SA exports to 1987 yen levels. By pegging the limit to the low-inflation yen rather than the rand, the decision enabled SA companies to maintain orders at relatively stable levels. What it stopped them doing was increasing orders.

Recently, however, MitI quietly changed the rules and pegged levels to 1987 US dollar values. SA manufacturers say the change came as a surprise and they are still trying to assess the longer-term effect.

Though the market decline in the last two years has removed some of the pressure, vehicle sales are still running well above 1987 levels. In that year, the SA motor industry sold 309,150 cars and commercial vehicles. In 1988, sales rose to more than 357,000 and stayed above 350,000 in 1989.

This year's figure is expected to be about 335,000, with steady growth predicted for the next three years.

The better-than-expected August figures, released this week, are considered to be a seasonal lullup and are not being seen as the first sign of a strong growth phase.

Had the market performed more strongly in the last couple of years, SA manufacturers might have had problems meeting demand. As it is, they have coped with the Japanese restrictions through a combination of import substitution and alternative foreign sourcing.

The latter solution was the reason for the local industry halting publication of detailed monthly sales figures and offering only industry totals. Companies argued that full disclosure would allow sanctioners to work out which companies were circumventing Japanese restrictions.

While it is common knowledge that companies have found new supply sources - chiefly in the Far East - the sanctions lobby has been unable to pin anything down.

While the SA industry has coped relatively well in the first three years of restrictions, with local content programmes reducing reliance on Japanese imports, they admit other problems lie ahead. The soaring oil price brought about by the Gulf crisis is likely to force the US inflation rate up sharply and cause potential Japanese trade to be cut back heavily.

Many industry eyes will be on Washington later this month for the Bush-De Klerk talks. Any weakening of the US sanctions stance may encourage Japan to ease its own restrictions.

At least one senior industry executive is optimistic. "I think next year we can work on the assumption that restrictions will no longer apply," he says.

David Farlinger

**AUGUST VEHICLE SALES**

<table>
<thead>
<tr>
<th>CARS</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 1989</td>
<td>18,680</td>
</tr>
<tr>
<td>Jan-August 1989</td>
<td>152,433</td>
</tr>
<tr>
<td>July (18,367) to August</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIGHT COMMERCIALS</th>
<th>Decline</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 1989</td>
<td>10,596</td>
</tr>
<tr>
<td>Jan-August 1989</td>
<td>77,928</td>
</tr>
<tr>
<td>July (9,526) to August</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MEDIUM COMMERCIALS</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 1989</td>
<td>385</td>
</tr>
<tr>
<td>Jan-August 1989</td>
<td>2,897</td>
</tr>
<tr>
<td>July (4,13) to August</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>HEAVY COMMERCIALS</th>
<th>Decline</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 1989</td>
<td>910</td>
</tr>
<tr>
<td>Jan-August 1989</td>
<td>6,360</td>
</tr>
<tr>
<td>July (6,660) to August</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TOTAL VEHICLES</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 1989</td>
<td>30,761</td>
</tr>
<tr>
<td>Jan-August 1989</td>
<td>239,618</td>
</tr>
<tr>
<td>July (28,956) to August</td>
<td></td>
</tr>
</tbody>
</table>

Source: National Association of Automobile Manufacturers of SA.
Market Motor rides out storm

The Market Motor group (MMG) has weathered an extremely tough trading year to report increases in turnover and net operating income.

Attributable income, however, showed a slight decline.

In the teeth of a fall-off in the disposable income of consumers and continued government pressure to curb spending, the group increased turnover by 16 percent to R184,86 million (R158,86 million).

However, lower margins contributed to an increase of only 11 percent in net operating income, which moved to R9,29 million (R8,39 million).

Attributable income decreased slightly to R5,47 million (R6,14 million).

Earnings per share declined to 24,3c, compared with 24,7c previously.

However, a slightly increased final dividend of 8,15c per share (7,75c) has been declared by the directors, bringing the total dividend for the year to 11,75c (11,75c).

Chairman Barney Sank said yesterday that although political changes and their impact on the economy made it difficult to predict future trading conditions, the MMG's performance in the market, the organisation had based its planning for the current year on the assumption that the economic slowdown would continue. — Sapa.
Court to hold the group’s stocks for the purpose of “protecting its security in terms of a notarial bond.”

Should these negotiations fail to reach fruition, Les Cohen of West Trust apparently was wanting to step in as liquidator of Spareco. Another application for liquidation was brought by smaller creditors on Tuesday but judgment was postponed to Thursday, pending the outcome of negotiations.

Spareco MD Graham Walker told the FM he was anxious for the banks’ negotiations to succeed because he “wanted to open Spareco’s doors for business on Wednesday morning.” One concern is the banks have placed agents at the group’s 24 retail branches, “so that possession of the company’s movable assets could be handed over.”

Market sources believe Midas, another spares group, was the most likely candidate to strike a deal with the banks. Midas director Sarel de Vos indicated a Spareco takeover could make sense at the right price but he would not comment further.

Speculation on possible takeovers was rife earlier in the week and many potential candidates were cited. Alan Schlesinger, MD of the FSI Corp subsidiary, Teamcor, says his group had told the banks of a price at which they would be willing to negotiate but he regarded the prospect of an agreement as “close to zero,” as others had apparently pitched offers at far higher prices. An unnamed foreign investor is also said to be involved.

Murray & Roberts subsidiary TMS has also been mooted, but financial director Lionel Bird denies it is interested in acquiring Spareco. Similarly, Sankorp MD Marjus Dalgas denies any interest on the part of Federale Volksbeleggings. The response was the same from Imperial Group.

Analysts believe many of Spareco’s problems stemmed from a clash between chairman Chris Sludden and former MD Errol Wucherpenning, who was appointed MD in November 1988 and resigned on February 5 this year. Wucherpenning then got involved in S Silver, a spare-parts warehouse operation.

The accounts for the six months to end-December — the last to be published — indicated Spareco was heading into difficulties. Trading profit fell sharply, EPS was halved and dividend passed.

Gerhard Stehler
SOUTH AFRICA'S newest industry has taken off — only six months after it was established.

Mercedes-Benz SA (MBSA) has exported its first shipment of auto catalysts to Europe for evaluation. The catalysts were manufactured, or canned, with platinum-coated monoliths imported by Degusa SA.

Hanns Fisch, management board member of MBSA in charge of local engineering and procurement, says output in the next 12 months will be small, but will build up. He says: "A completely incorrect impression has been given that our catalytic converter exports will significantly increase our local content achievement. "Even in the final stages, they will make only a marginal contribution." The Industrial Development Corporation (IDC) together with Degusa AG of Frankfurt announced six months ago the establishment of a company, Algorax, to coat monoliths with platinum group metals for auto catalysts at a plant in Port Elizabeth.

Two months later, Johnson Matthey, the world's largest centre of monoliths, announced that another plant would be built in Germiston. A third company is investigating a similar project. Algorax and Johnson Matthey expect to coat about 5 million monoliths a year in full production.

The export order is the first for SA's catalytic industry. It is expected that the new industry could earn SA about R500 million a year in the medium term.

Auto catalysts are used to clean vehicle exhaust emissions of nitrogen oxides, carbon monoxide and hydrocarbons and keep the world "green."

They can be used only with unleaded fuel, which SA does not produce.

It is believed that the first airfreight shipment for MBSA will be 11 tons, rising to 65 in the next nine months. Other manufacturers are also investigating the export of catalysts.

At a production rate of 3 million monoliths a year, the two plants will use about 170 000 ounces of platinum from SA mines. Each catalyst consists of about 0.08 ounces of either platinum and rhodium or platinum and palladium.

Advantages

Tony Drinkwater, general manager, finance and administration, at Algorax says coating is expected to start in October or November and will rise to about 65% of capacity in the second half of next year.

Johnson Matthey expects production to start in the middle of next year.

Mr Te Poel says MBSA welcomes the decision to coat catalytic converters in SA.

"We, like other manufacturers, will try to take full advantage of this in our export efforts. The advantages of catalytic converters as export products cannot be over-emphasized. They underline the benefit that Government sees in raw-material beneficiation."

For an export product to be successful, it should be backed by a domestic market. It is hoped that the Government will introduce unleaded petrol soon, says Mr Te Poel. The cost of fitting cars with converters will be marginal.

But lead-free petrol costs more because it requires more refining than conventional fuel.
LOSSES continue to mount at strike-stricken Mercedes-Benz (MBSA) in East London. Last production after 22 days is R287-million and workers are R45-million out of pocket.

The National Union of Metal Workers of SA (Numsa) and MBSA will continue their talks in the coming week.

Component suppliers in East London are working short-time. If MBSA goes out of business, suppliers of materials and components could lose about R70-million a year. Thousands of jobs would be lost and many suppliers would move.

When the plant is reopened, it is expected to take at least two weeks to return to full production. Some work has been done to prepare for a start-up.

Motor dealers are suffering from reduced revenue. Already some potential buyers of Mercedes and Honda Ballades have switched to other up-market models.

Waiting lists of between three months and 16 months — longer for the Mercedes S range — are lengthening.

It is unlikely that the reopened plant will be able to make up the backlog because the luxury tradition of the two cars requires a slow assembly line.

The plant was closed when a handful of rebel unions, driven by the demands for wage negotiations to be conducted with MBSA management and not through the National Bargaining Forum, had it shut down.

Six motor manufacturers negotiate through the NBF, which was introduced at the request of Numsa. The plant is reported to have been badly damaged.
Mercedes closure losses at R324m

MATTHEW CURTIN

MERCEDES Benz (MBSA) has lost R324m in revenue since its East London plant was closed down on August 16.

Mercedes official Wendy Hoffman said the company was losing R135m a day and management and the National Union of Metal Workers (Numsa) were doing "everything possible" to resolve the dispute.

The plant was closed down when a group of Numsa members began a "sleep-in" protest to demand the company's withdrawal from the motor industry's national bargaining forum (NEF). Numsa's general secretary Moses Mayekiso said yesterday talks with Mercedes were "at an impasse because the company refused to meet union demands that the 860 workers dismissed for their involvement in the protest be reinstated."

He said Mercedes claimed many of the workers had committed "unspecifed offences" and so would not regain their jobs.

Mayekiso said the workers had launched their protest because of a "misunderstanding" over Numsa's national wage bargaining policy. This had been resolved.

Mayekiso said Numsa leaders were meeting members tomorrow to discuss the latest company proposal.

Mercedes has said that before the plant is reopened there would have to be an assessment of damage to the plant, a "clear assurance that NBF problems were resolved, and an agreement determining fairness of dismissals."
of Benz
workers
still issue
for talks

Own Correspondent

EAST LONDON — The
dismissal of 200 Mer-
cedes-Benz South Africa
(MBSA) workers who oc-
cupied the company's
plant here last month re-
mains one of three un-
resolved issues in talks be-
tween MBSA and the
National Union of Metal-
workers (Numsa).

The company said it
had submitted a draft
agreement to Numsa on
the three outstanding is-
sues which were:

◆ That MBSA and
Numsa agree on a pro-
cess to determine the
fairness of the dismissal
of the 200 workers.

◆ That Numsa satis-
fies management that all
its hourly-paid members
at the plant — excluding
those who had been dis-
missed — were prepared
to resume work.

◆ That MBSA and
Numsa agree on an ac-
ceptable and under-
stood "practical process
to remove the problems
impacting on the growth
and viability of the com-
pany".

Other questions which
had been resolved in-
cluded Numsa's confir-
mation of its acceptance
of centralized wage ne-
gotiation through the
National Bargaining Fo-
rum.

MBSA said the com-
pany had informed
Numsa that damage
caused by the occupa-
tion of the plant had
been assessed and that,
from a technical point of
view, production could
be resumed.
Mercedes talks go on

EAST LONDON — Talks are continuing in East London between the management of Mercedes Benz SA and the National Union of Metalworkers of SA, a month after a small group of rebel Numsa members caused a factory shutdown. At issue are the procedure for workers wanting to take industrial action and the position of Numsa regarding the National Bargaining Forum.
Local economy 'affected by Mercedes shut-down'

EAST LONDON — Various supporting industries in and around East London were feeling the effects of the shut-down at Mercedes-Benz, now in its fifth week, with some employees laid off and some businesses considering shutting down and/or relocating.

This warning was issued by East London Chamber of Commerce director Dave Groom, SABC's radio news reporter yesterday.

Groom said a closing down of the plant would result in an annual loss of more than R100m to the regional economy.

Meanwhile, Mercedes-Benz management has sent the National Union of Metalworkers (Numsa) a proposal which could resolve the industrial dispute at the company's East London assembly plant if agreed to by the union, the radio broadcast reported.

In a statement released yesterday the company said the proposal should form the basis of a settlement which would allow normal production to resume.

Groom said the talks between Mercedes-Benz and Numsa could prove to be a test case for national industrial dispute settlements.

If an agreement was reached, both parties would have to have a clear understanding that any deviations from procedural actions would have disastrous socio-economic consequences, he added.

Groom confirmed that various supporting industries in and around East London were feeling the effects of the shut-down. Some employees had been laid off and some businesses were considering shutting down and relocating, he said — Sapa
Rescue offer made for Spareco

By Cathy Stagg and Ann Crotty

Lakewood Corporation, a Cayman Island-registered company, has made an offer to acquire control of Spareco in exchange for an injection of up to R10 million into the troubled company.

The proposal to restore Spareco to solvency includes payment to concurrent creditors of around 30c in the rand to a maximum of R5.6 million.

Spareco's bankers are expected to capitalise in the region of 81 percent of their claims, with the balance to remain as unsecured overdraft facilities.

A meeting of the creditors of Spareco Holdings will be held on October 1. The liquidation application launched by brake manufacturer Ferodo has been postponed until October 5.

Conditions of the proposal include that the company not be placed in liquidation or under judicial management before the sanction of the arrangement, that the book value of the stock-in-trade of the company be not less than R27 million, that Spareco acquire a further 20 percent of the issued share capital of Eddie's Motor Spares (presently held by Lysat Investments Pty and be agreed to by Spareco, Lysat and Lakewood) and that exchange control approval be granted so that Lakewood is able to use financial rands to buy the shares.

Lakewood wants to make acceptable arrangements with the present chairman and managing director of the company for Spareco's future management.
ADE faces new threats

NEW threats imperil strategic diesel engine maker Atlantis Diesel Engines. ADE was set up at the beginning of the Eighties to counter a possible truck embargo and for import replacement.

Ironically, in past years it has begun to look like a good idea on economic grounds, holding out hope of big savings in foreign exchange. Since the plant was instituted the company has been profitable only over the past three years. It needs turnover of R600-million to break even. Turnover this year is expected to fall short of that.

ADE MD Fritz Korte said at the Electra Mining Exhibition in Johannesburg this week that ADE had been badly hurt by a plunge in truck and tractor sales. The forecast for tractor sales this year is now a new low of 4,200 units, down from around 2,000. Medium truck sales have held up but heavy truck sales are forecast at 7,500, compared with 8,000 last year.

As a result ADE has had to slim down, retrenching hourly and monthly paid workers and had made a strategic decision to keep a lid on prices. It also plans to increase market share penetration in industrial engines from 10 to 20 percent and increase component exports.
DEBT PILES UP

Strong medicine, in the form of strict financial controls, was needed at automotive industry supplier Femco Technology to enable the company to fulfil its early promise.

Extensive reorganisation of production facilities, changes in management, heavy investment in capital equipment and the acquisition of three struggling companies caused Femco’s borrowings to soar last year.

Net borrowings almost quadrupled to R25,84m. Operating profit, on the other hand, slumped 18.6% — after non-recurring expenditure of R2.8m on improving production facilities — on a 39% rise in sales. Debt cover slumped from 1.29 to 0.44.

In the annual report, received eight months after Femco’s year-end, chairman Jack Kearney reports that greater emphasis is being placed on financial controls and reporting structures.

Operating efficiencies appear to have slipped during substantial reorganisation of subsidiaries and management (in February former CE James Greig was replaced by joint CEOs Nimrod van Zyl and Guy Zammit) and the expansion of production facilities to meet anticipated demand from the domestic and export market.

However, in the six months to end-June, sales grew only 13% compared with the year-ago interim. At R$5,4m, operating profit for the first half of the year was well below the R$9,1m generated in the 1990 half-way stage as well as the R$7,5m earned for the same period in 1988.

Not surprisingly, finance charges in the first six months more than doubled at R$1,4m. EPS tumbled from 20.2c to 14c.

Management is confident the reorganisation that adversely affected both turnover and operating margins is all but complete, and says performance will pick up in the second half.

Kearney says the electric motor division has seen a number of senior and middle management changes during 1990 and Femco now has a production management team with a proven track record, specialised experience and up-to-date technology in this field. The group’s financial function has been strengthened by new board appointments.

Management also notes that emphasis is being placed on being sales/market driven rather than production driven. This is expected to result in expansion of the product range and increased market share, with growth by import replacement and exports.

Benefits may not be seen quickly. The slowdown in the automotive industry, coupled with Femco’s heavy debt burden are likely to make recovery — even to last year’s levels — difficult.

Simon Cashmore
A NEW DEAL?

Vehicle manufacturers and their franchise dealers have reached informal agreement on giving dealers greater investment protection.

Following a meeting between representatives of the two groups on Friday, dealers plan to approach individual manufacturers to rewrite franchise contracts.

As the contracts stand, manufacturers may give a dealer as little as 30 days' notice of their intention to withdraw a franchise. Dealers want the notice period stretched to 12 months, in line with the trend overseas.

They don't deny manufacturers should retain the right to dismiss dealers in extreme circumstances but argue that, with more than R3bn invested in dealerships around SA, the notice period must be extended. Some dealers are particularly worried that, in the event of another merger between two manufacturers, hundreds of them could be left high-and-dry if the ensuing franchise

BUSINESS & TECHNOLOGY

body has to be rationalised in a hurry.

Not all manufacturers go along with extended contracts but at Friday's meeting, representatives of the National Association of Automobile Manufacturers (Naamss) and National Automobile Dealers Association (Nada) generally agreed contract terms should be reviewed.

Nada chairman Errol Richardson says franchise dealers will now ask each manufacturer to renegotiate contracts. Though it is unlikely the new contracts will come into force at the same time, and some terms may differ, dealers believe they have achieved a significant first step in their fight for greater equality.
Unions pricing employers out of world markets

By Des Parker

DURBAN — Former Toyota Marketing managing director Colin Adcock says trade unions are pricing their employers out of the world markets with their demands for minimum wages divorced from productivity gains.

They are reducing South Africa's international competitiveness and making the country increasingly impoverished.

Mr Adcock, who helped transform Toyota from the country's smallest vehicle manufacturer into its largest within 10 years of joining the firm in 1972, said at KwaZulu Training Trust's 1990 business forum in Durban that minimum wage bargaining was "akin to painting yourself into a corner".

"Manufacturing in this country is becoming increasingly inefficient, and the products more and more expensive in large part because of the demands by labour for ever-higher wages unlinked to improved productivity."

The lowest-paid worker at Toyota — who was required to have no formal qualifications — earned R1 130 a month, while the starting salary in a bank for a matriculant was closer to R900 a month.

He challenged his audience to keep a tally of what they did during their working day.

"See how much time you spend walking to do the job, how much time you spend waiting for somebody to do something so that you can do your job. Add these together and see how much time is left over."

"The left-over portion is the time you spent actually working, and in South Africa, it works out to less than 50 percent of the working day."

If the "working portion" could be raised to 60 percent, the effect on efficiency — and in turn on production costs and prices — would be amazing.

Delegates heard that South African business had been saddled for years with the British and French style of "top-down" management in which management set policy and gave orders and workers followed them.

Mr Adcock advocated the Japanese approach to worker-involvement.
PROTECTION RESTORED

Government is preparing to tighten legislation to make it more difficult for companies to manufacture unauthorised copies of competitors' industrial machinery and spares.

A draft Bill published in the Government Gazette proposes that the Designs Act be revised to provide functional designs, such as those in the mechanical or industrial machinery, with legal protection similar to that now given to aesthetic designs which govern only the appearance of products.

This move by government comes only two years after controversial amendments to the Copyright Act removed much of the legal protection previously provided for the designs of industrial and mechanical equipment. The amendments, seen as a bid to counter sanctions, were strongly criticised by many sectors of industry.

The publication of the draft Bill has been welcomed by copyright and design attorney Owen Dean. "Government appears to be giving back, in a different and a milder form, some of the protection it had previously taken away."

According to Dean, the amendments to the Copyright Act opened the way for manufacturers to copy other companies' products without consent.

If the draft legislation is passed by parliament, companies in the motor and mining industries, especially, will once again be able to protect the functional designs of their products. These designs will, however, have to be registered.

Nico Vermeulen, director of the National Association of Automobile Manufacturers of South Africa, supports the proposed legislation. He says some manufacturers, particularly producers of automobile spares and body panels, have suffered as a result of the 1988 Copyright Act amendments.

Michael McDonald, chief economist for the Steel & Engineering Industries Federation of South Africa, says that if the proposed changes to the Designs Act plug the loopholes caused by the amendments to the Copyright Act, his organisation will support them.

The draft Bill, which was published for comment last month, proposes that functional designs can be registered at any time within 10 years after they are put in use. However, companies using other organisations' designs before they have been registered will not be liable for compensation. It is proposed that the registration of functional designs can be renewed after 10 years.
As the *FM* went to press, an affidavit was being prepared to put an offer, believed to be from Hans Schreiber, before the Rand Supreme Court on Wednesday to rescue ailing motor spares group Spareco from the liquidators.

Schreiber, who runs his own financing operation from Singapore and is a director of a major German bank, was in the news some five years ago when he bought Cape wine farm Neethingshof for R8m.

Spareco MD Graham Walker is adamant that his company won't be wound up. Two deals were on the table on Tuesday, though one is seen just as a backup. According to Walker only a minor hitch prevented the t's from being dotted and the i's crossed.

Why would a German banker be so interested in an ailing SA spares company, believed to be in need of a capital injection of at least R20m-R25m to save it?

If Spareco is wound up, the smaller creditor banks will be dealt a severe blow. By gaining control of Spareco, Schreiber will save these banks and perhaps get a foothold in SA banking.

After an urgent application two weeks ago, Alpha Bank, First National and Bankorp were authorised to hold all movable assets at 24 Transval Spareco branches. They alleged that Spareco owes them R40m plus. A week later trade creditor Ferodo brought an application for immediate winding up, postponed twice in the past week.

The Spareco fiasco has focused attention on another problem — banks whose exposures to individual clients are large relative to their capital bases, including Alpha Bank.
Toyota figures keep ‘going right’

EDWIN UNDERWOOD

TOYOTA — importer, manufacturer and distributor of Toyota and Hino motor vehicles and accessories — has reported a large 35% rise in earnings a share to 1 069,47c (783,38c previously) for the interim period to end-June.

A dividend of 170c (150c) has been declared.

Despite the total vehicle market shrinking 6% during the first six months of 1998 compared with the same period last year, Toyota’s turnover rose 9% to R1,48bn (R1,35bn).

Total market volume for the past six months amounted to 108 602 units (177 624 units), of which Toyota took 29% or 47 855 units (44 817 units).

Attributable income for Toyota shareholders rose 35% to R45,5m (R33,1m).

Operating income leapt 51% to R65m (R43m).

The selling price of Toyota’s vehicles increased only moderately during the past six months because of the weakening of the yen against the rand, and consequent reduction in the imported component cost of its vehicles. Thus explained the increased ratio of operating profits to turnover, directors said.

However, labour problems experienced earlier during the year, including stoppages at suppliers of locally manufactured components, which led to longer waiting lists for vehicles, were expected to affect year-end results. No special provisions have been made for this.

Toyota’s capital expenditure programme, related to increasing local content in line with Phase Six of the local content programme, is well reflected in the company’s 66% increase in deferred taxation to R52m (R32m) over a 51% increase in tax to R98m (R64m).

However, as the group has no tax losses and because depreciation is calculated on increased revalued assets, the tax rate is expected to exceed 50% for the full year. Thus could result in a marked reduction in the group’s earnings for the year.

Toyota’s directors remain adamant that despite the slowdown in demand for new vehicles, which is expected to continue for the remainder of the year, the group’s overall sales will not be affected to the same extent.
to claim their back pay

Mercedes workers told
Toyota gallops to head of the field

BY DON ROBERTSON

Company a price advantage over its German-sourced competitors. In the first half, average price rises were 3% for cars They were held to 1.5% for some Corollas and Conquests. Continued high demand for Toyota vehicles ensured low inventories and helped to reduce interest charges Toyotas has also done much better with its local content programme in terms of Phase Six.

Mr Wessels says foreign-currency savings this year will be R23.2 million, rising to R28 million next year. This will be achieved through import replacement and does not take into account exports or exchange-rate improvements.

Mr Wessels says Toyota lost 13 production days in the six months, which could have added another 5 000 units to the production network which experienced shortages of popular models.

Major

“We do not have the economies of scale to produce sophisticated components, so we will either have to pay the duty on these items which are imported or produce them at a premium price.”

To meet Phase Six requirements, Toyota’s R35 million tool-and-die making facility is already operating at 70% of capacity. The next major step will be a plant to make most of the light commercial petrol engines. It will be opened by the end of next year. All car sales for the year are expected to fall 3.5%, but Toyota is confident that it will not be affected to the same extent.

STALLION-STYLE TOYOTA ... boss Bert Wessels reports a runaway success.

Picture: STEVE GREEN

Operating income for the year is expected to reflect at least the growth in turnover, says Mr Wessels.
Unpaid workers demand salaries

By DESMOND BLOW and SANDILE MEMELA

THREE hundred Spareco workers protested in front of the Trust Bank in downtown Johannesburg on Friday when the bank refused to cash the cheques of 683 employees.

Carrying placards and yelling “We want money!” they refused to leave the bank until ordered out by riot police.

However, they staged a sit-down protest in front of the bank until 4pm when the riot police reappeared and ordered them to disperse.

Earlier this month four banks to whom Spareco, an automobile spares company, is indebted for R60-million, obtained a court order freezing its assets until a court action which they are bringing against the company is heard next month.

Staff were asked to stay on and continue working for the full month.

Germiston branch manager Janet Walker said staff had continued to work for the company and all money they had earned was banked with Trust Bank.

Trust Bank spokesman Etienne van Loggenberg said there were not sufficient funds in the bank to pay the employees.

He said their client, Senbank, had instructed them not to pay out salaries — amounting to R1-million — as the company’s assets had been frozen.

“I feel very sorry for the employees, but they must take the matter up with Spareco,” he said.

“We stamped their cheques ‘refer to drawer’ and they can submit them as claims against Spareco when the case of creditors is heard next month.”

The three other creditor banks are First National Bank, Bankorp and Alpha Bank.

Most workers said they felt betrayed by the company which had plunged them into unexpected hardship and an uncertain future.
Labour 'put Mercedes off target for past five years

MERCEDES-Benz SA's East London plant had not met its weekly production targets once in the past five years because of industrial relations problems, Mercedes-Benz official Wendy Hoffman said at the weekend.

Hoffman said go-slow and absenteeism at the East London plant were responsible for the shortfalls in production. She said chairman Chris Ripke had expressed concern that labour problems were the single greatest threat to the firm's viability.

