MANUFACTURING - MOTOR INDUSTRY

1992

JANUARY – APRIL
Naacam targets the US

The automotive component manufacturing industry had targeted the US as a major export market to boost foreign earnings as local demand declined, National Association of Automobile Component and Allied Manufacturers (Naacam) director Densyl Vermooten said yesterday.

A 10-day "export workshop", to take place in the US from January 27, was expected to open up new export opportunities for local component manufacturers.

Vermooten said it was too early to put a value to the US market.

The workshop, which would allow Naacam members to meet representatives of major US component buyers like Western Auto Parts, had been jointly arranged by Naacam, the Department of Trade and Industry and the US-based Texas-Carolina Group.

Vermooten said local component manufacturers were already well-positioned in Europe and, to some extent, in the Far East. A break into the US market would be entirely new ground for SA manufacturers.

Texas-Carolina said in a statement that the workshop would cover topics like understanding US parts distribution, differences in American business practices, costing and pricing policy, product liability, import requirements, financing exports and US packaging and service requirements. The visit would be focused on Charlotte, North Carolina, the sixth largest distribution centre in the US.

Vermooten said the US workshop was the first of a number scheduled worldwide by Naacam which had "embarked on an aggressive export campaign to develop new offshore markets".

He said the US visit would be closely followed by an organised trade visit to Australia in March or April.
New vehicle sales may be down 20% compared with 1991. He did not feel a recovery in the economy and a drop in interest rates would provide much relief to the motor industry.

Sales manager for Volkswagen and Audi dealer Barons Frank McGunness said although the company's new car sales dropped steeply in December, he expected sales to improve this month.

He added most of the purchases going were in the lower-priced end of the market as buyers downscaled to suit their pockets.

Although sales were expected to pick up in January and February, Toby Venter, owner of Delta dealership Venter Motors, expected sales to be about 30% down on the same period last year.

He said the depression in the industry was largely a result of the huge new car price rises over the past year: "Companies are definitely buying down and are extending the lifespan of their fleets."

Spokesmen for Toyota, Mazda, Ford, BMW and Nissan dealerships expected new car sales to improve in January and February, largely boosted by companies renewing their fleets for the year. However, they said sales would probably be lower than 1991, while sales for the year could test an all-time low.

Mercedes-Benz and Honda dealership Cargo Motor Corporation MD Fritz Borsuk believed that corporate buyers, on whom the motor industry is largely reliant for new car sales, were becoming prominent in the second-hand vehicle market.

"Many companies have swooped over to a car allowance system, allowing their employees to purchase second-hand cars," said Borsuk.

He expected new car sales to pick up marginally in February — traditionally a good sales month — although he thought sales for the rest of the year would be fairly constant.
DRAFT DESIGNS BILL 192
Return bout FM 10/1/92

The motor spares industry has triumphed after a bitter fight over powerful interests of motor manufacturers and patent attorneys.

In its original form, first published almost two years ago by an advisory committee—appointed by the Trade & Industry Minister and headed by Judge Louis Harms—the Draft Designs Bill would have given vehicle manufacturers control of the after-market in spare parts.

It would also have prevented the manufacture of spares by anyone other than the original maker by protecting the design of any functional part with a new shape and intended to be manufactured in quantity. This would have affected every sector, including minibus, from using replacement parts.

The Bill has been amended extensively after fierce opposition from many quarters. The latest proposed amendment announced last month exempts the spare parts industry from its far-reaching provisions. Meanwhile, the Petty Patents Bill, which sought to provide blanket protection for low-level technology and would have had much the same effect as the original Designs Bill, has been abandoned entirely.

Opponents of the original version—the Competition Board, the Automobile Association (AA), short-term insurers, Motor Industries Federation, National Association of Automobile Component & Allied Manufacturers and the Harmful Business Practices Committee’s Louise Tager—condemned the Bill as anti-competitive.

They feared the proposed legislation would give motor manufacturers a monopoly over the manufacture, import, and sale of all replacement parts, raise prices and lead to the closure of independent suppliers and manufacturers—a sector which has created about 70,000 jobs since 1987 when restrictions, similar to those proposed in the draft legislation, were scrapped.

Motor manufacturers said the protection was necessary because of huge investments needed to bring products to the marketplace.

The AA, however, pointed out that “SA vehicle manufacturers are only assemblers of motor vehicles. Our vehicle technology is developed overseas and imported under licence. There are therefore no R&D costs for SA vehicle manufacturers and no reason why allowance should be made for the recoupment of such costs through sales of spare parts to customers.”

Motor manufacturers argued further that protection would reduce prices, because production volumes would increase, and that so-called pirate parts would be inferior and often sold to unsuspecting customers.

However, committee member and patent attorney Chris Job says the committee decided it was inappropriate to introduce protection for spare parts in the face of such comprehensive opposition to the Bill. He adds that the proposed amendment seeks “an equilibrium between the rights of owners of intellectual property—manufacturers—and those who wish to make or sell reproductions.”

The committee came under fire because it did not include representatives from the spare parts industry. Members are patent attorneys, judges, an advocate, and an academic.

Job, who has acted for BMW and Toyota, remains unconvinced that the amendment is in the interest of intellectual property as a whole. “By not protecting innovation, and allowing for unauthorised copying, long-term investment in technology will be discouraged.”

One of the Bill’s fiercest critics, patent attorney Marius le Roux, is concerned that protection for functional designs still remains in the Bill. He says “The advisory committee should publish its proposed amendment for comment because its approach has been haphazard, to say the least.” As a committee, it has shown a complete inability to appreciate the jurisprudential issues and a marked inability to appreciate the effect of its proposals on trade and industry.”

Le Roux argues that the remaining proposed regulations will affect thousands of mechanical items in industry. It will certainly keep patent attorneys busy. If the Bill is passed in its present form, manufacturers will acquire protection for the design of any functional part in addition to aesthetic parts which already enjoy legal protection.

“Protection for a functional design will be obtainable merely by virtue of a change in shape. There is no requirement for any originality or measure of inventiveness,” says Le Roux. He argues that granting this protection will afford an unwarranted right that is not acceptable in other western industrialised countries.
Another year of soaring car prices

By DON ROBERTSON

18.5%. It is reluctant to forecast increases this year.

Mercedes-Benz SA (MBSA) raised prices by an average of 10.9% on the W124 range and 17.5% on Honda models, both of which incorporate specification changes.

Price rises this year, the first of which was announced on January 1, will be kept below the inflation rate.

But Peter Cleary, management board member of passenger cars, warns that exchange-rate movements towards the end of last year and higher excise duties could affect this plan.

Trimming

Nissan lifted prices by 2.5% across the range on January 1. Last year's average increase was 19%. The 1991 figure included 3% as a result of the switch from GST to VAT and 2% for changes in the Phase Six local content programme. In the current year, price rises are expected to be about 13%.

BMW's price increase last year was 13.8% and is expected to be 2% to 3% below inflation this year. The first price rise for 1992 — about 3% — is expected in February. The company has stretched its Christmas closure by two weeks to prepare for the new Three Series range.

Volkswagen moved prices up by 2.5% on average in January and expects the year's increase to be about 14%.

Delta hopes to cut price increases from last year's 16.5% to 16%. The company has extended its shutdown by a week to provide additional trimming facilities at the Port Elizabeth plant.

MOTORISTS are in for yet another shock - car prices are expected to rise by about 14%.

Last year's sales are forecast to be the second lowest in the past 14 years at below 200 000. Manufacturers are worried because factors outside their control continue to lift the cost of vehicles.

This year's price rises will be about the same as in 1991. Most manufacturers believe sales this year will run by a modest 2.5% to about 205 000, of which more than 80% will be bought by companies.

Toyota Marketing managing director Brand Pretorius says the industry needs stimulation.

The ordinary person should be able to afford a new car, but the factors that most affect vehicle pricing at manufacturer level are "beyond our control."

Mr Pretorius says "Exchange-rate deterioration is still evident, productivity is declining and is accompanied by ever-increasing wage demands. Accelerated local content requirements are reaching a point where manufacturing costs are under pressure and the continued high cost of finance is keeping buyers out of the market."

Upgrades

Toyota posted the largest price increase last year at 21%. But Mr Pretorius says many product upgrades, especially in the Hilux range, as well as improvement to the Conquest and Corolla boosted costs. In real terms, the increase was 10%.

Prices this year should rise by about 15%.

Sumcoa, maker of Ford, Mazda and Mitsubishi, lifted prices by an average of 10%.
MOTOR manufacturers are reducing output because of the parlous state of the R20-billion-a-year industry.

Sales of new cars last year are expected to be below 200 000, the lowest in 14 years. The National Association of Automobile Manufacturers of SA (Naamsa) says business is "nothing short of disastrous".

It says that given the close correlation between the economy and new-vehicle sales, the economy must be in a worse state than is realised.

Toyota Marketing managing director Brand Pretorius says it had been hoped that sales in the last quarter of 1991 would mark the beginning of a modest upturn in the economy. That would have allowed the motor industry to be a little more bullish about prospects for 1992.

He fears that sales of cars will fall only modestly to 205 000 this year. Light commercials will also record a small increase.

December's sales figures are due in a few days, but industry sources say they will not be higher than 12 000. Sales in November, usually a good month, were down at 14 200, the lowest this year and 8% below the 15 390 in October.

**Tooling**

The first manufacturer to give an indication of the poor state of the industry was Mercedes-Benz SA (MBSA). It will "reduce its total national inventory".

MBSA has closed sections of the plant in East London for an extra three weeks after the traditional three-week Christmas shutdown. It has done so to allow for tooling up for the new Honda model and because of "general market conditions".

Most employees will be affected by the closure and will be dealt with according to their contractual agreements.

Delta and BMW have also extended their shutdowns, on.

---

**Car cuts**

- From Page 1

notdepreciatemuch more against the yen and mark this year's higher vehicle prices will translate into an increase of almost 35% in two years. A Mercedes-Benz 300SE now costs R2 523,000.

The Uno Fire, launched less than two years ago at R17 500, has risen by 65% to R2 880, with another three price increases expected this year.

Mr. Pretorius says "It is common knowledge that SA motorists have reached a stage, where they face a critical affordability problem. The effect has been a dramatic drop in sales in the past 10 years."

"It has caused a serious obstacle to sales growth in the motor industry. It is our concern that without reasonable growth prospects, the industry will not be able to improve its economics of scale and translate these back into cost containment."

Mr. Pretorius says the price of a modest car in 1981 was about 60% of the average white household's annual income. In 1991, the figure had risen to 80%.

---

**To Page 3**
Low-cost vehicles the main thrust

European car makers keen to come back

Five major West European car manufacturers could enter the SA market in coming months, pumping billions of rand into the economy and creating new employment, highly placed industry sources said yesterday.

Most of the new vehicles would be aimed at the low end of the market — some with price tags as low as R15 000.

The UK-based Rover Group, formerly Leyland Motor Corporation, was expected to be the first foreign car manufacturer to open up in SA with the relaunch of the Mini. Leyland withdrew from the SA passenger car market in the early '80s.

Rover spokesman Ian Struthian said from London last night that the possibility of the Mini coming back onto the SA market could not be ruled out. He added Rover was actively pursuing new business opportunities throughout the world.

However, a source close to the company said Rover was already negotiating with an SA partner, most likely an established local car manufacturer, for a joint venture to relaunch the Mini. He said the project would require setting up at least one new production plant, which local industry sources estimated would cost between R500m and R800m.

The source said the Mini would be brought into SA in a kit form although the body would most likely be manufactured locally. He expected a formal announcement of the project to be made in coming months once the negotiations were finalised.

Local sources said a number of European manufacturers had already undertaken feasibility studies to set up new vehicle production facilities in SA in line with the Department of Trade and Industry's strict Phase VI local content programme.

Citroen, which recently expressed interest in establishing a new production plant in Namibia, was also strongly rumoured to be looking at SA, sources said.

Speaking from Paris, Citroen international division manager Jean Paul Huertas said the group had recently undertaken an in-depth research study of the SA car market, "which looked very interesting."

Huertas said a decision on whether Citroen would re-enter SA would be taken in about a month. "We are looking at the possibility but no decision has been taken as yet."

Speaking from his company's head office in Paris, Peugeot spokesman Martin Alloiteau said the car manufacturer had been keeping an eye on SA. However, he said Peugeot was evaluating the local economic situation and no decision to return to SA had been made.

Italian car manufacturer Fiat, which has a majority shareholding in Alfa Romeo, is also said to be reviewing the situation in SA.

Nissan SA, which holds the local Fiat agency, said yesterday that Alfa was keen to expand its business in SA.

However, Nissan spokesman Stephen Lushford said Fiat was unlikely to come onto the market through Alfa Romeo without local backing. He said to his knowledge no negotiations in this regard had so far taken place between Nissan and Fiat.

French-manufactured Renault was also rumoured to be keen to return to SA.

They have good contacts here. They are not wasting time and resources by sending people over here to establish a bridgehead, an SA source said.

From Fiat and Renault disinterested in the 80s when anti-SA sentiment was running high. Another highly placed local industry source said some of the inquiries had come directly from the various European car manufacturers and some indirectly. Other inquiries had been routed through embassies.

"It would not come as any surprise to me if more than one come back. The inquiries have been here about the local content programme. They are obviously keeping an eye on the situation in preparation for an opening up here."

They wouldn't be asking the type of questions they have been asking unless they were serious. This is clearly just more than a passing interest. The type of in-depth research being carried out can only lead one to the conclusion that they are looking at the viability of those projects."

To Page 2
The southern African car market is too small to support more than the seven manufacturers already here, industry sources said yesterday.

And they considered a suggestion that Leyland would be able to come back into the SA market with a Mini selling for R15 000 unlikely.

Toyota marketing director Brand Pretorius, Volkswagen public relations GM Ronie Kruger and spokesmen for Delta Motor Corporation were commenting on reports that some manufacturers who disinvested from SA in the 1980's were conducting feasibility studies with a view to returning.

Pretorius said that although the SA car market would probably grow in the long term, as real black incomes and spending power increased, Toyota did not expect significant growth in the medium term.

He said his company welcomed competition and it was "encouraging that people are taking an interest in our country." But he added "I think the feasibility studies will not have a positive outcome."

The idea of using SA as a base from which to export cars to other African countries was "very good in theory."

But the rest of Africa was a small market, with foreign exchange in short supply. The domestic market was still the most important and represented fewer than 200 000 vehicles in 1991, compared with about 14m in Europe and 12.5m in the US.

It was a very competitive market, which "the seven manufacturers fighting it out here don't find all that profitable."

Pretorius thought it unlikely that new manufacturers could set up production "with massive start-up costs" and local content requirements and sell vehicles in sufficient quantities.

Discussing the suggestion that Leyland would be able to sell a Mini in SA for R15 000, Kruger said "At current exchange rates the cheapest Mini sells in England for R27 000."

Economies of scale meant that it was impossible to make a small car in SA more cheaply than it could be made in Europe.
M&R could get slice of Fedvolks

THE finishing touch to Sankorp's restructure of its industrial investment arm, Federale Volksbeleggings (Fedvolks), would see the group's interests in the motor component industry sold to the Murray & Roberts (M & R) group, a source close to the company said yesterday.

Sankorp CE Marthinus Daling confirmed that the industrial holding group's investments were being reviewed as part of a major restructuring of the Sankorp stable.

However, Sankorp had no intention of selling off its manufacturing interests in Fedvolks, which was being turned into the "service division" of the group, he said.

"There is no question that the restructuring presently under way should be seen as disinvestment by Sankorp," Daling said.

Daling could not say whether the Fedvolks motor component companies would be hived off into M & R.

The group's scrutiny of motor component interests was a continuing process, he said.

Sankorp, Sanlam's investment holding company, holds a majority stake in M & R, Malbak and Fedvolks.

All three have undergone rationalisation recently, with various of Sankorp's "loose" interests hived off into the companies.

Fedvolks' interests in the motor component industry include shock absorber manufacturer Gabriel SA, First National Batteries, Firestone tyre manufacturers, Tex champ Components distributors of Champion spark plugs and Trico windscreen wipers.

Industry sources peg the value of the motor component interests at between R250m and R300m.

M & R CE Dave Brak said although his group had taken a close look at Fedvolks' motor component interests late last year, the decision to acquire the companies had been turned down.

As a result, M & R was not presently involved in negotiations with Fedvolks.

However, he said: "I can't say our company's decision not to acquire Fedvolks' motor interests won't be revisited at a later stage"
Dismal sales herald more cuts in vehicle production

Sales of new vehicles fell in 1991 for the third year in succession, raising the prospect of further cutbacks in production.

Figures released by the National Association of Automobile Manufacturers (Naamsa) yesterday show sales were the worst since 1986.

Reporting the drop, Naamsa forecast that new vehicle sales would "probably remain under pressure during the next few months."

This, it warned, "could conceivably lead to further production cuts and short-term in the vehicle assembly and associated industries."

The Naamsa statement said any recovery would be a slow process. "A modest improvement in new sales is likely to occur only when interest rates commence their long-awaited decline and domestic activity levels record some improvement."

20-year low

The Naamsa statement said the severity of the recession was shown by the fact that December sales of buses and heavy vehicles were the lowest for 20 years.

However, the statement continued, with actual new vehicle sales running well below the long-term historical trend, replacement needs would limit any further drop.

Detailed figures show that although December sales of new cars and light commercial vehicles were lower than those in November they were better than in December 1990.

Naamsa commented that the December sales figures were "better than industry expectations."

A total of 13,446 new cars and 7,424 light commercial vehicles were sold during the month, compared with 13,198 new cars and 6,946 commercial vehicles in December 1990.

But new car sales were 5.3% lower and light commercial vehicle sales 5.4% lower than in November.

A total of 197,736 cars and 110,339 light commercial vehicles were sold during 1991.

Car sales were only 69.5% of those achieved in 1991 and light commercial vehicle sales only 72.8% of those achieved in 1991.

In 1990 a total of 209,606 cars and 125,171 light commercial vehicles were sold.

Forecast sales for the current year are 208,000 cars and 118,000 light commercial vehicles.

The Naamsa new car sales statistics also showed that 197,736 units had been sold during 1991. A statement said the year's overall decline in sales was a result of the economic recession and reduced corporate investment spending.

Sales for 1991 dropped for the fourth year in succession and were at their lowest level since 1986. Sales in 1991 were about one-third of the 301,000 units of 10 years ago.

Naamsa expected new passenger vehicle sales would remain under pressure in coming months, leading to further industry production cuts. However, it did not expect new car prices to rise substantially.

Naamsa expected a modest improvement in sales to between 200,000 and 208,000 units in 1992, but "only once interest rates commence their long-awaited decline and domestic economic activity levels record some improvement."

Nissan SA MD Stephamus Loubsur said last year's disappointing sales had been expected by manufacturers.

The drop in November's producer price index should have a positive effect on containing inflation and therefore car prices.

"Pricing is another factor which cannot be ignored when analysing new vehicle sales and manufacturers will be under great pressure this year to keep price increases as low as possible." Loubsur expected prices would rise by about 13%.

VW spokesman Ronni Kruger said most economists were predicting an early drop in interest rates. However, the benefits of such a drop would probably filter through to the industry only in the second half of the year. He expected sales for 1992 would rise marginally to about 209,000.

Kruger did not expect car price increases this year would be higher than the inflation rate as long as exchange rates remained stable.

The Naamsa sales figures showed a similar year-on-year decline in the sale of light, medium and heavy commercial vehicles.

Light commercial vehicle sales for 1991 dropped by 11% to 100,405 units (1990: 112,546), while medium and heavy commercial vehicle sales declined by 14% to 127,883 units. (4,786) and 25% to 5,807 units. (7,869) respectively.
More uphill work for motor industry

By Sven Linsche

The motor industry, which has just emerged from its worst year since 1986, expects only a mild improvement in sales this year.

The National Association of Automobile Manufacturers (Namcasa) reported yesterday that new car sales fell by almost 12,000 units, or 5.6 percent, to 197,736 last year.

Total new vehicle sales last year were 305,075, 7.9 percent down on 1990's 334,779 units.

But, said Namcasa, the pressure on sales would continue for the next few months, at least, and could lead to production cuts and short-time in the assembly and associated industries.

"Any recovery from the current low levels of new vehicle sales will be a slow process. A modest improvement in sales of new vehicles is only likely to occur once interest rates begin their long-awaited decline and domestic economic activity levels record some improvement," Namcasa said.

Its sales forecast of 208,000 units is at the upper end of most analysts' forecast.

VW spokesman Ronnie Kruger yesterday put unit sales at 205,000, an increase of four to five percent on last year's level.

"But as interest rates are still very high and consumer confidence has not yet turned positive, a slight decrease in interest rates over the next two months will probably not impact much on sales in the first half of this year," Mr. Kruger said.

Looking at December 1991 sales, Namcasa said the severity of the downturn was best reflected by a sharp deterioration of sales in the low volume, medium and heavy truck segments where sales declined by 24.1 percent.

Sales of heavy trucks and buses fell by 34.5 percent, compared with those of December 1990.

"The December sales of heavy commercial vehicles and buses represented the worst heavy vehicle monthly sales figure for over 20 years," it said.

Namcasa said the blame lay in the weak economy, stringent monetary policy, lower levels of personal disposable income and reduced corporate spending.

Other factors included higher vehicle prices and uncertainty about the future of the economy.

December's new car sales were up by an annual 1.9 percent at 13,446. However, compared with November 1991's unit sales, there was a fall of 5.3 percent to 13,446.

Sales of new light commercial vehicles, bakkies and mini-buses fell by 6.4 percent in December to 7,434 units from November's level.
Fleets the only hope

By DON ROBERTSON

REPLACEMENT of the ageing business fleet is the only hope of recovery in vehicle sales in the first six months of this year.

New-car sales last year fell to the second-lowest figure in 14 years at 197,736 — a 5.8% decline on the 209,600 in 1990.

Light commercial sales fell by 18.7% to 100,065 from 122,536. Medium commercials dropped by 13.7% to 41,277 from 47,866.

Heavy commercial sales in December were the lowest in 20 years, leaving the annual figure at 8,898 — down 26.2% on the 7,098 in 1990.

Commercial sales are the lowest in 12 years.

Bert Wessels, chief executive of Toyota SA and vice-chairman of the National Association of Automobile Manufacturers of SA (Namasa), says sales were "unnaturally low" in the last four months of 1991.

A large part of the fleet will soon have to be replaced and this should limit scope for declines.

SA has 3.6-million cars and 1.14-million commercials.

Mr Wessels says any improvement will be modest in the first six months because violence, crime, declining disposable income and high interest rates are likely to continue.

Sales are expected to remain under pressure and some manufacturers will trim production.

Forecast sales for the current year are 233,000 cars and 116,500 commercial vehicles.
Mercedes SA and Mitsubishi talking about LCV venture

By DOUG KEMSLEY and DON ROBERTSON

Two of the world's automotive giants are considering the production of a new light commercial vehicle (LCV) in a joint venture in South Africa.

Mercedes-Benz SA (MBSA) chairman Christoph Kopke says parent company Daimler-Benz AG and Mitsubishi Corporation have held preliminary discussions on the matter.

"Daimler-Benz AG and Mitsubishi are certainly exploring avenues worldwide for means of possible cooperation and a small commercial vehicle manufactured in one of the markets from East London," says Mr. Kopke.

This is the second Japanese corporation with which MBSA has closely liaised with a view to joint ventures.

The company, which is the only Mercedes-Benz car manufacturer outside Germany, has been making Honda cars in East London since 1982.

Last month, a new deal was negotiated with Honda Motor Corporation to make the 10 000 component kits being imported. This compares with 7 000 last year, which effectively restricted sales of the popular car.

Mr. Kopke says that Mercedes-Benz AG sees MBSA as its gateway into Zambia, Namibia and Botswana and we will supply most commercial vehicles for these markets from East London.

The move to greater co-operation between Daimler-Benz and Mitsubishi is expected to affect the relations between another SA motor-maker, Samcor, and Mitsubishi Corporation.

Samcor, which became Samcor when it amalgamated with Ford in 1985, made Mitsubishi cars and commercial vehicles. Production of passenger vehicles stopped shortly after the deal.

Samcor still makes Mitsubishi Canter nine-ton vehicles, the L-Series comprising the Star Wagon and Express minibus and one-ton light commercials at its Pretoria plant.

The Mazda B2600 4x4 pick-up, made by Samcor, has a Mitsubishi engine.

Speculation is that because Mazda and Samcor are coming closer, Mitsubishi may be seeking to retain a foothold in SA.

Mazda is contemplating acquisition of a 24% stake in Samcor. The 24% holding went to Samcor employees after Ford quit SA.

Mr. Kopke also disclosed that MBSA had budgeted for an investment of R45-million in the next five years.

"New model introductions will account for half of this investment and the balance will be spent on upgrading facilities at four operating locations.

"The investment in new models has been earmarked for a Mercedes-Benz in 1996 and an eventual replacement of the Honda in 1996 as well as for upgrading various commercial vehicles."

The latest Honda will be launched in the middle of this year. The 1996 vehicle will be the usual four-year replacement.

It is believed that the S-class Mercedes-Benz models, which will be replaced early next year, will be imported in semi-knocked-down (SKD) form and assembled in East London.

Although MBSA will not comment, speculation is that the new Mercedes-

To Page 2
Hopeful motor industry looks to brighter 1992

Motoring Reporter

HOPING to put the memory of a grim 1991 behind it, the motor industry is entering the new year with a mixture of hope and determination — and with fingers crossed.

For a start, several new cars are expected to be launched this year. These include the new Audi range, BMW 3 Series and Nissan Sentra.

One estimate of possible sales this year, from Volkswagen, is 205,000 passenger cars — up by four to five percent from 1991.

Economists are expecting a decrease of about one percent in interest rates, probably as early as February, according to VWSA public affairs head Mr Ronne Kruger.

"But as interest rates are still relatively high and consumer confidence has not yet turned positive, this decrease will probably not impact much on sales in the first half of the year," he said.

"However, there is a lot of money in circulation, and this liquidity, coupled with lower interest rates, better company earnings and South Africa's increasing acceptability in the world markets should stimulate the economy in the second half of the year."

"As long as exchange rates remain stable, car prices should not increase by more than the local inflation rate this year. We expect this to be around 13 percent."

"Relations between employers and trade union showed positive developments in 1991, and we expect this to impact favourably on productivity in 1992."

"The increasing improvement in South Africa's foreign relations, especially the normalisation of trade with Japan, augurs well for exports. This could have a positive effect on the balance of payments, the exchange rate and liquidity, which further indicate that we are on the threshold of a moderate economic upturn," he said.

VWSA Chairman and Managing Director Mr Peter Searle said the company had managed to achieve some highlights last year despite the poor trading conditions.

Some of these were:

- Agreements within the VW and Audi Dealer organisation had culminated in the opening of another Audi Centre with four more planned for 1992.
- Several dealers had undertaken extensive rebuilding and refurbishment programmes and new training programmes for staff.
- VWSA regained some of the market share lost in 1990 (due to the inability to supply enough vehicles to the market) and was once again in a strong second place far ahead of the nearest competitor.

- The Citi Golf continued the unprecedented Golf success story, breaking the market share records established by the original Golf over a decade ago.
- VWSA recorded further gains in customer satisfaction, in sales and service.
- The launch of "highly successful" products such as the Citi Golf CTi and the new 2.5 litre Microbus and Caravelle.
- The completion of investment for the 1992 launch of the Audi-500 range.
- Improved labour stability, following the Recognition Agreement with the trade unions in late 1990, which enabled VW to concentrate on quality.
- An increase in exports. Volumes are set to double in 1992.

"All in all, we find the Volkswagen/Audi organisation emerging from the recession leaner and tougher than we went into it," Mr Searle concluded.
Four challenges facing company

EXPLAINS MARKET SEGMENTATION, NEW PRODUCTS AND DEVELOPMENT OF SPECIALIST TRAILER APPLICATIONS ARE FOUR OF THE CHALLENGES VENTER TRAILERS FACES

So says Michael Kates, business strategist and deputy chairman of the holding company of Venter Trailers.

Mr Kates says: "When we joined forces with Jasper Venter to take the company to the market, we did so because he wanted the company to grow. We need not only serve and increase our market but to bring all our expertise and experience in the market to bear on exploring new opportunities both here and abroad."

"By using market segmentation, Venter will be following a path taken successfully by several motor manufacturers."

The VW Golf is one example of a product which was given a new lease of life through the application of market segmentation strategy. When the faithful Golf was nearing the end of its life cycle, it was relaunched in a revamped form and aimed at the younger set as the Citi Golf. The model is still selling well.

TRIPS

Market segmentation in the trailer sector could be equally successful. Although not giving away too much, Mr Kates hints at possibilities:

"The city person who would not necessarily use a trailer for a holiday but would like it for weekend trips is one target. We will launch a trailer with a design that attracts urban consumers."

The 4x4 market is another segment he is looking into. Venter has launched a 4x4 trailer called the Botswana Special. The body is made of 1.5mm sheet metal and includes a reinforced chassis drawbar as well as heavy-duty axle and springs.

The long-distance taxi market is another area with potential growth. The company has patented and produced a prototype trailer aimed at this market.

Mr Kates says: "The export market will be explored because potential is enormous."

Plus

Jasper Venter has taken trailers to exhibitions in Barcelona, Earl's Court and Frankfurt where the response was excellent.

"The main problem was that our quality was too high. People thought we were crazy to use such a high standard of paint finish for a luggage trailer. Most foreign trailers are made of galvanised steel or treated plywood with canvas tops."

"In terms of design, quality and end product, we are streets ahead of our competition. Our patented knockdown trailer for the European market is one of the most innovative export products designed by a South African company to meet specific market conditions overseas," he says.

An encouraging sign for exports is that Venter has hosted visitors from Australia, New Zealand, the Netherlands, Italy and America who are interested in dealing with the company.

Africa is another export area being looked at.

"The typical 'skoskap' could be a field of development because it is one of the most popular yet ill-designed forms of transport in Africa," says Mr Venter.

The Skoskap is a trailer used in rural areas mainly for the transportation of people. It is pulled by donkeys and is usually constructed on the axle of a scrapped car. The weight imbalance makes the home-made models cumbersome.

The light commercial trailer market is a potential winner and Venter enjoys the advantage of having products in place.

"All that is needed is market education about what we have to offer," says Mr Kates.

Breaking into new markets with new products will require research and development and a large sum has been set aside for it.

Mr Kates has a strong background in the information business and this expertise will be used in R&D.
‘Ventertjie’ goes for a JSE listing

VENTER TRAILERS announces today that it is to go public and has applied for a listing on the Johannesburg Stock Exchange. The prospectus will be published on Thursday. The ‘Ventertjie’ is as South African as boereboors, but what is the history of this wholly South African product and what does Venter management think of the future?

PATRICK O’LEARY reports.

VENTER TRAILERS, South Africa’s largest light leisure and commercial trailer manufacturer, is going for a listing on the JSE.

The company has operated as a family concern since 1960.

It will offer a slice of the action that has made Venter a household name in this country.

The decision to go public marks a dramatic turnaround in the methods and history of this successful company.

Until now, all decisions have stopped at the desk of Jasper Venter, managing director and owner of the company.

Growth

He has been joined at the boardroom table by a team of high-profile, financially oriented marketing men whose specialised input will combine with the production and product expertise of the Venter group to raise the company to a new plateau of growth.

With limited management resources in the past, growth opportunities have not yet been fully exploited.

An example of such an opportunity is exports. Although investigated and found to be potentially profitable by Jasper Venter, export markets have been ignored.

Mr Venter says ‘There is an export market for our products, but I haven’t had the staff to handle it. I have had my hands full with the South African market’.

However, one should not allow this to detract from the company’s excellent performance. Venter Trailers has been a front-runner travelling a pioneering road that leaves one with nothing but admiration for the people behind the venture.

Dynamite comes in small packages is an apt saying when applied to Venter Trailers.

Holidays

Ricard du Plessis, managing director of the company to be listed, says ‘The ‘Ventertjie’ — as it is so well known in South Africa — is a small trailer. But its impact on the market has been huge — and so has the company’s impact on Na-boomspruit.

‘Not only has Venter Trailers put this town on the map, but it has contributed in a more tangible way by being the largest employer in the area.’

The name Venter has become synonymous with trailers, especially leisure vehicles. Most Venter trailers are designed for towing behind small or medium cars.

Several hundred thousand South Africans own a “Ventertjie”.

Although especially noticeable on roads during holidays, they are also common travellers over weekends when families head for the open spaces for relaxation.

Municipal rubbish dumps are another weekend stop-off point for many “Ventertjies” doing garden duty.

Venter trailers are, like the familiar radio programme ‘Chickenman’, everywhere. Perhaps the all-South African nature of the company and the product are what have attracted many to the marque.

The Venter trailer is a South African born, bred and sustained product. It carries an Afrikaans name and is made in the heart of the platteland where high-quality meales more than top-quality trailers are the norm.

The South African attachment has resulted in a type of cult being built up around the name. There’s the one about an SAA Boeing trying to ship into Heathrow Airport at the height of the sanctions era. It would have gone unnoticed — but for the fact that it had a Venter trailer in tow.

This humble little trailer has also given rise to a new nickname for Transvaalers who visit the Cape. No longer are they referred to as “Vaalies” They are now “Venterers”.

Although the fame of the Venter marque is founded on its luggage trailers, the company has made inroads into commerce and industry with several one-off “specials” turning into favourites.

Coke

These include flat-decks, horseboxes, car carriers, dog transport- ers, water carts, goose-neck trailers, 4x4 trailers and several other specific application products carrying up to four-ton payloads.

Promotional trailers such as those built for Coca-Cola in the shape of a Coke can and cup emanate from the Venter stable.

At the gymkhana, there is a Venter horsebox, at the beach there is the Venter board-surf truck, at the dam, there is the Venter canoe carrier.

Almost everywhere there is some model of Venter trailer which makes this company a South African success story at its best.
Czech truck assault on SA

By DON ROBERTSON

THE depressed and highly competitive heavy-truck market has a new challenger.

Trackless Mining Services (TMS) plans to introduce the Czechoslovak Tatra truck to Southern Africa.

The trucks, driven on all wheels, range in size from five to 20 tons. The 6x6 model finished third in the Pamplona-Cape Town rally. The 6x6 version won its class.

TMS managing director Don Duncan says the trucks will be imported in completely knocked-down (CKD) configuration from the plant in Koprivnice and assembled at the company's Randfontein plant.

The first three trucks will be fully imported and will be used as demonstration models. The CKD kits will later have bodies fitted in SA. Other components will be added.

Mr. Duncan says on-road, off-road vehicles will be suited for the timber and quarry industries. Several companies are interested in the trucks.

The agreement to assemble the trucks, although not yet final, follows a visit of three members of the Tatra group to the Randfontein plant three months ago. With minimum local content, TMS will have to pay a 66% import duty.

But Mr. Duncan believes he will be able to sell them at about 15% cheaper than similar trucks made in SA. Service and parts will be provided by TMS.

Since the collapse of communism, sales of Tatra trucks to Russia have fallen sharply and stocks have built up. Although it is unlikely that the trucks will be sold at dumped prices, reasonable terms have been offered to TMS.

SA sales of heavy trucks last year fell to their lowest in many years at 5,807. December sales were the lowest in 20 years at 227.

The National Association of Automobile Manufacturers of SA (Naamas) says it is a brave move for TMS. It says several manufacturers are unprofitable and the import of second-hand trucks is a major problem.

exp
Network of 400 dealers delivers the goods

NABOMSPRUIT is a long way from the markets and Ventex trailers are distributed throughout Southern Africa through more than 400 independent dealers.

Each is selected on strict criteria to ensure the maintenance of high quality and service associated with the name Venter.

The large-scale appointment of dealers began in the late 1970s.

Then came the first dedicated outlet in Kempton Park. It was not only a sales point but a depot to serve agents in the PWV area.

Jasper Venter says "To carry stock of all the models was an expensive exercise for an independent dealer. But we felt it necessary to expose our full range of products."

In 1981 the agency was moved to Boksburg North. The move has paid handsome dividends. A similar agency has since been opened on the West Rand at Westgate.

Size

Both the Boksburg and Westgate agencies are managed by Esther Colebank, who has been with Ventex Trailers for more than 19 years.

An indication of the size of the operation can be gauged by the fact that in December stock totalled more than 1,000 trailers.