"The firm was confident that the National Union of Metalworkers (Numsa) would agree to procedures that would provide a stable future for all plant employees. Production has been at a standstill since mid-August, when Numsa members staged a sit-in to demand the company withdraw from the industry's national collective bargaining forum.

Our East London correspondent reports that companies ancillary to the Mercedes-Benz plant are bracing themselves for the possibility that production at the factory will not be resumed this year.

MATTHEW CURTIN

Two weeks ago these companies, which supply components to Mercedes-Benz, began laying off workers as no end to negotiations between management and Numsa was in sight. It was feared that if Mercedes-Benz was not back on stream by the end of the month, it might not open until next year as it would have to close for the Christmas industrial holiday during December.

Two days

Turin, which supplies engine blocks to Mercedes-Benz, has laid off 15% of its 250 workers. The Wilton factory's financial manager, Jan Mans, said last week his company was preparing for "the worst scenario."

"We have indefinitely laid off people and the arrangement is that as soon as Mercedes is back to normal production then we will reconsider and call them back," he said.

Mike Crosby, financial director of National Converto Industries (NCI) — which makes Mercedes-Benz interior fittings — said his people were working two days a week until there was "something definite to go on."

If production was suspended until the end of the year, NCI would probably retrench staff.

The department manufacturing wire-harnesses for Mercedes-Benz at Kromberg and Schuberth had been closed.

And Roger Wass, GM of Feltex — which manufactures seating foam rubber — said he was aware of the talk about no production until next year, but did not believe it.

If it did happen, Feltex would have to retrench 40% to 50% of its workforce. However, it was managing to keep people employed by finding alternative work.

None of the companies would disclose losses suffered since several hundred Mercedes-Benz workers went on strike on August 16.

Kromberg and Schuberth, Turin and Feltex said they would consider releasing the figures soon.

Mercedes-Benz had said its plant was losing R13,5m a day.

East London Chamber of Commerce director David Groom said the region could lose up to R700m a year and up to 10 000 jobs if Mercedes-Benz closed down its plant.
Benz ‘missed targets for years’

Own Correspondent

JOHANNESBURG — Mercedes-Benz SA’s East London plant had not met its weekly production targets once in the past five years because of industrial relations problems. Mercedes-Benz spokesman Ms Wendy Hoffman said at the weekend.

Ms Hoffman said go-slow and absenteeism at the East London plant were responsible for the shortfalls in production. She said chairman Mr Chris Kopke had expressed concern that labour problems were the single greatest threat to the firm’s viability.

But the firm was confident the National Union of Metalworkers (Numsa) would agree to procedures under discussion, which would provide a stable future for all plant employees.

Production has been at a standstill since mid-August, when Numsa members staged a sit-in to demand the company withdraw from the industry’s national collective bargaining forum.

Our East London correspondent reports that companies ancillary to the Mercedes-Benz plant are bracing themselves for the possibility that production at the factory will not be resumed this year.

Two weeks ago these companies, which supply components to Mercedes-Benz, began laying off workers as no end to negotiations between management and Numsa was in sight. It was feared that if Mercedes-Benz was not back on stream by the end of the month, it might not open until next year as it would have to be closed for the Christmas industrial holiday during December.

Turna, which supplies engine blocks to Mercedes-Benz, has laid off 155 of its 250 workers. The Wilsonia factory’s financial manager, Mr Jan Mans, said last week that his company was preparing for “the worst scenario.”

Mr Mike Crosby, financial director of National Convektor Industries (NCI), which makes Mercedes-Benz interior fittings, said his people were working two days a week until there was “something definite to go on.”

If production was suspended until the end of the year NCI would probably retrench staff.

The department manufacturing wire-harnesses for Mercedes-Benz at Kromberg and Schubert had been closed.

And Mr Roger Wess, general manager of Feltex, which manufactures seating foam, rubber, said he was aware of the talk about no production until next year, but did not believe it.

If it did happen Feltex would have to retrench 40% to 50% of its workforce. However, it was managing to keep people employed by finding alternative work.

None of the companies would disclose losses suffered since several hundred Mercedes-Benz workers went on strike on August 16.

Kromberg and Schubert, Turna and Feltex said they would consider releasing the figures soon.

Mercedes-Benz had said its plant was losing R13.5m a day since the strike began.

East London Chamber of Commerce director Mr David Groom said the region could lose up to R700m a year and up to 10 000 jobs if Mercedes-Benz closed down its plant.
Finance Staff

Toyota South Africa extended its market leadership in the six months to June in difficult trading conditions. It sales rose 6.8 percent in a period in which overall market sales declined 5.9 percent.

Total vehicle sales for the period were 166,652 (177,024) units, with Toyota sales at 47,885 (44,817) units, or 28.73 percent.

"In the all-too-recent past the motor industry has been plagued by huge cost pressures, which manufacturers had little option but to pass on to the buyer," says Bert Wessels, vice-chairman and chief executive.

"Fortunately for us the wheel has turned and we now find ourselves benefiting from a more favourable rand/yen exchange rate."

"In line with our stated policy for 1990 of limiting price increases to a figure well below the inflation rate, we have been able to pass on the benefit of reduced imported CKD kit costs to the market. We believe that some form of price rectification was required and we now have the breathing space to do just that."

Another healthy trend is the rise in foreign savings that can be attributed to localization under the Government's Phase Six local content programme. Toyota's estimates of foreign savings linked to localization for 1990 are R35.23 million, rising to a projected R128 million for 1991.

Behind these savings lies an investment campaign which has seen the company commit R1 billion to plant expansion, import replacement and component export programmes over the coming years.

Reflecting on what might have been in a more stable labour environment, Mr Wessels says "It's always worth considering what might have been, had we had more stability in terms of labour."

In the first half of the year Toyota lost 13 production days through stayaways, social disturbances and, to a lesser degree, sporadic industrial action in plant and at component suppliers.

"Full production on these days could have added a further 5,000 units to our production figures, which would have been available to a market in which our dealers experienced severe shortages on popular models."

"Despite the problems, Toyota's performance in a tight economy has been encouraging. Prospects for the remainder of the year are that the slowdown in demand will continue, as will the tendency for production to be disrupted."

"We do not, however, expect that this will reflect on our sales for the year," says Mr Wessels.
Vaalauto goes to motoring sector

Finance Staff
Vaaltruck subsidiary Vaalauto is being listed in the industrial motor sector of the JSE today.

The listing follows a restructuring in which Vaalauto acquired the entire issued share capital of and loans to Vaaltruck's other subsidiary companies for R7.9 million.

This was settled by the issue of 2,374 million ordinary shares and 4,125 million renounceable letters of allocation to Vaaltruck.

Vaaltruck is now a pyramid holding company, its sole interest being a 75 percent stake in Vaalauto.
McCarthy expecting dip in earnings again

By Ann Crotty

Following a five percent decline in earnings in financial '90, McCarthy Group — SA's largest motor vehicle distributor — is budgeting for a marginal decline in earnings in the 12 months to end-June '91.

This budget is based on the assumption that the level of industrial unrest in the motor industry in the current year will not be any worse than it was during financial '90.

But longer term, management at McCarthy is expecting the growth of the motor industry to exceed that of the overall economy. This optimism is based on expectations for a significant increase in black ownership.

In his chairman's statement Mr Brian McCarthy notes that "In spite of the many problems, black ownership of vehicles is projected to increase from the current level of approximately 25 per 1,000 of population to 40 per 1,000 within the next five years. Should this occur, by the year 1995 there will be 1.24 million units on the road owned by members of the black community compared with 620,000 in 1988. White ownership, at 485 units per 1,000 is considered to be close to saturation point."
Motor industry expects to grow faster than economy

EDWIN UNDERWOOD

THE growth of the SA motor industry is expected to exceed that of the overall economy, McCarthy Group chairman Brian McCarthy said in the group's annual report.

McCarthy bases this belief on the "potential growth of the country's black market which recorded sales of R2.7bn last year - up 15% on the previous year".

McCarthy said black ownership of vehicles was projected to increase from about 25 per 1,000 of population to 40 per 1,000 within the next five years.

"Should this occur, by the year 1995 there would be 1.24-million units on the road owned by members of the black community compared with 650,000 units recorded in 1988," he said.

White ownership of 483 units per 1,000 is considered to be close to saturation point.

McCarthy said the slow growth in black buying was aggravated by the difficulties which buyers experienced in obtaining credit, "because of the actions of certain black communities in withholding rent or bond repayments".

He said their estimated share of the total national dealer market for new vehicles increased to 12.3% compared with 11.9% the previous year, despite the general decrease in the number of vehicles sold.

In the case of both used vehicles and truck rental, a negative rate was experienced, with the former declining by 19%, or in real terms by 33%. Estimated national sales of used units were 17% lower than the previous year.
Spareco employees court bid for wages

EMPLOYEES of troubled motor spares distributor Spareco are taking the company and a number of banks to the industrial court this month — names one employee as applicant and is backed by a large number of the company's 633 staff members, an employee's spokesman said. The spokesman said last night he believed they were eligible for payment as the business was not in liquidation, no jobs had been terminated and staff had been doing their duties. He said there had been no previous indication that they would not be paid and employees had been asked to help with stock counts over the past month.

The spokesman said black employees had been paid on a weekly basis over the past few weeks, but did not expect to be paid this week. While Spareco has been cited as the first respondent, it is not clear who would be responsible for the payment of wages as the other respondents — Bankorp, First National Bank and Alpha Bank — hold all Spareco's assets in terms of a court decision on September 4.

The International Bank of Johannesburg (IBJ) was also cited as a respondent but, although it is owed a substantial amount of money by Spareco, it was not part of the consortium of banks involved.

During September, monies had been collected by the company and had been deposited by the banks, the spokesman said. However cheques had not been processed by the company's computer room as was usually the case at this time of month. He said about 10% of Spareco's staff had left during the month and most of the employees were looking for jobs.

The spokesman said employees were also concerned that while there had been many offers for a takeover and offers of compromise to concurrent creditors, none had been acceptable to the banks. He said one of the first takeover offers — by the Schreiber Group — had not been accepted after a deposit was put down. Singapore-based German businessman Hans Schreiber, owner of Neethingshof wine estate, has many interests in SA.
Mercedes-Benz's future in South Africa took a slightly more promising turn yesterday when company management and the National Union of Metalworkers of SA (Numsa) "made progress" in talks to resolve the crippling industrial dispute at the manufacturing plant here.

Mercedes-Benz of South Africa (MESA) said its hourly-paid workers had accepted the wage agreement concluded at the National Bargaining Forum, and the matter of dismissed workers was to be referred to arbitration.

These developments were conveyed to management by Numsa on Wednesday --- Sapa
MBSA scotches rumours that it will soon re-open

By DREW FORREST and LOUISE FLANAGAN

MERCEDES-BENZ has scotched speculation that its strife-torn East London plant would re-open on Monday, as lost revenue due to the plant's six-week closure topped the R400-million mark.

In an advertisement in the East London press today, MBSA said further talks were scheduled with the National Union of Metalworkers on Monday.

However, the advertisement said Numsa members had accepted arbitration on the dismissal of 538 workers whose sit-in strike precipitated the closure on August 16.

And on Thursday, MBSA called on workers to collect backpay and identity cards, and fired strikers to remove their possessions from the premises.

Numsa has secured shop-steward support for its stand on the car industry's national bargaining forum (NBF). The strikers, allegedly backed by most Mercedes stewards, had demanded the firm's withdrawal from the NBF.

MBSA chairman Christoph Kopke told Sapa last week the company had failed to meet production targets for the past five years because of labour conflict, and the East London Chamber of Commerce says the closure of MBSA could threaten 10 000 jobs. Some suppliers have already laid off staff.

An SAPA statement pressaging possible tensions between the African National Congress and the unions, local ANC official Arnold Stoffel told Sapa that "irresponsible" labour action could scare off existing employers and potential investors.

He said the legalisation of the ANC meant that Cosatu could now leave the political arena to the ANC and SA Communist Party.
Black Motor Ownership to double in 5 years
Mercedes plant to re-open

Mercedes-Benz SA has placed adverts in local newspapers asking employees to update their identity cards to prepare for the re-opening of its East London plant. However, a company spokesman said this did not mean the dispute with workers is over. The plant has been closed since August 16 when renegade workers occupied the factory demanding MB SA pull out of the motor industry's National Bargaining Forum.
TOYOTA

THREE-WAY LEADER

Increased market penetration, mainly thanks to modest price increases, and greatly improved operating margins boosted attributable earnings by 35.5% at the interim stage.

<table>
<thead>
<tr>
<th>GOING WELL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Six months to</strong></td>
</tr>
<tr>
<td>Turnover (Rm)</td>
</tr>
<tr>
<td>Operating inc (Rm)</td>
</tr>
<tr>
<td>Attrb income (Rm)</td>
</tr>
<tr>
<td>Earnings (Rm)</td>
</tr>
<tr>
<td>Dividend (Rm)</td>
</tr>
</tbody>
</table>

ended June 30 While the second half is normally better, it seems doubtful in the current economic climate that the motor manufacturer will be able to report 35% earnings growth at year-end.

With the recent oil price hike and the Reserve Bank adamant to cut inflation below 10%, interest rates are unlikely to fall this year. This could dampen vehicle sales even more, especially for commercial vehicles.

Marketing MD Brand Pretorius says the industry has not had an easy time in the past six months. The market is likely to decline in the second half in line with macroeconomic trends. He expects the passenger market to be down on his original forecasts for the year by as much as 3.5%, to about 205,000. Light commercial sales are still on target but heavy truck sales could plunge as much as 10% below forecast.

Pretorius is confident, though. “We have to watch cost inputs carefully, particularly as the rand looks weak, a trend we expect to continue. Toyota’s strong performance puts it in a better position than other manufacturers, as it will be able to come closer to the larger economies of scale so necessary under Phase Six of the local content programme.”

Toyota could contain price increases as a result of a more favourable rand/yen exchange rate. Vice-Chairman and CEO Bert Wessels says “Toyota avoided following some German and other European-sourced competitors who had to lift prices much more, under pressure from unfavourable rand/mark rates. We are using this advantage to protect our competitiveness.”

Total market share has risen to 28.7% — still off the 29.8% high of 1986. Significant ly, though, Toyota now leads all three major sectors — passenger, light commercial and heavy trucks.

Improved operating margins stem mainly from forex savings. Wessels expects these to rise, thanks to localisation under Phase Six, which should save R35m forex this year and R128m next.

Wessels says behind these savings lies an aggressive investment programme of R1bn in the next couple of years, including engine manufacture at Prospexion.

The share is tightly held, only 6,215 trading in the past quarter. Gearing is fairly high at 45% but with a price of R110 a rights issue to finance any large expansion would necessitate a share split. — even if it were acceptable to the controlling Wessels family.

Gerhard Stibburt
STILL WAITING

The meeting set for October 4, to determine the future of ailing spares group Spareco, could again be postponed. Market sources believe some of Spareco's creditor banks may be playing for time so that they can exercise rights in terms of a notarial bond granted by the Rand Supreme Court on September 4. That would not benefit trade creditors, who would receive little or nothing if Spareco is to be wound-up.

Alpha Bank, First National Bank and Bankorp were authorised to hold all Spareco's moveable assets at 24 of the company's Transvaal branches, after making an urgent application to the Supreme Court. It is alleged that Spareco owes R31m to Bankorp, R12.6m to the International Bank of Johannesburg (IBJ), R7m to First National Bank and R6m to Alpha Bank (see Economy).

The purpose of the October 4 meeting is to consider an arrangement proposed by Lakewood Corp of the Cayman Islands. Lakewood has proposed to make R10m available to Spareco by subscribing for the company's ordinary share capital, plus a loan of R5m to be used as working capital. Lakewood's proposal was brought by IBJ.

IBJ MD Peter Gray declines to divulge the identity of Lakewood's owners because, he believes, it could jeopardise the Spareco deal. He says Lakewood's R15m is already in the country.

It is believed that two other parties are still interested in acquiring control of Spareco and their proposals will also be considered.

Gerhard Shidler
Boom for the local car parts industry

Although the local automotive electronics industry is still in its infancy, it has managed to design and manufacture products to levels of sophistication, quality and reliability, that equal the imported product. A Durban-based company, Conlog, is one such company. They have gained widespread acceptance as an original equipment manufacturer to the local automotive industry.

Conlog is a wholly owned subsidiary of the Anglo American Corporation. In little under three years their automotive division has become an innovative electronic component manufacturer with eight out of ten motor manufacturers using products supplied by the company.

Paul Lambert, director of Conlog's automotive division says, "Our commitment to South African vehicle manufacturers and our quest for increased local content has resulted in a significant increase in company turnover in the last three years and the expansion of our manufacturing facilities which now employ 700 people.

"Stimulate"

"The government call to reduce imports is in excess of R5 billion coupled with the introduction of the local content programme will also stimulate the development of local expertise. Increased support for local component manufacture, will be created and increase the levels of skills across a wide range of disciplines," said Lambert.

He said this will create a need for employment and training, both of which are required for future development of the industry and the economy.

Lambert cited another positive spin-off from increased local content, being the opportunities which it creates in the field of improved manufacturing technology.

"Increased volumes and adherence to very stringent quality and reliability standards have resulted in significant investment in new equipment and machinery, all of which are geared towards improving quality and efficiency whilst increasing our ability to supply large volumes of product at a reduced unit cost.

"Conlog is South Africa's largest user of surface mount components in the automotive electronics industry. We are planning to extend our already substantial surface mount capability in the near future to include automatic component insertion. A move made possible by large volume output resulting from increased motor-car manufacturer's demand for both local export markets," he said.

South African component manufacturers are hard-pressed to compete with overseas competitors because they are not exposed to the vast world markets in which some of their European and Eastern counterparts operate.

"An attempt by local component manufacturers to develop overseas markets should be made to help meet volumes of standard product. The resultant economies of scale could then be passed on to the local vehicle manufacturers."

Another challenge which faces the industry is the perception that local componentry is inferior to the tried and tested imported product.

"We believe that South Africa can design and manufacture to international standards and with respect to Conlog, we have an excellent record for product quality and service."

Lambert explained that engineering and product type-test standards used by clients have been formulated and adapted by Conlog from international conventions and specifications.

"Quality will play a major role in the successful development of our industry and in this regard we have taken a number of important steps forward in this quality excellence for which we have been awarded the SABS Part I certification."

"However, our multi-million rand investment in plant, machinery and technology is not all that is required to maximise the opportunities present in the industry."

"An acute shortage of skilled personnel, particularly in the engineering discipline, is a major concern. Great emphasis is placed upon human resources and we are constantly seeking to improve employment packages and working conditions to ensure that we attract, train and retain the people in the business," he added.
Technology can assist teachers

Computers have brought a new dimension to the role of the teacher — helping to make learning more stimulating and freeing teachers from mundane tasks, to spend time with pupils on a one-to-one basis.

Yet, says Express Data marketing director Toby Chance, many teachers are threatened by the prospect of increased use of computers and the scientific myth of the "robot teacher" persists.

Teachers and trainers tend, as a group, to be conservative and not technically minded — and many resist the potential role of technology.

"In fact, the best teacher is a warm body in a classroom — but South Africa is not over endowed with either good teachers or classrooms. Where they exist we should use every tool at our disposal to make them more effective," he says.

"But interactive multimedia teaching does compare favourably with a poor teacher — and it has the advantage of being consistent."

To date, computers have been perceived as a costly investment — but Mr Chance maintains that, while the capital costs are relatively high, the running cost of a computer system is minimal.

He estimates the cost of developing a good English literacy programme in about five vernacular languages, for example, costs about R6 million.

"Once a programme has been developed it can be reproduced and circulated among schools at minimal cost. Over the years it can be upgraded — the initial development cost need never be repeated."

"By comparison, the cost of training and employing an ineffective teacher keeps rising with inflation. It makes far more sense to use computers to take the drudgery out of teaching — for instance in repetitive learning exercises and marking tests — so that the teacher can concentrate on the more creative aspect of her job."

The use of computers in local schools was promoted in the De Lange Commission report of more than a decade ago.

The Government has again started to follow the lead given by most leading private schools, and is investigating the potential use of computer programmes.

Two major problems need to be overcome — the high capital cost of installing equipment, and the lack of infrastructure to accommodate it. — especially in the rural areas.

Mr Chance estimates the cost of a work station at between R4,500 and R15,000, depending on the level of sophistication.

This initial outlay is daunting, but over a five to 10-year working life — during which each workstation will be used by numerous pupils — the cost is not excessively high.

The most basic option is a single disk drive system. From this level, one may take the system one step further to incorporate an audio board — which demands the extra capacity of a hard disk drive.

At this level, the computer can be linked to a video system to offer interactive multimedia teaching — ideal for literacy and language training.

Pictures on the screen show the student the object of discussion, and a recorded voice demonstrates how the word is pronounced. The student can then repeat the word and the computer plays back his voice and the correct pronunciation for comparison.

The next step in sophistication introduces the compact disk ROM system, which offers the advantage of vast storage capacity — 560MB of equivalent to 350,000 typed pages of information — and virtually indestructible storage disks.

Although currently costly, these will be manufactured locally by Gallo from the end of this year.

Teaching methods must be examined

A fresh look at teaching methods is needed if South Africa is to overcome the lack of teachers and resources and the shortcomings of its educational system.

The traditional method of seating about 35 pupils in rows while a teacher — who may or may not be qualified — imparts information, simply is not effective in producing leaders and problem-solvers.

"We need to deal with the way in which teachers present their subject matter — and at the same time make the subject matter relevant to the local context," says educationalist Gillian Maskell.

The past few years have seen a clear trend away from the authoritarian, traditional system in favour of more democratic systems that develop the child at his own pace.

A system which met with some initial government resistance — but has since been accepted — is the Accelerated Christian Education (ACE) method favoured by a number of church communities.

An American system, it has been adapted for the local context and offers a number of advantages, not the least being cost.

"All ACE teachers are fully qualified to Government standards, in addition to having ongoing training in the use of the system," says Trevor Yoko, executive director of ACE SA.

Although teacher-pupil ratios tend to be high — ranging from 5:1 to 20:1 — in theory the system can adapt well to situations where few fully qualified teachers are available.

Another system which has gained ground in recent years is the Montessori programme — initially geared more towards pre-school children, but now established in a few primary schools. Here, again, children are encouraged to learn at their own pace — making extensive use of specialist sensorial equipment.

In both these systems, as in many others, the teacher's role is that of a facilitator rather than an imporier of knowledge.

An alternative, which could prove a cost-effective means of releasing teachers to work with children on a one-to-one basis within the limitations of the conventional system, could be the introduction of teacher aides.
Mercedes workers back-paid

EAST LONDON — Most of the Mercedes-Benz South African workers who were not dismissed during the recent industrial unrest have collected back-pay at the East London plant.

A spokesman for the company, Mrs Wendy Hoffman, said about 90 percent of the workers yesterday collected their back-pay, which was for wages prior to the industrial dispute which has kept the plant closed since August 16.

In a notice published on Thursday, MBUSA said the 58 workers who were dismissed for illegally occupying the factory last month would be paid today, after they had cleared their belongings from their lockers at the plant.

The regional secretary of the National Union of Metalworkers (NUMSA), Mr Motia Nonyukela, confirmed that most of the workers had collected their pay yesterday.

Meeting on Monday

Both he and Mrs Hoffman said a meeting set for Monday between NUMSA and Mercedes was expected to go ahead.

Several of the workers spoken to at the plant yesterday said they were satisfied with the manner in which the company had kept them informed of developments, and expressed optimism that the dispute would be settled soon.

However, some of the workers said they felt strongly that their dismissed colleagues should be reinstated.

MBUSA said that in talks on Wednesday, NUMSA confirmed that the dismissed workers had agreed to arbitration — Sapa.
Police evict irate clients from bank

About 70 disgruntled Trust Bank customers were evicted by police from the company's head office branch yesterday.

The Bank refused to honour the pay cheques of the customers who are employees of motor spares company Spareco Ltd which is faced with liquidation.

But the indignant customers, ranging from middle-aged women working as clerks to young drivers, were adamant Trust Bank should honour the cheques because they had assisted in stock taking at Spareco this month under directions from the bank's auditors.

**Escorted**

"If we are losing millions, why can't the bank also lose millions," a grey-haired woman yelled as she was firmly escorted from the bank by a burly policeman.

The employees obtained a court order on Thursday instructing Spareco to pay their money. They went to the company yesterday to receive their cheques.

Although the atmosphere outside the Spareco office in central Johannesburg was genial while they waited for their cheques, the faces turned grim when they faced the prospect of cashing them.

When they came out of the office, an employee said he had heard the cheques would not be honoured "What do you mean, 'how do I feel'? We want our money and we are going to get it," he said when approached by The Star.

At the bank, about 70 employees were allowed in before the manager realised the extent of the problem. The rest were kept waiting outside while a security guard armed with a shotgun kept a watchful eye from inside the bank.

Apprehension turned to anger when they were told the cheques would not be accepted.

"At no time this whole month were we told we had been fired or retrenched or should start looking for other jobs."

"Instead Trust Bank sends its people in and we assist them in stock-taking and all of a sudden they say they are not going to honour these cheques," employee Tommy Passmore said.

A number of employees entered into shouting matches with the manager, demanding he accept their cheques.

As the crowd outside grew, it became clear the customers inside would not leave and police were called in. They were asked to leave in no uncertain terms "People, you can go outside now, or we will arrest you and you can spend the day in jail," a policeman, who identified himself as Captain Nortje, shouted.

Outside, the crowd which was about 200- strong, was forced 10 metres back by the police to allow other customers to enter.

---

**Overseas flights up 8 pc Monday**

South African Airways' international airfares will increase by 8 percent from Monday, October 1, according to the information given to travellers and travel agents by SAA in Johannesburg.

However, no official comment has yet been given by SAA.

Travel agents in Johannesburg confirmed that the fare increase goes into effect from October 1 — and are advising overseas travellers to book their reservations on Friday at the old prices — Sapa.
Merc work hope

By DON ROBERTSON

MERCEDES-BENZ SA (MBSA) chairman Christoph Kopke is confident that work at the East London factory will resume on Wednesday.

Production has been halted for 28 working days after a sleep-in by rebel union workers demanding that wage negotiations be conducted internally with management and not through the National Bargaining Forum (NBF). The NBF method was approved by the National Union of Metalworkers of SA (Numsa).

MBSA had lost R432-million in revenue by Friday. The stoppage has cost hourly paid workers almost R16-million in wages.

Mr Kopke has warned three times that MBSA could quit SA if negotiations which continue tomorrow will be successful.

"The revised proposals have been in the hands of Numsa for the past 10 days. I am optimistic that we will be able to notify our workers, most of whom are in Transkei, that we will start production on Wednesday or Thursday.

The stoppage has affected component suppliers and retrenchments and short working weeks have been introduced by several companies. It is estimated that if MBSA were to withdraw, these companies could lose about R700-million a year in sales.

MBSA carries insurance for loss of profits. But it will have to be decided whether damage to the plant was caused by a politically motivated action or by valid labour protest before a claim can be submitted.

The cost of salaries and essential maintenance at the plant is being financed by normal lines of credit.
MANUFACTURING — MOTOR INDUSTRY

1990

OCT. — DEC.
Spareco's Walker and top pair quit

SPARECO MD Graham Walker and two other group executives have quit the troubled motor spares distributor.

Walker, group operations director Louis Bekker and group financial controller Piet Nel handed in their resignations on Friday.

In his letter of resignation, Walker said he could no longer carry out his executive duties as he had been given no instructions from the board or from Spareco's creditor banks since September 4.

A group spokesman said yesterday that the majority of Spareco's executive members, regional managers and workforce, some of whom cannot quit as they are bound by service contracts, would not be at work today.

The resignations follow a traumatic month for the company which culminated on Friday in the refusal of TrustBank — in the stable of major creditor Bankorp — to honour salary cheques for Spareco's 638 employees amounting to R1,2m.

About 300 employees demonstrated outside TrustBank head office demanding their salaries after an industrial court had ruled that Spareco must pay them. However, TrustBank returned the cheques marked "Return to Drawer".

Explaining why it had not honoured the cheques, TrustBank said in a statement that there were insufficient funds held by Spareco in its accounts, and that Spareco had made no prior arrangements.

On September 4, Bankorp, First National Bank and Alpha Bank — which together are owed about R60m — were authorised to hold all Spareco's assets to perfect their security in terms of notarial bonds. As a result, Spareco had no money to pay all outstanding wages.

According to a Spareco manager present at the demonstration, numerous debtors cheques exceeding R1m had been paid into Spareco's TrustBank account, and Spareco was still honouring government contracts worth more than R2m.

He said Spareco directors had kept management in the dark and all instructions had been issued from the banks via Reuben Miller Financial Services, the company employed by the creditor banks to oversee Spareco's situation.
Nissan buys into conversion firm
Nissan Motororing

A small conversion firm, San Bikeke, can carry high to Niss...
THE Toyota Hilux celebrates its 21st anniversary in the South African market in grand style this year as the number one selling light commercial vehicle.

Introduced to South Africa in 1969, the Hilux has been the one-ton market leader for 18 years. This phenomenal sales success has seen the Hilux outstrip the sales of all other vehicles on South African roads except the Toyota Corolla (192).

As South Africa's second most popular vehicle ever, the Hilux has logged over 325,000 sales to date (Corolla sales are approaching 400,000). By comparison, the Volkswagen Beetle, believed to be the third best seller, sold only 290,916 units during its life in South Africa.

Behind this success story lies the traditional Toyota approach of improving known qualities to meet a broad spectrum of market needs with a full range of reliable, value-for-money vehicles. From a single model range, with very basic features, the Toyota Hilux range has grown into a range of 11 vehicles.

"I believe that a major element of the Hilux success story revolves around the vehicle's reputation as a solid, reliable and economic performer in the light commercial vehicle market. An added attraction is the fact that the Hilux range meets a very broad spectrum of market requirements," says Henk Marre, Toyota's Director of Vehicle Sales and Field Operations.
More talks between Mercedes and union

By SHARON SHERIFF
Labour Reporter

MORE talks between Mercedes-Benz and the National Union of Metalworkers of South Africa take place this week to try to resolve the industrial dispute which has closed the motoring giant's East London manufacturing plant.

Company public relations manager Mrs Wendy Hoffman said no "firm arrangement" had been made but the parties would meet "in the early part of this week".

Last week Mercedes announced that progress had been made in negotiations with the union, raising hopes of ending the dispute.

Suspended

Production was suspended on August 16 when hundreds of weapon-wielding union members occupied the plant unlawfully for 17 days.

They were demanding Mercedes withdraw from the motor industry's National Bargaining Forum - originally initiated by their union.

While Mercedes has admitted that the closure is costing R15.5-million every working day, it has refused to reopen the plant until certain pre-conditions have been met.

Company chief executive Mr Christopher Köpke said the progress of the negotiations and agreement on the issues raised by management would determine whether or not the company would be able to continue doing business in South Africa.

Four of the pre-conditions had been met, according to the company. Damage caused during the occupation had been assessed and repaired. Hourly-paid workers had accepted the wage agreement concluded at the bargaining forum.

The company's dismissal of the rebel workers would be referred to arbitration to determine if it was fair.

Outstanding

The two outstanding pre-conditions were. The union had to satisfy management that its members were prepared to resume work in accordance with their conditions of employment. This involves a practical process to remove problems limiting the growth and viability of the company had to be agreed upon by both parties.
Provisional liquidation for Spareco

By Ann Crotty

Spareco has been placed in provisional liquidation after Bankorp's decision to support an earlier application by Ferodo. The order was granted by the Rand Supreme Court last night.

The court ordered that the application be granted, but refused another request that a creditors' meeting be stopped.

The meeting, set for October 4, is to discuss efforts by the Cayman Islands-registered Lakewood Corporation to take over Spareco for 30c in the rand.

Bankorp (which has a claim of R31.4 million, compared with BBJ's, Alpha's and First National's aggregate claim of R28 million) said it opposed the scheme of arrangement and would not support it.

Without Bankorp's support the Lakewood deal cannot be implemented as it will not receive the necessary 75 percent support of creditors entitled to vote.

Bankorp said it had received far more beneficial offers for Spareco, but that the prospective buyers would formalise the offers only if Spareco was placed in liquidation because of the uncertainty and chaotic state of its affairs.
Eddies gets a second offer

By DON ROBERTSON

NEGOTIATIONS between the consortium which last week bought the troubled Spareco group, and the International Bank of Johannesburg for the purchase of the Eddies spare company are at an advanced stage.

Last week, Vaalruclar and the recently formed operating company, Vaal Auto together with Broshere Investments and insurance group IGI paid R15.3-million cash to the liquidators for Spareco.

Kevin Cockcroft, managing director of unit trust Safegro which arranged the deal, says the consortium paid R1-million for Spareco's fixed assets and R14.3-million for stock which was valued at R26-million four weeks ago.

Another offer of R15.5-million for Eddies was made last week, but rejected.

Spareco was recently liquidated owing R60-million to banks and R17-million to trade creditors.

Eddies has been the most successful investment of Spareco, and it has not been hit by the problems surrounding Spareco. Eddies has stores in Pretoria, Pieterburg, Venda and Johannesburg.

Vaalruclar has been on the acquisition trail recently and it believes the purchase of Spareco will fit in well with the group because of the ageing vehicle fleet on SA's roads.
Court order against Spareco

Motor spares distributor Spareco has been placed in provisional liquidation.

An order for the provisional winding up of Spareco was granted by Mr Justice Joffe in the Rand Supreme Court yesterday after an urgent application brought by one of Spareco's creditors, Ferodo.

An affidavit supporting Ferodo's application was submitted by Bankorp — Spareco's largest creditor — which stated Bankorp did not accept or support a proposed scheme of arrangement with Lakewood Corporation aimed at satisfying creditors.

It was stated in the affidavit that Bankorp would vote against the sanctioning of the arrangement at a meeting scheduled for October 4, and as Bankorp was the major creditor a majority would not be obtained.

Bankorp was not prepared to await the outcome of the meetings of creditors on October 4 and supported the application for the liquidation of Spareco, said the affidavit.

An attorney acting for Ferodo said last night that the October 4 meeting with creditors was still scheduled to take place.

On September 11 Ferodo applied for the liquidation of Spareco, and the application was postponed to October 9.

However, the creditor brought an urgent application yesterday following the resignation of three Spareco executives and the refusal by TrustBank to honour cheques for the payment of Spareco staff wages on Friday.
New car prices set to rocket — study

THE SA motor industry has to become a significant player in global markets or face decline, as well as skyrocketing increases in new car prices, says a comprehensive report on the industry by management consultant Ian Byers.

The independent report, The SA Motor Industry in Perspective, was commissioned by Nissan and has been circulated in the industry and to government.

Byers warned that if the industry was left to depend on local markets much longer, there would be a massive increase in new vehicle prices.

At a presentation on the report yesterday, he said new cars had already been priced beyond the reach of ordinary people and it was an "exercise in self-delusion" to believe there was a hidden black market that would rescue the industry.

"Long-term prosperity is heavily dependent on its ability to participate in the global market," he said.

Motoring was "a magnificent source of revenue" for government, yet legislation dissuaded industry from producing affordable vehicles.

The market was being distorted by regulation and especially by the perks tax, which favoured expensive cars instead of cheaper models in SA, where the economy was "hobbling along", luxury cars comprised more than 25% of the market, compared with 16.8% in West Germany and 10.6% in Italy.

The major factor inhibiting the industry was affordability, mainly because of inflation. Vehicle prices could escalate at a rate of 8% to 10% ahead of inflation if the industry did not get into a balancing equation with exports, Byers said.

The strategic objective of Phase Six of the local content programme needed to be more clearly defined.

"Exports are seen as an opiate for many problems, but exports for the sake of exports, which ignore the need for reciprocity with our suppliers, could be the shortcut to disaster," the report said.

"What is lacking is a clear understanding of the need to be part of the global motor industry, not an appendage to it."

Byers hoped the report would stimulate debate and lead to a common strategy.
Spareco chief's strange silence

Spareco chairman Chris Sladden has been remarkably silent in the past month — no press interviews or public statements to reassure the various affected parties that he has a plan to rescue something from the mess.

There is a long list of affected parties that would no doubt be keen to hear something from Mr Sladden.

Heading that list are the hundreds of salaried employees who were not paid in September and whose employment prospects look uncertain.

Then there are the various creditors, chief of which are the banks, and the Spareco minority shareholders.

No words of comfort from Mr Sladden. Not even an acknowledgement that the company is going through difficult times.

It is difficult to see how blame for the current Spareco situation cannot be laid at Mr Sladden's doorstep.

Spareco was his creation and he has been chairman since it got a listing on the JSE in November 1987.

He headed management and the board of directors whose function is to oversee management.

Despite the apparent mismanagement, there are reports that Mr Sladden was being paid an annual salary of R500 000. Salaries of other senior executives appear to have been equally generous.

Errol Wucherpenning was MD for the first two years.

But after a clash between Mr Sladden and Mr Wucherpenning, and the failure of the latter to find backers to buy out Mr Sladden, Mr Wucherpenning left the company early this year.

It remains unclear exactly what funds Mr Sladden invested in Spareco. Before the listing he told journalists he would be financing his investment through finrands — going against the general disinvestment trend of the time.

It subsequently emerged that this investment had been financed with borrowings from an SA bank.

The borrowings were apparently backed by a possible transfer of finrands.

Early this year Mr Sladden did bring in R7.5 million in finrands through equity sales to repay a loan to Spareco from its holding company, Lyvnet.

Lyvnet was jointly owned by Mr Sladden and Mr Wucherpenning's trust.

The funds were brought in to avoid qualification of the accounts by auditors Price Waterhouse.

Spareco enjoyed some good investor support in the early days of its listing.

Mr Sladden's plan to buy and then merge a number of independent motor spares retailers seemed like a good idea in 1987 when there were strong expectations for demand for motor spares.

But by 1989 things started to turn bad. A marketing tie-up with Midas fell through.

And there was growing criticism of the prices that Mr Sladden paid for the retail outlets acquired to create Spareco.

At the AGM, held in April this year, Mr Sladden said that the 15 percent "turn" earned by one of his companies (Jorum) on the R4.5 million worth of outlets acquired was remuneration for work done in putting the acquisitions together.

The annual report for financial '88 (released eight months after the year-end) refers to a commitment by Spareco to inject R900 000 into an aircraft partnership each June and December until December 1993 and a final injection of R5.5 million in February '94.

Four weeks ago, effective control of Spareco was placed in the hands of three banks (Bankorp, First National and Alpha) who were attempting to secure their R41 million debt exposure.

This move sparked off management talk of rescue operations being in the pipeline.

Then came news of the resignation of MD Graham Walker (Mr Walker had replaced Don Elliott just a few weeks earlier. Mr Elliott had taken over from Mr Wucherpenning in April).

But after four weeks the only thing reasonably firm was an offer from a Cayman Island-registered company called Lakewood, which would take effective control in exchange for a cash injection of R10 million.

The deal involved payment to concurrent creditors of 30c in the rand to a maximum of R3.5 million. This deal which did not have the support of Bankorp (which is owed R31 million) was withdrawn yesterday.

On Monday the Supreme Court granted an application to place Spareco in provisional liquidation. This followed a move by Bankorp to support an earlier application for provisional liquidation.

In its supporting affidavit Bankorp said: "There is no doubt that if a provisional liquidator is not appointed forthwith to control the numerous employees of the respondent (Spareco) and to supervise the payment of wages in due course, there is a strong possibility that these employees, who are now desperate, will riot and could possibly destroy and vandalise certain of the respondent's assets at its various branches throughout the Transvaal.

"Reliable reports indicate that there are two reasonably firm offers and that the parties concerned will be approaching the liquidator."

The banks have not heard from Mr Sladden in the past two weeks.
Investors' Spareco rescue operation gets under way

A RESCUE operation to save motor spares distributor Spareco from final liquidation got under way yesterday with meetings between motor group Vaaltrust (Valcar) and Spareco management and staff.

Spareco company secretary Mark Chasey said last night there would be a meeting today of a consortium of investors — Valcar, IGI (which is backing the deal), and "another party" — and Spareco's liquidators and creditor banks.

Valcar and Vaalauto have issued a cautionary announcement to shareholders that negotiations are taking place.

Directors of Valcar — the company operates sales parts and service outlets in the Transvaal — could not be reached for comment yesterday.

Mike de Villiers of Deloitte Pim Goldby and Les Cohen of Westrust have been appointed provisional liquidators of Spareco.

Chasey said the consortium of investors had already been in contact with Spareco's major creditors.

At a meeting yesterday, all Spareco's remaining executives and managers supported the deal.

"All staff members of Spareco were completely behind the deal, and Spareco can be saved," Chasey said.

The investors were looking for a complete takeover, with Spareco being delisted, as they "want to take over a clean company".

Chasey said the deal seemed promising.

He thought Spareco subsidiary Eddie's, which is being held as security by the International Bank of Johannesburg, would come in as part of the deal with the consortium.

Meanwhile, Lakewood Corporation's offer to bail out Spareco had lapsed.

It was confirmed yesterday that the offer by the Cayman Island-registered group was subject to certain conditions, one of which was that the company should not be placed in liquidation.

However, the meeting which the court ordered today would go ahead.
group, this week's court order came as no surprise. Three Sparco executives quit last Friday, including MD Graham Walker, who had been particularly active in rescue efforts. Shortly before he quit, the Industrial Court ruled that Sparco must pay September salaries to its employees, this, however, was no straightforward matter in view of the lack of funds. Another development was the involvement of the listed motor group Vaalruucaar as one of the parties interested in saving the spares group. Vaalruucaar executive chairman Sarel Germishuizen declined to comment.

Les Cohen of Westrust has been nominated by certain major creditors to act as liquidator. The Master of the Supreme Court was to appoint him and certain others as liquidators this week.

Latest available accounts for Sparco are for the year to end-June 1989, which were published in February 1990. These accounts indicate a sombre outlook for shareholders and creditors. It's understood that net current assets dropped substantially in recent months and this situation helped persuade the Rand Supreme Court to grant three banks authority to hold Sparco's stocks for the purpose of "protecting its security in terms of a notarial bond."

Nor do the fixed assets offer much encouragement. The accounts show book value of fixed assets stood at R23,4m, of which R8,4m (36%) represented trademarks and R5,2m (22%) computer software.

The investments listed on the balance sheet include a R750,000 interest in an aircraft partnership. This, we understand, refers to a Beechjet seven-passenger business jet, registration number N3127R, now grounded at Lanseria and in the safekeeping of National Airways. One of the creditor banks obtained a court order in this regard some three weeks ago.

The business jet is financed through an HP agreement with Southern Aviation. Finance Sources at Lanseria told the FM that the other party in the aircraft partnership is Sladden International and that Sparco chairman Chris Sladden frequently piloted the jet. According to the accounts, the company is committed to an injection of R943,504 into the aircraft partnership each June and December until December 1993 and a final injection of R5,9m in February 1994 — totaling more than R11,5m.

Meanwhile, it is believed that Bankorp is considering selling its interest in Interna- tional Bank of Johannesburg (IBJ) to a French consortium Peter Gray, MD of IBJ and a Sparco director, could not be contacted this week.

Gerhard Sliebner
Taxes taking their toll on car industry

TOO few South Africans can afford cars for the motor industry to have a really bright future.

This is one of the conclusions drawn by Ian Byers in an independently produced report — The SA Motor Industry in Perspective — released this week.

The report was commissioned by Nissan but does not necessarily reflect the company’s views.

Another conclusion of the report is that tax on car ownership and usage is penal and severely affects the industry. He says general sales tax on new and used cars and on parts, plus PAYE levied on workers in the industry, come to R3.4 billion.

The amount siphoned off in fuel tax is a State secret but also amounts to billions.

Mr Byers says easy finance packages offered by banks and a per cent tax which favours luxury cars have distorted demand for cars.

He says the present tax table values the benefit of a middle-of-the-range medium-sized car at 100% of the real value of the benefit.

The table values the benefit of a luxury car at only 60% of its real value. He advocates the German system, in terms of which perks tax is

BY IREEN SPICER

1% of the purchase price of the car per month.

These factors have encouraged the South African motor industry to concentrate on the top end of the market and neglect cars for the masses.

“The introduction of structured leases, widespread tax evasion, fuel maintenance leasing combined with inflation, a weakened rand and hikes in GST distorted the pattern of demand which would flow from an industry constrained to trade supply on the basis of the buyer’s ability to afford certain classes of vehicles,” says Mr Byers.

For future growth, greater affordability was essential.

He points out that in Germany the luxury car market accounts for 16.5% in the UK 9.4% and in Italy 10.6%. In SA, it accounts for more than 20%.

“Does the industry become the provider of vehicles to the fortunate few who can afford them, who may well decrease year by year? Or does the motor industry take charge of its destiny, develop a vision of what it wants and go out and get it?” he asks.

Global

“There is the eminently arguable case that the motor industry, by virtue of its size, has a social responsibility. The starting point may well be the production of affordable vehicles which allow a growing number to become owners.”

This needs bold and dynamic leadership, a government prepared to use regulation to encourage global participation and the acceptance of the need for trading reciprocity and a stable industry framework.

For the South African motor industry to grow significantly in the next 15 years, it must enter the global market and join the world motor industry swing towards ‘globalisation’.

Mr Byers, a motor industry researcher and consultant, says that for local motor manufacturers to enter the global market they need to reach agreements with their overseas suppliers whereby the South African plants will produce certain lines for the world market.

Increase

“What is lacking is a clear understanding of the need to be part of the global motor industry.”

Mr Byers says Phase Six of the local content programme could well have been designed to encourage this increased, specialised manufacturing if it were perceived by local manufacturers.

However, if Phase Six is seen to be in place to encourage manufacturers to increase the car ownership ratio from 150 per 1,000 of the population to 243 per 1,000 by 1996, then it will fail.
Spareco to fire all 683 staffers

By COLLETTE CAINE

SPARECO, a motor spares group liquidated earlier this week, is to dismiss all 683 staff members in a move described as “totally inhuman” by one senior manager.

Sources said all staff would be notified through the post this week that they had been dismissed with effect from October 1.

Salaries have not been paid since the third week of September, leaving monthly paid staff without September or October pay.

Last week several hundred Spareco workers demonstrated outside Trust Bank in downtown Johannesburg when the bank refused to cash their salary cheques.

Trust Bank said there was not enough money in the Spareco account to meet the R1,3-million salaries bill.

Provisional liquidators Westtrust are said to be adding staff salaries and wages claims to the list of Spareco’s more than 2,000 creditors.

Prior to liquidation, the banks involved – Bankorp, First National Bank, International Bank of Johannesburg and Alpha Bank – obtained a court order freezing Spareco’s assets and preventing further trading.

The banks appointed financial consultant Reuben Miller who instructed Spareco staff to continue working and assist with stock taking. Staff were told in a letter from Miller that if they did not work, they would be dismissed and lose all their benefits.

Senior staff members claim Miller’s fees are in excess of R1-million, and that the stock take was unnecessary as an audited stock take had been conducted six weeks before banks obtained the court order.

Senior staff say an accurate reflection of stock could have been obtained within two days based on the audited figures plus computer records. They claim this advice was ignored by Miller.

Two proposals to buy Spareco – one by Cayman Islands-based Lakewood Corporation which is said to have close links with Spareco director Chris Sladden, and a later one by a consortium of investors including Untrucar and IGI – have been withdrawn.

Liquidators Westtrust announced they are open to offers for Spareco until Friday, but the announcement has done nothing to ease staff anxiety about the future of the company.

Senior managers are questioning the dismissal of all staff members if there is any hope of salvaging Spareco.

“Why dismiss everyone in this cold, impersonal way – without even calling a meeting to explain the situation – if there is any hope of a future?” asked one manager.

In a show of solidarity between black and white staff, workers at branches throughout the country have been reporting for work and holding daily consultations. A mass meeting is planned for this week to discuss the dismissal.
Mercedes-Benz SA's East London plant is set to reopen this week after being at a standstill for almost two months.

National Union of Metalworkers (Numsa) regional organiser Les Kettle said yesterday there was nothing to prevent the plant reopening in a matter of days. He said Numsa and Mercedes-Benz management had reached agreement on outstanding issues which had prevented plant production resuming.

Once Numsa leaders had consulted union members at Mercedes-Benz this morning and received their mandate, the union could sign a final agreement.

The two sides met twice last week to discuss a draft agreement put forward by Mercedes-Benz as a basis for a settlement. Neither party has been prepared to comment on the agreement's content.

The East London plant was closed on August 16 after a sit-in protest by a group of disaffected Numsa members demanding the company withdraw from the motor industry's national bargaining forum. The company dismissed 500 workers who took part in the protest.

Chairman Chris Körpe said the plant's closure had cost R13.5m a day.
Mercedes plant to re-open this week

Own Correspondent

JOHANNESBURG — Mercedes-Benz SA's East London plant will re-open this week after being at a standstill for almost two months.

National Union of Metal Workers (Numsa) regional organiser Mr Les Kettle said yesterday that at this stage there was nothing to prevent the plant re-opening in a matter of days.

He said Numsa and Mercedes-Benz management had reached agreement on the remaining issues which had prevented production at the plant restarting.

Once Numsa leaders had consulted union members at Mercedes-Benz and received their mandate, the union would be able to sign a final agreement.

Mercedes-Benz official Ms Wendy Hoffman on Friday said management and union representatives had last week reached agreement "in principle" on issues which had stood in the way of the re-opening.
Motor group vows to meet '90s challenge

THREE features of the South African commercial vehicle market make it unique - it is fragmented, highly competitive and has a pattern of stunted growth.

At Delta Motor Corporation, manufacturers of Isuzu in South Africa, these features are seen as the challenges of the '90s and the company is serious about its commitment to meeting the challenges.

Delta's director of sales and marketing, Mr Wilhe van Wyk, said that the market consisted of six main categories - each with sub-sections for specific requirements.

He was speaking at Hi-Way '90, an exclusive Delta Motor Corporation exposition of Isuzu products in Johannesburg.

"There six categories range from half-ton pickups through to extra heavy trucks and in each sub-section there is good product representation, said Van Wyk.

"The major manufacturers contest most of the segments and some contest in all the sub-sections as well.

"After product rationalisation in the '80s, only the best European and Japanese competitors remain in the market. Interestingly, the Europeans have been reduced to very small players in the commercial market, even though they still hold a respectable 37 percent share.

"During the decade 1980 to 1990 the total commercial and truck market declined by 2.5 percent. The commercial market comprising pick-ups, vans and buses has been virtually static over the last ten years.

"However, within it we have enormous change - the half-ton pick-up market was virtually halved."
Mercedes production lines roll again today

Labour Reporter 7/9/80

PRODUCTION at Mercedes-Benz resumes today following the resolution of the two-month industrial dispute which closed the company's East London plant.

The company announced yesterday that management and the National Union of Metalworkers of SA had reached an agreement on outstanding issues and normal business operations and production would start today.

Production was suspended on August 16 when hundreds of weapon-wielding workers occupied the factory.

They were demanding the company withdraw from the motor industry's National Bargaining Forum, which was initiated by their union.

DISMISSED

Mercedes dismissed the rebel workers and asked the police to peacefully evict them from the premises after a siege which lasted 17 days.

Public relations manager Mrs Wendy Hoffman said these points had been agreed to:

- The wage agreement concluded at the National Bargaining Forum had been accepted by hourly-paid workers at Mercedes and both parties were committed to the company's continued participation in the forum.
- The dismissal of the workers would be referred to arbitration.
- All hourly-paid employees would start work in accordance with their conditions of employment.
- The growth and viability of the company would be addressed through structures jointly created by the company and NUMSA.
- Ways of solving other operational problems like the need to reach production schedules, discipline and absenteeism were agreed upon.
- A further meeting to finalise and implement a housing, education and social responsibility programme.
Mercedes strike is over

By Sharleen Singh

The seven-week-long strike at the Mercedes-Benz plant in East London, which cost the company about R700 million, ended yesterday and the company will re-open its plant today, management said last night.

After several meetings between the National Union of Metalworkers and Mercedes management — and intervention by South African Communist Party and African National Congress officials in a bid to resolve the dispute — the parties concluded an agreement yesterday afternoon.

Hourly paid workers accepted the wage agreement reached at the industry's National Bargaining Forum (NBF).

At the onset of the strike, Mercedes workers had demanded management opt out of the NBF and negotiate wages and working conditions at plant level.
Mercedes industrial dispute has ended

Johannesburg — The industrial dispute at the Mercedes Benz (MBSA) factory in East London has ended.

A statement by the company said yesterday it had resolved the dispute and work would resume today after a break of seven weeks.

The strike began on August 16 with a sit-in at the factory premises, but it was ended two weeks later by police at the request of the management.

MBSA chief executive Mr Christoph Kopke said recently the dispute had cost the company R12.5 million a day and had jeopardised foreign investment in South Africa.

MBSA official Ms Renee Killian said yesterday the company had lost over R500m in revenue during the 37 working days production was suspended.

Sapa-Reuters, Own Correspondent
Mercedes workers back on the job

Labour Reporter

NINETY percent of the hourly-paid workers resumed work at the Mercedes-Benz manufacturing plant in East London after a closure of nearly two months which cost the company R500 million.

Company public relations manager Mrs Wendy Hoffman said the management and the National Union of Metalworkers agreed in a settlement to "first deal with certain operational issues to enable normal production to resume."

The agreement between the two parties was signed on Monday.

Company chief executive officer Mr Christoph Köpke appreciated the "spirit of co-operation displayed by all employees in constructively dealing with the operational problems."

Production at the plant stopped on August 16 when it was occupied by rebel union members.

They were demanding that Mercedes withdraw from the motor industry's National Bargaining Forum, originally initiated by their union.

The workers, who were later dismissed, felt they could get higher wages if the union bargained at factory level.

After 17 days police evicted the workers but the company refused to reopen the plant until pre-conditions had been met by the union.
90% at Benz reopening

Own Correspondent

EAST LONDON. — About 90% of the workers at the Mercedes Benz South Africa (MBSA) plant here returned to work yesterday morning, ending the factory’s seven-week-long closure.