Normal stock totals 500. Mrs Colebank keeps three of each trailer type — including horse-boxes and a range of commercial trailers — on hand at all times.

"As soon as a trailer is bought, an order is placed for a replacement," she says.

Although this seems unnecessary, it is part of the customer service philosophy practised by Mrs Colebank and her team.

Credit

"If a customer wants a trailer today, he can have it today," she says.

"However, that does not apply to trailers made to customer specifications; we need a little more time for these."

Being in the heart of trailer territory, Mrs Colebank is surrounded by opposition which spurs her and her staff to even greater efforts.

"We don't believe in running down our opposition. But we do believe in beating them in terms of the quality of our service and product," she says.

A large stockholding without access to consumer credit would be pointless and she has negotiated with a financial institution for an on-site terminal to access credit facilities for customers.

"Trailers are bought either by cash, hire purchase, or credit cards. We have the facilities to have any credit application approved within two hours, or at most a half a day."
NEWS IN BRIEF

SA to host motor trade

THE SA motor industry is to host a world conference of motor traders in 1994, says Motor Industries' Federation president Bob Richardson (192)

A statement yesterday said Richardson's invitation was made to the International Organisation of Motor Traders and Repairers in Canberra, Australia, at the 1911 conference in November last year (6/10/91) 28/11/92

Richardson said initial planning meetings had been held and Cape Town was likely to be the venue. The body has 38 member organisations from 24 countries representing 'more than 600 000 businesses.'
Motor manufacturers, bound by a moratorium on lay-offs until the middle of this year, may have to negotiate further short-time working unless there is an early market recovery.

The sharp slump in vehicle sales at the end of 1991 left manufacturers with an estimated 15,000 unsold units at the end of the year, says Peter Cleary, marketing director for Mercedes-Benz SA’s car division.

With long production lead times preventing companies from sudden cutbacks in output, he estimates that figure could rise to 30,000 by the end of March.

One result of the excess is that almost every motor company is discounting prices to move stock. Even some luxury cars previously subject to long waiting lists, are available at short notice. Says Cleary: “For the moment, it’s very much a buyer’s market.”

But discounting is only a partial solution.

The obvious answer is to cut production. One result of last year’s industry strike was an agreement by employers not to lay off anyone until July 1 1992. Many companies are already working short time. Employers must now consider how much further they must go.

In terms of the industry agreement, companies are entitled to reduce the five-day week to four days without paying for unworked time. Below that, they must pay a sliding scale of compensation.

With agreement from the unions, some industry executives estimate the excess stock could be wiped out by midyear.
The ultimate in passenger transport... Toyota designers in Japan have come up with the answer to commuter transport - a 4-litre V8 engine Hi-Ace.

Toyota keeps going right with car sales

Sowetan 31/1/92.

WORLDWIDE vehicle sales for Toyota were up by more than two percent in the 1990/1991 financial year.

The 2.5 percent means a record 4 538 507 units were sold by the corporation. This was boosted by aggressive marketing in the Japanese domestic market, where sales of 2 433 274 units made up 41.7 percent of total market registrations (excluding minicars).

Turnover of R200-billion was 7.2 percent up on the previous financial year, but profit of R8.75-billion was 22.3 percent down, due to increased research and development expenditure, personnel costs, depreciation and indirect expenses at the parent company in Japan, as well as substantial foreign exchange losses.

In other sectors of its operations, sales of Toyota industrial equipment, such as forklifts, showed a sold 8.7 percent increase during the 1991 financial year to 65 752 units, while sales of the company's prefabricated housing units grew 19 percent to 3 872 units.
Some good news for vehicle manufacturers is that Budget Rent a Car has increased its initial order for vehicles by 9% for 1992.

Budget plans to buy 700 cars worth R140-million this year, especially from Toyota (92). Managing Director Tony Langley says: "The order is in line with our market-share growth which we believe will continue in 1992. The order will be increased should the market recover."

Budget's rental days fell by 23% in the 12 months to October, but business improved in the last two months of 1991. That made the negative figure an expected 19,6%.

Mr. Langley expects rental days to fall by 5% this year – 200,000 worth about R32-million. Budget will again concentrate on 1,3J cars.
Posh car-makers under the whip as sales fall

THE luxury car market is fighting for survival as an increasing number of motorists switch to smaller vehicles.

As a result, profit margins are being squeezed.

Peter Cleary, management board member for passenger cars at Mercedes-Benz of SA (MBSA), says almost 75% of all new cars sold last year were in the small-class category. Luxury models had only an 8.5% share of the market.

By DON ROBERTSON

7.97%, marginally ahead of chief rival BMW with 7.8% (see table)

Wei will have new models in the Honda range at mid-year and are optimistic that new options, such as the Sportline concept, will enhance sales of Mercedes-Benz cars in the first half of this year.

"Good news for customers is that a number of factors should keep prices down, depending on exchange rates."

The company plans to make the S Class range in 1993, although there is some doubt that it will be fully manufactured in SA. It is also investigating the introduction of the E Class.

"It would be good to have a cheaper model in the Mercedes-Benz range," says Mr Cleary.

Interest rates are expected to fall this year and costs will not be under the same pressure as before. Customers should also benefit from the fact that with sales short of target, most manufacturers have stock to sell.

Mr Cleary says that in terms of normal quarterly sales, 8 000 more cars than required were made in the last quarter of 1991. A similar state of affairs could happen in the first quarter of this year.

MBSA has provided a table of individual manufacturers’ sales for 1991.

It is expected that the National Association of Automobile Manufacturers of SA (Nammsa) will provide this information monthly this year after having withdrawn detailed sales figures in 1991 because of sanctions.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>MB</td>
<td>8 447</td>
<td>10 660</td>
<td>10 240</td>
<td>7 868</td>
<td>7 562</td>
</tr>
<tr>
<td>HONDA</td>
<td>10 124</td>
<td>10 586</td>
<td>7 178</td>
<td>6 452</td>
<td>8 194</td>
</tr>
<tr>
<td>TOTAL</td>
<td>18 571</td>
<td>21 248</td>
<td>17 418</td>
<td>14 341</td>
<td>15 756</td>
</tr>
<tr>
<td>MBSA</td>
<td>9.2%</td>
<td>9.2%</td>
<td>7.9%</td>
<td>6.84%</td>
<td>7.97%</td>
</tr>
<tr>
<td>TOYOTA</td>
<td>49 785</td>
<td>52 858</td>
<td>50 638</td>
<td>54 789</td>
<td>51 653</td>
</tr>
<tr>
<td>VW</td>
<td>24.8%</td>
<td>22.8%</td>
<td>22.9%</td>
<td>26.1%</td>
<td>26.1%</td>
</tr>
<tr>
<td>NISSAN</td>
<td>9 727</td>
<td>28 917</td>
<td>22 625</td>
<td>22 215</td>
<td>20 793</td>
</tr>
<tr>
<td>DELTA</td>
<td>16 963</td>
<td>22 720</td>
<td>24 723</td>
<td>21 774</td>
<td>20 949</td>
</tr>
<tr>
<td>FORD</td>
<td>22 843</td>
<td>24 372</td>
<td>22 707</td>
<td>23 312</td>
<td>18 631</td>
</tr>
<tr>
<td>BMW</td>
<td>16 113</td>
<td>17 457</td>
<td>18 673</td>
<td>17 932</td>
<td>15 431</td>
</tr>
<tr>
<td>MM</td>
<td>0.0%</td>
<td>1.1%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>OTHERS</td>
<td>67</td>
<td>157</td>
<td>67</td>
<td>58</td>
<td>39</td>
</tr>
<tr>
<td>TOTAL</td>
<td>200 834</td>
<td>230 447</td>
<td>221 342</td>
<td>209 603</td>
<td>197 736</td>
</tr>
</tbody>
</table>

100.0% 100.0% 100.0% 100.0% 100.0%

Source: MBSA
Venter Trailers to raise R25.5m

VENTER Leisure and Commercial Trailers (Venter) is to raise R25.5m ahead of its proposed listing on the JSE.

An announcement issued today said the group intended to offer about 17 million ordinary shares at an issue price of R150c a share. This would be by way of a private placement of 13 million shares and a public offer of 4 million shares.

The company, South Africa’s largest trailer manufacturer, expects to list on the transportation sector of the JSE on March 4. The offer opens on February 6 and closes on February 26.

The company’s prospectus will be available to the public on Thursday.

Venter has been a family-operated company since 1963, managed and owned by Jasper Venter.

After the listing, Venter will remain with a 15% holding in the company and will manage product development. Richard du Plessis, former C.E. of Murray & Roberts, industrial divisions, will become MD, while businessman and Motoriva founder Piet van Halsen will be chairman. Michael Katsa will join the board as deputy chairman.

Venter said in a recent report that the listing would “add additional management resources and enable the company to exploit export opportunities. He said the listing would offer investors the opportunity to share in the company’s rapid expansion.”
Venter Trailers prepares to follow the export road

Marcia Klein

Venter Leisure and Commercial Trailers (Venter) will exploit export and niche marketing opportunities after its March 4 listing, which will raise R25.5m.

Directors said yesterday in an interview that they were confident the company would sustain its long history of profit growth. The trailer manufacturer, which accounted for more than two-thirds of the SA light trailer market, had over 400 dealers throughout southern Africa. It had dominant market share, was a cash flow generator, and its listing would give it the opportunity to develop a wide range of products, directors said.

Forecasts in Venter's prospectus, published in Business Day today, showed that turnover would increase by 25.8% (actual figures are not given) and net income before interest would rise by 19.6% to R14.8m (R12.4m) in the year to end-December 1992. Net income after tax was expected to rise by 19% to R10.5m (R8.3m), representing earnings of 21.1c a share.

The company stood on a historic earnings yield of 11.5%, and a forecast yield of 14.1%. A forecast dividend yield of 6.1% was substantially higher than the industrial index, said the directors.

Venter would maintain a dividend cover of between two and three times, and would declare one dividend each financial year. The first dividend of around 9.4c a share would be declared in March 1993.

Chairman Pieter de Plessis said the company and its directors were conservative and not over-optimistic in forecasts. The offer price of 150c a share was "finitely priced", and the institutional offer to raise R19.5m received enthusiastically. The public offer would raise R6m.

Jasper Venter, who owned and managed the business for close on 30 years, sold the company to its new directors last year for over R34.3m.

Venter's listing would enable it to settle amounts owing for the purchase of the company, strengthen the capital base and facilitate further expansion. In addition, the listing would enhance its public identity, allow management, employees and associates the opportunity to participate in its equity, and see a wider spread of shareholders, directors said.

According to the prospectus, the company had showed continuous profit growth for more than 30 years and had strong cash flow generation.

Despite the economic downturn, its markets had grown as people bought smaller cars; black customers entered the market, and a trend developed towards self-catering holidays.

Venter would develop export market opportunities and expand the local rental market.

Venter said he had been considering listing the company for some years as it had outgrown him. He had wanted to expand, especially into the export market, but had concentrated his attentions on the local market as his company did not have the people or the expertise to enter the global market. This left him with the choice of keeping the business as it was or expanding, so a listing seemed the logical option.

He said that not only would he have 15% of the business after its listing, but he also owned the company's property interests. His continued involvement in the business would ensure that his interests were safe.

Other directors said there would be no change to the fabric of the business, but they would add a new dimension.

Du Plessis said real growth in profits would be sustainable. The company had a strong brand name, about 50 quality products, more than 400 outlets and the capacity to double production.

The company had hoped to list in the hotels, beverages and leisure sector, as research had shown that about 20% of its business was trailers for commercial use, but the JSE had granted the listing in the transportation sector.

Edward West reports that with the listing of Venter Trailers comes news that truck upper manufacturer Meuller SA intends marketing its own range of trailers in competition with Venter Trailers. The German subsidiary's MD Roland Joest said yesterday the new trailers would be stronger than the Venter trailer and would be made available in three sizes within three months.
VENTURE LEISURE  FM 12/92

Looking to world market

*Pitched at 150c, Venter Leisure & Commercial Trailers' pre-listing public offer of 4m shares looks expensive. Present NAV is estimated at 59.4c.*

But it is clear the company has been doing some restructuring and strategic planning and when it comes to the market next month as Ventel, it could be quite a different organisation to the one which has slowly cap-

tured more than two-thirds of SA's trailer market over the past 30 years.

Growth of the family business under Jasper Venter has been impressive. Calendar 1991 turnover is up 13% on 1990 (actual figures are, sadly, not given), while pre-tax profit climbed 36% to R13.2m.

The institutional market, probably reflected largely by the medium-sized life companies and financial service institutions, seems confident. As well as the 4m shares in the public offer, 13m ordinaries have already been placed with institutions. The balance of the 50m post-issue shares are held by directors and management, who are also taking some of the 13m, giving them a 71.6% holding in all. Venter personally has 15%.

The issue is underwritten by Mercantile Bank.

EPS is forecast to increase by 19% to 21c for 1992, which should allow a 9.2c dividend. A forecast dividend yield of 6% on the issue price should be a deterrent to stagging.

Besides concentrating on new opportunities in the SA market, particularly light commercial trailers and new product development, Venter is going to have a serious crack at the export market.

The group has spent several millions on research and sees good prospects abroad, influenced by the squeeze on holiday spending and the trend towards smaller cars, less suited to towing full-size caravans.

It will be based and registered in Bophuthatswana, apparently because of better export incentives, with two of the three operating subsidiaries at Babelegi. The third will remain at the original site, Naboomspruit.

The R25.5m raised in the pre-listing offer should ensure growth, at least in the short term. Some will be used to repay loans.

If Venter succeeds in breaking into the international leisure market, the share should be a good one to follow.

Shona Harris
Midmacor has produced below average results since its reverse listing in 1990 and has again suffered from loss-making operations associated with the mining and engineering industries.

Chairman Keith Jenkins says the group had to source products from factories in Taiwan and Brazil after Honda in Japan rationalised export models.

Earnings were undermined by the fall in volume of repair work done by PDS Diesel Services (Pty), part of the diesel engine division.

Reflecting the changes in operations, industrial sales were down in the third quarter and fell further in the fourth.

Net operating income of R861 000 was more than eliminated by R1,8m write-offs of stock and irrecoverable work-in-progress. Jenkins says provisions against these in previous years may have been inadequate.

Midmacor probably does itself a disservice by not disclosing the effects of problems in the diesel engine operations. There is no breakdown of turnover of the divisions. Lack of this information makes it impossible to assess where Midmacor may go from here. If one accepts management's view that problems in the diesel engine operations have been dealt with, this year should, at worst, reflect a return to stability — with the recovery of the diesel interests offsetting any further deterioration in the economy.

Trading volumes are thin. Obviously, the market is not happy with what has happened, nor, apparently, is it expecting significant recovery in the short term.

---

Midmacor's Jenkins trading conditions remain competitive.

Jenkins says the work force and overhead costs have been cut but warns that trading conditions remain competitive.

Midmacor probably does itself a disservice by not disclosing the effects of problems in the diesel engine operations. There is no breakdown of turnover of the divisions. Lack of this information makes it impossible to assess where Midmacor may go from here. If one accepts management's view that problems in the diesel engine operations have been dealt with, this year should, at worst, reflect a return to stability — with the recovery of the diesel interests offsetting any further deterioration in the economy.

Trading volumes are thin. Obviously, the market is not happy with what has happened, nor, apparently, is it expecting significant recovery in the short term.

---

Midmacor has produced below average results since its reverse listing in 1990 and has again suffered from loss-making operations associated with the mining and engineering industries.

Chairman Keith Jenkins says the group had to source products from factories in Taiwan and Brazil after Honda in Japan rationalised export models.

Earnings were undermined by the fall in volume of repair work done by PDS Diesel Services (Pty), part of the diesel engine division.

Reflecting the changes in operations, industrial sales were down in the third quarter and fell further in the fourth.

Net operating income of R861 000 was more than eliminated by R1,8m write-offs of stock and irrecoverable work-in-progress. Jenkins says provisions against these in previous years may have been inadequate.
A ‘Ventertjie’ for the Porsche to tow

FANCY trailer towed by your Porsche?

That is what Venter Leisure & Commercial Trailers (Ventel) intends to market.

Ventel was established more than 30 years ago at Naboomspruit by Maarten Venter.

The business is about trailers up to four tons. There are 20 standard models and another 20 specially manufactured lines. Custom-made trailers are also part of the business. One is streamlined for towing behind sports vehicles and another for taxis is on the way.

There are trailers for dogs, board surfers, angels and outboard motors. Hot-dog stands and mobile Coca-Cola cans are Ventel products.

Jasper Venter, son of the founder, says he toyed with the idea of listing the family business for several years. There was no shortage of suitors, but there is a degree of commercial isolation in Naboomspruit and a financially literate partner was not met until Michael Kates entered the picture.

Mr Kates is the biggest shareholder in Ventel, which goes for a listing soon.

Mr Venter still owns the properties and the retail interests of the group. They will not be included in the listed company.

The group comprises three divisions – Rubax, Manufacturing and Marketing.

Rubax, based at Bapsely, makes trailer components, such as axles, pocky and Bailey hitch assemblies. Rubax supplies Ventel at Naboomspruit and other buyers.

Manufacturing comprises two separate factories in Naboomspruit. Karavene makes run-of-the-road trailers and Supreme the specials.

Marketing, based at Bapsely, owns the Ventel trademarks, designs and patents and offers the most scope for development.

Mr Kates says Ventel now has the management to take it to the next level of growth. He has one or two ideas up his sleeve, but the biggest incentive is exports.

In Mr Venter’s opinion, formed after considerable global homework, Ventel trailers are as good as any in the world.

The group does not make trailers at the bottom end of the market. About 20% of its production is for commercial concerns and the rest for the leisure market. Ventel hopes this might secure a立足 in the glamorous hotel, beverage & leisure sector of the JSE, but it has been assigned to transport.

The swing to smaller cars and cheaper self-catering holidays has been a major contributor to the growth of trailer sales in SA in the past 20 years.

In America, none out of 10 trailers are rented, not owned. But in SA, there is nothing like that scale of rental. There are a few Rent-a-Ventel outlets, but no nationwide hire service.

Non-executive chairman Penkes du Plessis was the founder of listed Motorvans, which houses Budget Auto-lease and Budget Rent-a-Car. He sold out in 1989.