This followed an agreement reached on Monday between MBSA and the National Union of Metalworkers of South Africa (Numsa).

A company spokesman said the parties had agreed in the settlement first to deal with “certain operational issues to enable normal production to resume”.

The necessary tasks were completed before noon yesterday and staff were permitted to go home early.

Production is due to resume at normal times from today.

The spokesman said MBSA’s chief executive, Mr Christoph Kopke, expressed his appreciation to all staff for their co-operative and constructive handling of yesterday’s “operational problems”.

He also said MBSA and Numsa had agreed to arbitration on the issue of the 536 dismissed workers and said they did not have access to the plant.
Mercedes workers back on the job

Labour Reporter

NINETY percent of the hourly-paid workers resumed work at the Mercedes-Benz manufacturing plant in East London after a closure of nearly two months which cost the company R150 million.

Company public relations manager Mrs Wendy Hoffman said the management and the National Union of Metalworkers agreed in a settlement to "first deal with certain operational issues to enable normal production to resume".

The agreement between the two parties was signed on Monday.

Company chief executive officer Mr Christoph Köpke appreciated the "spirit of cooperation displayed by all employees in constructively dealing with the operational problems".

Production at the plant stopped on August 16 when it was occupied by rebel union members.

They were demanding that Mercedes withdraw from the motor industry's National Bargaining Forum, originally initiated by their union.

The workers, who were later dismissed, felt they could get higher wages if the union bargained at factory level.

After 17 days police evicted the workers but the company refused to reopen the plant until preconditions had been met by the union.
Vehicle sales show decline of 10 percent

By Jabulani Sikhakhane
New vehicle sales in September fell 9.7 percent to 22,733 units, compared with 31,539 for August, says the National Association of Automobile Manufacturers (Naamsa).

After rising 11.4 percent in August, sales for September declined by 2,596 units, or 12.6 percent, to 17,872.

Compared with the corresponding month of 1989, sales showed a modest improvement of 2,8 percent, or 506 units.

Sales of medium and heavy trucks were well below the long-term sales trend, declining by 10.3 percent and 17.6 percent respectively.

Sales of minibuses and light commercial vehicles fell by 327 units to 9,004 units, compared with 10,131 units in August.
Other Acts to go with demise of Group Areas

EDITH BULRING

PRETORIA — The scrapping of the Group Areas Act, expected to take place during the next parliamentary session, would result in the abolition or amendment of nearly 50 other parliamentary Acts and provincial ordinances, a senior government official said yesterday.

The most important Acts to be affected were the Black Communities Development Act, the Black Local Authorities Act and the Population Registration Act.

A special technical committee under the Planning and Provincial Affairs Department was set up last month to study the affect the scrapping of the Group Areas Act would have on other legislation.

The technical committee, consisting of officials from all the relevant departments and the four provincial administrations, would report its findings to cabinet before the next parliamentary session.

The official said the committee would examine all legislation based on race that could lead to discriminatory actions, making the scrapping of the Group Areas Act ineffectual.

Government had learnt its lesson over the Local Government in Free Settlement Areas Act, which had been basically ineffectual because of other existing legislation. Many of the Acts that would be affected were those that were passed separately by the three Houses of Parliament since 1983 leading to population groups being treated unequally.

The committee's brief was to look at the Acts where they related to the possible discrimination against a particular group.

Many of the Acts, based on population groups would have to be scrapped or amended to make the Acts "non-racial", the official said.

Poor tractor sales testing new lows

TRACTOR sales to the end of September declined by 26.6% to 3,099 units compared with 4,210 the previous year, SA Agricultural Machinery Association chairman Aubrey Gouws said on Tuesday.

He said farmers were expected to purchase just more than 4,000 units this year, the lowest recorded, at about R82,000 for a 58kW tractor, compared with 5,647 last year.

Gouws said the sales drop in September was due to poor agricultural conditions in most wheat-producing areas. Unusual good rains fell by early November, less than 2 million tons would be harvested.

High interest rates and uncertainty among farmers following government reform initiatives also remained as obstacles in respect of agricultural machinery purchases.

He said the average age of tractors in SA was about nine years, compared with five to seven years in other Western countries.

Gouws said sales of other agricultural equipment, such as self-propelled combines which ranged between R300,000 and R500,000, were expected to be in the region of 180 and 200 units, down approximately 15% on last year.

For balers, this year’s market would be down by 30-35% against last year.
Production resumes at Mercedes-Benz

A few days before the end of the strike, Mercedes-Benz said on Wednesday that production at the plant would resume on the first day of the new year, Saturday.

However, the strike is not expected to end in determining how successful the new year would be. As a result, the 14 days in determining how successful the new year would be. As a result, the 14 days in determining how successful the new year would be. As a result, the 14 days in determining how successful the new year would be. As a result, the 14 days in determining how successful the new year would be.
New vehicle sales continue going downhill

NEW vehicle sales fell noticeably in September as recessionary pressures continued to take a toll on trading conditions in the motor industry.

According to National Association of Automobile Manufacturers (Naamsa) figures, sales of new vehicles dropped 9.7% to 28 738 in September compared with August sales of 31 639.

Accounting for much of the downward pressure were sales of vehicles in the low-volume medium and heavy truck segments which showed sharp declines of 10.3% to 416 units and 17.6% to 646 units respectively from August to September.

For the same period new passenger car sales fell to 10 131 units from 17 872 units bringing total sales of passenger cars for the year to date to 86 021 from 87 652 in the corresponding period last year.

Production losses at Mercedes-Benz, but by a seven-week strike, contributed to the trend in the sales figures, although Naamsa CE Nico Vermeulen said the impact was not as dramatic as originally expected.

One industry source suggested it had been softened by the fact that many of Mercedes' units were still stuck in the pipeline over the period, and the real effect would be reflected in October's vehicle sales figures, which should be significant in view of Mercedes' waiting list.

Vermeulen, however, denied the strike would have a marked effect, due to the fact that the German luxury car manufacturer accounted for only 7% of the market at most.

"Most manufacturers are probably planning further price increases before December although increases would be blunted in the case of Japanese car producers because of the relative strength the rand held against the yen," Vermeulen said.

He warned, however, that the inverse would hold true for the German producers whose currency was strong versus the rand.

"And although there is no inflationary pressure yet as a result of Phase VI of the local content programme, it is a definite that as import substitution funding requirements for programme bite further next year, price hikes at, or higher than, the inflation rate are inevitable," Vermeulen said.
McCarthy’s corporate sales holding up

Despite a 5% fall in new-car — and 17% drop in used-car — sales McCarthy almost maintained its trading profit with R97.7m (R98.1m). The motor holdings division still contributes more than 90% of group profits. Joint MD Theo Swart says management decided some four years ago to shift emphasis from the new vehicle market and focus on used cars, service and spares. Service and spares contributed to the stability of 1990’s profit.

Profit contributions from new-car sales dropped over the past four years from about 80% to last year’s 45%. Spares kicked in 25% of profits while used-car sales — with turnover of R700m — and service provided the rest of the division’s income. Swart says McCarthy’s balanced portfolio of business in new and used cars, spares and service enables the group to maintain income at the best levels possible.

Car buying patterns shifted over the past couple of years. Swart reckons individuals now constitute 85% of buyers of used cars but only 20% in the new-car market. This perhaps explains the sharp drop in used-car sales over the year, because individuals are generally hit harder than companies by high interest rates.

Swart expects car prices to become less problematic in the next year or two. He says manufacturers indicate they will hold price increases below the inflation rate while motorists’ wage increases should remain close to inflation.

Nor is Swart particularly worried about the corporate new-car market. He believes — perhaps optimistically — companies will continue to buy cars and if conditions get really tough the corporate sector will swing towards used cars.

He expects near-term growth to be organic with gains in market share and by acquisitions.

McCarthy is “ready to pounce” on takeover opportunities and the healthy balance sheet provides funding capacity of R40m-R60m. Swart stresses the group will not go on an indiscriminate take-over spree.

November’s five-for-one split of the tightly-held share helped to boost the price to its 380c high in January. Since then it has declined steadily, with the market taking a dim view of the motor sector.

The stock still does not look cheap on a 4.9 earnings multiple.

Gerhard Steber
30 shop stewards begin Pretoria sit-in

PRETORIA — About 30 National Union of Metalworkers of SA (Numsa) motor shop stewards yesterday began a sit-in at the SA Motor Industry Employers' Association (Samiea) offices here.

The group conducting the sit-in is protesting at poor wages and working conditions.

Samiea and Numsa are currently involved in national wage negotiations in Cape Town.

A memorandum presented to the Pretoria branch of Samiea said the proposed minimum wage increases did not meet the minimum living standard and that working conditions were "less favourable than the basic Conditions of Employment Act".

"We foresee a serious confrontation between employers and employees in future in this industry," said the memorandum.

Mr Sam Tsiane of Numsa said the group would stay at the offices until their demands were met.

The Pretoria branch of Samiea declined to comment on the sit-in. — Sapa
Fewer companies buying cars

Corporate buyers are not confident enough to embark on any major spending spree at present, says Brand Pretorius, marketing MD of Toyota SA.

Mr Pretorius, commenting on the recent drop in car sales, said the market had benefited from some pre-buying in August in the face of uncertainties about price and supply.

"It would have been nice to see this level of activity sustained through September but the total market dropped off by 9.7 percent last month."

The market was still down by around eight percent in real terms, even allowing for the inability of Mercedes-Benz to supply cars.

The used car market had improved a bit but stock was still moving slowly.

"Corporate buying has effectively reached a plateau, mainly because the relative profitability of major companies has dropped off. They are a bit jittery about the medium-term economic prospects."

"Value for money is certainly outweighing pure status considerations. If we look at the small and light car sector of the market we find that today vehicles in this class account for almost 70 percent of sales."

In the early 'eighties small cars accounted for just 45 percent of sales.

Medium commercials were benefiting from a buy-down trend but this was to the detriment of heavy vehicles.

However in the sensitive light commercial vehicle market, year to date sales were down 19.5 percent.

In the same time span the passenger vehicle market shrank by 5.4 percent.

"Interest rates have stayed high longer than anyone anticipated and this means that we will have to wait a bit for any real upturn in demand."

"There will be price stability from our side up to the end of the year but we may not be able to hold our price increases at the same low levels in 1991."

Sapa
McCarthy widens interests

MOTOR distributor McCarthy continued its diversification from the motor industry with the acquisition of Durban-based Ultrex Engineering, manufacturer of building plant and equipment, it was announced yesterday.

McCarthy, which also imports Yamaha power products, reported a group turnover of R2.7bn in the year to June 1990, only 15% higher than the previous year.

The lack of real growth prompted the move away from the motor industry in a bid to gain greater stability for earnings, McCarthy joint MD Dudley Saville said.

The group will be pitching its business at housing projects, especially in the black market.
Cutting costs has become a habit

As SA's economy slows down, companies have been tightening their belts and streamlining their operations.

Basil Read has the edge in that it has been looking at cutting costs for the past 10 years.

The group has become highly innovative in providing itself with a cost-saving infrastructure.

- From car batteries to truck cabs, from fixing torn seats to developing specialized plant, Basil Read has learnt to stand alone, says director of plant Hector Salzwedel.

"One accumulates the bits and pieces to put together replacements and repair," Salzwedel says.

"Things which cost us in the order of R30m, would cost R20m to replace with new items."

This is special work and requires a fair amount of innovation — playing the used market, looking for bargains, training staff, upgrading and improving.

"We would spend between R10m and R15m a year on new equipment which is now covered by our own production."

Cutting away unnecessary costs included standardizing machinery to limit the amount of skills and technicians needed.

"Most of our equipment is interchangeable. We use the same type of truck, the same kind of earth-moving equipment," Salzwedel says.

"When I need a clutch plate on site, I no longer have to worry about which kind it is — or whether we have spares in stock."
News

Recognize these cars? Some of the scores of stolen or hijacked vehicles at the Jabulani car pound which have been recovered by police in Soweto. All the cars seen here have yet to be claimed by their owners. © Picture by Herbert Ndzupa.

Thuggery on the increase in Soweto area

Staff Reporter

Crimes such as vehicle hijackings in the streets, raids on homes and armed robberies in which people have had cars and money taken by thugs are on the increase in Soweto and surrounding areas.

Soweto police liaison officer, Lieutenant-Colonel Tienie Halgryn, said an average of eight vehicles daily were being taken by force from motorists, and police were recovering at least 100 cars every week.

Some of these incidents took place in the Kloptow and Lenasia areas.

Colonel Halgryn said more than 70 percent of the stolen vehicles recovered were found in Soweto. He said there were many unclaimed vehicles at the pounds at the Jabulani police station and at Deplshoof.

Colonel Halgryn said most of the hijackings took place in broad daylight at busy intersections, stop streets and at traffic lights. Others happened at night.

"Our problem area is the intersection at the traffic lights just opposite Sakkie's Garage and also in the centre of White City Jabavu. But it could happen anywhere.

"Some incidents are committed by gangs and others by individuals. They wait at certain spots for a car to come with an unlocked door or open window.

"In one instance last week they robbed a woman of her car in Meadowlands after they placed barricades in the road.

"They point firearms at the driver. However, there have been less incidents of motorists being shot this year compared to last year," Colonel Halgryn said.

Most people who have been robbed while in their cars had not locked their doors. He advised motorists to keep their doors locked and windows closed. Car owners should also mark their cars to make it possible for them to identify their vehicles.

Colonel Halgryn said: "I know the weather is hot but people should listen to our advice."

He said motorists should go to the Jabulani and Deplshoof car pounds where recovered vehicles were kept while police were trying to trace their owners.

There was no time limit as to how long vehicles were kept. Cars were, however, sold within 30 days if the owners were contacted but did not respond.
Profits nosedive at Midas

By Jabulani Sekhakhane

Motor parts distributor Midas has reported an extraordinary loss of R2,999 million in the six months to end August.

Earnings per share fell 78.7 percent to 11.5c from 53.9c in the first half of financial 1990 and a dividend of 3c (14.5c) per share has been declared.

Despite difficult trading conditions in the first half, managing director John Rich says Midas should show improved performance in the second half. He says earnings im-

proved in the second quarter to 11c from 0.5c in the first quarter.

The acquisition of Adco, helped boost turnover to R119,108 million from R98,683 million. But margins fell to 4 percent (11.5 percent), leaving operating profit down 53 percent at R4,899 million.

Interest paid rose 43 percent to R2,985 million. Tax was lower at R122,047 million. Profit attributable to shareholders (before extraordinary items) fell 76.4 percent at R1,692 million.
Pity Spareco's minorities

The consortium that paid R15.3 million for Spareco's businesses seems to have done a good deal. And it seems likely that most of the Spareco employees will now be able to look at a more secure future.

(The offer from the consortium — comprising Vaaleware, Broshore Investments and IGI — was R500 000 ahead of an offer from Midas.)

But pity the Spareco creditors and the shareholders who will have to do battle over the R15.3 million.

The money will be spread very thinly indeed. Even the secured creditors are unlikely to get anywhere near their full amount. (There may even be disagreements over the validity of some of the secured creditors.)

Yesterday's auction of the Spareco assets sees the end of a six-week saga which started with an urgent application to the Supreme Court by three of its banks. The banks were granted permission to hold the company's stock in trade for the purpose of "perfecting its security in terms of a notarial bond."

At that stage it was alleged that Spareco owed Bankorp R31.4 million, First National Bank R7.4 million and, Alpha Bank R6 million.

It was reported that Bankorp's notarial bond was for R26 million; FNB's was for R7 million and Alpha's for R7 million — a total of R42 million.

It was also alleged that Spareco owed R12 million to the International Bank of Johannesburg (in which Bankorp has a 50 per cent stake). HBJ subsequently took control of Eddies — a Spareco subsidiary.

In addition to the banks there are presumably trade creditors who have to be paid.

So the total bill will be considerably above the R15.3 million that the liquidators received for Spareco's assets.

For the minority shareholders the September events must have come as something of a surprise. The most recent published information on Spareco (the end-December '89 balance sheet, published at end-March) showed shareholders' funds of R31 million; and long-term liabilities of R43 million. Current liabilities of R60 million seemed to be well covered by current assets of R75.3 million.

Minority shareholders will come at the back of the queue of creditors and may dimly remember the day when the Spareco share reached a high of 700c on the JSE. The share was suspended at 90c following the court action.

For the R15.3 million the consortium has bought assets that could, under the right management, quickly generate a good profit. (According to the liquidators the estimated value of the total stock at cost is R5 million but some of this stock may be subject to reservation of ownership.)
industry.
Vehicle manufacturers, seeing the white market almost saturated but only minimal penetration in the black market, have dreamed of the day when black buyers become a force to be reckoned with.
They'll have to keep on dreaming According to industry consultant Ian Byers, there is likely to be no black rescue of the industry before the 21st Century.
That is depressing news for companies already beset by declining sales and with little hope of immediate recovery. Manufacturers predict little increase from present sales levels while current economic conditions persist. Even after that, growth forecasts remain limited.
The flourishing combi taxi industry has seen blacks make a major impact on the nubus market, but this has yet to be repeated in other vehicle sectors. While companies don't expect wholesale black buying, they point out that because blacks comprise such an overwhelming percentage of the total population, even moderate buying will resurrect a hitherto white-dominated market.
So when will that happen? According to Byers, who has produced an in-depth report on the industry — "The SA Motor Industry in Perspective" — not for some time. If future government policy is one of wealth redistribution rather than creation, the day will be even further off.
High prices have already frightened most private buyers out of the new vehicle market. Though manufacturers are doing their best to limit further increases, the damage is already done. As Byers notes, however many blacks would like to own a vehicle, few can actually afford to.
Analyses of market groups shows that the overwhelming number of new-car buyers are still whites. Blacks tend to be more active in the re-sale market. Even there, most can't afford to participate.
Market growth is largely dependent on the industry's ability to produce cars that are affordable to a greater number of people," Byers says. Without it — and he sees little sign of such an ability — the industry must not expect, "at least for this decade," that the black market will provide the growth offered in some projections.
He adds that if a future government follows a wealth redistribution policy, it will remove even more potential buyers from the market by siphoning wealth from the limited number of people who can afford cars now. SA's appalling education standards and, therefore, employment prospects for its masses, mean there is limited potential for large numbers of people to have sufficient money to buy vehicles in the future.

## SEPTEMBER VEHICLE SALES

### CARS

<table>
<thead>
<tr>
<th>Month</th>
<th>Sales (Units)</th>
<th>Growth/Decline</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 1990</td>
<td>17 872</td>
<td>Growth 2.9%</td>
</tr>
<tr>
<td>Jan.-Sept. 1990</td>
<td>160 600</td>
<td>Decline 21.4%</td>
</tr>
<tr>
<td>August (20 460)to September</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### LIGHT COMMERCIALS

<table>
<thead>
<tr>
<th>Month</th>
<th>Sales (Units)</th>
<th>Growth/Decline</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 1990</td>
<td>9 804</td>
<td>Decline 3.8%</td>
</tr>
<tr>
<td>Jan.-Sept. 1990</td>
<td>86 021</td>
<td>Decline 2.1%</td>
</tr>
<tr>
<td>August (10 131)to September</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### MEDIUM COMMERCIALS

<table>
<thead>
<tr>
<th>Month</th>
<th>Sales (Units)</th>
<th>Growth/Decline</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 1990</td>
<td>416</td>
<td>Decline 5.2%</td>
</tr>
<tr>
<td>Jan.-Sept. 1990</td>
<td>3 728</td>
<td>Decline 2.6%</td>
</tr>
<tr>
<td>August (454) to September</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### HEAVY COMMERCIALS

<table>
<thead>
<tr>
<th>Month</th>
<th>Sales (Units)</th>
<th>Growth/Decline</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 1990</td>
<td>596</td>
<td>Decline 12.4%</td>
</tr>
<tr>
<td>Jan.-Sept. 1990</td>
<td>7 857</td>
<td>Decline 11.6%</td>
</tr>
<tr>
<td>August (784) to September</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### TOTAL SALES

<table>
<thead>
<tr>
<th>Month</th>
<th>Sales (Units)</th>
<th>Growth/Decline</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 1990</td>
<td>28 738</td>
<td>Decline 9.7%</td>
</tr>
<tr>
<td>Jan.-Sept. 1990</td>
<td>256 224</td>
<td>Decline 4.5%</td>
</tr>
<tr>
<td>August (31 839)to September</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: National Association of Automobile Manufacturers of SA
**Liquidated Spareco sold for R15m**

LIQUIDATED motor spares distributor Spareco was bought at an auction yesterday for R15,5m.

A consortium comprising Vaal Auto (the recently listed operating arm of Vaaltrust), Broshure Investments (which owns Flienschman) and IGU outbid Midea to acquire Spareco's stock, fixed assets, trading name, trademark and goodwill.

Members of the consortium say Spareco shareholders are likely to get nothing, while creditors will be paid out a liquidation dividend. Spareco will be delisted.

The consortium will become a "powerful new motor spares group," with an estimated turnover of R200m from spare parts alone, consortium members say.

The new group will enter the market with a reconstituted balance sheet "which won't support high gearing," and with "enormous financial muscle." Operating costs will be completely reduced, they say.

Vaal Auto will control Spareco with its CEO and chairman Sarel Gernshuizen as Spareco CEO, and other consortium members will be on the board.

Spareco management will be reconstituted.

---

**Spareco sold**

A R5.5m bid for Spareco subsidiary Eddies by FSB subsidiary Vektra has been refused by the International Bank of Johannesburg (IBJ), which holds Eddies as security.

The consortium is entering negotiations with IBJ, and says there is a good chance it will acquire Eddies. Results of the negotiations will be known in a few days.

A few of Spareco's senior managers said yesterday they were pleased with the outcome. However, one said he believed there would be an investigation under section 417 of the Companies Act — an examination during the winding up of a company of the behaviour of its officials.
BMW refuses ANC's request for free cars

THE ANC has asked BMW for a fleet of luxury cars worth nearly R1-million. But the German car maker turned it down.

The ANC wanted BMW South Africa to give it 16 free cars about four months ago, but the request was refused because, said BMW, it did not give away vehicles to groups or organisations.

Disclosure of the BMW incident comes amid reports of an ANC drive to raise millions of rands from South African companies.

It was reported this week that senior ANC leaders, including Nelson Mandela, were understood to have met a wide range of top businessmen with the hope of getting donations and payments in kind.

No companies have been identified. By Dominic Jones

In a statement this week, BMW South Africa confirmed it had received a request from the ANC for the donation of 16 cars.

"This request was turned down in line with the company's policy of not donating vehicles to any groups or organisations," the statement said. A BMW spokesman refused to say what type of car was involved, but it is believed they were 3-series, which range in price from R190 000 to R268 000.

An ANC spokesman said yesterday he was not aware his organisation had approached BMW and could not comment.

Earlier this year, Mr Mandela received a red Mercedes-Benz 500 SE worth R218 000 from black workers at the company's East London plant.

Workers "paid" for the car by putting in free overtime.

[Image: Flying FW jets off again]

[Image: PICK]
Spareco's former MD reappointed

SPARECO's new management team is in place, with Graham Walker, who resigned as MD last month, taking over again as managing director.

Vaal Auto CE and chairman and Spareco's new CE, Sarel Germishuizen, said yesterday Spareco's Louis Bekker would be marketing director and Jeff Hogg of Vaaltrust (holding company of Vaal Auto) would come in as the group's financial director.

Their appointments are subject to approval by the Master of the Supreme Court last week's sale of Spareco to a consortium of Vaal Auto, Brochure Investments and IGI for R15.3m. They are also subject to contracts being signed with the new executive members, according to a well placed source.

The exact amount of funds available for distribution to Spareco's creditors could not be given by provisional liquidator Les Cohen of Westtrust.

However, he confirmed shareholders were likely to get nothing.

Fleshmans MD Stephen Szewach said on Friday that contrary to reports, his company had no association with Spareco and no tie-up between Fleshmans and the new consortium were foreseen.

Brochure purchased Fleshmans in March but Szewach said he was now the controlling shareholder of Fleupro (Fleshmans' holding company) while Brochure and another partner held the remainder of the shares.
Drop of 20% as used car sales take a hammering

BRENT MELVILLE

USED car sales, as a barometer of private consumer buying patterns, have taken much more of a hammering than new car sales over the past nine months, McCarthy group chairman Brian McCarthy said in an interview yesterday.

McCarthy estimated that sales of used cars had plunged by about 20%, while new car sales had dropped by only about 5%.

"Because private consumers account for only about 20% of the new car market, and fleet buying dominates to such an extent, sales of new cars have been artificially elevated to only a mild downturn," he said.

Inflation

Reflecting the declines, revenue for retailers in motor vehicles and accessories has shown a real decline of about 8% for the year to September, relative to the comparative period for 1989.

According to the latest Central Statistical Service (CSS) figures, actual revenue increased 8.1% to R24,3bn (R22,6bn)

This figure is well under the present 13% rate of inflation.

Unadjusted revenue from August to September slid 7.6% to R2,78bn (R2,0bn).

The CSS figures (before seasonal adjustment), reflecting sales of new and used cars as well as parts and accessories through established dealer franchise networks, show actual sales for the July to September quarter this year up 6.5% at R2,68bn.

This rate is against the R7,97bn figure for the comparable period last year.

The figures for August and September are subject to revision.

McCarthy attributed the decline in the August to September period to the fact that August had been a much longer month in terms of working days.

"However, while day-on-day sales are not really that much different, we do believe that the enormous increase in the fuel price will have at least a temporary effect, again tempered by fleet buying," McCarthy said.

An industry analyst said he estimated that the downturn next month could be even more severe.

He said on the basis of the Mercedes-Benz strike, the shock of the 25% increase in the fuel price, and government's recommitment to keeping interest rates up, revenue in the car industry generally was destined to fall more significantly.
McCarthy doubts ability
to meet earnings forecast.

DURBAN — Motor trader McCarthy Group chairman
Brian McCarthy said at the AGM yesterday that the
forecast of only a small drop in earnings this year might
be difficult to meet.

"The sharp rise in the fuel price could lead to an
element of "buying down" and this together with future
potential problems as a result of the Gulf crisis, could
make my chairman's statement forecast of only a mar-
ginal decline in earnings for the year to June 30 1991,
difficult to meet," he said.

The group was on budget for the first quarter.

He said total new vehicle sales in the July to Septem-
ber quarter were down 2% in line with the total national
market. "McCarthy's share of the total dealer market
was thus held at 12.3%," he said.

He believed national used vehicle sales for the quarter
would show at least a 5% decline, though said McCarthy's
used vehicle sales for the quarter were up 2%.

"Owing to competitive conditions, gross profit margins
in the three months were under pressure and were lower
than in the previous year in both new and used vehicles.
In inflationary terms, parts and service sales showed
increases but in real terms were marginally down."

In the year to end-June McCarthy suffered a 5% decline in earnings to 886c (617c) and maintained its
dividend at 21c.

The decline was attributed to difficult trading condi-
tions, a pressure on margins, a significant increase in
interest paid and a reduced contribution from the group's
associate company Midas. — Reuters
Don’t strangle car industry, Govt told

Own Correspondent

DURBAN — A top South African car manufacturer has warned that Government policies are strangling the motor industry and plans to further increase the local content would have a devastating effect.

BMW managing director Reinhard Kunstler said this week that sales figures were already down to 1974 levels.

Fuel

They would decline further if the Middle East crisis was not resolved and if fuel prices continued to rise.

"So, instead of continually trying to strangle the motor industry," the Government must at some point soon realise that this industry can be the engine driving the South African economy," he said.

"Like a high-performance engine, it needs to breathe properly to be able to operate efficiently," Mr Kunstler said.

He said that every tenth employee was employed by the motor or related industries.

If manufacturers were given a little breathing space and allowed to grow, they could make an even greater contribution in terms of job creation and the redistribution of wealth.

Mr Kunstler said the luxury motor car producers in South Africa had recently come under attack by one of the local mass producers, who alleged that South Africa should switch to smaller cars because luxury cars cost the country too much in terms of foreign exchange leaving the country.

"This is, of course, utter nonsense because if he pursued his own argument a bit further he would have realised that luxury cars must also comply with the same local content requirements as his small cars.

"This means the luxury cars have a much higher local value, which translates into more local jobs and more local wealth than the equivalent created by the small car.

Mr Kunstler said the remarks were made at the launch of a small car — which could, to some extent, have explained them.

Then he heard that the company concerned was planning to enter the top end of the luxury market themselves. The managing director drove an imported car while a luxury model was also to be imported to use up surplus local content foreign exchange."
Motor industry ‘being strangled’ by State

The Argus Correspondent
DURBAN.—A top South African manufacturer has warned that government policies are strangling the motor industry and that plans to further increase the local content would have a devastating effect.

BMW managing director Mr Reinhard Kunstler said this week that sales figures were already down to 1974 levels and would decline further if the Middle East crisis were not resolved and fuel prices continued to rise.

"So, instead of continually trying to strangle the motor industry, the government must at some point soon realise that this industry can be the engine driving the South African economy," he said.

Breathing space

He said that every tenth employee was employed by the motor or related industries and that if manufacturers were given a little breathing space and allowed to grow, they could make an even greater contribution in terms of job creation.

Mr Kunstler said the luxury motor car producers in South Africa had recently come under attack by one of the local mass producers, Nissan, who alleged that South Africa should switch to smaller cars because luxury cars cost the country too much in terms of foreign exchange leaving the country.

"This is, of course, utter nonsense because if he pursued his own argument a bit further he would have realised that luxury cars must also comply with the same local content requirements as his small cars."
BACK ON THE ROAD

Parts group Midas seems to have digested most of the problems that came with economic slowdown, but is unlikely to match last year's R16.5m operating profit. Big overheads that developed in the previous growth phase are under control and as a result short-term debt has been reduced to R26m from the R49m December high.

MD John Rich says restructuring is beginning to bear fruit and expects better second-half performance. To illustrate the stronger trend, he says Midas earned 9.5c in the first quarter, while the second brought 11c. He maintains that restructuring has given the divisions greater autonomy and, in consequence, the group is more efficient.

Director Sarel de Vos acknowledged at year-end that the Adco acquisition was not very successful in the short run, but long-term prospects are optimistic. Adco's three diesel workshops have now been franchised, the auto electrical division has been integrated with Midas' Motolek and renamed Parts Inc (PI). Some 200 of PI's 500 staff have been made redundant. The drive to improve the quality of PI's customers to improve margins is also making progress.

Management's remedial action came too late in the previous year to salvage profits, but it seems that the restructuring is now taking effect. The share has fallen from a 1.425c high a year ago to 250c but a 14 p e ratio still puts a premium on the reconstruction. However, with the slowdown still in progress rapid recovery is unlikely.

Gerhard Stobber
Germainhuizen reckons the transaction has increased Vaaltrucar’s act asset value by 35c. Its spares turnover will probably rise to R130m. He is not yet sure how the bottom line will be affected this year but expects Spareco to boost pre-tax profit by R5,7m.

The losers are shareholders and trade creditors. Spareco was listed through a reverse takeover of cash shell Eurefin in November 1988. The public was not invited to subscribe for shares, but Eurefin minorities were offered 48c cash per share in March 1989. Latest available accounts for Spareco are for the year to June 1989, published in February. These showed that Spareco directors held 65% of the issued shares. Spareco’s 683 workers lost one month’s salary in September when TrustBank refused to honour pay cheques due to a lack of funds. Some workers may now face retrenchment as it is understood that Vaaltrucar intends reducing staff to some 300. The liquidators are going to court to obtain direction regarding workers’ legal rights.

In terms of Sections 99-102 of the Insolvency Act the three banks (Bankorp, First National and Alpha Bank) protecting their security by a notarial bond rank first in the liquidation dividend. Then follow the Receiver of Revenue, salaries and wages, ordinary creditors, preference shareholders and lastly ordinary shareholders. Spareco owed the banks some R40m and it seems unlikely that they will get full settlement. The liquidators have reserved their rights and will seek legal opinion on the validity of security claimed by the banks. If this goes to court it could be protracted, says Cohen.

The Spareco saga again puts the spotlight on the high risk involved for equity investors when the going is good, they are rewarded for risk taking, but when things turn sour, they rank last when a company is wound up.

Gerhard Stibler.
BMW's Travails

Firm: 26/10/70

BMW is likely to offer special resale deals to owners of certain Five Series cars bought since last year. Company officials admit this week's launch of updated models — only a year after the new Five Series range appeared in SA — may damage resale values of the original vehicles and that drivers could feel hard done by at seeing their expensive acquisitions already superseded.

The new models are the 520i, two derivatives replacing the current 525i and the M5. The 520i and 525i models will be powered by new multi-valve, six-cylinder M50 engines. According to a senior company official, "we will certainly consider" deals protecting the resale value of original Five Series cars when their owners trade them in.

BMW also admitted this week that it had been caught short after offering full maintenance leasing on used BMWs. An executive says the company had "taken a bath" after maintenance costs far exceeded BMW's budget. "It was a learning process. We are budgeting several million rands more for the programme this year."
SPREADING THE RISK

Activities: Industrial group with focus on transport, vehicle rental, motor trading and financial services

Controls: Directors 37.6%

Executive chairman: W G Lynch

Capital structures 56.1m ords Market capitalisation R137.4m

Share market: Price 245c Yields 4.9% on dividend. 12.3% on earnings, p/e ratio 8.1, cover 2.5 12-month high, 250c, low, 180c

Trading volume last quarter, 63 600 shares

Year to June 25

ST debt (Rm) 13.9 22.2
LT debt (Rm) 12.7 12.3
Debt/equity ratio 0.28 0.40
Shareholders’ interest 0.40 0.40
Int & leasing cover 7.8 8.5
Return on capital (%) 19.3 21.1
Turnover (Rm) 446 6 644 5
Pre-tax profit (Rm) 36.4 45.7
Pre-int profit (Rm) 8.2 8.4
Earnings (c) 25.1 30.2
Dividends (c) 10 12.1
Net worth (c) 91 107

The diversified group does not expect near-term earnings growth from car sales, but instead from insurance and dedicated trucking services to bluechip companies. The motor division’s contribution to earnings began to fall some five years ago, from a then high of 54.2% to 28.2% now. Nevertheless, Imperial had an excellent year pre-interest earnings rose 29% on a 22% turnover gain.

Regent Insurance was launched in 1989 with a paid-up capital of R7m, licensed to underwrite only motor and related business. The venture proved highly successful and kicked in 9% of earnings. Panelbeating oper-

ations in three major centres enhance services by speeding up claims and repairs for customers. The insurer was also fortunate not to get caught up in the latest price war and a R2m pre-tax profit was achieved on R13m premiums in its maiden year.

Imperial Car Rental dethroned the motor division as the biggest contributor to earnings in 1987 and remained in the first spot for three consecutive years. Auto Pedigree, which dispenses some of the rental fleet, had a difficult year in the used car market where 80% of the buyers are now private individuals. Unit sales dropped by 25% and this trimmed profit growth for the car rental division to 14%, even though car rentals grew by 29%, indicating market share gain.

The truck systems division had an excellent year. With a 30% boost in pre-tax income, it is now the biggest contributor to group income. Executive chairman Bill Lynch expects the “present correction in the economy will not materially affect the volumes of bluechip customers” — but this may be too optimistic.

Imperial has not written off the motor division. With a growing population, and if medium-term economic growth is reasonable, joint deputy chairman Stephen Abelkop maintains “There must be pent-up demand for vehicles, which should translate into profitable sales in future.” Meanwhile, an ageing vehicle population should ensure healthy demand for parts and services.

Financial director Hafiz Mohamed is not particularly worried about the 110% growth in interest-bearing debt to R29.2m from R13.9m. This was in line with asset growth. He expects a slight improvement this year.

By adding value to motor business, Imperial seems able to spread the risk. The market rewards this with a 7.9 earnings multiple, compared to the 4.3 of its supplier, Toyota SA. At 245c, the share does not seem over-priced.

Gerhard Stibbe
Public will benefit from privatisation

THE most important consideration for the automotive component and allied industry in the "new" South Africa, might have little to do with the fact that it would be "new", the executive director of Free Market Foundation Mr Leon Louw said this week.

Addressing the National Association of Automotive Component and Allied Manufacturers, he said it might be that there was a worldwide retreat from protectionism, which seemed likely to be more pronounced in South Africa, regardless of who governed.

He said briefly, that meant that there might be a move towards an "open" economy, with the freer movement of money - both foreign and local - goods, services and people across the borders in both directions.

As a result, he said South African industry would have to become more internationally competitive.

He said constitutional reforms seemed increasingly less likely to have a major impact on the economy, positively or negatively.

The liberation movements, especially the ANC, were becoming increasingly conservative on economic policy in that they were ever more in favour of perpetuating the status quo, especially in aspects of relevance to the automotive and allied industry.

Louw said there was a major myth about the effect privatisation would have on health and social services in South Africa.

The assumption that privatisation would put social services beyond the means of the poor was quite wrong.

"If privatisation took place without any reaction in Government spending, then it will bring only benefits - and substantial benefits - to the public. These benefits would be multiplied if subsidies become demand-side instead of supply-side subsidies.

"If the subsidy goes to the person in need, who is free to purchase whatever services they need in a free, diverse and competitive market, they would get much better value for every dollar spent," he said.

He said that the only people who stood to lose as a result of privatisation without spending cuts would be those who did not supply a service the people would choose voluntarily. But there could be no doubt that the public would benefit from privatisation and deregulation of welfare pension..."
A TOP South African manufacturer has warned that Government policies are strangling the motor industry and that plans to further increase the local content would have a devastating effect.

BMW managing director Mr Reinhard Kunstler said recently that sales figures were already down to 1974 levels and would decline further if the Middle East crisis were not resolved and fuel prices continued to rise.

"So, instead of continually trying to strangle the motor industry, the Government must at some point soon realise that this industry can be the engine driving the South African economy," he said.

"Like a high-performance engine, it needs to breathe properly to be able to operate efficiently," Kunstler said at the launch of three new BMW models in George.

Wealth

He said that every ninth employee was employed by the motor-related industries and that if manufacturers were given a little breathing space and allowed to grow, they could make an even greater contribution in terms of job creation and the redistribution of wealth.

Kunstler said the luxury motor car producers in South Africa had recently come under attack by one of the local mass producers, Nissan, who alleged that South Africa should switch to smaller cars because luxury cars cost the country too much in terms of foreign exchange leaving the country.

"This is, of course, utter nonsense because, if he pursued his own argument a bit further, he would have realised that luxury cars must also comply with the same local content requirements as his small cars.

"This means that the luxury cars have a much higher local value, which translates into more local jobs and more local wealth than the equivalent created by the small car."

Kunstler said the remarks were made at the launch of a small car which could to some extent have explained the remarks.

Then he heard that Nissan were planning to enter the top end of the luxury market themselves and that Nissan's managing director drove an imported car while a luxury model was also to be imported to use up surplus local content foreign exchange. - Sunday Independent
Car ownership by blacks 'set to double'

CAR ownership among blacks is likely to double in the next decade because of rising incomes and a deteriorating public transport system with spiralling fares; a transport study has found.

Statistics show that blacks own about 460,000 cars out of a total of 5.5 million in SA. The expected growth rate could translate to nearly 1 million cars owned by blacks by the end of the decade.

The survey, conducted by the Transport Research and Consultancy, says trends suggest the urban black household may have a real income growth of about 3% a year in the next few years.

Researchers C G Wilmoth and N J W van Zyl, in a paper on black travel attitudes, said: "If this trend continues, together with other trends on the relative costs of alternative modes of transport, it is predicted that the number of cars owned by black households will more than double by the year 2000."

The authors say that if bus and train subsidies are cut and commuters have to pay increased fares, "they may be encouraged to buy their own vehicles to use to travel to work."

Only substantial improvements in public transport services could significantly weaken the trend towards increased car ownership, the researchers say.

On Friday, the Soweto region of taxi association Sabsa said it would increase fares on all routes in the area on Thursday. Regional chairman Pat Mhatha said all taxis operating in Soweto townships would increase fares by 20c.

Also on Friday, the Transport Department said that bus fares would increase from today. The department would not be increasing its subsidies to bus companies and the hike in the fuel price would have to be passed on to the commuter.

Transport director general Rennie Meyer said the increases would range from 5% to 10%, depending on the route.
Waltons goes shopping in bid to cut gearing

Stationery company Waltons is shopping for acquisitions, MD Frank Roberts said at the weekend.

He would not be drawn on the companies at which the group was looking, but said he had been engaged in negotiations in Johannesburg last week.

This follows management's efforts in the past year to reduce the much-criticised gearing level. In the six months to August the ratio of debt to equity fell to 60% from 119% in the same period in 1989. Roberts said he hoped to reduce gearing to 50% by the end of the year.

"We have brought stock levels down and watched debtors carefully," he said.

**Dividend**

As a result, the group's interest bill on the income statement has fallen to R11m from R14m in 1989. This contributed to the 17% rise in pre-tax profits to R57m.

But a higher tax bill and an increase in the number of shares in issue caused earnings to rise only 1% to 21.5c a share on attributable earnings of R14.7m (R13.8m).

The dividend was maintained at 7c.

The heart of Waltons' business is stationery but it has also acquired Printing company Lithoever, drawing office materials company Ozalid and toy and babywear manufacturer and retailer Redgewoods (Reggnes).

In the previous reporting period these acquisitions generally performed poorly, but Roberts said some changes had been made in Ozalid and Regges, and Ozalid's performance in the interim period had been "gratifying".

"Redgewoods Holdings figures are as expected at the interim stage and it is now well placed for the Christmas peak and will trade profitably in the coming six months," he said.

Roberts said it was difficult to forecast results for the next six months but management was determined to maximise the group's performance in spite of the prospect of difficult economic and trading conditions.

Waltons shares closed at 370c on Friday, up from a low of 350c in August. At this level they offer a historical dividend yield of 5.67% and an earnings yield of 17.18%.
Planning keeps Orbit at the head of the field

Northern Cape Town Mercedes Benz and Honda dealer Orbit Motors has shown that advance planning helps a company to weather factors beyond its control such as production and allocation restricted supplies of its main products.

The company recognised in the early '80s that its supplies could be jeopardised by labour stoppages, allocation schedules and the politics of international trade.

Management reorganised new car sales were an unreliable source of maintained turnover, so other ways of improving profitability were sought.

The main focus was productivity, but an open attitude to lateral expansion related to services permitted within the MB franchise agreement has played a significant role.

Company turnover doubled between 1987 and 1990 to over R100m, but more significant is that return on assets climbed from 15.4% to 23.5% in the same period.

Pre-tax profit as a percentage of turnover has grown from 4.07% to 6.75%.

Over the past four years, profit generated as a percentage of hours "sold" has increased and Orbit is setting one of the highest standards of workshop profits to overall running costs in the MB franchise network.

This has cushioned the company against dips in new car sales - one of the most important aims of the strategic plan set during the '80s.

Innovate

The company has set a standard as one of the most innovative in the MB dealer family, and although its track record for the purpose of the Non-Listed Company Award is noted over the past four years, the store really began 20 years ago as a small service station in Parow.

The company made an entry into servicing MB commercial vehicles as well as cars and its reputation for excellent service draws clients from a wide radius. A call and delivery service has always been offered.

In 1994, Orbit decided to enter into panel beating and spray painting. Today it operates one of the largest and top quality coach works in the country.

As demand exceeded capacity Orbit recently embarked on the development of an additional sales and service complex in Bellville at a cost of R4m.

The achievement of workshop efficiency was through two-poster hosts being installed for 27 work bays which improved working conditions, training standards and mutually agreed labour targets improved the productivity of mechanics.

The company has its own training centre for artisans and conducts training for the motor industry in general.

An efficient spares requisitioning and stock holding system has eliminated time losses at parts counters.

Customers are assured of more than 90% availability of parts for all models of passenger cars and commercials and any out of stock item can be supplied within 24 hours.

Lateral diversification which aims to establish a circle of services includes:

- A "fast-fit" service for repairs while you wait, A specialised truck remanufacturing facility (only one in MB dealer organisation),
- A showroom for imported MB models and used exotic cars,
- A recovery operation for cars and some commercials,
- A upmarket used car sales,
- A MB/Honda coach works,
- Extensive used parts inventory for lower-end MB market.
Bid to solve the problem of clogging distribution

THE R1.5bn a year distribution industry is being crippled by congestion which has reached crisis proportions, says Ultra-Mech Management Services MD James Raath.

"Last week we said the average truck spent up to 40% of the day in a queue at the back door of retail stores.

A further spinoff of congestion was "highly organised" theft or shrinkage and he said at least 1% of products disappeared before reaching stores.

Raath said distributors — mainly manufacturers and a small number of third-party distributors — had at least twice as many trucks as needed and routes were often duplicated.

While a manufacturer might have very sophisticated central warehousing systems, it had no control once the goods were sent for distribution.

Distribution was also labour intensive, he said.

Raath said while central distribution and warehousing had been agreed upon, it might take five to seven years to materialise.

In the interim, Ultra-Mech — which specialises in problem solving in industry, consulting work and logistics — has launched Mechtrans project to investigate temporary solutions, including warehousing situations, the consolidation of different distribution companies, nominated carriers and other possibilities.

It would also seek a cost-effective solution for SA's infrastructure.

The results of the investigation should enable companies to save about 20% of distribution costs, and Ultra-Mech has guaranteed a minimum of 10% savings.
Inspired management has turned failure into success

FROM the sad shell of the

duninvested, loss-making

General Motors SA, the
two entirely locally owned

Delta Motor Corporation

has, against predictions, become a successful

venture.

The MBO team of three

experienced motor industry

executives who took over the company in 1985

succeeded in turning that

year’s loss of more than

R100m into a profit of

R11,2m in 1987.

Over two years, inspired

financial management,

which adopted a Return on

Assets Managed (ROAM) culture throughout the

organisation, succeeded in

achieving a profit of

R166,7m by 1989.

The ROAM measurement achieved has gone from a negative of 11.5% in 1985 to a positive 23.8% in 1989.

Today, the company manufactures, and

through a franchised

dealership network of 186

outlets, markets Opel passenger cars and Isuzu light

and heavy commercial vehicles.

Its dealer network is

present in SA’s main centres and in neighbouring
countries — Gabon, Uganda, DRC, Angola,
mater and Mozu.

Delta’s plant — significantly upgraded since the

GM days — is producing

75% more cars each year

than GM did in 1988.

Its improvement in

sales and re-earned status

and goodwill in the market

have been achieved

against considerable political and economic

obstacles.

Experienced

The MBO team consisted of highly experienced

motor industry management men — Keith Butler

Wheelhouse had 24 years in the motor industry; George Stegmann had 22 and Andre van Rooyen, 21 years.

They had to deal with a demotivated workforce, a crisis of confidence without major corporation backing, low product acceptance, disbelief that this was really a new venture and — most difficult — outdated and inadequate production facilities, neglected for several years.

Between 1987 and 1989, improvements to production facilities have seen:

- The erection of a new Isuzu Relay production faculty;
- The introduction of robots;
- Improved storage facilities;
- A newly built environmental/trimming testing facility;
- Mainframe computerisation at the PE plant;
- A 33% increase in capacity for Delta’s press shop.
- Increase in tool room capacity and expanded storage space;
- Capacity to produce 75% tooling for passenger cars.
- Capacity to produce 85% tooling for commercial vehicles.
- General replacement of office equipment.

In 1988, Delta opened its

R5m new sales and marketing complex in Parktown, Johannesburg.

This houses the Transvaal regional office, national sales and marketing and dealer training activities, and a supply quality assurance division.
Bid to solve the problems clogging distribution

THE R1.5bn a year distribution industry is being crippled by congestion which has reached crisis proportions, says Ultra-Mech Management Services MD James Raath.

"Last week we said the average truck spent up to 40% of the day in a queue at the back door of retail stores."

A further spinoff of congestion was "highly organised" theft or shrinkage and he said at least 1% of products disappeared before reaching stores.

Raath said distributors — mainly manufacturers and a small number of third party distributors — had at least twice as many trucks as needed and routes were often duplicated.

While a manufacturer might have very sophisticated central warehousing systems, it had no control once the goods were sent for distribution.

Distribution was also labour intensive, he said.

Raath said while central distribution and warehousing had been agreed upon, it might take five to seven years to materialise.

In the interim, Ultra-Mech — which specialises in problem solving in industry, consulting work and logistics — has launched Mechtrans project to investigate temporary solutions, including warehousing situations, the consolidation of different distribution companies, nominated carriers and other possibilities.

It would also seek a cost-effective solution for SA’s infrastructure.

The results of the investigation should enable companies to save about 20% of distribution costs, and Ultra-Mech has guaranteed a minimum of 10% savings.
"more or less evenly; the strike did affect our sales adversely."

He says there are really three markets in the above-7,5 t range: "They are the bus market, the 7,5 t-16 t truck market and the market for extra-heavy trucks with gross masses of more than 16 t. We had enough stocks of extra-heavy vehicles to keep us out of big trouble, but we have been struggling to build up stock in the 7,5 t-16 t range for the past three years."

"The strike set us back further in that sector. And we ran out of stock and could not continue to challenge for market share in the 5 t-7,5 t sector, where we were beginning to have an impact."

In the first nine months of the year, dealers sold 3,728 medium commercial vehicles, up from 3,333 in the same period last year. On the other hand, heavy commercial vehicle sales fell by 24%, from 7,300 in January through September last year, to 5,875 in the same period this year.

Gush says the sale of mediums was buoyed by heavy commercial vehicles users buying down. Costa Perides, Naamsa's statistician, agrees, but also feels the complete scrapping of the permit system (Business October 12) may have encouraged some entrepreneurs to get into transport. Mediums are logical entry points. Some opted for them because they could not afford to buy heavies, others because they offered a cheaper way to test the road transport market.

Transport also is managed better than it was. Fleet managers are more professional and, unlike their predecessors, do not routinely buy trucks bigger than they need.

Meanwhile, dealers are working to pep up dismal sales by feverishly discounting their heavy trucks, trying to move them off the showroom floors before the new models arrive says Naas van der Walt, MAN SA's strategic planning manager. "There's no denying this is a buyers' market."

He and Gush say truck prices increased by 6%-7% this year, compared with 20%-25% in past years, which means a drop in real terms. "The buyers' market could change overnight," Van der Walt warns. "I can't say when, but prices will rise dramatically."

---

FINANCIAL MAIL. 2-11-90.

Transport also is managed better than it was. Fleet managers are more professional and, unlike their predecessors, do not routinely buy trucks bigger than they need. Meanwhile, dealers are working to pep up dismal sales by feverishly discounting their heavy trucks, trying to move them off the showroom floors before the new models arrive. Says Naas van der Walt, MAN SA's strategic planning manager, "There's no denying this is a buyers' market."

He and Gush say truck prices increased by 6%-7% this year, compared with 20%-25% in past years, which means a drop in real terms. "The buyers' market could change overnight," Van der Walt warns, "I can't say when, but prices will rise dramatically."

FINANCIAL MAIL. 2-11-90.
**DELTA'S SECRET FORMULA**

*F/M 21/4/90*

**Delta Motor** Corp, winner of this year's Non-Listed Company Award — sponsored by *Business Day*, Arthur Andersen & Co and the Wits Business School — has a track record that should be the envy of most listed companies.

“Since the new owners took over the old General Motors operation in Port Elizabeth in a management buyout four years ago, the company's success has been astounding (*Business June 8*).

“In all six years preceding disinvestment, GM posted losses,” says chairman # and CE Keith Butler-Wheelhouse.

“Since inception, Delta has been profitable. And our return on assets increased from 3.8% in 1987 to 23.8% in 1989. Over the same period, turnover jumped from R590m to R1,3bn and the number of vehicles sold increased from 30 000 to 42 000.”

What is Delta’s secret?

“The special commitment of the employees to the success of the company is paramount. Until July, when four days were lost, we had not lost a single production day through industrial action.”

The youthful Butler-Wheelhouse runs a dynamic operation. Excellent in-house communication, participative management and acceptance of the company’s “single-sheet, strategic business plan and mission statement” by all levels of staff contribute to the success, he says.

“Each of our 3 500-old staff members (2 800 hourly-paid workers and 700 salaried staff) appreciates and understands how the business operates. They are encouraged to participate in and contribute to the company's financial performance in terms of the strategic plan.”

Good management and a loyal, productive staff combine to produce quality products. “Our Opel passenger cars and Isuzu commercial vehicles sell well — and higher productivity led to the number of vehicles sold per worker increasing from 7 or 8 in 1987 to more than 10 in 1989-1990,” he says.

Delta — today wholly owned and controlled by South Africans — certainly has set an example.
Public welcome for Spareco

SPARECO's re-opening on Monday will be welcomed by the cast of SABC-TV's Louis' Motors which has taken part in an aggressive advertising campaign to get the troubled motor spares group back on the road.

Spareco's new CEO Sarel Germishuizen said the campaign would run for the next week and would feature the cast of Louis' Motors rejoicing Spareco's comeback after mourning its demise.

He said yesterday his group was spending about R250 000 on re-launching the company.

A consortium, consisting of Vaal Auto, Brosheare and EGI, recently bought Spareco for R15.3m at an auction after its liquidation.
Motor exports a backlash for State coffers

By DON ROBERTSON

The motor industry's export success has left the Government with a temporary but minor cash-flow problem. However, negotiations between the industry and the Department of Trade and Industry (DTI) may resolve the problem. A temporary surcharge on imported components will be introduced for the "next quarter or two" — so avoiding an increase in car prices.

The problem developed after estimates by the DTI that by the end of the fiscal year in March there would be a shortfall of R8-million in Government coffers. The reason is that money paid by the State to the motor industry as a rebate for exports of components will be less than the amount received in duty for those imported.

In terms of Phase 6, manufacturers are offered a rebate for exports which they can offset against duty on imported components.

Shortfall

The intention is to reduce foreign currency used by manufacturers to import components. They spent about R8-billion on imports last year.

Although the surcharge will have the same effect as a duty increase, it is recognised by the industry as being temporary.

Manufacturers will take it into account when fixing prices. Industry sources expect it to be in force for "one or, maybe, two quarters", by which time the shortfall will have been settled.