Mr Kates’ consulting experience was applied to various private and public companies, notably, etc. He is deputy chairman of Ventel, and the managing director is Richard du Plessis. Mr Venter is also an executive director.

The flotation of Ventel comprises a private placement of 13-million shares and a public offer of 4-million at 120c. The offer closes on February 26 and the listing should take place on March 4. The R25-million raised will partly settle amounts owing to vendors. Mr Kates says that some of the working capital will be used to research and develop export markets.

The market capitalisation, based on these criteria, is R75-million. The issue price is at a 15% premium to the net asset value of 89c.

Ventel forecasts earnings of R10,5-million after tax, or 21,1c a share in 1992, giving a forward price-earnings ratio of seven on the issue price.

Turnover is not disclosed, but is probably close to R100-million. The dividend will be covered between two and three times. Non-Bophuthatswana residents will have to pay 15% withholding tax.

Mr Kates says the private placing has been well received.
Toyota
No 1 in service

TOYOTA, No 1 in vehicle sales, has scored another first. A survey by the Centre for Proactive Marketing Research finds Toyota has the best customer service record in the motor industry.

The survey is claimed to be the biggest of its kind since the last SA census. Toyota received a 92.8% rating, followed by 91.7% for Mercedes-Benz MMI, the Mazda division of Samcor, was third with 77.3%. Volkswagen was next, ahead of BMW, Nissan, Delta and Ford, which scored 73.8%.
Corolla's Conquest

By DON ROBERTSON

TOYOTA'S Corolla and Conquest range took a growing share of the market in the four years since individual model sales were last released.

For the first time since 1987 the National Association of Automobile Manufacturers of SA (Namas) has disclosed individual sales figures for 1991.

Corolla/Conquest models increased market share from 16.9% to 20.4% or 49,318 units.

Next came Volkswagen's Citi golf/Fox range with 19,886, Delta Kadett/Monza (10,708), Golf/Jetta (17,346) and Toyota Cressida (11,012).

Mazda 323 sold 10,664, BMW 3 Series 9,778, Sierra/F.<br>Sapphire 9,341, Laser/Meteor 9,290 and Uno 9,283.

The Corolla 1.6 GL also topped individual model sales with 11,212, followed by Corolla 1.3 L (5,749) and Citi golf 1200 (4,536).
Motor show duo set to go national

SOUTH AFRICA'S first National Motor Show is set to be the showcase of the country's motor industry. The show will be launched on Tuesday by the Cape Town organisers, Motor Events, at the inaugural meeting in the Sunnyside Hotel, Johannesburg, attended by representatives of leading motor manufacturing and component companies.

Roger Haupt and Malcolm Lydenbogaardt of Motor Events were responsible for the highly successful Cape Town Motor Show held in the Good Hope Centre in 1990.

They have decided to enlarge the show and get much bigger exposure by "going national".

The result is the National Motor Show from October 2 to 11 in the National Exhibition Centre, Johannesburg, which will stage passenger and commercial vehicles from manufacturers, retailers and fleet dealers, plus classic used cars.

The entire spectrum of the market will be represented, including niche markets such as motorcycles, dragsters, kit cars, off-road vehicles and "hot rods".

"The response to the show has been extremely positive," says Cape Town-based Peter Ray of Motor Events' marketing team.

"At Tuesday's meeting two major motor manufacturers are expected to announce they will be signing contracts to participate in the show.

Mr Haupt, who organised the Design for Living exhibition in Cape Town for many years, says the industry view is that such a show is long overdue.

"It is the view of Samcor, Nissan, Delta, BMW, AAD and Naamsa alike.

"There is a definite need for this motor show on a national level, particularly with the number of new car models coming onto the South African market this year."
Italian connection to the fore

By DON ROBERTSON

TRUCKMAKERS, manufacturers of Samil and Samag trucks, is to change the name of some of its Samag vehicles to Ivecco to reflect its closer association with the Italian company.

Truckmakers is a member of Automakers, a Sankorp subsidiary which controls Nissan Ivecco, established in the mid-1980's, has Fiat and Magirus Duetz as major shareholders.

The Samag name will be dropped on all heavy vehicles which use Ivecco engines and drive trains, including the 360hp 5x2 and 6x4 as well as the new 480hp 6x4 trucks.

Moose Mostert, managing director of Truckmakers, says the change in name does not mean that Ivecco has invested in the company — "although they have shown an interest".

Iveco, after a shaky start, is now one of the largest suppliers of medium and heavy trucks in America and Europe.

Mr Mostert says "After research, we decided that all new models from Ivecco, Europe's second-biggest truckmaker and the world's biggest manufacturer of diesel engines, will be powered by Ivecco engines.

"The next step is to take advantage of the well-known international trade name, Ivecco, for the SA market."

All other models from Truckmakers, fitted with Atlantis Diesel Engines (ADE), will continue to be sold under the Samag name.

Samag TurboStar trucks have been fitted with Ivecco engines and drive trains for two years and have been well received by fleet owners.

Several truck manufacturers have indicated that imported engines from their
For Benz, Mitsubishi
Mid-Year Deal Ikey

By Maggie Rowley
Yuppies have money for their leisure toys

THE continuing recession has not dampened the hunger among the wealthy for expensive outdoor leisure toys.

Retailers of boats, caravans and 4x4 vehicles say that while overall sales may have slumped, targeting the upper-income groups has ensured the success of a number of new leisure market campaigns.

The trend is especially pronounced in the 4x4 vehicle market where owning an offroad vehicle is a definite indicator of style. Accountants and doctors who yearn to be Camel-men — but without the grime — seem to find satisfaction in just having the "right" tools.

Sales of top model Land Rovers, Toyota and Nissan 4x4s have shown a steady increase.

In 1990, about 78% of all 4x4 double cabs sold went to urban dwellers, with 20% of those sales accounted for in Johannesburg's northern suburbs, a Toyota sales forecasting analyst said yesterday.

"There is a yuppie trend to use these double cab 4x4s as dual purpose vehicles, and this segment of the market is holding a lot of attention," said Associated Automotive Distributors (AAD) dealer development manager Billy Butler.

"Dual purpose" means the vehicles are used as smart town-runabouts during the week and in the bush or at trout farms over weekends.

AAD, who supply Land Rovers to the local market, launched their new Discovery in mid-1991. The vehicle, designed as a rival to the stylish Japanese leisure off-readers, has "found a niche in the upper market", Butler said.

The 4x4 market in general had not been as hard hit as other sectors of the motor trade and sales of all types of Land Rovers were steady.

Arnold Chatz sales manager Boris Gordon believed the market for dual-purpose 4x4s was not growing significantly. "At a growth rate of 2% to 3%, the market is just hungry," he said.

The trend towards top models continues in the caravan market.

While sales in 1991 dropped 10% on the previous year, a turnaround in October saw Jurgens Caravans achieve a 9% increase in sales by the end of the year. This was the highest since 1983, said Jurgens executive director Hans Koekemoer.

Retail sales in decline of 4.5%

SHERIDAN CONNOLLY

RETAIL sales decreased by 4.5% in real terms in the year to November, according to preliminary figures released by the Central Statistical Service (CSS) last week.

In month-on-month terms, November sales were up 3.8% from October.

The largest decrease occurred in sport, entertainment and photographic equipment with a rise of 9.4%. Textiles increased by 8.2%.

Sanlam economist Johan Louw said the decline in retail sales indicated the weak state of the economy.

He said there were no indications that the poor state of consumer spending would improve in the short term.

Louv said a cut in interest rates would be unlikely to have a significant effect on spending levels because conditions were extremely flat.

Despite stubborn and disappointing inflation figures, conditions in the economy showed there was room for a rate cut — which would probably happen by the end of the first quarter, he said.

Retailers reported dismal Christmas sales, and December retail figures would probably also be disappointing, Louw added.
Volkswagen takes the Chinese Highway

Week 14

Volkswagen has announced that it will invest $600 million in its new plant in Foshan, China, following the announcement of its joint venture with China's largest automotive manufacturer, SAIC. The deal is intended to expand Volkswagen's presence in the rapidly growing Chinese market.

The plant is expected to produce up to 350,000 vehicles per year, starting in 2020. Volkswagen has been working closely with Chinese suppliers to ensure that the plant is able to meet the high standards required for production in China.

This is the latest in a series of investments by Volkswagen in China, which has become the company's second-largest market after Germany. The company has been expanding its presence in the country in recent years, with plans to increase its sales by 50% by 2020.

Volkswagen's decision to invest in China reflects the growing importance of the country as a market for the global automotive industry. With over 500 million cars on the road, China is the world's largest automotive market, and companies are vying to gain a foothold in the market.

Volkswagen's investment in Foshan is part of a broader strategy to expand its production capacity in China. The company has also announced plans to build a new factory in Chengdu, Sichuan, which is expected to start production in 2022.

These investments are part of Volkswagen's global expansion strategy, which includes further investments in other markets, such as the United States and South America. The company has been working to expand its presence in these markets to offset slowing growth in Europe and China.

Volkswagen's decision to invest in Foshan is a sign of the company's commitment to the Chinese market, which is expected to continue growing rapidly in the coming years. The company is well-positioned to take advantage of this growth, with a strong product line and a growing network of dealerships in the country.

Volkswagen's investment in Foshan is a significant step forward for the company, and is likely to have a major impact on the Chinese automotive industry. The company is expected to become one of the leading players in the market, with a strong presence in both the luxury and mass-market segments.
Volkswagen spokesman Dr. Martin Winterkorn said his company will be putting a new product on the market next year. The new car will be part of the Passat line and will be built at the company's plant in Wolfsburg, Germany.

Winterkorn said the new model, scheduled to be released in 2008, will be a "game changer" for the company. He outlined a plan to increase production by 20% and to reduce costs by 20% over the next five years.

"We are committed to making Volkswagen a leader in the world of compact cars," Winterkorn said.

Winterkorn also announced plans to build a new factory in the United States, which is expected to create 3,000 jobs. The factory will produce the new model and will be located in Tennessee.

"This is a major step forward for Volkswagen in the United States," Winterkorn said.

The announcement comes as Volkswagen is facing increased competition from other automakers, particularly in the United States, where it has struggled to gain market share.

"We are confident that our new product will be a success," Winterkorn said.

The new car will be unveiled at the Detroit Auto Show in January 2008.
Naamsa asks Govt for easier HP on car sales

By Sven Lipsche

The National Association of Automobile Manufacturers (Naamsa) has appealed to the Government to relax hire-purchase provisions on new and used motor vehicles sales.

In January car sales fell by 2.1 percent to 14,766 units compared with January 1991, continuing a downward trend from last year.

Naamsa said yesterday that trading conditions in all segments of the market were expected to remain extremely difficult and competitive during the months ahead and unit sales would remain negative in the first quarter.

"In the absence of any relief on the interest rate front and specifically in order to assist private buyers Naamsa believes that some relaxation in the hire purchase provisions should be considered by the authorities."

January's new car sales were 9.8 percent, or 1,320 units, higher than the unit sales of 13,446 recorded in December last year.

Big slump

Stephanus Loubeur, the managing director of Nissan Marketing, said the increase on the December figure should be treated with caution as December sales were seasonally low.

He said in a statement that the severe drought would have an adverse effect on the economy and the motor industry should get ready for a big slump towards the middle of the year if conditions did not improve.

"The light commercial vehicle segment in particular will be hard hit by the ongoing drought," he added.

Naamsa also provided a breakdown of new car sales, a list which is headed by Toyota with 4,062 sales, followed by VW with 3,727 sales, Samcor (242) and Nissan (1,693).

Sales of new light commercial vehicles, bakkies and mini-buses at 7,069 in January showed a decline of 11.3 percent on the January 1991 figure and a fall of 4.7 percent on December's sales.

Medium and heavy commercial vehicle sales during January remained at historically low levels falling by an annual 9.5 percent to 341 units.
New car sales down 2.1%

NEW passenger vehicle sales for January dropped 2.1% to 14,706 units compared with the corresponding month last year, figurers from the National Association of Automobile Manufacturers (Naamsa) show.

For the first time since 1980, Naamsa released a monthly breakdown of market share, based on sales, of SA's seven major car manufacturers. The figures showed Toyota had maintained its leading position in the industry by selling 4,062 units, equivalent to 27.5% of January's total market.

Volkswagen SA followed closely by selling 3,317 units (22.4%) and Samcor was third with 2,489 units (16.8%).

Car sales

Nissan's January sales came in at 1,693 units (11.4%), Mercedes-Benz at 1,336 units (9%), Delta at 1,057 (7.1%), and BMW at 809 units (5.6%). Naamsa said a breakdown of manufacturers' monthly market share would in future be released regularly with the normal vehicle sales figures.

The Naamsa statistics indicated that most new car sales were in the lower end of the market, with the Toyota Corolla taking top position with 2,231 unit sales and VW's Golf the second most popular range with 1,844 sales.

Nissan SA MD marketing Stephanus Loumbor said he was happy with the sales of Nissan's Uno, which captured 4.8% of the market with 709 unit sales in January.

The continuation of Uno's high sales volumes proved there was "a definite stable market for a small car in SA."

Although January's new car sales were down on the previous year, Naamsa noted they were up on December's sales of 13,466 units. However, sales in all four sectors reflected a decline in sales on last year.

New light commercial vehicle sales for January dropped by 11.5% to 7,699 units compared with the corresponding month last year. Medium and heavy new vehicle sales declined by 9.4% (246 units) and 12.7% (278 units) respectively.

Loumbor said the severe drought would add pressure to depressing commercial vehicle sales, particularly the light commercial vehicle segment.

Naamsa said trading conditions throughout the market would remain difficult in the months ahead, with monthly new unit sales remaining negative in the first quarter compared with last year.

In the absence of any relief in interest rates, "Naamsa believes that some relaxation in the hire purchase provisions applicable to new and used motor vehicles should be considered by the authorities."

Naamsa said the deposit required on vehicle hire purchase sales had been increased to 15% from 10% in 1989 as part of the monetary authorities' policy to tighten up against credit sales. The maximum monthly payment period was also reduced to 42 months from 48 months.

Naamsa felt the minimum deposit should be reduced to 10% and the monthly payment period lengthened to 60 months to bring some relief to the motor industry.
New vehicle sales keep on sliding

Although January's new car sales were down on the previous year, Naamsa noted that they were up on December's sales of 13,446 units. However, sales in all four sectors averaged a dramatic 10% drop in sales on last year.

New light commercial vehicle sales for January dropped by 11.9% to 7,009 units compared with the corresponding month last year. Medium and heavy new vehicle sales declined by 9.5% (918 units) and 12.7% (1,750 units) respectively.

Loubser said that severe drought would add more pressure to declining commercial vehicle sales, particularly the light commercial vehicle segment.

For the first time since 1988, Naamsa released a breakdown of monthly market share based on sales of SA's seven major car manufacturers. The figures showed Toyota had maintained its leading position in the industry by selling 1,196 units, equivalent to 27.7% of January's total market.

Volkswagen SA followed closely by selling 1,117 units (25.1%) and Samcar was third with 2,189 units (46.8%).

Nissan's January sales came in at 1,003 units (11.4%), Mercedes-Benz at 1,316 units (9.4%), Delta at 1,085 (4.1%) and BMW at 809 units (3.4%).

Naamsa said a breakdown of manufacturers' monthly market share would in future be released regularly with normal vehicle sales figures.

The Naamsa statistics indicated that most new car sales were in the lower end of the market, with the Toyota Corolla taking top position with 3,221 unit sales and VW's Golf, the second most popular range with 1,484 sales.

Nissan SA MD marketing Stephens Loubser said he was happy with the sales of Nissan's Uno, which captured 4.8% of the market with 700 unit sales in January. The continuation of Uno's high sales volumes proved there was "a definite stable market for a small car in SA."

In the absence of any relief in interest rates, Naamsa believes that some relaxation in the hire purchase provisions applicable to new and used motor vehicles should be considered by the authorities.
VW to spend R1.52bn

VOLKSWAGEN SA is to spend another R1.52-billion on its Uitenhage plant. The company has won a R1.2-billion order from China for 50,000 VW Jetta (172)
Motor-makers seek HP relief as cuts loom

THE beleaguered motor industry has asked the Government for help as it faces more production cuts and short-time working.

It wants hire-purchase restrictions on new and used cars to be eased.

The National Association of Automobile Manufacturers of SA (Naamasa) says that in the last quarter of 1991 capacity use was lower than in the three months to September.

In car manufacturing it dipped to 61.1% from 88.4% in the September quarter. The light commercial vehicle (LCV) sector was down at 61.1% from 69.8%. Capacity use for medium commercials (MVCs) fell to 46.9% from 59.2% and in heavy commercials (HCVs) to 41.5% from 48.2%.

Some manufacturers operated at only 65% of capacity in cars, 18% in LCVs, 11% in MVCs and only 16% in HCVs.

Capital investment also fell — R87.1-million compared with R107.8-million. One coastal manufacturer reported that expenditure for the year had been reduced by about 24% to R64-million, of which 41% represented model-related tooling.

Because of the retrenchment moratorium agreed to between employers and employees, staff numbers are expected to remain stable at 37,000.

The report says the price of imported components rose by about 16% last year. SA components were about 12% more expensive than in 1990.

Naamasa has asked the Department of Trade and Industry to relax HP restrictions.

Some manufacturers call for total deregulation of the industry and the scrapping of all HP curbs.

They want banks to be allowed to determine the creditworthiness of buyers.

The Association of General Banks backs Naamasa, suggesting that HP payments be extended to 48 months from 42.

Naamasa asks for 60 months, believing that the longer life of vehicles justifies it.

Naamasa fears that interest rates will remain high. It asks that deposits on vehicles be reduced below 15%.

Naamasa says the 1989 restrictions which lifted the deposit and cut the repayment period were introduced because of severe balance of payment problems.

Thus no longer the case and if the authorities are eager to get the economy moving, an improved vehicle market could be one way of doing it.
COMPUTERS

Management gains control of Autoquip

A MANAGEMENT buyout consortium has gained control of car accessory supplier Autoquip Group from its Australia-based majority shareholder, G J Santana.

An announcement published today said Santana’s 31.6% stake, comprising about 500,000 ordinary shares, would be converted into an equal number of convertible preference shares, bearing a cumulative fixed dividend of 12% a year.

The preference shares, valued at 46c a share, would be redeemable at a pre-determined price in whole or part at the option of the company on the first of July from 1994 to 1996.

As a result, the preference shares would have no voting rights. The directors stated that the majority shareholder had not been involved with the executive running of the group since the end of 1987. As a result, they said, Santana had agreed to sever his ties with Autoquip.
Car makers eye African exports

SA's TOP seven car manufacturers are set to conclude extended distribution agreements with their international franchisers to export finished vehicles to African countries, industry sources said yesterday.

BMW SA and Toyota SA confirmed negotiations were under way.

BMW spokesman Chris Moedtke said the local company had entered an agreement in principle with its German parent to export righthand-drive cars to a number of sub-Saharan countries. Although he would not attach a value to the deal, he said BMW SA would be exporting "a few hundred finished units this year."

He added discussions had already been held with various import agents and the governments of the countries concerned. He noted that "this is not just an export contract, BMW SA plans to set up a full service and distribution network in the countries concerned". However, the manufacturer did not plan to construct a vehicle assembly plant at any of these locations and all cars exported would be fully built.

Toyota SA spokesman Brand Pretorius confirmed that a representative of Toyota Japan would be arriving in SA shortly to discuss extending African distribution rights.

Pretorius was reluctant to disclose countries concerned but expected Toyota's 1992 finished vehicle exports to the African countries to be worth about R60m. Toyota SA exported about 1,000 finished units in 1991, worth about R35m, which he expected to rise to about 1,500 units in 1992.

Samcor and Volkswagen SA recently disclosed that they had signed car export contracts to the UK and China respectively, while Mercedes SA has said its sales revenue from vehicle exports to Africa would grow to about R60m this year.

Samcor's 1992 exports to the UK — of 2,500 to 3,000 units — are believed to be worth about R60m while Volkswagen's publicised export contract of 5,000 SA-made Jetta to China is expected to generate about R175m.

While no concrete figures are yet available, the motor industry's finished vehicle exports for 1992 could rise from an almost nonexistent base to a high of R400m, with the majority of orders originating from African countries, the source added.

The National Association of Automobile Manufacturers of SA expected total export revenue in 1992 to be about R1.2bn.
Community Projects

Toyota - Helping Others to Help Themselves

Community Projects

Funding for the Future

Training for the Future

SCHOOL EDUCATION

Vocational Education

The answer is never a question.

The answer is never a question.

The answer is never a question.

The answer is never a question.

The answer is never a question.
Hawker stalls form part of responsibility programme

IN SUPPORT of the informal business, Mercedes-Benz of South Africa (MBSA) will shortly provide stalls from which hawkers will conduct their business, chief executive of the company, Mr Christo Kopke said.

The stalls, to be erected at the factory’s East London plant, have had the support of hawkers and workers, Kopke said.

He said this was part of the company’s social responsibility programme.

“We could never have erected them without involving workers,” Kopke said.

He said hawkers would operate from a hygienic environment.

The union and management were working hard to bring about a sound industrial relations climate.

By JOE MOHLELA

He said the hourly-paid work force was represented by the National Union of Metal Workers of South Africa.

“NUMSA represents 60 percent of all hourly-paid employees”

He said the nine-week strike action that rocked the company in 1990 served as a lesson that there was a lot to be achieved in the area of industrial relations.

“We are proud that we are working more closely with the union to the satisfaction of both management and workers.

“Of course, we are far from perfect, but we are working hard to resolve the problems,” he said.
Trading conditions hamstring McCarthy

MOTOR retailer McCarthy Group has disclosed an 11% drop in attributable earnings to R20.9m for the six months ended December. This, says the group, reflects the poor trading conditions in the industry.

Earnings amounted to 24.2c (1990: 27.4c) a share on which a dividend of 7.5c a share was declared.

The group kept its dividend payment in line with the previous year's and the drop in earnings resulted in the dividend cover falling to 3.2 times, compared with the previous period's 3.6 times.

Despite an 8% decline in unit sales, McCarthy managed to achieve a 7% increase in sales revenue to R1,65bn (R1,4bn).

The group's operating profit dropped by 8% to R42,3m (R46m).

The operating margin fell to 2.6% compared with the previous period's 3.5%.

The directors said that the total dealer market for new vehicles declined by 13% compared with the same period the previous year.

McCarthy's more modest 8% drop in unit sales indicated, therefore, that the group had increased its market share to 13% (12.5%), they added.

The directors noted that "the market for the group's products is not showing any sign of improvement and, in fact, has deteriorated further in the first six weeks of 1992."

McCarthy predicted that earnings were unlikely to be higher for the remainder of the trading year.

An 169% increase in finance charges to R3,4m (R954 000) was attributed by the directors to higher stock levels carried during the six months.

The heavier interest bill resulted in the group's pre-tax profit dropping 11% to R40.2m (R45.2m).

Taxed earnings, after outside shareholders' share, declined to R30.5m (R33.5m).
Brian Porter brings in R1m

MOTOR retailer Brian Porter Holdings has posted a 24% rise in attributable profit to R1m for the six months ended December, despite a drop in unit car sales.

From earnings of 36.5c (1992 29.4c) a share, a dividend of 10c (8c) a share has been declared.

Recently appointed MD Adrian Porter said the group's growth in earnings was satisfactory considering the tight operating conditions experienced during the period.

He said the real increase in earnings resulted largely from tighter cost controls and improved contributions from the parts and service division.

Sales revenue climbed by 16% to R170.1m (R148m) despite a drop in unit sales of both new and used vehicles.
Export doors open to Benz

By JOE MDHLELA

POLITICAL changes in South Africa have opened export markets in Africa previously closed to Mercedes-Benz of South Africa, according to the chief executive of the company, Mr Christo Kopke.

Kopke said the company exported vehicles to Zimbabwe, Zambia, Malawi, Mozambique and Burundi.

Namibia, Botswana, Lesotho and Swaziland were already part of the Southern African customs agreement and were already supplied with vehicles directly from MBASA, he added.

With the establishment of an export department, the company would aggressively pursue opportunities in the African export market.

He said Angola would at this stage be the only neighbouring country not to benefit from the export deal.

He said this was mainly because the MPLA did not represent all the people of that country.

Even if a representative government were to be formed, the fact that Angolans drove on the right side of the road made the prospect of having export trade with it difficult.

He said the export target on commercial vehicles, the market that has potential at the moment, would be around 300 units this year, a total of R60 million.
publicity are a deterrent. "The fines are severe but just as important, in this age of environmental awareness, is the fact that no company can afford the publicity associated with being caught deliberately abusing water systems."

He points out that while the Zenex convention is a precedent in terms of harbour pollution, the department is prosecuting more cases of inland water pollution. "This serves as a warning that the department now has the people on the ground and legal backing from Pretoria to prosecute infringements."

Porter harbour pollution officer Coen Ackerman says harbour spillages are few and falling. In April there were six major incidents of harbour pollution. That rose to 10 the next month but the number has fallen steadily since. In December there were just one major incident.

---

**JANUARY VEHICLE SALES**

<table>
<thead>
<tr>
<th>Car Type</th>
<th>1992</th>
<th>1991</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cars</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>14 766</td>
<td>16 089</td>
<td>-2.1</td>
</tr>
<tr>
<td>Dec (13 446)-Jan</td>
<td></td>
<td></td>
<td>+8.8</td>
</tr>
<tr>
<td>Light commercials</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>7 089</td>
<td>7 971</td>
<td>-11.3</td>
</tr>
<tr>
<td>Dec (7 424)-Jan</td>
<td></td>
<td></td>
<td>-6.8</td>
</tr>
<tr>
<td>Medium commercials</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>248</td>
<td>274</td>
<td>-9.5</td>
</tr>
<tr>
<td>Dec (214)-Jan</td>
<td></td>
<td></td>
<td>+15.9</td>
</tr>
<tr>
<td>Heavy commercials</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>376</td>
<td>431</td>
<td>-12.8</td>
</tr>
<tr>
<td>Dec (327)-Jan</td>
<td></td>
<td></td>
<td>+15.0</td>
</tr>
<tr>
<td>Total sales</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>22 459</td>
<td>23 785</td>
<td>-5.5</td>
</tr>
<tr>
<td>Dec (21 411)-Dec</td>
<td></td>
<td></td>
<td>+4.9</td>
</tr>
</tbody>
</table>

Source: Narsma

With the domestic market still looking so sick, that is a prospect the industry does not relish. As the latest figures show, new-vehicle sales continue to look terrible — to the extent that the industry wants government to relax HP restrictions. Without it, companies say, the short-term future looks bleak indeed.

---

**MOTOR INDUSTRY**

**Losing the lead**

Unleaded fuel, scheduled for introduction to SA in 1995, is likely to be available much earlier. Oil industry spokesmen say companies should be able to meet the target date by several months. Some motor industry officials predict that limited supplies will be at the pumps as early as next year.

They say that, with demand already high for unleaded fuel, at least one oil company is accelerating its programme in the hope of stealing a march on rivals — even if at only a handful of pumps around the country Car companies would probably be quick to import exotic cars now unavailable here because of the lack of unleaded fuel. More important, it would encourage them to develop their own ranges.

Leaded fuel remains generally available in the rest of the world but modern engine development is based on the unleaded version. Some engines in SA vehicles are at least a generation behind overseas equivalents. However, companies say the change to more modern engines can be made with little fuss once the fuel is available.

Companies have long warned that the delay in introducing unleaded fuels threatens to cause local vehicle technology to fall behind and, while some may argue that SA does not need the same vehicle sophistication as Japan, Europe and North America, outdated technology will make the SA motor industry uncompetitive in export markets.
Squeeze on car firms may benefit consumer

MARC HASENFUSSELL 1923
Business Staff

CONSUMER demands for affordable passenger cars could be met, albeit temporarily, in the next few months if vehicle sales remain stable, a motor industry expert predicts.

Ironically what has been bad news for the motor industry — weak new car sales in the past eight months — could turn into welcome news for consumers.

Weak sales have caused a glut of new vehicles in dealers' showrooms and burgeoning stocks might have to be sold off at large discounts to make way for the arrival of new model ranges.

Vehicle manufacturers are due to release nine new models between March 1992 and March 1993.

Stocks have been piling up in dealerships since late last year as corporate buyers — the motor industry's main customers — have chosen to delay fleet purchases until the new models are released, Econometrix's motor industry expert Mr Tony Twine said.

He said the growing emphasis on residual value leasing (full maintenance leasing etc) has made potential car buyers more acutely aware of resale values.

Mr Twine said buyers were definitely stalling purchases until the new models were launched to ensure acceptable resale prices.

"Dealerships, currently batching to move their stock, will be further under pressure to clear showrooms to make space for new models."

Mr Twine believes that dealers will be forced to offer attractive discounts on new "old" models to shift sales.

He predicts that the new vehicle range would account for more than half of the expected 5 percent growth in new vehicle sales in 1992.

Economic pressures have forced dealers into a Catch-22 situation.

They either hold back excessive stock, pushing financing charges up or sell their merchandise at a discount, eroding operating margins.

In the long run most private buyers will still remain outside the new vehicle market's realm of affordability.
A bumpy road

which marketed mining and industrial bearings, was sold without loss. A new company is being formed to use Technquip's infrastructure. It will focus on the existing customer base of replacement parts stockists.

Santana says marketing policy is being reviewed and branches have been relocated.

The investment in the foreign division was sold at a small profit of R17,000. Though the investment had performed well despite tight market conditions, Autoquip foresees more exciting growth prospects at home.

Santana believes growth prospects in SA are unequalled in the western world. He says the car parts industry has a huge market. He expects black ownership to double within eight years, with most purchases being used vehicles. This will extend the car park and benefit the parts and accessories industries. The average life of the car park has increased to 10 years from 7.5 in 1985. This trend is expected to accelerate. Spare parts required to keep a vehicle mobile increase dramatically from the age of six years.

Santana expects improved demand this year. He says customers will need to rebuild stocks and margins should recover to more realistic values.

Santana has retired because his Australian interests have become increasingly onerous.

The share has had a bumpy 12 months, with a wide trading range. But volatility applies to other car parts shares. The market has not known how to value them because of the squeeze on margins.
Nissan's new training drive

Nissan is determined to infuse a new dimension in literacy programmes by putting a strong emphasis on functional rather than generic literacy.

At the launch of a literacy awareness campaign yesterday, general manager Mr Sarel Liebenberg said the main objective of its literacy programmes is to exploit the optimal ability of an individual that will pay off in increased productivity and thus improving the quality of life for its giant workforce.

"Time is past when literacy programmes had as their sole objective the training of an individual to decipher words and numbers," he said.

"A more systematic approach, both historical and futuristic, is urgently needed to enable an individual, not only to read and write, but also to inculcate powers of interpretation and analysis that will ensure positive and active response to what he is reading."

He said the company has firstly a responsibility to-wards its shareholders who must be assured the returns they expect from their investments.

Secondly, the company must provide facilities for the "in-company programme" and also finance outreach programmes for the families of the company's employees.

The company is currently running programmes with about 1,000 participants.

The company has secured the co-operation and support of Numsa and Cosatu in promoting public awareness so as to get the ball rolling, he said.

Liebenberg said the company is presently negotiating with SABC television to participate in the current literacy programme series on TV1, *New Vision*, which consists of 13 episodes.

The company also intends to negotiate with the new television channel CCV TV in order to have some of its programmes.

External auditors have praised the programme as a tremendous success and a welcome dramatic departure from the host of quick fix schemes and "fly-by-night" schools.
SOUTH Africa will host a world conference of motor traders in 1994.

An invitation from Terrol Richardson, president of the Motor Industries' Federation to the International Organisation of Motor Traders and Repairers (IOMTR) in Canberra last year was "accepted with enthusiasm."

The IOMTR has 26 member organisations in 26 countries and represents 600,000 businesses. Member countries include Japan, the US, Germany, Italy and France.

The conference will probably be held in Cape Town.
Strike threat by 8 000 workers at VW

ABOUT 8 000 workers at Volkswagen's Port Elizabeth and Uitenhage plants could go on strike next week over the dismissal of 39 press shop workers last Thursday for failing to reach revised company production schedules.

Cosatu president, Numsa member and Volkswagen worker John Gomomo said the results of a strike ballot would be known today if, as he expected, a majority voted for a strike. VW would be given three days' notice before the strike began.

VW spokesman Mati Gemrich confirmed the ballot had taken place but said work was continuing as normal. He said a strike would be unprocedural and negotiations with Numasa were continuing.

The issue underlying the dispute is whether management has a unilateral right to set production targets. Last September, VW revised press shop production targets from 160 to 211 hours an hour. VW was "satisfied" these targets could be achieved easily and believed the failure of the 39 dismissed workers to achieve them was "wilful defiance of a legitimate instruction". However, Numasa said workers consistently were unable to reach VW's target.
When Venter Leisure & Commercial Trailers (Venter) published its prospectus, the FM called the public offer of 4m shares at 150c expensive (Fox February?) Further examination bears this out and raises questions about the tangible asset base relative to issue price and the structure of the deal.

For one thing, just about all of the R25.5m to be raised will go towards the acquisition of founder Jasper Venter's business (R23m) and cover listing costs (R1.9m) That leaves just over R500 000 for the company.

Deputy chairman Michael Katz believes the company has budgeted adequately for working capital and other new developments After indicating to institutional investors, who took up 13m shares in a private placing, that Venter had no requirement for most of the R25.5m, he feels comfortable with the way the money will be used.

He points out that Venter is a strong cash generator. Results support this claim, but investors would probably feel happier if more of the proceeds were kept in the group.

The prospectus puts net tangible assets at September 30 at R20.2m. Yet tangible NAV, after an issue which raises R25.5m, is only 28.1c a share, or R14m on 50m issued shares. So it seems the issue is eroding rather than enhancing the asset base.

Katz argues that as the businesses were introduced into the structure to reorganise the group for future goals, direct comparisons are unfair. September data was "unusually included as a pro forma statement".

One would think this information vital to potential investors, but Katz goes on to say that, while taking the point regarding the net tangible asset base, the major assets, though intangible, should be regarded in terms of international brand accounting and cash flows as the fundamentals which drive the business, received the offer well. He concedes Venter is not an investment for investors who like heavy asset backing.

"The offer, which closes next week, will likely be well subscribed. Venter may become a market high flyer. The question is how long will it fly before the fundamentals catch up with it?"
BRIAN PORTER MOTORS

Turning upwards (192)

If there is any market sector, other than clothing and textiles, where earnings were expected to fall sharply, it is the motor industry. So it came as a surprise when Brian Porter Motors, whose profit record has long been stodgy, reported a 24% surge in earnings for the six months to end-December.

Executive chairman Brian Porter last year was succeeded as MD by his brother, Adrian, who (though he has been with the operation for at least 25 years) seems to be making his mark in his new capacity.

Still, for Brian Porter Motors it's a fine line between profit and loss. The difference in six months' operating profits between

1990 and 1991 was R410 000. After interest and tax, this was whittled down to R202 000.

This is not to be sneezed at. But when the business is operating on such fine margins (it fell from 2.26% in 1990 to 2.21% last year) it does not take much movement to affect earnings.

Adrian Porter is optimistic that the remainder of the financial year to June will produce results similar to the first half. He is depending more on generating efficiencies out of peripheral services, such as maintenance, rather than on vehicle sales. It will be interesting to see if he can maintain a more favourable profit trend.

Gerald Hosken
Metair beats recession

DIVERSIFIED vehicle component manufacturing group Metair Investments — an associate of Wesco — beat the recession and poor vehicle sales last year and lifted earnings 80%, effectively erasing the previous year's poor performance.

Earnings rose to 275c a share in the year to end-December from 153c in 1990 and 245c in 1989.

The preliminary results show that turnover increased 18% to R390m and pre-tax profits increased 41% to R27m. Gross profit margins increased slightly from 5.8% to 6.3%.

With income from associated companies Hella SA and First National Batter-
VW lands R150m export deal

VOLKSWAGEN South Africa (VWSA) has landed a R150 million export contract and is planning to invest a further R252 million in its Uitenhage plant.

"Following a year which saw a number of new sales records for some of our products, and a January passenger car market share of 22 percent, VWSA is poised to tackle a difficult 1992 with confidence," says Mr Adam Bage, VWSA's Finance Director.