Assuring Government, but not some manufacturers, is the fact that the yen has strengthened against the rand. The cost of imports and duty on Japanese components will rise, helping to reduce the duty shortfall.

Of concern to manufacturers, however, is the R65-million cut made by the DTI when the Phase 6 programme was announced. It was made available for this purpose.
Saficon hit by Mercedes strikes

STRIKES and work stoppages at the Mercedes-Benz factory caused a sharp fall in profits for Saficon Investments Limited. The luxury motor retailer company reported a 65% drop in earnings a share to 31c (89c) for the six months ended September.

Saficon chairman Sidney Borsook said in a statement that despite warning shareholders erratic vehicle supplies would affect group results, Saficon could not have anticipated the strike, which meant no Mercedes-Benz or Honda vehicles were received for the last six weeks of the financial period.

As 81% of Saficon's earnings were derived from the motor industry, the limited amount of vehicles available for sale drastically reduced attributable income to R8,9m (R22,4m) when sales dipped 16% below forecast to R760m (R795m).

Commenting on prospects for the rest of the year, Borsook said he expected trading conditions to worsen as the economy deteriorated at a faster rate than originally expected.

The group, whose subsidiaries include the Cargo Group, Lindsay Saker, LSM Distributors and a substantial investment in Bournet, had little chance of building up stocks of Mercedes-Benz and Honda vehicles to facilitate sales during the plant shutdown in December despite the supply being resumed from mid-October.
Body blows for Saficon

By Duma Gqubule

Crippled by the strike at the Mercedes-Benz factory and by falling demand for vehicles, motor retailer Saficon has reported a 65 percent drop in earnings to 31c (60c) a share for the half-year to September.

It has revised its revised forecast for the year to March and now forecasts earnings of 70c — 53 percent lower than last year's 146c.

Chairman Sidney Bosnack says "Although at the time of the annual meeting we warned that erratic vehicle supplies would materially affect results, we could not anticipate that we would receive no Mercedes or Hyundai vehicles at all for the last six weeks of the half-year."

Sales were 16 percent below forecast, with turnover falling 4.3 percent to R760.2 million (R743.9 million). Operating profit was 41 percent lower at R27.4 million.

Interest costs rose 46 percent to R10.7 million (R7.21 million). Taxed profit was R8.3 million (R19.6 million).

After a reduced contribution from 30 percent-owned Bounat, attributable earnings dipped 60 percent to R9.52 million (R22.35 million).

Because of an increase in share capital after the conversion of convertible debentures, earnings a share fell 65 percent to 31c (60c) from which an interim dividend of 7c (30c) has been declared.

Saker's Finance and Investment Corporation, which holds 54.5 percent of Saficon as its only asset, has reported EPS of 51c (146c), from which it is paying a dividend of 11c (21c) a share. It has revised its earnings forecast for the year to to 112c and 31c for the dividend.
Clean up your act, warns Durr

Motor trade told to update conduct code

CAPE TOWN — Trade, Industry and Tourism Minster Kent Durr has warned unscrupulous motor dealers to clean up their act.

Addressing the annual conference of the Motor Industries Federation (MIF) yesterday, Durr said his recent request for an investigation of the motor industry had been targeted at the "thoughtless, dishonest or incompetent actions" of a relatively small number of dealers.

He also advised the MIF to update its code of conduct as a top priority, and to extend its membership to smaller enterprises.

MIF executive director Vic Fourie said Durr was likely to negotiate a new set of guidelines for a more wide-ranging code once the investigation had been completed.

Durr moved to allay fears that he intended imposing mandatory consumer codes on the industry. He gave the assurance that the investigation, which would be conducted in terms of the Harmful Business Practices Act, would not result in over-regulation.

"The investigation will focus on the law relating to consumer transactions concerning motor cars," he said.

Fourie said Durr would probably rely on input from the Harmful Business Practices Advisory Council and the co-operation of MIF when drawing up the new guidelines.

He said it was likely the new code would apply more widely than before, incorporating the 8 000 MIF members, who make up an estimated 65% of all motor dealers, as well as non-members who were not bound by the existing code.

"The MIF will happily co-operate with the Minister, as long as the changes are based on the principle of self-regulation," Fourie said.

Durr said that while he was sure the majority of motor car and spares transactions ran smoothly, customers' dissatisfaction was sometimes justified.

MIF chairman Chris de Weerdt said in his annual report the Federation had investigated 1 047 customer complaints during the 1998/99 financial year.

Of these, 59.5% had related to repair services, 21.5% to the sale of used cars, 11.4% to the price of spare parts and 7.2% to new vehicle sales. Only 4.9% of the complaints were unresolved, while a further 11.4% were pending, he said.

Durr suggested that the original articles of the code of conduct had not kept pace with economic and market changes.

He also expressed concern that many smaller motor enterprises were not MIF members and not bound by its code.

MIF directors said the past year had been one of the most trying periods for the motor industry in many years.

Durr said results of the change to Phase Six of the motor industry's local content programme had been encouraging; Teething problems were being addressed.
Downturn knocks motor industry

Business Editor

The fact that all activities in the motor industry have slowed — including repairs and the sale of spare parts — is an indication of the depth of the recession, Chris de Weerdt, President of the Motor Industries Federation, said at its annual conference yesterday.

Pointing out that servicing and sales of spare parts usually increase when vehicle sales fall, De Weerdt told the conference at the Cape Sun “New motor vehicle sales represent the barometer measuring economic activity in the motor industry.

“As one could have expected, problems with high interest rates, low disposable incomes and recessionary conditions in the economy generally all contributed towards a fall-off in vehicle sales volumes during the past year.”

“It is generally believed that we have not seen the end of this downward tendency.”

Urging the Government not to deregulate the fuel distribution industry in SA, De Weerdt pointed out that recent fuel price increases had been greater in countries with deregulated industries.

“I personally believe that there are certain features of fuel regulatory measures in SA that are not negotiable — such as retail price maintenance and the basic philosophies of service station rationalisation plan.”

Discussing import protection, De Weerdt said the SA bus building industry produced luxury coaches at competitive prices which compared well with imports.

“The efforts of tour operators to import used luxury coaches from overseas have no justification.”
Government to Investigate Motor Trade

Business Report
Recession hits industry...

Difficult to meet union demands

By AUDREY D’ANGELO
Business Editor

THE recession is making it difficult for employers in the SA motor industry to meet "the strong demands being made on them for increased wages and fringe benefits", John Herdman, President of the SA Motor Industry Employers' Association (SAMEIA), said in Cape Town yesterday.

Speaking at the annual conference of the Motor Industry Federation, at the Cape Sun, Herdman said wage negotiations which had begun in March were still continuing.

"We have had to face demands for very heavy increases in minimum wages and massive improvements in fringe benefits, many of which are quite impossible for us to consider."

Appealing to trade unionists to show an awareness of the economic difficulties which this country and most employers were facing, Herdman said it was "not unreasonable" for employees to want recognition for their efforts and "a reasonable share" of the profits from added value.

"It is in the long-term interest of our country and all its peoples that we have a thriving economy in which we, as employers, pay the best wages we can afford and recognise the rights of our employees to strive for a better standard of living for themselves and their families."

"I believe that our members are responsible employers who have always tried to ensure that we moved forward with our trade unions as rapidly as possible."

But, Herdman continued, SAMEIA members were subject to economic limitations.

Complaining that petrol price increases had not been accompanied by comparable widening in profit margins, he said "Those involved in the retail distribution of fuel have been cruelly hurt by the constant increases in the price."

SAMEIA appreciated the reasons for this. But the increases were "unfortunately made without any corresponding meaningful increase in the reseller's margin from which increased wages and fringe benefits could be paid."

"It is unfortunate that the government in its entirely laudable efforts to control inflation has not recognised the difficulties faced by this section of our industry and granted them a reasonable increase in their profit margin which would enable them, in turn, to meet the demands placed on them by the very large number of employees who work in this section of our industry."

Stressing the need for good labour relations, Herdman said this was becoming increasingly important in the Plattenrand areas, where trade unionism was spreading rapidly.

But "while we accept the undeniable right of the workers to ask for, and receive, fair treatment" the association "continues to defend the right of an employer to manage his business in a sound, sensible and fair manner."

"There are many laws already prescribing this right and we strongly resist the increased tendency to argue that employees have a right to further limit the employer's freedom of action."

"We live, and I hope will continue to live, in a capitalist free enterprise society and all matters relating to investment business policy are still the sole responsibility of the manager or proprietor."

"We do not support the demands put forward by some trade unions — and indeed supported by some academics — that the trade unions should have the right to be involved in such basic management decisions."

"Certainly they have the right to be involved in decisions which directly affect them. Any sensible employer today will ensure that the trade union and employee representatives are kept informed of what is happening in the business and of any changes, particularly those which are likely to lead to retrenchment."

"But this should be as a matter of common sense rather than as a legal demand."


Minister starts probe on motor trade dealings

THE Minister of Trade, Industry and Tourism, Mr Kent Durr, has commissioned an investigation into sectors of the motor industry in terms of the Harmful Business Practices Act.

Opening the 79th Motor Industries Federation annual conference in Cape Town yesterday, Durr said the probe was due to the "thoughtless, dishonest or incompetent actions of a small number of people" who would endanger the interests of the many who had reason to be proud of their work.

The investigation would also concentrate on the law relating to consumer transactions concerning motor cars.

He added that the motor industry was one of the country's largest employers and encouraged it to work towards export markets.

Quoting from a Council for Scientific and Industrial Research report in which it was shown that there were 106 vehicles for every 1,000 people in the country, Durr said this figure was well below those of Western countries such as the United States with 588 and Britain with 370.

However, South Africa was the best in Africa where Kenya, for instance, had only six vehicles per 1,000 of the population. - Sapa.
Economic downturn has not ended, says motor chief

The president of the Motor Industries' Federation, Mr Chris de Weerdt, says official projections of new motor vehicle sales have shown that the economy has not seen the end of the current downturn.

Delivering his presidential report to the MIF conference in Cape Town on Tuesday, De Weerdt said the present recession was so bad that all activities in the motor industry had fallen off, including the parts and service sectors which normally remain buoyant when new car sales drop.

With regard to the Value Added Tax, he stressed the hope that the fuel levy of 8.4 cents per litre would be removed to prevent double taxation.

De Weerdt said efforts by tour operators to import used luxury coaches had no justification because the locally-built coaches complied with the needs demanded by South African circumstances and compared well with anything that could be imported. - Sapa
October new vehicle sales down slightly

MARC HASENFUSS

HIGH financing costs, deteriorating business confidence and supply shortages forced a slight drop in new vehicle sales for October, National Association of Automobile Manufacturers of SA (Namas) figures released yesterday showed.

New passenger vehicle sales for October at 17 640 units dropped 1.3% compared with 17 872 vehicles sold in September, and by 2.7% against the same period last year (18 122).

Resilience was noted in the sales of light commercial vehicles (LCVs) and minibuses, which managed a modest 1.8% improvement to 9 977 against September’s 9 894 units.

But they declined 5.7% against the corresponding period last year.

Enhanced

Namas said although trading conditions throughout the industry remained difficult, the October sales could conceivably have been higher if production losses at East London’s Mercedes-Benz plant had not affected sales figures.

Namas said the solid performance of the industry’s LCV and mini-bus segments was attributable to enhanced demand from LCVs emanating from the small business and corporate sector and replacement demand from the black taxi sector.

Business conditions in the medium (MCV) and heavy commercial vehicle (HCV) segments remained severely depressed.

MCV sales dipped marginally to 441 units compared with last year, while HCV sales decreased by 80 units to 726 against October last year (806).

Namas said sales in these sectors responded to a different set of dynamics than car sales.

By far the most important of these were the overall level of domestic industrial activity and investment spending.

The downturn in the economy would cause medium and heavy vehicle sales to remain well below the industry’s long-term historical sales trends, Namas said.

Combined new vehicle sales at 28 784 units were up marginally from September (28 738), but 3.5% down on October 1990 (29 850).

Namas’s outlook for the remainder of the year and the first half of 1991 saw slightly negative unit sales comparisons.

Latest industry projections for 1991 were for essentially a no-growth scenario, in terms of unit sales.
Tractor sales slide towards 'record low'

TRACTOR sales for the month of October totalled 381 units, down 33.5% on the same month last year, SA Agricultural Machinery Association (Saama) chairman Conwyn Botha said yesterday.

However, spokesmen for some tractor companies said that despite the severe decline in sales they had managed to increase their market share.

"Sales for the full year are forecast at 4,000 units, which reinforces that 1990 will be the lowest on record," Botha said.

"Agricultural conditions in the main wheat-producing areas of the Free State are not good at present, rain is critically needed and in many instances it is now evident that farmers will not have a crop."
German carmakers salvage more from the scrap heaps

Carmakers are being forced by scarce resources and tighter restrictions to find new ways to recycle vehicles, reports DOUGLAS SUTTON

German carmakers have gained undisputed acclaim worldwide for the way they construct cars. Now, under research and development projects recently announced by the top-name companies, German car firms want to learn something new—how to take cars apart.

Volkswagen and BMW have launched car disassembly plants in recent months, projects which both say are also aimed at teaching them how to build future cars which will be easier to take apart than current ones are.

"Our aim is to one day build a car which, at the push of a button, can be neatly broken down into all the pieces which can be recycled," VW engineer Erich Ewen told the Munich daily Süddeutsche Zeitung.

Daimler-Benz is taking a different approach, setting up a joint project with Austria's steelmaker Voest-Alpine to study the question of high-temperature incineration of unrecyclable materials.

The reason behind these projects is both economical and environmental. Rubbish dump space is getting scarcer and environmental restrictions imposed by federal, state and local governments regarding industrial wastes are getting stricter. Carmakers have been told to find ways to recycle a greater portion of their materials.

The economic reasons are derived from the value of some of the materials which now go into cars—the rare metals platinum and rhodium in catalytic converters, for example, but also other metal alloys and high-grade plastics.

Recycling of materials used in cars is not a new area. At present, some 75 percent of a car can be recycled, mainly steel, aluminum and other metals. But now the focus is on how to recycle, or best dispose of, the plastics, synthetic materials, glass, and textiles BMW and VW have two main aims.

The first is to find the most effective way of dismantling present-day cars. The second is to learn how to build future cars which can be more easily dismantled for recycling purposes.

The complications involved in taking cars apart are attributed to the more sophisticated procedures and materials which now go into carmaking.

Under pressure to improve fuel consumption, carmakers reduced cars' weight by using more synthetic materials. Now, some 20 different kinds of plastics and synthetic materials go into a modern car.

In 1965, only 2 percent of a car's weight was made of synthetic materials. Today, they make up 15 percent, or 165kg, of a car weighing 1,060kg.

With the increased use of synthetics has come an increase in the amount of plastic wastes going to trash dumps. In 1979, some 60,000 tons of automotive synthetic wastes had to be disposed of. Now, with some two million cars each year heading for the scrap heaps in Germany, the annual volume has reached 200,000 tons.

Tighter restrictions on the disposal of battery acids, lubricating oils, brake fluids, and other toxic or contaminating automotive wastes are also behind the carmakers' efforts.

In an interview in the magazine Auto-Sport, Mercedes environmental impact director Claus Razim said the aim is to develop a "total recycling" technology for synthetic materials.

He said some of the non-recyclable plastics could be used to help stoke the fires in steel smelters, which would be used for recycling the steel, aluminum, and other metal contents in cars.

"The circle can be closed finally by harnessing the carbon dioxide which is released to produce methanol or carbamide," Razim said. "These are the basic substances which can then be used to make new synthetics." — dpa
Vehicle sales hold up well

New vehicle sales held up well in October despite the cost of finance and the deterioration in business confidence.

Figures released yesterday by the National Association of Automobile Manufacturers (Naamsa) show the resilience of the car and light commercial vehicle segments was particularly noteworthy.

Car sales declined by a mere 232 units, or 1.3 percent, to 17,646 units, compared with September's figure of 17,872.

Compared with the corresponding month in 1999, the October 1999 car sales showed a decline of 2.8 percent, or 482 units.

Sales of new light commercial vehicles and minibuses managed a modest improvement of 173 units, or 1.6 percent, compared with September's sales of 9,804 units.

Compared with the corresponding month last year, light commercial sales showed a decline of 610 units, or 5.7 percent.

Sales of vehicles in the medium and heavy truck segments improved, rising six percent (25 units) and 12.4 percent (80 units) respectively, compared with September's sales.

While trading conditions generally remained difficult, October car sales could conceivably have been higher had it not been for production losses at a major manufacturer.

The resilient performance of the light commercial vehicle and minibus segments could be attributed to enhanced demand emanating from the small business and corporate sectors, as well as to replacement demand by the black taxi sector, Naamsa said.

Business conditions in the medium and heavy commercial vehicle segment remained severely depressed.

Sales in these sectors tended to respond to a different set of dynamics from those of car sales.

By far the most important of these were the overall level of domestic industrial activity and investment spending.

The ongoing downturn meant sales in these sectors would remain well below long-term historical sales trends for both segments.

For the remainder of 1999 and the first half of 1991, unit sales comparisons would probably be slightly negative.

Latest industry projections were of an essentially no-growth scenario in terms of unit sales for 1991. — Sapa

• Tractor sales rose to 381 in October, up 32 on the September figure, the SA Agricultural Machinery Association (Saama) said yesterday.
Consortium adds Eddies to group (192)

By Roy Cokayne

Listed Eddies Motor Spares has been acquired for an undisclosed amount by a consortium comprising Vaaltruck and Vaal Auto Limited, Brochure Investments (Pty) Ltd and IGI Limited.

The same consortium acquired a controlling interest in Spareco — Eddies Motor Spares' former controlling shareholder — for R15.3 million in mid-October.

At that time, an offer of R3.5 million made for the purchase of Eddies was refused by the bank creditor, the International Bank of Johannesburg (IBJ), which exercised its security over the investment. It was stated then the future of Eddies would be negotiated.

Vaal Auto chairman and chief executive Mr Sarel Germishuizen refused to disclose the price of the acquisition.

He said 70 percent of Eddies had been acquired by the consortium with the remaining 30 percent being in public hands.

The acquisition is effective from November 1.

Mr Germishuizen said the entire management and staff of Eddies, which has two other branches in Pietersburg and Fordburg, had been retained.

Mr Germishuizen stressed Eddies would be run totally independently from Spareco with each having its own managing director.

Eddies would remain listed on the retail and wholesale sector of the Johannesburg Stock Exchange with Mr Lewis Slotow as managing director and Mr Steven Cohen as sales director, he said.

Mr Germishuizen said the consortium's buying power was "terrific" and a lot of synergy would result from this.

Mr Slotow forecast the group would achieve turnover of about R20 million and a pre-tax profit of R3.5 million in the current financial year.

"Eddies also has no gearing and the amount of borrowings is negligible," he said.

The future of Eddies was placed in doubt when, in terms of a court order, former controlling shareholder Spareco was placed under the control of three banks in early September. The banks were trying to secure their debt exposure and attempting to enable the group to continue trading.
The hot seat with no frills

By MAGGIE ROWLEY
Business Staff

A MAJOR plan of action being undertaken at Atlantis Diesel Engine (ADE) will be the make or break of the huge diesel engine manufacturing plant in the next two years.

Facing not only an easing domestic market but tougher international competition and rising costs, ADE was forced to cut its workforce by nearly 20 percent or 500 employees three months ago, has introduced further austerity measures to reduce overheads and is going all out to increase production.

Heading up the new streamlined Cape manufacturer is Argentinian-born Fritz Korte, a "no-frills" man with a big heart and clear vision who is determined to succeed.

The sole ornamentation on his desk is a placard with the motto: "The first duty of those in high positions is to set a good example to others" in large print. And it is a motto by which he abides.

In the five months that he has been in the hot seat he has done away with a number of executive privileges.

While these are minor measures towards reducing operational costs it is important for management to be seen to be playing its part and it has helped spread a cost conscious attitude around the plant," he said.

Mr Korte, 48, who was born of German immigrant parents, qualified as a mechanical engineer after completing his schooling and worked for Daimler-Benz (D-B) in South America and Europe for 18 years before coming to South Africa with his wife and three children in 1985 as general manager of ADE's D-B plant.

"We jumped at the chance not only because it was a new challenging job but also due to the unfavourable political and economic climate in Argentina. We wanted a better environment for our children and I am extremely optimistic about the future of this country."

"While South Africa is a developing country its basic structure is sound and its natural wealth and population give it an advantage over other developing countries.

"The country will no doubt have to go through a difficult period of finding the way but there is a lot of good will around and the people in this country can solve its problems," he says.

ADE was started in December 1979 at a time when tractor and truck sales were peaking. In the early 1980s tractor sales topped nearly 25,000 units a year and truck sales about 30,000.

"Even the most pessimistic forecasts at the time would have been for combined sales of 30,000 and consequently ADE was built with a capacity to manufacture 40,000 units a year — less than a third of which is presently used."

While more than 20,000 engines were sold last year, sales this year had dropped off sharply due to the economic climate. Total sales this year are expected to be just over 14,800 — 3,340 tractor and 11,460 truck engines against 7,078 and 13,300 last year.

The protracted strike at the Mercedes-Benz plant this year had, he said, cost the D-B plant about 1,500 units.

Prospects for next year are even worse with combined sales of 14,900 — 4,420 tractor and 10,470 truck units.

ADE requires 17,000 units a year to break even and
Steering ADE through difficult times

From page 1

through its rationalisation programme is aiming to reduce this to 16 000 in the short term and even lower in the long term.

"Once the economy picks up and demand rises to the 20 000 unit level we will be back in a comfortably profitable position," he said.

ADE, which is unique in the variety of products it manufactures, has a right to exist, he says. "But it has to earn this right.

Although the company enjoys a 50 percent protection over foreign engines it has to pay a 10 percent duty on imported components.

"It's unfair of our critics to expect us to compete directly with overseas markets which have economies of scale and more concentrated production.

"In addition the products we manufacture under licence from Mercedes Benz in Germany and Perkins of the UK are on the range.

"Even European products are not price competitive with the Japanese models," he said.

The price differences between products manufactured here and in Europe is about 30 to 40 percent.

Close gap

"We are aiming to bring these down by about 20 percent in the next two years and close the gap even more in the long-term. If we don't we will not survive and succeeding requires being proactive."

Thanks to their licensees, ADE had access to the latest technology. However, the low and dropping volume of tractor sales could not justify the upgrading to the latest technology.

"But as you say in South Africa, 'n boer maak 'n plan' and we took elements necessary to improve certain functions such as fuel consumption and power and next year will be able to offer the latest technology at the same price.

"This is a prime example of the combination of overseas technology and South African ingenuity."

He said there were already signals that the rationalisation programme introduced in August would enable ADE to retain cost increases at levels below the rate of inflation next year.

"We have a long list of action that still has to be taken to improve our profitability and to become more competitive on the international market."

Operational costs had been addressed but the positive effects of the retrenchments would only be felt from January next year and a profit sharing incentive scheme is being investigated to motivate remaining staff.

Further savings

Further savings would be realised once the assembly plants for Perkins and D-B were combined next year.

Mr Korte said ADE was now striving to reduce import costs and was negotiating with both licensees and with local suppliers.

The company was also looking to increase sales in the local market by manufacturing industrial engines and was investigating producing high volume components not necessarily related to their present products.

"We are analysing a couple at the moment but a precondition is that they be high volume which will not only provide us with economy of scale but will also help carry us more easily through economic downturns."

ADE is to step up exports to offset the softening domestic market. It is already exporting to Britain and Germany and will be exporting to Brazil and Argentina from next year.

All in all exports are expected to rise to about R40 million next year from R22,9 million this year and R18,4 million last year.

He said ADE had produced profits in the past couple of years but had accumulated losses from 1985 and 1986, which would have been wiped out if sales had remained above the 20 000 level this year.

"Once the full benefits of the rationalisation programme and our product expansion plans are felt I am confident there will be no looking back," he said.
Another milestone at Toyota

Finance Staff

Toyota South Africa achieved another marketing milestone in October by dominating sales in all four sectors of the market, passenger, light commercial vehicles, medium commercial vehicles, and heavy commercial vehicles.

Toyota's share of the 26 784 vehicle market for the month of October was significantly higher than the 28.7 percent reported in the company's interim report for the first six months of 1990.

Commenting on sales figures for October, Brand Pretorius, MD of Toyota SA Marketing, said, "The total market was marginally up on the sales for September, and very much in line with our forecasts. Fleet buying is still reasonably strong and this is providing support in the market. There is quite a bit of buying ahead of anticipated price increases and there has also been a healthy level of activity in the car hire and tender sectors.

"October was a very good production month for the industry. Certainly at Toyota we had our best production month of the year. We produced over 9 500 units, and this enabled us to fill a number of back orders that we had on our more popular models", added Mr. Pretorius.

"What is very gratifying is that there seemed to be a resurgence of confidence in the heavy commercial vehicle market in October. This could well be a good news message for the whole country."

Assembly line halted after 600 walk out

From PAT CANDIDO, Argus Bureau
PORT ELIZABETH. — Production at the Volkswagen plant in Uitenhage has been suspended indefinitely following a walkout by engine plant employees yesterday.

The general manager of public affairs, Mr Ronnie Kruger, said in a statement last night: "It is impractical and uneconomical to generate a sophisticated production concern under these circumstances.

"Discussions have started and will continue until the issues are resolved."

A group of 600 engine plant employees walked out yesterday to attend a court hearing in which Numsa was suing a VW employee in a civil matter.
McCarthy labouring up some hilly roads

McCarthy's results, particularly in the second half of financial 1990, were negatively affected by poor industry and market conditions.

In view of continued deterioration, it is unlikely that group earnings will not slip further this year.

Negative factors in the past year include a five percent decline in the new vehicle market, a 17 percent national sales decline in used units, the announcement of increased fringe benefit tax on vehicles, and industrial unrest.

**Earnings**

In the annual report, chairman BC McCarthy says earnings in financial 1991 might be only marginally below those of the previous year.

He believes the decline will be limited by steps taken to improve efficiency within the group.

McCarthy is the largest retail motor organisation SA.

It has extensive property interests, most of which are leased to its trading divisions.

In the year to June, group turnover climbed 15 percent from R24,4 billion to R27,7 billion, while operating profit eased two percent from R101,5 million to R99,5 million because of vehicle trading margins coming under pressure.

**Interest**

After interest expense increased 49 percent from R8,7 million to R12,2 million, pre-tax profit fell six percent from R92,3 million to R87,3 million.

A fall in the effective tax rate from 46.7 percent to 44.9 percent reduced the decline in taxed profit to three percent from R45,5 million to R43,1 million.

After taking into account outside shareholders' interest, contributions from associated companies and preference dividends, profit attributable to ordinary shareholders decreased five percent from R59,8 million to R55,2 million.

Earnings per share dropped from 61.7c in financial 1989 to 58.6c. The dividend for the year was maintained at 21c a share.

The balance sheet disclosed a nine percent increase in interest-bearing debt from R37,6 million a year ago to R41,5 million.

**Gearing**

Because of an increase in ordinary shareholders' funds, gearing improved from 22.8 percent to 21.0 percent.