Volkswagen was one of only three motor manufacturers in South Africa to improve market share during 1991.
ADE price freeze may benefit farmers

ATLANTIS Diesel Engines (ADE) will freeze the prices of all its tractor engines until year end, which may help the depressed farming sector, says MD Fritz Korte.

Korte said the move was equivalent to a price cut of 32% on ADE models since July 1990. He said ADE was confident tractor manufacturers would pass the benefits of this price freeze onto farmers.

The reduction would result in the engine representing only 15% of the expected retail price of tractors by the end of the year. This compares favourably to the 17% figure of June 1990, Korte said.

He said ADE was able to implement the engine price freeze because of the success of its current cost-cutting programmes.

While 1992 retail tractor sales forecasts were currently set at 2 800 units, compared with 2 860 units sold in 1991, ADE was confident the market would show a gradual long-term improvement.
R20-m Delta export venture takes off

Mr. Van Rooyen, said another subsidiary, Connoisseur Air Conditioning, was also doing well. He said the company was acquired in 1988 for R2.5 million when the company found they were not satisfied with the performance of air conditioners.

Delta Motor Corporation will complete a R20 million investment in new model tooling, plant expansions and improvements to facilities and equipment this year – all financed from profits and without borrowing.

Delta’s chairman and chief executive, Mr. Keith Butler Wheelhouse, who was speaking at a media function to celebrate the fifth anniversary of the company, said this was the single biggest capital investment in the company’s history. He said R110 million would be spent on upgrading the two separate facilities in Port Elizabeth and the rest would go towards new model tooling to enable Delta to bring the South African motorist the latest automotive technology in a variety of high-quality open passenger cars and Isuzu commercial vehicles.

Last year Delta started four major expansion programmes.

PAT CANDIDO
Argus Bureau

PORT ELIZABETH – A R20 million investment by Delta Motor Corporation in catalytic converter production has started to pay dividends.

Delta’s director of commercial and industrial holdings, Mr. Andre Van Rooyen, said the entire yearly production of 300,000 catalytic convertered from Precision Exhaust Systems would be exported to motor manufacturers in Europe.

He said European legislation would shortly require the fitment of catalytic converters to all vehicles which would result in significant growth in the overall market.

Mr. Van Rooyen said the high local content and price of catalytic converters made them a natural choice for manufacturers looking to increase their local content, provide jobs and boost the gross national product.

The manufacture of catalytic converters would also allow Delta to fit the equipment to vehicles in South Africa when required.

Efforts to penetrate the market were rewarded late last year when the company was awarded its first major contract by a leading manufacturer of small cars.

This would raise 1992 turnover to R37 million, which represented annual compounded growth of 50 percent since 1988. He said the company was extremely bullish about its future growth aspects.

Exports of aftermarket aircon systems to Europe presented a major sales and profit opportunity and the company planned to have its first samples with distributors before the start of the European summer.
Delta gears up for global markets

CAPE TOWN — Delta Motor Corporation is carrying out a R250m expansion and modernisation programme — without borrowing — as part of a strategic plan to become globally competitive, chairman and CEO Keith Butler-Wheelhouse told a news conference yesterday.

Meanwhile, with no improvement expected in the SA market in the short term, it is already exporting millions of rand worth of parts to Europe and complete cars to some neighbouring countries.

A rival manufacturer in SA, Volkswagen, is using an air conditioning system developed by Delta and manufactured by a subsidiary. Another local car manufacturer is showing interest, and samples are being sent to Europe in the hope of orders.

Delta, bought by management from its former US parent General Motors five years ago, manufactures under licence for Isuzu, Suzukis and Opel. Delicate negotiations are now in progress for licensing rights in other African countries.

Butler-Wheelhouse said there had been no substantial growth in the SA vehicle market for the past 11 years and that was one of the reasons Delta was aiming at international markets.

"We feel our future is (in markets) outside SA."

Subsidised

He said one of Delta’s subsidiaries, Precision Exhaust Systems, was now exporting its entire annual production of 300,000 catalytic converters to motor manufacturers in Europe.

But these exports were having to be subsidised at present. One reason for this was that Precision Exhaust Systems was paying more for SA-produced platinum and rhodium used in the converters than rival manufacturers outside the country.

"Another disadvantage we have is that import duty has to be paid on our converters going into Europe. And we have shipping costs, which is not the case with European competitors."

This was one of the reasons the Delta group had to become a competitive, global player.

In answer to questions, Butler-Wheelhouse said new cars would not become affordable to the man in the street in SA until there was a resurgence of the economy with lower interest rates, an inflation rate no higher than that of SA’s major trading partners, an easing of credit restrictions and higher employment.

But he said, "We see 1993 as a better year, based on expectations of the bank rate coming down and better control of inflation."
Parent firm buys out IDC stake in LuK

By Sven Luusche

In a major investment by a German company, clutch manufacturer LuK has bought out the Industrial Development Corporation's (IDC) minority stake in LuK Africa (formerly Repco SA) for an undisclosed sum.

National Selections, one of the IDC's two listed investment trusts, held a 49 percent stake in LuK Africa.

Repro SA was established in 1964 as a joint venture between the IDC and an Australian company.

The majority shareholding was bought by LuK in 1987 and the remaining 49 percent acquired this week through a permanent equity investment.

LuK chairman Dr E Kohlhage says the acquisition confirms his group's commitment to expand its operations in South Africa.

"We envisage a substantial export potential of the local company's products through our worldwide network," Dr Kohlhage says.

LuK SA is the leading local manufacturer of passenger and light commercial vehicle clutch assemblies and operates a factory in Port Elizabeth, employing 300...
Poll unlikely to rev car trade

Port Elizabeth — The Potchefstroom election result and the forthcoming referendum would not do much for the motor industry's prospects, according to the chairman and chief executive of the Delta Motor Corporation.

Speaking at a news conference to mark the company's fifth anniversary, Mr Keith Butler-Wheelhouse said the prospects for the motor industry and the economy were linked to politics, which would take time to sort out.

Painting a gloomy picture for vehicle sales in South Africa this year, he said he did not believe the market would improve.
Overseas operations help Trencor to defy recession

CAPE TOWN — Overseas operations and exports enabled the diversified Trencor group to defy recessionary trends in the local economy and produce a 22.8% rise in earnings in the six months to end-December.

Trencor is involved in the manufacture and export of containers. It manufactures trailers and operates in the transport and tyre sectors.

An interim dividend of 42c (35c) was declared on earnings of 312c (254c) a share.

An improved year-on-year performance in foreign currency terms was made by Trencor’s overseas operations which, together with exports, contributed about 40% of the group’s total earnings.

The world container market had been stable and the export of containers buoyant, Trencor chairman Neil Jowell said yesterday.

On the local market the group’s broadly spread transport interests — which represent about 10% of bottom-line earnings — did better than last year, but the engineering and tyre divisions fared worse as the recession took its toll on these sectors.

Turnover rose 22.8% to R479m (R386m) but as the mix of business changed in favour of the high-turnover, low-margin tyre business, margins slumped to 14.8% (15.6%) and operating income showed only a 16.4% rise to R71m (R61m).

A sharp cut in interest-bearing debt saw finance charges drop to R11m (R10m). Attributable income of R45m (R36m) was notched.

Trencor’s convertible debenture issue to raise R260m happened too late to have much effect on the interim results, but Jowell said the money raised would contribute an estimated net income of R13m to the final results.

Plans were in place to spend the money raised on expanding existing businesses. Opportunities were being “actively developed” but Jowell did not believe the bulk of the money would be spent by year-end. About R32m of the funds were used to cut interest-bearing debt to R40m, bringing gearing down to 6% (27%).

Year-end results would show an improvement but would be lower than last year’s 28.5% increase, Jowell said. A slowdown in the rate of growth was forecast for the next six months.

The international container market was weaker because more capacity had come on stream. In the final two to three months of the financial year containers would be exported on contracts concluded on less favourable margins.

Trencor’s parent, Mobile Industries, which has a 48% stake in Trencor, produced interim earnings of 78.1c (63c) and declared a dividend of 10c (8.2c). Its 74%-held subsidiary, Mobile Acceptances, which is involved in financing and leasing, produced “satisfactory” profits.
Nurses Square Up for Battle

WASA RAP ON LARGER

In an attempt to defuse the conflict between labor and management, the National Union of Metal-Workers in South Africa has called for a peaceful resolution to the ongoing dispute. However, the situation remains tense as both sides refuse to back down from their demands.

The conflict has escalated over the issue of wage increases, with nurses demanding a raise of 20%. Despite the union's efforts to negotiate a compromise, management has insisted on sticking to their initial offer of a 10% increase.

As the deadline for negotiations approaches, tensions are rising. The union is calling on the government to intervene and help mediate the dispute before it spirals out of control.

In the meantime, nurses have started to organize pickets outside hospitals and medical facilities, demanding that their voices be heard.

Meanwhile, the hospital administration is preparing for a possible strike, which could affect patient care.

The situation is closely monitored by the Department of Health and Social Services, which is working to ensure that essential services are maintained.

As the conflict continues, both sides are urged to remain calm and seek a peaceful resolution that benefits all parties involved.
SA car makers set sights on global niche markets through 'bigger' engine, tech

The industry faces a crisis — but the focus is on local car to escape.

Ford of South Africa says it has stopped sales of a vehicle that makes it difficult for the company to compete.

Nissan says it plans to export cars to China.

Industry experts say if car makers can't sell their products in their home market, they will have to find new ways to increase their sales.

Toyota, which sells about 70% of its cars in Japan, says it plans to increase exports to other countries.

The government has announced a package of measures to help car makers in South Africa.

But some experts say the measures are too little too late.

The chairman of a major car maker says the government needs to do more to help the industry.

"We are facing a huge challenge," he said.

But the government says it is doing all it can to help the industry.

"We are working with all stakeholders to find solutions," a government spokesperson said.

But some experts say the measures are too little too late.

The situation is dire for the industry, which employs thousands of people across the country.

"We are facing a huge challenge," said a government spokesperson.

But some experts say the measures are too little too late.

The chairman of a major car maker says the government needs to do more to help the industry.

"We are facing a huge challenge," he said.

But the government says it is doing all it can to help the industry.

"We are working with all stakeholders to find solutions," a government spokesperson said.

But some experts say the measures are too little too late.

The situation is dire for the industry, which employs thousands of people across the country.
Imphold sees earnings rise

Imperial Holdings (Imphold) lifted turnover 18.9 percent to R374.7 million, with operating profit up 16.9 percent to R59.1 million, in the six months to December.

Attributable income rose 25.2 percent to R12.3 million.

As a result of a larger number of shares in issue, earnings per share rose 23.3 percent to 21.6c (17.6c) a share.

The interim dividend has been lifted 21.4 percent to 6.5c per share.

Imphold took advantage of poor trading conditions and in recent months had made a series of acquisitions worth R51.8 million zct.

Since December Imphold has made two further acquisitions — 100 percent of Quattro Carriers and the business of Van Zyl's Spring Works for R6.3 million and R6.4 million respectively.

Earnings of Imperial Group were R3.7c per share, compared with the 32.2c reported at the interim stage last year.

Its interim dividend has been raised to 25c (21.6c) per share.

Imperial Group is the pyramid company of Imphold. Its investment in Imphold has declined from 69 percent in December to 55.1 percent because of the new shares Imphold issued to make its acquisitions — Sapa
Motor group Imphold nets a 25% increase

MOTOR and allied group Imphold had disclosed a 25% increase in attributable income to R12.5m for the six months ended December, maintaining its strong growth in earnings since listing five years ago, chairman Bill Lynch said.

First half earnings were 21.6c a share (1990/91 17.5c) from which an interim dividend of 8.5c (7c) covered an unchanged 2.5 times, he declared.

Lynch said he was satisfied with the performance considering prevailing tight operating conditions during the period. He added that Imphold took advantage of the recession to acquire three firms in broadly similar fields for almost R32m. Payment was through the issue of 3.7-million new Imphold shares.

The issue resulted in a modest dilution of earnings, also diluting parent Imperial Group’s interest to 65.1% from 69%.

The share price, weekly close (cents)

<table>
<thead>
<tr>
<th>Share Close (cents)</th>
<th>Price Movement</th>
</tr>
</thead>
<tbody>
<tr>
<td>570</td>
<td></td>
</tr>
<tr>
<td>550</td>
<td></td>
</tr>
<tr>
<td>530</td>
<td></td>
</tr>
<tr>
<td>510</td>
<td></td>
</tr>
<tr>
<td>490</td>
<td></td>
</tr>
<tr>
<td>470</td>
<td></td>
</tr>
<tr>
<td>450</td>
<td></td>
</tr>
<tr>
<td>430</td>
<td></td>
</tr>
</tbody>
</table>

The acquisitions were the entire share capital of Mercedes-Benz and Honda dealer group Mercurius Holdings for R16.6m, public transport firm Quattro Carriers for R8.6m, and automotive springs manufacturer Van Zyl’s Spring Works, for R4.4m.

Lynch expected the acquisitions to have a positive effect on group earnings and dividends in the short-term and to strengthen Imphold’s ability to maintain its long-term growth record. The group was confident of delivering “pleasing results” for the remainder of the trading year.

Imphold’s sales for the six months rose 19% to R374.7m (R319m) while operating profit increased 17% to R32m (R27.4m).

The operating margin dropped marginally to 8.5% from the previous period’s 8.6%.

Attributable income for the six months amounted to R12.5m (R9.6m).

Imperial Group increased its earnings to 63.7c (52.2c) a share while the dividend has been lifted to 25c (20.6c) a share.

Lynch said conditions remained tight in the car rental market, although some relief was expected from increased tourism to SA. Imphold’s other operating divisions were also expected to weather the downturn in the economy, he said.

Lynch said the group’s fairly recent business venture into the short-term insurance market through Regent Insurance was also producing results. He added that the insurer had maintained an adequate underwriting margin during the period while premium income had increased.
With problems largely sorted out in these divisions, operating margins widened. This, and a lower tax rate, saw EPS rise 80%. MD Allan Plummer says the profit improvement was due to better efficiencies. Expenses were well controlled, he says, and batch production was kept at optimal levels in all businesses. The plan is to continue to give priority to cost containment, productivity and industrial relations.

Full effects of the R35m capital programme during 1990 — aimed at upgrading facilities at Metlink and Smiths Manufacturing — have yet to be felt. The expenditure does not appear to have placed any undue strain on the balance sheet. Capital commitments at December 31 — including capex authorised but not contracted — reached R20m. At year-end, Metair had net interest-bearing debt, after offsetting R17m cash, of R27m, and the debt/equity ratio had fallen from the year-ago 0,26 to 0,19.

Cash flow could have been as much as R33m before changes in working capital and dividend payments. With increased volumes, it seems likely that stocks had to be increased which — with the dividend payment and capex — implies debtors and creditors were squeezed to generate additional cash. Capex will probably remain fairly high, but there could be some easing this year.

In May, Elizabeth Bradley succeeded Douglas Stewart as chairman. Metair’s income is largely SA-sourced but it hopes to increase export levels once sanctions are withdrawn, though much depends on the recession. Earnings should continue to grow but the rate of increase will slacken. Meanwhile, the share, at R13, is down from the R14,75 high set when the interim results were published in August. The counter does not look expensive on a 4,8% historical dividend yield.
annual bargaining begins next week. The
moratorium, due to expire on July 1, took
effect last year after a protracted negotia-
tions between vehicle manufacturers and
unions.

Production was brought almost to a halt
by a two-week strike at nearly every major
company. The only one to escape was Mer-
cedes-Benz.

Employers are eager to end the morator-
ium and adjust staffing levels to the current
circumstances. With new-vehicle sales still
depressed there's not enough work to go
around and the industry has imposed wide-
spread short-time working — in most cases a
four-day week. Hourly paid workers at one
eastern Cape car plant have taken turns to
stay away from work for up to six weeks at a
time because there's not enough to do.

A senior industry executive estimates that
more than 4 000 of the 37 000 workers in the
vehicle assembly industry are not needed
Others put the figure considerably higher
He says: "A lot of employers believe that this
moratorium should never have been allowed
to creep in. Now they can't adjust operations
to suit circumstances."

But, having won the concessions last year,
the National Union of Metalworkers of SA
(Numsa), the industry's biggest union, won't
give it up lightly. Union negotiator Les Kett-
ledas confirms: "The moratorium safeguards
jobs and we want it to continue." He adds
that Numsa will table its demands next
week. Employers will then respond and for-
mal negotiations should start by April. The
date for a new agreement to take effect is
July 1.

Recognising that the union will press for a
continuation of the moratorium, employers
hope for a trade-off in other areas — such as
lower wage rises. Last year's average was
about 13.5%. Companies will argue that,
with profitability under pressure, they can't
afford overstaffing and high wage rises. Job
security must carry a price.

Dave Kirby, BMW's industrial relations
director and chairman of the Automobile
Manufacturers Employers' Organisation,
says: "If the moratorium is that important to
the union, there could be a trade-off on issues
such as wages and more flexibility in work-
ing hours."

Job security and wages will dominate dis-
cussions but training and education will also
feature. So will the disputes that continue to
hamper the industry. Several manufacturers
have lost production recently because of la-
bour disputes. While most have been settled,
Volkswagen still seeks agreement with
Numsa over the sacking of 39 press shop
workers for failing to meet production sched-
ules at its Uitenhage plant near Port Eliza-
beth.

Numsa says production targets were in-
creased arbitrarily by management without
consultation. While the union says it is will-
ing to consider VW's request for arbitration
on the sackings issue, it insists that the com-
pany allows an independent study on wheth-
ter the new schedules are realistic.
Volkswagen strike ballot
over productivity targets

By FERAL CHAFFAEE

A STRIKE BALLOT at Volkswagen South Africa (VWSA) in Uitenhage is throwing the spotlight on the company's controversial production targets. Thirty-nine workers were dismissed at the beginning of February for failing to meet targets in the company's press shop. Management says the workers "repeatedly failed to build the daily schedule required to fulfil export orders."

VWSA also said that the dismissals were procedurally fair. But workers feel they cannot meet the new targets. The difficulty of these new targets is borne out by a work study conducted by the National Union of Metalworkers of South Africa which revealed that the machines could not work any faster. It also concluded that raising targets from 160 to 211 parts an hour was unreasonable.

John Gomomo, the Congress of South African Trade Union's president and NUMSA's chief shop steward at Volkswagen, says the company turned down a recommendation that the work in the press shop be done on another line. Instead the workers were dismissed soon after VWSA announced an export deal to China worth R150-million.