The cash balance has grown to R19,1 million (R9,2 million year ago), and net asset value has appreciated 19 percent from 19c a share to 22c.

McCarthy, priced at 300c, is trading on a P/E ratio of 5.4 and provides a dividend yield of seven percent.

In view of the poor outlook for the motor industry in 1991, it is doubtful that the share price will move significantly upwards for several months yet.

**COMMENT** The share price entered a downward trend after reaching 300c at the start of the year. The price is hitting resistance at its current level of 290c and will have to break above 305c before a favourable trend emerges.
VW factory stays shut for third day

PORT ELIZABETH — The Volkswagen factory in Uitenhage was closed for the third day today following a walkout by 600 workers on Thursday.

Talks are continuing between management and trade unions to secure "uninterrupted production".

The factory, which employs about 6,000, closed when 600 engine plant workers attended a court case. — Own Correspondent
PORT ELIZABETH The Volkswagen motor plant in Uitenhage was still closed yesterday but negotiations were to continue between company officials and Numsa officials representing the workers. Last week the company said workers would have to agree to certain conditions before the plant would be reopened.
VW: stoppages have cost millions

UNPROCEEDURAL work stoppages had disrupted production at Volkswagen's Ulmshaus plant for three years, costing the company "millions." This year 20 days' production had been lost, the company claimed yesterday.

Volkswagen said in a statement high levels of absenteeism had compounded the problem, so undermining the company/union relationship that "it has become impractical and uneconomic to continue to operate production." Volkswagen suspended production last week after a group of Numsa members left an engine room to attend a court case involving a colleague.

The company said yesterday it was "ready to open the factory as soon as the (recognition) agreement is signed by the union as an act of commitment by shop stewards to ensure industrial peace and orderly industrial relations." Volkswagen claimed Numus had agreed in principle to a recognition agreement but had yet to sign it.
Sentrachem considering autocatalysts

By Jabulani Sikhakhane

Sentrachem is investigating the possibility of making catalytic converters for car exhausts in a joint venture with international partners.

MD Johan van der Walt says in the annual report that a feasibility study is nearing completion and discussions are being held with prospective international partners.

He says it is Sentrachem’s strategic objective to develop the beneficiation of local raw materials in general and scarce minerals such as platinum group metals.

Sentrachem is looking beyond its immediate business to biotechnology, metals chemistry, high-tech plastic conversion and environmentally friendly herbicides and pesticides to lead it into the 21st century.

Through subsidiary Mega Plastics, Sentrachem is a supplier of motor components to BMW and Mercedes Benz.

If the project is commissioned, it will be the third venture for manufacture of autocatalysts.

UK-based Johnson Matthey said in May that it would invest R35 million in a local factory to manufacture converters.

It said that its supply would come from Rustenburg Platinum.

The plant, which will start up operations next year, will produce up to two million autocatalysts a year, its initial production being aimed at the export market, mainly Europe.

In July, Impala Platinum signed a long-term agreement with German mining group Degussa and its local subsidiary to supply platinum group metals for to make one million catalytic converters a year at the Algorax plant in Port Elizabeth.

Most analysts say Sentrachem’s move into converters is a logical development because of the new export allowances, which take value added into consideration.

Also the local production of converters will benefit motor manufacturers, who will get credits in terms of the local content programme.

Frankel Kruger Vinnére analyst Kevin Karun says local manufacture of autocatalysts will benefit stainless steel producers by giving them better profit margins.
VW talks stalled

VW and Numsa remained in deadlock yesterday over management's demand that shop stewards sign a so-called recognition agreement before production at the Uitenhage plant is resumed. The plant was closed on Friday, due to repeated work stoppages, VW said.
JOHANNESBURG — Volkswagen SA claims that repeated work stoppages, which had disrupted production at Volkswagen's Uitenhage plant over the past three years, had cost the company "millions." This year alone 20 days' production had been lost, a company spokesman claimed yesterday.

The spokesman said that high levels of absenteeism had compounded the problem, so undermining the company-union relationship that "it has become impractical and uneconomic to continue to operate production." The factory was closed last Friday.

Talks between Volkswagen SA and the National Union of Mineworkers (Numsa) remain deadlocked over management's demand that Numsa shop stewards sign a so-called recognition agreement before production at the Uitenhage plant is resumed.

VW would not comment on the progress of talks or when the plant was likely to reopen.

Numsa officials could not be reached for comment.
VW and Numsa remained in deadlock yesterday over management's demand that shop stewards sign a so-called recognition agreement before production at the Uitenhage plant is resumed. The plant was closed on Friday, due to repeated work stoppages, VW said.
MOTOR INDUSTRY

DRIVE FOR EXPORTS

CAR-MAKERS’ PLANS HAVE BEEN TEMPERED TO THE TIMES

At the start of each football season Charlie Brown runs at the ball, believing this is the year he’ll finally make contact. And each year it’s whipped away at the last moment, leaving Charlie sprawled on his back.

Motor industry executives know how he feels. However, a few years ago, faced with the prospect of car sales declining for the third year in a row, executives would have been thrown into a frenzy of despair. Today the agony is much less intense.

The reason is twofold. First, experience has taught them how to handle a shrinking market, and second, the very nature of their companies is changing.

Latest estimates suggest new-car sales in 1991 may fall as low as 200,000 from this year’s expected 210,000 — the third successive year of decline from 1988’s 230,500. At best, says Nico Vermeulen, director of the National Association of Automobile Manufacturers of SA (Namaa), the industry can look forward to a “no-growth situation.” The lower 1991 figure, if realised, would represent a decline of more than one-third in the market since the early Eighties.

It was that sort of decline which, in the mid-Eighties, created panic in the industry. Hundreds of millions of rand’s worth of loss, companies fall over one another to quit the country, others merged or pared operations and thousands of workers lost their jobs.

The same panic is not evident today. Cost-cutting lessons learnt in the earlier slump have prepared companies for the current one. Indeed, most companies are confident they can still turn a handsome profit in present circumstances. And it’s not because there are fewer companies. With seven major vehicle manufacturers, the market remains heavily overtraded.

For many companies, the answer lies in diversification. The pure car company — that is, one that offers its vehicles and nothing else — has almost become a thing of the past. Domestic sales revenue, while still the major source of income, has declined as a percentage contribution to most companies’ earnings.

Over the next few years export earnings will play an increasingly important part. Phase Six of the local content programme, which counts export earnings as credits in assessing local content levels, has encouraged all seven manufacturers to seek foreign markets.

Even companies which at first railed against the introduction of Phase Six two years ago now accept the export element has become an important part of their operations. Namaa’s Vermeulen reckons export earnings will be worth R450m this year, rising to R600m next year. When one considers exports were probably worth less than R50m/year as recently as 1988, companies have clearly taken the message to heart.

However, it won’t be easy to maintain this growth, particularly in the face of an international economic slowdown, and high SA domestic inflation. As long as the inflation rate outstrips that of trading partners, exporters will have problems, particularly in an industry where the trend internationally is to negotiate price decreases, not increases.

Exports offer the motor industry a double

Internationale Frankfurter Messe

Ambiente

And Life Time are the trade fairs Table Time – Table Accessories, Cooking Time – Kitchenware and Household Goods, Present Time – Arts and Crafts, Gifts and Stationery, Home Time – Ideal Home, Light Time – Domestic Lighting, Picture Time – Pictures and Frames, Glamour Time – Jewellery, Clocks and Watches. At the world’s largest consumer good fair.

Frankfurt am Main, 16. – 20 2 1991
LONGMILE F(M) 23/11/90 192

BUMPY RIDE AHEAD

Sandwiched between tyres, properties, fasteners (nuts and bolts, not zippers), silencers and towbars is a clothing division. But, like all the other operations in the Longmile group, it is drapped in secrecy.

For the interested investor and shareholder alike, the 1990 annual report is short on detailed financial information about the activities. Were it not for an adjusted five-year summary of trading and profit figures, the change in the basis of accounting in 1989 makes any long-term comparative analysis obscure enough to be useless to all but the dogged and determined digger.

Deputy chairman Nicholas van den Bergh agrees that for a disparate group activity such as clothing—which, he says, makes a meaningful contribution to group profits—to be justified in the context of the group’s engineering-based activities, more financial details would be appropriate.

The same applies to the silencer division, which has 140 Silencer Services outlets, of which 70 are wholly owned and 70 franchised. The division manufactures Grampel exhaust systems around which a major export drive is being mounted. Other Durban and Johannesburg factories turn out nuts, bolts and screws. Recently, domestic demand for these has fallen off. Excess capacity has also been directed to exports.

In the tyre division, the combined venture between Tycon and Tredcor has, according to the report, “resulted in a more profitable turnover mix, a satisfactory contribution to earnings and an improved market share for the company’s tyre investments.”

Referring to clothing, Van den Bergh says that the strong brand names attaching to the “semi-exclusive” lines which the group makes to order, enabled profit to be maintained in this division. He adds that “each Longmile division made a good healthy profit, met and exceeded budget and enjoyed real growth in unit terms.”

In the past four years, the group has topped up an enviable trading and profit track record. Since 1986, on adjusted comparable figures, turnover shows compound growth of 27.4% a year, income before interest and tax has grown by 34% and both attributable income and EPS have posted 38% compound growth. This year’s turnover growth of just 2% is a result of the Tycon deal being equitably accounted. Van den Bergh reckons that if the old basis of accounting applied, turnover would have increased by 21%.

Economic conditions suggest that almost all activities associated with the automotive and engineering industries could be in for a bumpy ride, at least for the next year. With consumers’ disposable income likely to be directed to priority spending rather than on fashion goods, Longmile’s clothing division will undoubtedly be negatively affected.

The group has the appearance of being well run. In more normal times, the shares could present good value at the ruling price.

But, partly because of the paucity of more detailed financial information and partly because of tough times in the economy, the shares should be watched rather than considered a buy.

Gerald Hraban
VW sets tough conditions for plant reopening

By Drew Forrest and Post-Elizabeth Correspondent

Volkswagen last week announced that it had met the demands of the shop steward system. At the heart of the dispute is VW's demand that NUMSA sign a new recognition agreement, based on the labour code drawn up in collaboration between South African and German metal unions and similar to those already in force at other German firms in South Africa, such as Mercedes and BMW.

This "very progressive" agreement had not been signed, VW said, although shop stewards had discussed it and members had pledged adherence. It said NUMSA was holding back pending "further education and clear interpretation" of the proposed deal.

Negotiations over several days this week failed to bring the parties closer, and management is reported to have walked out of the latest round of talks.

The court case which triggered the current dispute revolves around a racial altercation, allegedly involving an AWT member, and NUMSA has demanded a clear policy on racial conflict at the works.

It also accused the firm of using minor incidents to implement retrenchments threatened four months ago. Stressing that it had become "unpractical and uneconomic" to continue production, the company has demanded NUMSA pledge itself to "uninterrupted production" at the plant.

As conditions for a resumption of work, it has demanded a commitment to VW's viability, industrial peace and stability, agreement to abide by all conditions of employment and to eliminate unprocedural action, and the effective operation of the shop steward system.
VW's production suffers 1 500 loss

THE closure of Volkswagen's Uitenhage plant since last Friday has already resulted in a production loss of at least 1 500 vehicles, MD Peter Searle said yesterday.

Sapa reports Searle said the plant was losing between 250 and 350 vehicles a day, and he did not know if the plant would reopen before the Christmas shutdown.

He said there would be inevitable delays to deliveries of the more popular Volkswagen models of up to several weeks.

Negotiations between management and the National Union of Metalworkers (Numsa) remained deadlocked yesterday, with the company demanding Numsa sign a recognition agreement and commit itself to ending unprocedural action.

But the plant's senior shop steward John Gomomo said yesterday management's inability to "plan production properly" lay at the heart of the dispute.

The installation of new but inefficient equipment had placed an intolerable strain on management-worker relations. During the year Numsa members were ordered to work overtime to make up for backlogs.

and laid off because of parts shortages.

Gomomo said management could not "plan production properly and workers are always the victim of their bad planning". They were using the incident which sparked the closure of the plant to "rectify their production plans".

Volvo management shut the plant down after several hundred engine-room workers left the factory to attend a court case involving a colleague, which Gomomo said yesterday should have been resolved by internal industrial relations procedures.

Gomomo said Numsa members agreed at a general meeting on Monday to adhere to the recognition agreement procedures but the company now wanted them to sign the agreement "under duress".

Volkswagen officials were not available for comment on the union claims.

Volkswagen and Numsa agreed in February to accept the recognition agreement in principle, but Numsa decided not to sign it until an education programme for its members was complete.
VW closure costing millions

OWN CORRESPONDENT

PORT ELIZABETH Work stoppages and absenteeism by Volkswagen employees have cost the company millions of rands, making production at the Uitenhage plant impractical and uneconomical, the company said yesterday.

Volkswagen SA managing director Peter Searle said the closure of the company's Uitenhage plant, which goes into its seventh day today, meant a loss of production of between 250 and 350 vehicles daily.

Due to the strong demand for the company's more popular models, there would inevitably be delivery delays of up to several weeks.

He had no idea whether the factory would reopen before the Christmas shutdown, now only a few weeks away, as this was entirely up to the National Union of Metalworkers of South Africa.

The company is demanding a written agreement from NUMSA that it adhere to procedures and that there be an end to work stoppages.

In February, Volkswagen and NUMSA agreed in principle to accept an agreement covering their relationship and setting out the rights and obligations of both parties. It had been hammered out by NUMSA and the powerful German trade union IG Metall.

The company has apologised to customers awaiting delivery of new vehicles and to its suppliers, dealers and employees who were losing money and risked losing their jobs because of the situation.

The Uitenhage plant was closed on November 16 when about 600 engine plant workers walked out to attend a court case involving a shop steward and a foreman.

The company has refused to reopen the factory until the union signs a recognition agreement which guarantees continuous production.

More than 20 production days have been lost this year.
By 20% in 1991?

Car Prices to Rise

By ANDRE KOMPAIAN

and BROWNY DAVIS

The trend towards higher prices in the local components sector

are significant. Lower than those paid by

vehicle manufacturers with local compo-

ded means in the industries which apply

the results of the methodology for higher

models, and the localisation of local models.

The result is due to an expected new government

Brand Program, and the increase was

as high as 20% in January, An increase of

of 2% would not be as high, and could

compared to these, the trend was

expected to be a little worse, the said

year, and the expected to rise. The said

price increase was plenty of

the local industry. The trend is far far

expected to rise.

NOMINATE: COMING

2/1/91

2/1/91
Numsa to adhere to VW agreement

 PORT ELIZABETH — The National Union of Metalworkers of South Africa (Numsa) has agreed to adhere to the recognition agreement demanded by Volkswagen as a precondition to restart production. However, the union would not sign the agreement until all employees were educated on its contents, reported Numsa's chief shop steward, Mr John Gomo.

Assembly lines at the Uitenhage plant remained idle for the seventh production day yesterday after managers halted operations on November 15.

The company has demanded that Numsa officials sign a recognition agreement worked out earlier this year. It covers the relationship between company and union and sets out the rights and obligations of both parties.

An apparent about-turn by Old Mutual may help bring an end to the two-week-old strike of more than 300 employees in the Eastern Cape, Ciskei and Transkei.

The company has proposed a meeting with the committee representing the employees, only two days after it stated it did not recognise the committee as a bargaining unit.
THE Volkswagen factory in Uitenhage stayed closed for the seventh day on Friday as no progress had been made in talks with the National Union of Metalworkers of South Africa, the company said. Production could not be resumed until the recognition agreement had been signed and employees tendered their services in terms of the agreement and their service contracts, VW said – Sapa
FINANCE

Volkswagen seeks excise extension

VOLKSWAGEN SA is to ask the National Association of Automobile Manufacturers (Naamsa) to apply to government for the period of its payment of excise duty to be extended.

This is because the company has been hard hit by strikes, unrest, work stoppages and the strength of the Deutsche Mark against the rand.

Industrial sources said at the weekend quarterly paybacks were in effect, but this could be extended to a 16-period structure extending over four years.

**Imported**

The yen had weakened by almost 20% against the rand in recent weeks, while the Deutsche Mark had strengthened against the rand this year, allowing Japanese manufacturers to effect a double saving in excise duty and manufacturing costs, WWSA supply director Fritz Fruehholz said.

In terms of Phase VI of the local content programme, increased local content value in vehicles is rewarded by a rebate on excise duty payable on imported materials.

WWSA's local content would be reduced if production time was lost through work stoppages.

Industrial sources say the only solution would be to account only for foreign exchange in vehicles manufactured during a quarter.

Forex is predetermined in one quarter and is directly accounted for by expected vehicle sales in the next quarter.

BMW financial director Peter Barbe said a major negative factor in the current programme was the foreign penalty of 50% on imported capital assets.

"This has an inhibiting effect on the transfer of free technology and can also affect the viability of exports."

Representations have been made to government on this matter, Barbe confirmed.

BMW's strategy to achieve the 75% local content target has been to bridge the gap between the optimum economic local investment level and the target through exports. In the current year BMW's exports would amount to about R150m.

"The long-term goal is to balance imports with exports, thereby limiting the exchange risk," Barbe said.

According to BMW, the optimum level of locally-sourced parts, currently at 65%, is about 60% above that level investments become uneconomical because of the technological limitations and low production quantities in SA's component industry.

Barbe said these factors resulted in costs being far higher than the equivalent imported prices and created inflation.

Toyota SA reported last week its projected forex savings attributable to import replacement under Phase VI would be almost R150m for 1990-91.

Toyota's required capital expenditure for gearing up under Phase VI would amount to R300m over the next five years, excluding model-related investments that would be about R700m for the period.

These investments would help create about 1,220 new job opportunities by the end of 1991, said Toyota CEO Bert Wessels.

**Japanese**

Econometric's Tony Twine said it would not be advisable for German vehicle manufacturers to try to persuade the Board of Trade and Industry to "re-engage" Phase VI, as it appeared the rapid strengthening of the yen might turn the advantage in favor of the German manufacturers.

He said the exchange rate advantage enjoyed by Japanese manufacturers in SA had virtually been cancelled out.

"Since September the rand/yen exchange rate soared again, and this strengthening of the yen has started to close the gap opened by the Deutsche Mark."

**MARC HASENFUS**
Volkswagen plant to be re-opened

VOLKSWAGEN's Uitenhage plant is to re-open on Thursday after management and the National Union of Metalworkers (Numsa) reached agreement yesterday on an "action plan" to resolve the deadlock.

Management shut the plant on November 15 after "unprocedural" action by workers who left an engine room to attend a court case involving a colleague.

The company insisted Numsa commit itself to outlawing unprocedural action by signing a recognition agreement — which the parties had accepted in principle in February — before it would resume production. Numsa had not signed the accord as it was waiting for the completion of an education programme for its members.

A company spokesman said Numsa had undertaken to sign the recognition agreement once an "urgent education programme" to inform union members on the contents of the accord was carried out today and tomorrow.

But after a workers' general meeting yesterday morning Numsa declared a dispute with Volkswagen because the company had refused to pay workers for the time the plant was closed.

See Page 10
Plant set to reopen after VW, union agree

By Shareen Singh

The Volkswagen plant in Uitenhage is expected to reopen on Thursday after workers returned to work following an agreement between the company and the union.

The company said an agreement had been reached with the National Union of Metalworkers on an action plan to resolve the deadlock regarding the signing of a recognition agreement.

The parties agreed to conduct an education programme today and tomorrow on the recognition agreement.

At the end of the sessions, the recognition agreement, to which the parties agreed in principle earlier this year, would be signed, and production would commence the next morning.

Management closed the plant after workers "unprocedurally" walked off their jobs to attend a court hearing.
VW resumes production

PORT ELIZABETH — The Volkswagen motor plant in Uitenhage is to resume production on Thursday.

A company statement yesterday said management and representatives of the National Union of Metalworkers of SA had agreed in principle to sign a recognition agreement.

Employees would attend special sessions at the plant today and tomorrow to familiarize themselves with the contents of the agreement.

The production line was shut down following a staff walk-off in the engine plant division on November 15 — apparently to attend a colleague’s court case — Sapa.
'Peace and justice' as VW slips into gear again

By SHARON SOROUR
Labour Reporter

VOLKSWAGEN reopens its Uitenhage motor plant today after signing a detailed recognition agreement with the National Union of Metalworkers.

A company spokesman said, "Both parties have committed themselves to industrial peace and justice in the workplace and to maintaining acceptable work and behaviour standards, the growth and viability of the company, health and safety in the workplace and the principle of equal opportunity."

Production at the plant stopped on November 15 when about 600 engine plant workers walked out to attend a court case involving a shop steward and a foreman.

Volkswagen refused to reopen the plant, where about 6,000 people are employed, until the union signed an agreement which ensured continuous production.

While the union has demanded that Volkswagen pay all employees affected by the closure, the company spokesman said Volkswagen had "no legal or moral obligation" to do this.

The recognition agreement is based on 14 points contained in the German IG Metall metalworkers' union employment contract. Volkswagen is the third South African car manufacturer to sign it with Numsa, after Mercedes-Benz and BMW.

The document contains minimum standards for labour relations and includes procedures for grievances, disputes, arbitration and retrenchment.

Previously the Volkswagen employment contract provided for jointly agreed procedures and policies, with wages and similar substantive issues determined by an industrial council agreement.
One-page business plan lifts Delta out of the old GM mire

By DON ROBERTSON

12% On occasions it increases to 14% in passenger and light commercial vehicles

Delta was recently presented with an award for the best non-listed company in SA by Business Day, Arthur Andersen & Co and the Wits Business School.

Suggests that when the management team concluded the buyout in 1986 it started without debt are not strictly true, says Mr Butler-Wheelhouse.

But what the company was able to do in its first year was to reduce the break-even production level to 25,000 vehicles a year. This year it is confident it will sell more than 40,000, marginally lower than in the past two years.

The company shows a return on non-revalued assets of 25% less cash, of which it has a surplus.

Mr Butler-Wheelhouse says: "This year we hope to increase turnover to about R4,4-billion. Which other manufacturer can boost a turnover like this with no borrowing?"

Delta plans to give a facelift to the Rekord and include engine changes. A new Kadett will soon be launched in Europe and will probably be changed in SA in the middle of 1993.

Tooling for these changes will cost about R180-million, which Mr Butler-Wheelhouse believes can be financed from internal earnings.

Delta will keep up with Monza and Kadett changes in Europe, but will probably miss a complete change in the Rekord.

Expansion in terms of Phase Six of the current programme has cost about R76-million, with more to come.

"To meet Phase Six we will have to localise components or export more, but exporting is more difficult. Although we are the largest completely knocked-down (CKD) market for Opel of Germany, we become merely a supplier in terms of exports because we are an SA-owned company. We therefore have to stand in the queue," says Mr Butler-Wheelhouse.

KEITH BUTLER-WHEELHOUSE. All the details placed in a nutshell.

"As a result, we have to be competitive. But Opel is looking for component suppliers outside Europe to take advantage of low labour costs and it has thrown its requirements open to the world. If sanctions are lifted, it could throw the door wide open for us."

Delta has negotiated a R23-million tooling agreement with Isuzu- Bedford in the UK. It has also done tooling work for Volkswagen SA and Toyota SA, including the roof panel for the Toyota Hi-Ace.

Mr Butler-Wheelhouse is confident that exports will grow.

For the future, the company plans to increase its production capacity for the Kadett.

"It is costing a premium on tooling, but we believe it is necessary," says Mr Butler-Wheelhouse.

The customer-care programme is being intensified.

Labour

"There is almost a parity position in small cars at present, so we have to do something to attract customers. Service is vital; it is the only way we can get repeat business."

Delta enjoys the best labour relations record in the industry. In the past four years, it has lost only four working days through strikes.

"We have achieved this by establishing a network of informal groups whom we talk to.

"Although we talk to employees through the unions, we also feel we have a right to talk to our own people and explain the company’s aims.

"Every employee has played his part in this and all have contributed. It is a powerful way of glueing the company together," says Mr Butler-Wheelhouse.

FROM a loss of R358-million in 1985 under the name of General Motors, Delta Motor Corporation has chalked up two years of profits of more than R100-million.

When asked about the size of profits in this privately owned company, chairman Keith Butler-Wheelhouse jokes: "When I was told that Toyota was expected to make R100-million, I replied that I would be disappointed if we made less than that."

The turnaround was achieved by maintaining a tightly controlled strategic plan and deciding carefully what management "is not going to do."

Onus

Mr Butler-Wheelhouse says: "We use a one-page business plan. Literally, our business plan fits on a single A4-four page and we update it every year.

"This keeps communications down to a minimum and takes away excuses because we cannot say we have too much to do. We concern ourselves with a few major issues. Although we have made mistakes, we have learned from them."

Mr Butler-Wheelhouse says: "It's amazing how much you can achieve if you don't mind who gets the credit. That's one of our secrets, we spread the ours on all of our people and they respond."

Market share has risen from 7% in 1986 to about
Another grim year for motor industry

GLOOM in the motor industry is expected to worsen next year because of poor economic conditions and high interest rates.

Sales are forecast to decline by 4.5% and 5%, says Toyota Marketing Manager, Director Brand Pretorius.

He predicted at the launch of the face-lifted Toyota Stalion that total sales in 1990 would be about 521,000, with cars at 200,000. This compared with an expected 520,000 this year, 352,000 in 1989 and the peak of 453,000 in 1981.

He forecast that there would be no growth in gross domestic product, interest rates would remain high and year when the rand was stronger. It gave Japanese sourced manufacturers an advantage over German sourced vehicles makers.

Mr Pretorius said Japan continued to restrict its motor trade with SA to the 1997 figure of 40-bilion yen.

"We do not think this will be too disadvantageous for us and we will discuss it with them in the future. We think, however, that their position has softened."

Toyota's share of the vehicle market was expected to increase to 22.7% this year from 25.7% last year. The company was looking for a 20% to 25% share of the market next year, or sales of about 96,000 vehicles.

This year's figure was made up of a 25.8% share of the car market, 33.5% light commercials, 42.3% medium commercials and 24% heavy commercials. This was the 16th year Toyota had been market leader in spite of the limited supply of components from Japan in 1987.

The revised Stalion has been upgraded by increasing the cab space without loss of loading area. It has allowed the introduction of adjustable seats and door trim panels have been fitted.

A two-piece propshaft with a centre bearing is now fitted and radial ply tyres are added.

Mr Pretorius said the revised Stalion had considerable export potential because it was produced only in Indonesia and Taiwan.

"We expect some exciting possibilities from the Stalion."

Pressure

Mr Pretorius said the rand could decline to 48 yen next year. Toyota would have to absorb some of the decline.

The rand had declined by about 20% against the yen since its peak and Mr Pretorius expected it to drop by 15% next year.

The rand had declined by about 20% against the yen since its peak and Mr Pretorius expected it to drop by 15% next year.

About 40% of Toyota's expected turnover of R3.8-billion this year was made up of imports, so any change in exchange rates was important. A stronger yen would reverse the trend earlier this
New car launches shelved by VW

By ANTHONY DOMAN

NEW-MODEL launches have been shelved after crippling work stoppages at the Volkswagen factory.

And public affairs manager Mr. Matt Gennrich said the Uitenhage carmaker’s loss in turnover amounted to about 300 units a day at an average retail price of R40 000 — about R12-million a day.