The union and the company were in negotiations for most of this week in an attempt to iron out the dispute. A VWSA representative said the talks had been "positive and co-operative."

The union will decide whether to proceed with strike action or take the matter to arbitration. The recession has resulted in a freeze on employment in many sectors. It has also seen many companies opting for productivity-linked wage deals with workers instead of conventional across-the-board increases.

But these deals are not without their problems. The National Union of Mineworkers recently abandoned the productivity-linked wage deals they concluded with the Chamber of Mines when those hit snags relating to the disclosure of information and a disillusionment among the NUM members with the deal...
Motor sector to rethink rules?

Old Correspondent

Johannesburg — Last year's historic agreement in the motor assembly sector, which linked job security to tighter controls over unprocedural action and committed the parties to "production schedules", is under threat as depressed market conditions force a rethink by management and workers. Already three of the seven major motor manufacturers — Volkswagen, Mercedes-Benz and Samcor — are working either a three-and-a-half or four-day week, while most others are preparing to "cut time, not jobs" if their market tightens further. The biggest problem for employers is the moratorium on retrenchments where their production schedules are not met.
Motor sector may need new rules

LAST year's historic agreement in the motor assembly sector, which linked job security to tighter controls over unprocedural action and committed the parties to "production schedules", is under threat as depressed market conditions force a rethink by management and workers.

Already three of the seven major motor manufacturers—Volkswagen, Mercedes-Benz and Samcor—are working either a three-and-a-half- or four-day week, while most others are preparing to "cut time, not jobs" if their market tightens further.

Only Toyota, which is working overtime to make up for a shortfall caused by a strike at component supplier Motlink, is confident its growing chunk of the market will enable it to manage—even, if necessary, within last year's agreement.

Recent disputes at VW, Nissan and Goodyear on production schedules—where the 280 000-strong Numsa challenged management's prerogative unilaterally to set targets—point to a struggle between employers and the union to impose their own understanding of what the agreement should mean.

VW's 8 000 workers are due to hold a ballot again next week on whether to strike over the production schedule VW increased the floors its press shop produces from 100 to 211 floors an hour. Numsa said workers were not able to reach the new target VW disagrees.

And production at Nissan came to a standstill for more than a week this month after management cut wages for not producing according to its schedule. Numsa said the dispute declared by Goodyear over production schedules is currently on ice.

The biggest problem for employers is the moratorium on retrenchments where their production schedules are not met. The feeling of those surveyed yesterday was that the moratorium could not hold under present trading conditions and that there was little optimism that conditions would improve this year.

Employers have used shorter working time to get around the moratorium. But there are other ways, according to a Numsa spokesman, like making workers redundant by permanently closing a whole section of the production process.

At the same time employers feel the industry must be competitive internationally to survive. This means agreeing on productivity and production schedules in particular.

But employers surveyed all agreed that it was "unacceptable" for the union to have a say in this "at this stage" BMW, on a four-day week for part of last year, said it consulted the union, but the final decision was its own "based on set standards".

All companies are trying to penetrate international niche markets—such as China, Mexico, Britain and markets in Europe and Africa. But to meet the demands of these niche markets, production has to be stepped up as they are usually short runs on tight contracts. A Delta representative spoke for most employers yesterday, saying: "It was impossible to accept low productivity while keeping jobs secure and wages up."

He said employers and the union had to work towards a common purpose on productivity, job security, production schedules and industrial action.

Numsa spokesman Les Kettledas said employers would soon be informed of its demands for this year's bargaining. He said: "There have been long discussions about productivity and job security, but the union had not been informed of comprehensive proposals on these issues to employers last year. They are always asking for employeers' recommendations."

However, union sources said that this year's demands were likely to seek to improve workers' real wages substantially and improve job security.
Audi spends R40m in bid for 25% share

AUDI has spent R40m on tooling and production facilities for its new range of cars.

It plans to give it a 25% share of the luxury car market in SA.

In an effort to improve its image, a separate marketing division will operate outside the Volkswagen ambit.

Volkswagen SA managing director Peter Searle said at the launch of the radically changed models in the Eastern Transvaal this week that the previous models were "faceless" and did not have a good resale value.

The three new models in the range were expected to change this. Production would be increased to between 380 and 380 a month.

Mr Searle said Audi and other German makers of luxury cars saw the Japanese entry into this market as a major threat.

Audi in Germany had successfully implemented a 13-point management plan.

Mr Searle said: "It will ensure the long-term success of Audi in SA."

Flaunting in the range is the S00SEL with a new 2-litre V6 engine which develops 128kW at 5500rpm and 250Nm of torque at 2000rpm.

The 500SEL and 5000SE models retain the five-cylinder engines, although they have been enlarged.

They produce 165kW at 5500rpm and 186Nm of torque at 4000rpm.

Safety

The cars range in price from R105 000 to R160 000.

Later this year, an S4 Quattro will be introduced. It uses a more powerful version of the 28-valve turbocharged, five-cylinder power plant which produces a whopping 169kW at 5900rpm and 350Nm at a low 1800rpm.

All models are fitted with the Procon-ion safety system for programmed contraction and deceleration. In the event of a frontal accident, the steering wheel and column are pulled into the dashboard, away from the head impact area, in milliseconds of a second.

Leather is an optional extra in all models. The SEL and SE models have climate control systems and optional cruise control.

The E models have a manual air-conditioning system.

Central locking and anti-theft systems are fitted to all models as are electric windows and mirrors.

The body shells are galvanised and the vehicles are covered by a two-year or 70 000km guarantee.

Since the Audi launch in 1982, more than 1 million have been sold worldwide. About 2 250 are sold each year in SA.

House loan lifeline

STANDARD Bank has launched an insurance policy to alleviate the effects of retrenchment on home owners.

The plan provides cover if the borrower is retrenched, is unemployed or if his company closes.

The policy is available to those aged between 18 and 65.

The policy is available to those aged between 18 and 65.

The policy is available to those aged between 18 and 65.

The policy is available to those aged between 18 and 65.

The policy is available to those aged between 18 and 65.

The policy is available to those aged between 18 and 65.

The policy is available to those aged between 18 and 65.

The policy is available to those aged between 18 and 65.

The policy is available to those aged between 18 and 65.

The policy is available to those aged between 18 and 65.

The policy is available to those aged between 18 and 65.

The policy is available to those aged between 18 and 65.

The policy is available to those aged between 18 and 65.

The policy is available to those aged between 18 and 65.

The policy is available to those aged between 18 and 65.

The policy is available to those aged between 18 and 65.

The policy is available to those aged between 18 and 65.

The policy is available to those aged between 18 and 65.

The policy is available to those aged between 18 and 65.

The policy is available to those aged between 18 and 65.

The policy is available to those aged between 18 and 65.

The policy is available to those aged between 18 and 65.

The policy is available to those aged between 18 and 65.

The policy is available to those aged between 18 and 65.
Venter to hitch up to the JSE today

Marcia Klein

The shares of Venter Leisure and Commercial Trailers (Venter) will be listed on the JSE today following its R25.5m share offer at an issue price of 150c a share. Venter, SA’s major light leisure and commercial trailer manufacturer, will appear on the transportation sector of the JSE today at 11.30am, and analysts expect the shares to trade at between 150c and 175c. Generally, analysts do not expect the share to trade at much of a premium, and the group itself has said the offer of 150c was fairly priced.

Venter’s listing follows its offer of 17 million ordinary shares at an issue price of 150c a share. The company said the private placement of 13 million shares was fully subscribed, and the public offer of 4 million shares was 11% oversubscribed. Venter said some financial institutions reduced their allocations in terms of the private placing in order to allow public offer applications to be allocated in full.

Chairman Piennke du Plessis said directors were “extremely satisfied” with the reaction from institutions and the public, in spite of the tense investment climate and political uncertainty. He said the group had met the warrant-ed net profit before interest and tax of more than R12m for the year ending December. The results “augured well” for the company’s future, and subsidiaries were trading in line with projections.

Du Plessis said Venter had a competitive edge because of its fully integrated manufacturing process, its quality products, dominant market share, established distribution channels and strong cash flow. It would focus on expanding existing markets and developing export opportunities.
Uncertainty over Volkswagen strike

IT WAS uncertain yesterday whether Numsa workers at the Volkswagen's Port Elizabeth and Uitenhage plants would go on strike over the dismissal of 59 workers last month.

The workers were dismissed for repeatedly failing to reach revised company production schedules.

Volkswagen spokesman Matt Genrich said a strike ballot would be unprocedural as the right to strike was limited to disputes of interest. "Management does not believe this is a dispute of interest... this is a dispute of rights and in terms of the recognition agreement signed by the company and Numsa, it should now be referred to arbitration."

He added that Numsa appeared to have accepted the management's view as it had not announced the results of a ballot it conducted about two weeks ago. The issue was whether management had a unilateral right to set production targets. Numsa could not be reached for comment.
Metair plans to sell Metlink to Toyota

METAIR plans to sell its vehicle component manufacturing subsidiary Metlink Manufacturing to Toyota SA, a cautionary announcement from Metair said today.

Metlink Manufacturing has two factories in Durban manufacturing metal pressings, fabrications, seat frames, exhausts, chassis and rear load boxes almost exclusively for Toyota SA. Complications arising from maintaining a just-in-time system and coping with bouts of industrial unrest convinced management of both companies that production could be more efficient under common ownership, a statement from Metair said yesterday.

A selling price had not yet been determined, but would be based on asset value and earnings capability, Metair said.

Wesco Investments is the major shareholder in Toyota SA and Metair and the transactions would be handled at arm's length, the Metair statement said.
Higher Toyota dividend 'likely'

TOYOTA SA is expected to report a marginal decline in earnings for 1991 reflecting in part a depressed car market, analysts said, but they envisaged a higher dividend.

They saw the annual results, due on Friday, should show Toyota maintaining its leading, overall market share.

'A modest decline in earnings is expected, but in the circumstances Toyota is still doing well,' Anderson Wilson and Partners Inc analyst Doug Ellish said. He predicted a 2% fall in net attributable income for 1991 to R110m from the year before.

Analysts' forecasts ranged from a 1%-5% drop in 1991 earnings a share, after adjustment for the 10-for-one share split in the first half of 1991.

They noted difficult trading conditions in the new vehicle market and a labour strike which hit Toyota's output.

After adjustment for the pre-share split, earnings for 1990 of 2.76c a share, Ellish predicted a decline to about 27c a share in 1991 and a 13% increase in the full-year dividend to 55c a share.

An analyst who did not wish to be identified said she expected a 1% decline in earnings, but a rise of about 15% in the dividend.

Simpson McKie Inc's John Hoccard, who expected a 5% drop in earnings, estimated Toyota had lost about 4% of total annual production because of a strike at its Durban plant. However, Toyota had worked hard in the latter part of the second half to make up the loss. — Reuters
Car makers rely more on local platinum

TOKYO — Japan's vehicle industry will depend increasingly on South African platinum for catalytic converters due to growing concern about supplies from the former Soviet Union, car industry officials said.

They say demand for platinum-based catalytic converters will rise sharply over the next several years, especially in their European plants as emissions controls come into effect, and that fears of instability in Russia will force Japanese car makers to look more and more towards South Africa.

"We currently depend on long-term contracts with South African mining companies for nearly 60% of the platinum used for catalytic converters," said Toyota Motor Corp MD Iwao Okuma.

"As SA returns to the international community, its supply stability seems to have improved," he added.

A Toyota purchasing official said the firm would rely more on SA with its dependence increasing to 80% in some years. Traditionally, Japanese car makers have had long-term SA contracts and prefer not to buy on the spot market.

Finance ministry figures show that in 1991 Japan imported 70.72 tons of platinum, 28.7 tons from the former Soviet Union and 9.9 tons from SA.

Japan's annual platinum demand for catalytic converters in 1991 was 386,000 troy ounces, said A. Johnson Matthey report — Reuters.
Quiet first day as Venter moves up 5c

THE first day of Venter Leisure and Commercial Trailers (Ventel) on the JSE yesterday was characterized by a reasonable amount of trade, but not much in the way of share movement.

The share opened in the morning at 150c, in line with the issue price, and closed just 5c higher at 155c.

Soon after opening Ventel went up to 155c and stayed at this level, although some stages tried to get 157c, with no takers.

Analysts said yesterday that the day's trade was in line with expectations, and the listing had not created much excitement in the market.

The last trade of the day was a bear sale at 155c, which suggests that some investors think the share will go down.

Yesterday's listing follows a R15.5m share offer of 17-million ordinary shares. The private placement of 13-million shares was fully subscribed, and the public offer of 4-million shares 11% oversubscribed.
Bosal Afrika set for major exports drive

ROY COKAYNE

PRETORIA — Bosal Afrika, the Pretoria-based international exhaust manufacturing giant, is set to make major inroads into the export market.

This coincides with Bosal Afrika this week opening a new R5 million exhaust system plant in Pretoria and a R10 million catalytic converter plant in Uitenhage — and the company's 40th anniversary.

The new Pretoria plant is for the manufacture of a wide range of exhaust systems for the truck, bus and industrial market and the manufacture of stainless steel long-life exhaust systems while Catalytic Converter Industries (Pty) Ltd (CCI), a new 100 percent owned subsidiary of Bosal in Uitenhage, will manufacture catalytic converters with all the product manufactured initially for the export market.

Company founder and group chairman Mr Karel Bos added that by April the company would be exporting normal exhaust systems again.

Mr Bos described the export opportunities for the company in a sanctions-free environment as "fantastic" although he admitted the company had to become more efficient.

Exports currently represent 15 percent of Bosal's turnover but all the product manufactured by the catalytic converter plant will be exported, increasing exports to about 30 percent of turnover, he said.

Bosal last exported exhaust systems freely about five years ago although some exports still take place, such as substantial exports of VW Beetle exhaust systems, Mr Bos added.

He said only the first phase of the catalytic converter plant had been built and he had no doubt they will have finalised preparations for a second phase by the end of this year.

He hoped the second phase, involving a sizeable investment, would start by the second half of next year.

Mr Bos said the initiative for the local manufacture of the catalytic converters resulted from the Phase VI local content programme.

But, he said, Bosal did not believe it would always have to rely on subsidies to be able to export, providing it received some relief to bridge the distance between its major markets, which for the time being would be Europe and the European Community countries in particular.
Labour unrest hits Toyota

From SEAN VAN ZYL

JOHANNESBURG — SA's leading vehicle manufacturer Toyota SA, plagued by labour problems and tough trading conditions, has disclosed a modest 7.6% rise in attributable profit to R120.8m for the year ended December.

While operations had been running to budget in the first half of 1991, chairman Bert Wessels said Toyota's production in the past six months had been adversely affected by work stoppages as market trading conditions deteriorated noticeably.

This resulted in component stock levels, recorded under current assets, increasing by 28% in value to R639.6m while the company's market share based on sales dipped to 28.8% from 28.9%.

Toyota's gross sales rose by 11.2% to R3.4bn (1990 R3.1bn) on the back of sales of 68 796 units against 1990's 60 627 units.

Earnings for the year amounted to 297.3c (276.4c) a share from which a final dividend of 26.5c a share has been declared, making an unchanged 47.5c for the year. The dividend cover has been lifted to 6.3 times from the previous year's 5.8 times.

Wessels expected operating conditions to improve in the second half of this year. He also expected that Toyota's stock levels would be brought back into balance by May this year.
IMPHOLD

**Recession benefits**

Diversified motor vehicle group Imphold continues to benefit from the spread of its operations. The recession has hurt the market for new and used motor cars and trucks but it has encouraged growth at Imphold’s car rental and leasing operations, its truck systems business and sales of vehicle parts and accessories.

Operating profit for the six months to December 25 climbed nearly 17% to R32m on turnover which rose by around 19% to R373m. Attributable earnings, bolstered by a fall in finance charges and the reduction in the company tax rate, improved by an impressive 25%.

Imphold and its pyramid Imperial look set to maintain the good earnings record built up during the past few years.

Executive chairman Bill Lynch says the contra-cyclical nature of some of the operations and the high level of vertical integration have enabled the group to deal with the recession.

Though wholly owned Toyota distributor Imperial Motors is expected to show little growth this year, 60%-owned Imperial Car Rental and 75%-owned Imperial Truck Systems are performing well. The recently formed insurance and services division, which includes motor vehicle insurer Regent Insurance and several panelbeating outlets, is on budget and expected to deliver good results for the year, says Lynch.

Imphold has taken advantage of the depressed economy to take over some competitors. Mercedes Benz and Honda distributor in the East Rand Mercurius Holdings was bought for R18.6m (settled by the issue of 3.7m Imphold shares), effective from September. Since the December half-year, the group acquired Quattro Carriers and the business of Van Zyl’s Spring Works for R6.8m and R6.4m respectively. Both purchases were settled by the issue of Imphold shares.

---

**Riding the Recession**

<table>
<thead>
<tr>
<th></th>
<th>Dec 25</th>
<th>Jan 25</th>
<th>Dec 25</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover (Rm)</td>
<td>315</td>
<td>282</td>
<td>376</td>
</tr>
<tr>
<td>Pre-tax profit (Rm)</td>
<td>27</td>
<td>29</td>
<td>32</td>
</tr>
<tr>
<td>Pre-tax profit (Rm)</td>
<td>23</td>
<td>28</td>
<td>28</td>
</tr>
<tr>
<td>Attributable (Rm)</td>
<td>10</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>17.8</td>
<td>20.8</td>
<td>21.6</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>7</td>
<td>8</td>
<td>8.5</td>
</tr>
</tbody>
</table>

Short-term effects of these acquisitions on earnings and dividends are expected to be positive, if slight, but the increase in issued shares will curtail EPS growth. EPS gains of 23% in the first half were two percentage points behind attributable earnings improvement. Nevertheless, Lynch is confident that dilution will do little to inhibit the good EPS increase expected for the full year.

Lynch says Imphold’s balance sheet remains healthy—though gearing climbed from 36% at year-end to 42% at the interim—and margins have been maintained despite strong competition in most of its markets. Margins at year-end are expected to weaken slightly from last year’s 9.5% as a result of the integration of the three acquisitions.