The effect of a pull-out or scaling down of VW’s operations would have a devastating effect on the Eastern Cape, a spokesman warned during the most recent stoppage. By the end of last month the company had lost more than 20 production days in 1999.

Mr. Gennrich said the stoppage — which ended last week — was particularly severe at the bottom end of the market, as well as on some Golf and Jetta models.

‘POCKET ROCKET’

“The production stoppage has obviously affected the introduction of new models. Two of these will now be introduced in the new year.”

These models are believed to be the new Golf GTi “pocket rocket”, designed to re-establish VW’s dominance in the small-car performance stakes, and a bigger-engined Kombi.

“We understand the frustration of some customers and apologise for the delay and any inconvenience,” he said.

A union spokesman alleged that technical problems played a part in the stoppage, but Mr. Gennrich denied this.

The company’s pricing and competitiveness would not be affected, although it would lose a market share this month, he said. The spare-parts supply was not affected unless the part was an off-line part, which was rare.

Commenting on prospects for the industry and the company in the new year, Mr. Gennrich said VW saw the market remaining at 1999 levels. It would grow “sideways, if at all”.

TROUBLED PLANT

The most recent hiccup at the plant occurred on November 15. A group of engine plant workers walked out to attend a court case involving a shop steward and a foreman and VW retaliated by closing the plant. The company refused to reopen until the union signed an agreement ensuring uninterrupted production. The plant employs about 6,000.

Eventually the company and the National Union of Metalworkers signed a detailed agreement. They committed themselves to working together for peace and justice in the workplace and acceptable work and behaviour standards.

The agreement sets out minimum standards for labour relations and includes procedures for grievances, disputes, arbitration and retrenchment. It is based on the German IG Metall model agreement. Mercedes-Benz and BMW have signed similar agreements.
THE Volkswagen SA plant in Uitenhage is operating at full production, says VW spokesman Ronnie Kruger. The plant was crippled by the National Union of Metalworkers (Numsa) walkout last month, costing VW almost 2,700 vehicles in lost production.

The closure increased pressure on new vehicle demands and the Christmas holiday will exacerbate the shortage.
Spares could rescue car companies

JSE-listed motor companies, struggling under difficult trading conditions, could produce spectacular results by the end of next year if adequate expansion into after markets takes place, industry analysts say.

The spare component sales were not impressive this year, but the analysts believe they will boom by the end of 1991 when the effects of the stronger car sales 4-5 years previously begin to become apparent.

Companies who divest their interests in spares and services could be in for a tough time as new and used vehicle sales are expected to decline further next year.

New car sales are expected to dip 5% to 205,000 units this year while used car sales are likely to fall 20%.

The two listed tyre and wheel groups, Gentrety and Tiger Wheels, performed well this year.

By comparison, companies with a balanced portfolio of interests in new and used car sales and after market activities were hampered by weak vehicle sales that resulted from work stoppages at certain manufacturing plants, high prices and escalating inflation levels.

One of SA's fastest growing motor groups, Vasilourcas (Valcar) had its earnings record halted when attributable profit was halved to R5,2m (R1,1m) for the six months to end-August.

The group has acquired spares group Spareco and is tipped to renew its earnings growth path.

Valcar shares fell from a December 1990 high of 70c to a 48c low in November. The share has traded at about 60c this week.

Combined Motor Holdings (CMH), Market Motor Group (MMG) and McCarthy have reported an earnings decline after being hit by weakening vehicle sales.

Analysts say the three companies will survive current difficult trading conditions as their spares and services sections are expected to substantially increase their contribution to profits.

Cape-based MMG reported an 11% earnings decline to R5,5m (R6,1m) after its new and used vehicle sales faltered, while its spares and services sections reported the highest growth of all.

CMH, which owns nationwide dealerships, reported a 5% drop in operating profit to R17m (R18m), but analysts say the well diversified group is still a sound investment.

MMG and CMH shares have just come off recent lows of 95c and 29c, respectively, and are currently trading at 106c and 95c.

McCarthy, whose attributable earnings slipped 6% to R59m (R65m) for the year to end-June, has shifted emphasis from the new car market to used car sales, spares and services.

McCarthy, SA's largest motor vehicle distributor, has a 21% stake in giant spares distributor Midas. Although Midas is not contributing significantly to the group's bottom line, it is expected to do so in the future. McCarthy shares have also come off an October low of 206c, trading at 309c yesterday.

Wheel distributor and manufacturer Tiger Wheels performed well under difficult conditions managing to maintain its five year unbroken record of growth.

The group year-end results showed a 26% jump in turnover to R51,7m (R41,1m), while attributable income increased 17% to R3,4m (R2,9m). It also managed to double its number of employees.

Tiger Wheels recently restructured its Babezlae wheel factory which could result in the doubling of potential wheel production.

Its shares trade often and came off a September low of 55c to trade at 57c yesterday. The shares peaked at 75c in February.

The strongest performer in the motor sector, Gentrety, achieved a superb 61% boost in earnings to R25,2m (R15,7m) for the interim period to June, which translated into an earnings of 165c a share (101c).

In spite of the good performance Gentrety slumped from its R21,50 June high to R15,75 in November. The share has steadied at R17.

Market rumours suggesting the importation of low-cost tyres could explain Gentrety's depressed share price, analysts said.
McCarthy calls on\footnotemark Govt to ease up

McCarthy, South Africa's largest motor vehicle distributor, has added its voice to the increasing calls from the business sector for the Government to relax its stringent monetary policies.

Joint managing director Theo Swart says while the Government's efforts to bring inflation down deserve wide applause, the time has now come for the authorities to take stock of the situation and give the hamstrung economy some relief in the form of cheaper money.

"The entire business sector, not least the motor industry, is being throttled by the continued high interest rates and a loosening of the screws should be sooner rather than later," Mr. Swart says.

"Because of crippling bond rates, consumers have no disposable income and any thoughts they may have of buying a used car, let alone a new car, are out in the sky," he says.

To illustrate his point, Mr. Swart says used car sales have fallen by more than 20 percent this year as more and more buyers have dropped out of the market because of lack of affordability.

On the new car market, Mr. Swart says total dealer sales in December are expected to come in at well below 17,000 units, compared with over 20,000 units in August.

"The man in the street has been out of the new car market for a long time.

"But now the tight monetary policy is forcing more and more corporate buyers out of the market—hence the steady decline in sales," Mr. Swart says.
German car-makers hit back at Japanese claims

By DON ROBERTSON

THE FALLOUT from car wars between Japanese and German manufacturers has reached SA.

German companies have reacted angrily to an independent report commissioned by Nissan and suggesting that their "club" enjoys special benefits under SA tax rules.

BMW managing director Reinhard Kunstler criticises "derogatory" remarks by the report's author, independent consultant Ian Buyers.

Mr Kunstler says the SA motor industry's future depends on its ability to become part of economic globalisation.

Artificial

The best way to achieve this is through German manufacturers who are able to transfer technology and exports through their multi-national contacts.

Attempts to achieve globalisation through artificial protection, as suggested by Mr Buyers, would lead to more Government intervention and higher car prices.

BMW takes issue with the report's conclusion that fringe benefits taxation is structured to favour luxury cars.

The conclusion is illogical because there are differences in calculating fringe benefits based on distances travelled by small and luxury cars.

Normal income-tax tables take into account the higher earnings of those who buy luxury cars. It should thus not be the purpose of fringe benefit tax to favour the purchase of less expensive cars.

Mr Kunstler also criticises Nissan managing director John Neihurst for urging motorists to buy small cars.

He says luxury cars have to comply with the same local content requirements as small ones. They have a higher local content by value. That brings more jobs and wealth.

"However, it became clear that he contradicted himself when just a few weeks later, the news leaked out that his company was planning to enter the top end of the luxury market. He drives a 100% imported car and says the Maxima will be imported to use foreign-exchange surplus arising from the local content programme."

Mercedes-Benz SA chairman Christoph Koppke says "The Buyers report contains inaccuracies which should be cleared with the author before it can be taken seriously. For instance on a key issue - the size of the luxury car market in SA."

Manipulated

"Mr Buyers claims it is about 20% of total sales, but by his definition, we would see it at only around 12%.

Mr Koppke says Perkins tax calculators were manipulated to indicate that Perkins tax is structured to favour luxury cars.

Ray Eukuman, head of the tax division at auditor Ernst & Young, disputes this claim.

Mr Eukuman says a married man earning R80 000 a year pays personal tax at the marginal rate of 44%. A married man earning half this amount pays at 36% - only 8% less. The motorist with the larger earnings can afford a luxury car. The motorist earning R40 000 is restricted in his buying choice.

The reaction of the German manufacturers follows an onslaught on the European and American luxury car markets by the Japanese, particularly Toyota, Nissan and Honda. The top Japanese cars cost less than German makes, but compete favourably with them in luxury and performance.

When Toyota and Nissan start producing cars from plants being built in the UK, Europe will have an oversupply of about 2.2-million vehicles a year.

One report says "Europe's long-anticipated sales war has begun in earnest and no prisoners will be taken."

Eastern Europe will be able to take some of the excess capacity only about five years from now.

Until then, Western Europe is seen as the battleground for a sales war of unprecedented proportions that will lower the profits of virtually all Europe's car-makers and will lead to more mergers and joint ventures.

To counter the Japanese invasion, the Americans will seek new markets, particularly in Europe.

Decimated

Jacques Calvet, chief executive of the Peugeot-Citroen group, says a price war in Europe will lead to fewer competitive models with "the inexorable result that by the turn of the century, Europe's car industry will have been decimated."

European car-makers have launched a successful foray into a more accessible Japanese market.

In the past four years, sales of European cars in Japan have been soaring by about 35% annually and are expected to reach 250 000 this year. They are expected to double by 1995 and reach about 10% of the Japanese market - about the same penetration Japan has in Europe.

Time magazine reports that Volkswagen-Audi is expected to sell 60 000 units this year in Japan, followed by BMW with 40 000 and Mercedes-Benz which sold 31 000 last year. The British-based Rover group is expected to sell 12 000 cars in Japan this year.
A cry for relief

RELAXATION of monetary policy is sought by the motor industry.

Tienie Swart, joint managing director of McCarthy Group, says that although the Government's efforts to contain inflation are worthy, "the time has come for the authorities to take stock of the situation and give the hamstring economy at least some relief in the form of cheaper money".

The entire business sector, not only motoring, is being throttled by continued high interest rates.

"A loosening of the screws should be sooner rather than later."

High bond and interest rates have prevented the motorist from buying a used car, let alone a new one, he says. Used-car sales have fallen by more than 20% this year.
Car makers work against pollution

MOTOR manufacturers are becoming increasingly involved in programmes to develop environment-friendly production processes.

Cars are currently far from being environment-friendly as they pollute the atmosphere with exhaust fumes and use up non-renewable fossil fuels, while wrecks litter the countryside.

Consideration is already being given to aluminum as a viable substitute for steel in producing body panels for cars.

Aluminum, although more expensive to manufacture than steel, has a considerable weight advantage, making a vehicle more economical to run. It also resists body rust and is shaped and cast more easily.

However, aluminum is problematic in that welding is more difficult than on steel panels, and unlike steel it cannot be moved by magnetic devices — only by physical gripping, which often marks the surface.

Audi SA and Nissan SA both use aluminum in certain models and foresee that their vehicles will have a high aluminum content in the future.

Audi reports that the galvanising of its steel car bodies preserves the steel for recycling with minimum loss and a specialised process allows pure commercial zinc to be reclaimed.

Motor manufacturers are now using a metal-based, three-way catalytic converter which dramatically reduces hydro-carbon, carbon monoxide and nitrogen oxide emissions.

Ozone damaging chlorofluorocarbons (CFCs) are still used as a foaming agent in the manufacture of the large seat cushions and to insulate electronic components.

Toyota SA and Audi confirmed newly-developed manufacturing processes would eliminate the use of CFCs.

Audi WG have developed an experimental "hybrid" car aimed at reducing urban air pollution. The car is designed to run on electricity in the city but can transfer to petrol or diesel power on the open road.

Nissan Japan has developed a prototype of a clean-burn, multi-fuel, gas turbine engine and also a methanol-powered Nissan Sentra.
Car price rises set to exceed inflation

NEW vehicle prices are certain to increase above the inflation rate next year, with manufacturers and industry analysts predicting an increase of between 14% to 19%.

The National Automobile Manufacturers' Association (Naamsa) expects new car prices to increase by 14.5% as domestic inflationary pressures will continue to hinder manufacturers well into next year.

The primary economic factor affecting new vehicle prices is the fluctuating value of the rand against the yen and Deutsche Mark (DM).

**Strengthened**

Toyota SA, the largest manufacturer in SA, forecasts a possible 19% increase in prices during 1991 as the rand is expected to continue depreciating against the yen by approximately 12%.

This equals the inflation rate differential between the two countries.

This year the rand strengthened against the yen, allowing Toyota to contain price increases to 7.5% across the range.

Volkswagen SA predicts it could keep its price increases next year below inflation if it continues to benefit from the favourable rand-Dm exchange rate.

Delta, which sources its models from Japan and Germany, and prominent industry analysts say price increases will be at around 15%.

Manufacturers are concerned over the Department of Trade and Industry's attempt to recover imbalances in its financial situation by a possible increase in the local content programme.

With the introduction of an additional 2% duty tariff on imported parts, this could lead to a further vehicle-price hike.

Industry sources believe the tariff charge is designed to refill the depleted government fund used for rebate repayments to strong performing manufacturers who have exceeded the 65% local content requirements.

Naamsa director Nico Vermaak says the duty tariff will be operational for one quarter (December to February) only, and will not have an adverse effect on vehicle prices.

Analysts say the "buy down" trend could intensify if price increases are not kept at a reasonable level. Almost 70% of new passenger vehicle sales are in the small or light-car sector.
Tough times put a brake on car sales

MARC HASENFUSS

NEW passenger car sales for November declined 7% compared with the corresponding month last year as high finance costs and difficult trading conditions continued.

National Association of Automobile Manufacturers of SA (Naamsa) figures released yesterday showed November passenger car sales dipped 1 375 units to 18 175 (19 549) units, although they increased 3% over October's 17 640 units.

Light commercial vehicles (LCVs) and minibuses declined almost 9% against last November to 9 662 units (10 479), and 4% against October's 9 977 units, despite enhanced demand for these vehicles from the small business and corporate sectors.

New car and LCV sales could have been higher had it not been for serious production losses.

The medium and heavy commercial vehicle market remained severely depressed, with sales declining 12% to 372 units (423) and 20% to 732 units (913) respectively.

Naamsa said these sectors would show a significant improvement only once the overall level of domestic industrial activity and investment spending picked up.

Combined new vehicle sales showed an 8% fall to 29 831 (31 354) units, and Naamsa predicted no growth next year.

Industry projections expected new car sales to reach 210 000 (221 000) this year and remain at that level next year, while LCVs should finish the year at 114 000 (117 000) and attain 116 000 next year.

MCVs and HCVs were estimated at 4 900 (4 474) and 7 700 (8 678) respectively this year and could improve marginally to 5 000 and 8 500 in 1991.

Naamsa said the sales projections should be evaluated in the context of 3,5-million cars and 1,3-million LCVs, MCVs and HCVs on the road, and an average age of 7.9 years for cars, 7.1 years for minibuses and 7.7 years for commercial vehicles.
Recession puts stopper on November vehicle sales

Finance Staff

The recession is hitting car retailers hard, the latest sales figures from the National Association of Automobile Manufacturers of South Africa (Naamsa) show.

New car sales in November were down 7.53 percent to 18,165 units on year-ago figures, but marginally up three percent, compared with October figures.

November is traditionally a busy month for the trade because the public buys new cars in time for the Christmas holidays.

Sales of new light commercial vehicles and minibuses totalled 9,502, down 415, or 4.2 percent, from October's 9,917 units and down 917 from November 1989.

Sales in the low-volume medium and heavy truck sectors fell by 51 units (12 percent) from October and 180 units (19.7 percent) from November 1989.

Naamsa says that while trading conditions throughout the industry remain difficult, car and light commercial vehicle sales could have been higher had it not been for production losses at Mercedes' Eastern Cape plant.

Enhanced demand from the small business and corporate sectors continued to contribute to the relatively resilient performance of the light commercial vehicle and minibus segments.

Business conditions in the industry's medium and heavy commercial vehicle segments remained severely depressed.

Sales in these sectors will only show a significant improvement when the overall level of industrial activity and investment spending picks up, Naamsa says.

Given the current economic downturn, Naamsa expects little or no improvement in sales volumes. Latest industry projections are for no growth in 1991.

Expected sales of 4,000 tractors this year could be the lowest on record, says the SA Agricultural Machinery Association (Saama).

In its monthly sales report it says tractor sales in November were 255, down 96 units, or 25 percent, from October, and 50 percent below those of October 1989.

Sales for the year to date are 3,739, down 1,595, or 30 percent, from the equivalent period last year. — Sepa.
Toyota gearing up for massive Natal expansion

DURBAN — Toyota is gearing up for massive expansion, which will result in hundreds or even thousands of new jobs next year.

Manufacturing MD Ralph Broadley said yesterday that while the industry as a whole and other sectors of the economy were in decline, Toyota planned to produce a record number of cars next year.

Production of the Corolla was being stepped up by 4,500 to meet a “seemingly bottomless pit of demand”, while major new job-creating developments were coming on stream.

This year, R247 million had been spent on capital projects and phase six of the local content programme. R117 million would be spent next year.

This included the R33 million import-replacement engine plant, which should start operating in the first half of 1991.

Volume expansion and the engine plant would result in an extra 400 and 500 new jobs.

Component suppliers, mainly in the Durban area, would also need to step up production, thereby creating more jobs.

Disruptions

Mr Broadley said this year Toyota, which has been hampered by outside disruptions, had produced 24,000 vehicles at its Prospecton plant.

Next year this would be stepped up to 97,000.

Toyota South Africa Manufacturing had increased investment in Natal over the last three years by 750 percent, he said.

And by other direct or indirect support, it had cemented its claim to being one of the largest corporate citizens in Durban.

Annually, it spent more than R600 million with local component makers, of which R444 million was in Natal.

Toyota could claim to support 24,000 breadwinners in the component supply industry.

Toyota’s work force in Prospecton increased from 5,143 in 1988 to 5,531 (1989) and to 5,900 (1990).

Wages and salaries had jumped from R197 million in 1988 to R277 million this year.

“It should not be forgotten that these figures have been achieved in a quiet economy at a time when many companies have been forced to lay off staff,” Mr Broadley said.

In 1988, Toyota Manufacturing paid local authorities R1 million in rates and taxes.

This year the figure was R1.6 million.

Buying of components had zoomed from R283.6 million in 1988 to R391 million in 1989 and to R500 million in 1990.

“The most remarkable increase has been in our investments made in Natal,” said Mr Broadley.

“These went up from R18.1 million in 1988 to R106.2 million last year and to R162 million in 1990.”

“Included is a sum in excess of R50 million spent on our new tool and die facility, R5 million on our new engineering centre and R87 million committed for the localisation of engine components.

“We believe that all this is incredibly good news for Natal and is proof again that here at Toyota, everything keeps going right,” he said.
Car sales head for 210 000

By DON ROBERTSON

The motor industry forecasts a better-than-expected total of 210 000 car sales for the year after a modest increase in November business.

The National Association of Automobile Manufacturers of SA (Naamsa) says November sales rose by an unexpected 3% over the previous month in spite of the work stoppage at Volkswagen which reduced supply by about 2 700 vehicles.

Earlier forecasts for annual sales were between 200 000 and 205 000, but latest projections are 210 000, suggesting volumes in December of 13 800, the same as last year.

Naamsa expects car sales next year to remain static at 210 000, light commercials and minibuses at 116 000, medium commercials at 5 000 and heavy commercials at 3 000.

November passenger sales rose to 18 160 from 17 640 in October, taking the 11-month total to 198 496 against 297 467 last year — a decline of 3.3%.

The light-commercial sector has been the best performer this year with November sales at 9 977 compared with 9 863.

Sales to date are down by 3.1% to 105 560 compared with 108 818.

Medium commercial sales were 372 in November against 441 in October, with the 11-month total 8.3% better at 4 511 compared with 4 191.
Autoquip takes stock of tough conditions

The automotive component industry would benefit more than others from the economic upswing following the lifting of sanctions, Autoquip chairman George Santana said in his annual review.

In the light of prevailing political unrest and a restrictive monetary policy, the automotive wholesaling and retailing group had implemented tighter controls on stock levels and reviewed its product mix and distribution costs to reduce overhead expenditure and interest charges.

The group's resources will be focused on company areas more suited to difficult trading conditions envisaged next year.

Santana said distribution in the areas affected by the Sparesco collapse had been renewed and lost ground would be rapidly regained. The inability to trade normally with the troubled spares group reduced earnings by 16% to R2.1m (R2.5m) or 13.1c (R15.7c) a share.
Off workers' travel time
Minibus cut an hour

Windows will be allowed
Some thinking of vehicle
Motor industry improves wages

MOTOR industry employees' wages will increase from between 14% to 65% on the gazetted minimum pay rates after a wage settlement with employers last month.

Also, the SA Motor Industry Employers' Association (Samco) agreed to increase the holiday bonus from one to two weeks' wages and the overtime meal allowance from R1.50 to R5, a National Union of Metalworkers (Numsa) statement said.

Negotiations were conducted at national industrial council level between Samco, Numsa, the Motor Industry Employers' Union (MIEU) and the Motor Industry Staff Association (Misu).

Comment from employers was unavailable yesterday.

Samco rejected Numsa's demand that the differentiated rate of pay based on geographical areas be eliminated, but it was agreed to narrow the differentials.

Numsa said a combined sub-committee would review the area differentials by February.

The prolonged negotiations were marked by a developing degree of tension, and Numsa warned industrial action would intensify if employers were not serious about improving conditions in the industry.

The motor industry's production levels were seriously curtailed this year by industrial action, mainly in the eastern Cape where work stoppages at the Mercedes-Benz and Volkswagen plants resulted in big losses.

Toyota marketing MD Brand Pretorius said recently the industry would favour a quicker negotiation process.
SA barters cars for neighbour's maize

HARARE — Zimbabwe is to exchange its maize for South African motor vehicles in a countertrade deal worth as much as US$50m.

It will be the first deal of its kind between the two countries since 1980.

Zimbabwe's weekly Financial Gazette reported last week that the final go-ahead depended on whether the maize seed passed SA Maize Board tests.

As long as Zimbabwe receives good rains, delivery of a minimum consignment of 200 000 tons of maize will begin in March and, if successful, will be increased to 400 000 tons. Although SA has sufficient maize to satisfy local demand, the Zimbabwean maize will be used to supplement export orders. It will be delivered to the northern Transvaal.

In return, Zimbabwe will import 2 000 Nissan car kits and 300 heavy-duty trucks, backed by spares worth US$11m. The vehicles will be assembled by Leyland Zimbabwe.

Earlier, Nissan proposed sending refurbished second-hand Skylines, but the Zimbabwean government rejected the offer as it did not want to import used cars.

The Gazette reported that the package faced snags, as multinational company Lonrho was keen to obtain a stake in the deal to import luxury Mercedes cars. It appears this part of the deal depends on whether SA takes the full consignment of 400 000 tons.
Motor Industry Works out Pay Deal
buses sold last year were 3.6% up on 1988

Considering the high cost of finance and the difficult trading conditions, Naamsa feels that new vehicle sales held up reasonably well in November. The 18 165 new car sales were 3% up on October and 7% down on November 1989.

The tougher economic climate was reflected in sales of commercial vehicles, except heavy commercials. This sector responds to different dynamics, particularly investment spending, which depends on the overall level of economic activity.

Vermeulen says the November sales of new cars and light commercial vehicles “could have been higher had it not been for production losses” (Volkswagen was shut for nine days.)

And though the Mercedes-Benz plant in East London is back in full production, its long, crippling disruption may still be affecting the market. Adolf Moosbauer, management board member for commercial vehicles, says the company hopes to resume normal delivery schedules by April.

Many brand-loyal customers are probably prepared to wait longer for vehicles rather than buy other makes, but Moosbauer admits “we lost some who were forced to look elsewhere to fulfill their immediate needs in the light and medium commercial vehicle ranges.” For the first time in many years, Mercedes lost its leadership in the over-7.5 t truck category in October — to Toyota — but regained it in November.

“Given the current downward phase in the economy, little or no improvement in new vehicle sales can be anticipated,” Vermeulen says. “The industry anticipates little growth next year with the number of cars sold remaining the same as this year, the number of light commercial vehicles rising by 2 000 to 116 000, medium commercial vehicles edging up by 100 to 5 000 and heavy commercial showing a satisfactory 1 100-vehicle gain in sales to 8 800.” But then even this is still well below the 9 687 sold in 1989. «
Bicycle business is booming

CAPE TOWN — Bicycles were the real success story of this year’s Christmas shopping, a spokesman for the largest store in the Cape Peninsula, Pick ‘n Pay’s Hypermarket at Brackenfell, said yesterday.

The hyper sold five months’ stock in December, he said.

The main reason for the success was the removal of customs duty on imported bicycles and some components.

This led to cuts of at least R50 a machine in the hyper and some of the other chain stores.

“If the price is right, people will buy,” said the Pick ‘n Pay spokesperson.

Apart from the Christmas trade, many buyers were looking for better bicycles to ride in the 105km Argus Cycle Tour early in March.

Specialist cycle dealers also reported good business, with mountain bikes outselling conventional machines.

The lower duties are also having an effect on the resale value of more expensive cycles.

Cape-based Merchandise Buying Syndicate (Pty) disclosed this week it had sold its major stake in the Western Flyer and Peugeot manufacturing business in Capetown.

“It will now pay to import components and assemble them here,” said managing director Elian Perch.

“There is the possibility of the duty on some items being lowered,” he said.

“We are not moving out of bicycles, but will concentrate on our core business of importing,” he said.

Among dealers planning to open assembly plants is former Springbok cyclist Chris Willemse.
Fleets may opt for used cars

FLEET and corporate buying in the used car market was expected to increase in 1991, dealers said at the weekend.

Down-market buying in 1990 was not as good as was hoped for, they said, but purchases in the used car field were expected to increase in the coming year.

An Avis spokesman said fleets were being used for longer periods than before, and they were likely to be expanded rather than replaced.

The average lifespan was expected to increase from 7,5 years to 8,5 years, especially since used car prices were set to rise in 1991 along with new car prices.

National Automobile Dealers' Association (Nada) chairman Errol Richardson believed the market for used cars had bottomed out after sales plunged 19,2% in 1989. He predicted sales of 262 000 in 1990 and 265 000 for 1991 — an increase of 1,1%.

Central Statistical Services (CSS) research showed that registrations for the first three quarters of 1990 of all types of vehicles — motor cars, commercial vehicles and trucks — totalled 253 031. Used vehicle registrations totalled 530 222 in the same period.

Registrations of used motor cars amounted to 61,7% or 342 940 units of the used vehicle total. This was equal to the average over the last few years.

Of these used cars, company buying accounted for 25 305 or 7,4% — an increase of 0,8%.