Lynch says that though Imphold’s current mix of products and services in the motor vehicle market has enabled it to perform well, the group would benefit considerably from an upturn in the economy. Not only would there be a recovery in sales of new and used vehicles, which now account for about 17% of pre-tax profit, but there would be substantial benefits for the group’s other transport services. Greater foreign tourism will fuel the car rental business.

Investors appear to have recognised Imphold’s strengths. The share has climbed from around 250c to 650c in the past year, giving an earnings multiple of 15.4. Potential investors who have been looking to buy the share have probably missed the boat for the time being. At this level, the counter is beginning to look expensive.

Simon Cashmore
Boost for W Cape motor industry

AUDREY D'ANGELO
Business Editor

The Western Cape has been given a major boost by the increased local content requirement for motor vehicles made in SA.

And at least two firms in greater Cape Town are also exporting automotive parts to Europe.

Toyota (SA) announced yesterday that it was doubling the amount of money it spent on sourcing automotive parts in the Cape Town area.

"In 1992 the new business will be worth an estimated R6m to Cape Town — nearly R700 000 a month," Toyota general purchasing manager Alan Warren said.

"These calculations exclude the considerable amount of money Toyota spends on Atlantic Diesel Engines."

Bellville-based Sintered Metal Components, in the Dorbyl group, is one of the firms Warren named.

Toyota is initially ordering R500 000 worth of crankshaft gears from this company. A spokesman for Toyota said this business could expand dramatically because "sintered metal technology is in the future planning of the international motor industry."

Sintered Metal Components GM Hans Iter said his company was already supplying RIm worth of automotive parts a year to Volkswagen and was exporting about 5% of total production to Germany, England and the Channel Islands.

"We shall soon be exporting to Italy and are in the process of appointing an agent in Holland."

"We aim to increase our direct exports to 50% of production."

"In addition to this we export indirectly because our biggest customer is Gabriel, which is exporting shock absorbers from its Cape Town factory."

"Our second biggest customer is Armstrong, which also makes shock absorbers, in Port Elizabeth. I believe Armstrong is also exporting."

Iter said his company was developing another product for Toyota. This process would take about a year.

Toyota also mentioned GUD Filters and Safety Transport Inter among Cape Town firms to which it has given orders.
COMPANIES

Putting the brakes on CFC emissions

TOYOTA SA has installed chlorofluorocarbon (CFC) recycling equipment at 25 of its franchised dealers handling vehicle air conditioner repairs.

The move follows a worldwide campaign initiated by Toyota Japan to help reduce CFC emissions while a search for alternatives is being conducted, according to a Toyota SA statement.

Normally CFCs are vented into the atmosphere when an air conditioner needs to be repaired.

However, 25 of Toyota's repair stations would now connect a recovery device to the vehicle's air conditioning system and bleed off the remaining CFCs for recycling, the statement said.

SA automotive aircon supplier Dunar has also developed a local CFC recovery unit. Toyota national service manager Colin Chock said CFC emissions from Toyota would cease in 1992.
Toyota's results show effect of labour woes

SEAN VAN ZYL

SA's leading vehicle manufacturer Toyota SA, plagued by labour problems and tough trading conditions, has disclosed a modest 7.5% rise in attributable profit to R120.8m for the year ended December.

While operations had been running to budget in the first half of 1991, chairman Bert Wessels said Toyota's production in the past six months had been adversely affected by work stoppages as market trading conditions deteriorated noticeably.

This resulted in component stock levels, recorded under current assets, increasing by 28% in value to R68.9m while the company's market share based on sales dipped to 30.8% from 29.9%.

Toyota's gross sales rose by 11.3% to R3.4bn (1990: R3.1bn) on the back of sales of 88,796 units against 1990's 96,627 units.

Earnings for the year amounted to 297.5c (276.4c) a share from which a final dividend of 26.5c a share has been declared, making an unchanged 47.5c for the year.

The dividend cover has been lifted to 6.3 times from the previous year's 5.8 times.

Wessels expected operating conditions to improve in the second half of this year.

He also expected that Toyota's stock levels would be brought back into balance by May this year.

Toyota has projected a 4.3% growth in vehicle sales in 1992 compared with last year's 6.1% decline in industry sales.

Wessels said he was concerned with the affordability of vehicles and "during the coming year there will be a tremendous focus on containing vehicle price escalations.'' As a result, price increases in 1992 were expected to "relate fairly closely to the consumer price index."

Wessels noted that vehicle manufacturers were faced with fluctuations in the rand exchange rate "Inflationary pressures, the declining value of the rand against the yen and labour problems all imposed their own restrictions on growth."

Although the value of sales increased by slightly more than 10%, Toyota's operating income for the year rose by only 4% to R262.3m (R252.3m) while the operating margin dropped to 7.5% from 8%. A slightly lower tax bill helped boost the company's net profit, resulting in a 7.6% rise in attributable income to R120.8m (R112.3m).
Motor trade sees little hope in lower HP plea

MARC HASENFUSS

APPEALS by the motor industry for the government to review current hire purchase (HP) requirements will not rev up flagging vehicle sales, motor industry analysts say.

The National Association of Automobile Manufacturers of South Africa (Naamsa) recently asked government to investigate minimum HP requirements with a view to extending the maximum payment period of 42 months (and 15 percent deposit) to 48 or even 60 months.

A senior Wesbank official said that although such a move would be welcomed by the banks, it was doubtful whether government would be persuaded.

According to Wesbank’s estimates, payments on a R40 000 car of R4 681 for 42 months would fall to R3 596 a month over 48 months.

However, the total amount paid after adding interest totalled more than R64 000 for 48 months, compared with about R62 000 over 42 months.

Industry analysts believe that only a direct and significant reduction in vehicle prices will succeed in pulling the private buyer back into the depressed new car market.

But Toyota marketing managing director Mr Brand Pretorius said the motor industry’s hands were tied when it came to direct reductions in the cost of new vehicles.

He said: “The prevailing HP measures were introduced at a time when the country was effectively under a balance of payments siege. They were not taken to directly inhibit inflation, but rather as a necessary step to limit exposure to the usage of foreign exchange.”

He said the pressure had come off with the introduction of the local content programme and a marked improvement in the country’s balance of payments.

Mr Pretorius said the extended payment periods would bring down the affordability threshold on new and used cars.

These longer repayment periods would not be out of line with the current trend toward extended periods of ownership amongst vehicle-buyers, he said.
market in parts and rebuilds is just not up to expectations. By now, less than eight years to the end of the century, a number of manufacturers, finance companies and other industries allied to trucks expected to be reaping some benefits from the growth of the sectors of the economy and social activity.

But it hasn't happened yet. This is mainly due to the general lack of confidence in the future economic and social order that is unfolding. As truck entrepreneurs hanker after a shot at the freight or passenger transport business still have not learned, or been taught, that in addition to meeting the needs of standard banking requirements regarding credit, transaction, a viable transport contract plus the availability of a suitable truck to do the work are the first steps in becoming a successful operator.

Academy

The new transport academy, established by Nafto, will make an inroad into the urgent need for basic skills in the banking industry demands before agreeing to fund newcomers.

However, all of this will take time and is unlikely to be a factor this year.

Short-term or daily truck rental companies are more likely to be sellers of excess fleet capacity than buyers of new or additional vehicles. Utilisation of the majority has been an unacceptable level for most of the last two years. A quick economic pace is expected to a recovery in this segment of the market.

Those who pinned their hopes on the mid-bus (approximately 25 to 30 seats) should be cautious in the near future.

By PATRICK O'LEARY

SOUNDS of optimism are being heard in the trucking industry as manufacturers herald the gloom of last year's new vehicle sales record.

Adolf Moosbrugger, Mercedes-Benz management board member responsible for commercial vehicles, says he is optimistic that the 1986 model year GVM commercial vehicle category will show an 8% to 10% increase for the total industry due to: 

"This slight improvement in the commercial vehicle market will be the result of operators finding it necessary to replace vehicles as they have stretched the economic lives of these fleets to the absolute limit," he says.

He cautions, however, that sales during this year will not reflect the complete upturn in the commercial vehicle market as was previously hoped for. With regard to prices, he anticipates that increases will be below that of the inflation rate, putting them at approximately 12%.

"That is if no unforeseen occurrences, such as a raise in interest rates, take place," he says.

MBSA's cautious optimism is in line with the view of Des Gush, director of Toyota Trucks, who expects matters to improve with advent of the second quarter.

"Our forecast is that the heavy vehicle market has potential for about 6,000 units in 1992, an improvement of around six percent on sales for 1991.”

Growth

Delta Motor Corporation is also moving into top gear in anticipation of retained growth in the truck market.

Isuzu marketing manager Alan Henderson says a new, dedicated Isuzu marketing team, plus Delta's Johannesburg offices:

"We have also moved our truck manufacturing operations to the Rydges Plant at Aloe's, a 7-million-ton plant located on 10km outside of Port Elizabeth."

AS THE Government moves towards further implementation of its new transport and traffic legislation package on-going modifications, amendments and deletions can be expected. Annual amendments will be a necessary feature for at least the next few years.

One of the more important and interesting changes likely to be introduced is the opening up of the market for operators to move in the medium and large trucks market. Phasing in for freight transport begins on 1 July this year and is set to be completed by June 1993. Passenger transport phasing in commences on 1 July 1993 and should be complete by the like time. The current annual certification for all must comply with the Quality of Service requirements that must go through next phase of the program.

The commission is likely to be established in this year's original manner, with a commission of enquires.

INTERNATIONAL TRUCK MARKETS

By MAX BRAUN

The whisper is that the Mitsubishi is interested in getting more than a toehold in Europe. ERF in the UK is also losing money. 192

INVESTMENT

After digesting its takeover of Enasa in Spain, Iveco has suffered some major profit losses, with its share price down to about 10% of their 1989 profit performance.

By comparison, MAN of Germany, a medium-sized producer, increased its sales by 33.5%, and made record profits. Production increased by 11% to 58,900 units, and an additional 4,467 people were employed. MAN now has eight percent of the West European market share. AG has also increased its sales dramatically in 1991.

Worldwide, truck manufacturers are suffering from a lack of sales volumes. In the 80s, manufacturers rarely made enough to justify the huge investment needed to produce competitive state-of-the-art trucks. So far in the 90s, manufacturers can't make enough to absorb the cost of low volumes while developing the technology to meet environmental laws.

Some say there are too many manufacturers. They made, on average, 190,000 heavy trucks a year for most of the past decade, but sold only 120,000. According to industry sources, utilisation of production capacity in 1991 was only 55%.

After contracting from 12 to 10 manufacturers during the past 15 to 18 years, European truck builders continue to dominate the heavy truck market. Their dominance is demonstrated by holding 61% of worldwide production. US manufacturers slipped 17% to 34% in 2000, 12 years ago, allowing the Europeans to control 40% of the North American market.

While this was happening, the Japanese grew from 2% by 1993 to 25% while the same time dominating the worldwide light truck market.
can be compared to improve the system. The new system is expected to be more cost-effective, reduce waste, and improve efficiency. The change can benefit the company as a whole, including suppliers and customers.
UPDATE ON LEGISLATION

AS THE Government moves towards further implementation of its new transport and traffic legislation package, on-going modifications, amendments and deletions can be expected.

Annual amendments will be a necessary feature for at least the next few years.

One of the more important and interesting changes likely to be introduced in early 1993 is the opening of registers for licenced operators.

This is an important prerequisite to deregulation of freight transport in South Africa and the removal of the existing permit system.

Phasing in for freight transport begins on July 1 this year and is set to be completed by June 1993. Passenger transport phasing in commences on July 1, 1993 and should be completed by June 1994.

In the likely event of sufficient approved test routes being ready to undertake the annual certificate of roadworthiness, especially for privately owned vehicles that must comply with the RTQs (Road Transport Quality System), the phased in period allows for the existing Certificate of Fitness requirement to be extended to all vehicles that must qualify until such time as the next phase of the RTQs is up to speed.

The compulsory carrying of driver’s licences is likely to be implemented in July this year and not on January 1, 1993, as originally contemplated. Driver’s licence testing centres are to be controlled by registration and compliance with certain laid down standards. The proposed date of implementation is January 1, 1993.

The insertion of Section 21A of the Road Traffic Act (RTA), number 29 of 1990, empowers the administrator to suspend or cancel the registration of any testing centre that does not comply with the standards.

New traffic signs and a new manual setting out the changes in significance of certain signs and the introduction of new signs is scheduled for implementation in July this year. The implementation date may be extended for a short period if the manual is not ready on time.

Regulations for a single, national system of uniform registration and licencing are to be released in June 1992. Phasing in should commence in January 1993 and be completed in nine months (September 1993).

Introduction of the new professional driving permits (PrDP) — which replace the current public driving permit (PDP), a requirement for all vehicles to be tested within RTQs rules — commences July 1, 1993. To accommodate the large number of drivers, phasing in will be over two years. Once the new licence cards are issued, drivers will be obliged to notify the authorities within 14 days of any change of address.

Legislation relating to driving hours and how they should be recorded is now due before January 1994. However, regulations will be published in July next year. Operators found guilty of overloading vehicles or committing an offence in terms of the RTA will face heavy fines (up to R36 000) and longer jail sentences (up to nine years). Such proven offence opens the way to vehicle seizure and even forfeit to the state. Under current circumstances, the new laws permit the forfeiture of the load as well.

Working groups are currently considering recommendations on a number of exemptions as defined in the RTA, which include:

- An increase in the maximum permissible axle loads.
- The maximum permissible mass of vehicles and vehicle combinations as determined by the bridge formula.
- The possibility of lowering the maximum speed in the interest of safety.

AN ERF Super Trailblazer chassis has been successfully converted into an emergency fire vehicle that, according to the client, "performs like a sports car". The vehicle, supplied to the Algoa Regional Services Council, has a lightweight aluminium body giving it a GVW of no more than 10 000kg.

With its 213kW (at 2 100rpm) ADE 447HT turbocharged engine and specially shortened wheelbase of 4,3m, the unit is both manoeuvrable and capable of a top speed of 120km/h. The unit was designed and built by Emergency Fire apparatus at its Boksburg plant and contains a high degree of local content.

The "cab and body is locally made in aluminium and is the first all welded four-door cab manufactured for a major fire engine in South Africa," says EFA’s Bill Lawrence. He adds that its local content makes the vehicle highly competitive in price in relation to an imported unit of similar capability.

MARKETS

MAN now has increased its sales in the 80s to 60%. In 1991, truck manufacturing was still a lack of more than 30%. In the 80s, business has not been made enough to absorb the cost of investment need for a successful state of the art of the 80s. So far in the 90s, business is not as successful as in the 80s. There are too many manufacturers. They made over 2 000 heavy trucks a year of the past decade, but sold only 120 000. According to industry sources, utilisation of production capacity in 1991 was only 55%.

After contracting from 12 to six manufacturers during the past 12 to 16 years, European truck builders continue to dominate the heavy truck market. Their dominance is demonstrated by holding 61% of worldwide production. US manufacturers slipped to 17% from 34% over the same period, allowing the Europeans to control 40% of the North American market.

Whilst this was happening, the Japanese grew to 22% from 15% while at the same time dominating the worldwide light truck market.

COMSPARES

FOR TRUCK SPARES

Guaranteed reconditioned and used Engines, Gearboxes and Diffs

MERCEDES — LEYLAND — NISSAN — SCANIA —
BEDFORD — HINO — MAN — ISUZU — MAZDA —
DAF — VOLVO (petrol and diesel) — DAF (petrol and diesel) — INTERNATIONAL — MITSUBISHI — SUZUKI

Shipment of truck spares recently received

COMSPARES

623 Main Reef Road, Denver
Johannesburg

PHONE: (011) 622-2950
FAX: (011) 622-3863
TRUCK manufacturers are mildly optimistic that new truck sales this year will be about 12% better than in 1993. Commuting the last few years have been very low - especially for the big rigs, above 20,000 kg GVW - their expectations are reasonable. But it is certain that a few key factors have contributed to this optimism:

1. The Department of Transport measures, which include a new initiative to reduce the number of trucks on the road, has had a positive impact.
2. The introduction of new, more fuel-efficient trucks has helped to reduce the overall carbon footprint of the transport sector.
3. The increase in road safety measures has led to a decrease in accidents, which has reduced the need for repairs and maintenance.

Despite these factors, some manufacturers remain cautious, citing the unpredictable nature of the economy and the uncertainty of global trade agreements.

Vital Statistics:

Transport

- The Lucent Highlands project and major road building program in Vanuatu are believed to be the largest projects in the region.
- All major truck manufacturers, especially the heavy-duty truck makers, are focusing on increasing their market share.

Statistics:

- The old 50% of the national fleet is more than 10 years old.
- Making a transition from the older, more fuel-inefficient models to the newer, more fuel-efficient models is crucial for reducing transportation costs and emissions.

Problems:

- The increase in fuel prices has put a strain on transportation costs, making it difficult for businesses to operate.
- The shortage of skilled drivers has led to a decrease in productivity.

By PATRICK O'LEARY
SOUNDs of optimism are being heard in the trucking industry as manufacturers and the government look ahead to a promising future.

Academy:

The new transport academy established by the government, will provide the much-needed skilled workforce. The demand for training is expected to increase as the fleet expands.

UPDATE

AS THE government moves towards the implementation of its new transport and traffic legislation package, on-time deliveries can be expected.

Unusually, unauthorised carriers with unregistered vehicles are not being investigated. The enforcement of the under-registered capacities and unnecessary visible transport capacities in this area.

Suppliers also need to ensure that they have enough stock to meet the requirements of their customers.
By Patrick O'Shea

Contracts Will Hit

STICKS

MARCH 8 1992

THE TRUCKERS

BOSCH

FROM THE TIMES
M&G drives further into motor industry

MURRAY & Roberts (M&G) has bought tyre-producer Firestone SA, spark plug and component manufacturer Trenchamp Components and shock absorber company Gabriel SA from Federale Volksbeleggings for a total of R103m. M&G said in an announcement published today that the acquisitions would strengthen and diversify its specialised engineering interests, broaden their range to include strong brand names and substantially increase market share.

The purchase consideration would be settled by the issue of M&G renounceable shares, it said.

M&G would also elect to take over additional liabilities of the interests being acquired, in which event the purchase consideration would be adjusted accordingly.

If the acquisitions had been effective on July 1, 1991, they would have increased M&G's half-year earnings to December 1991 by 6% to 3 606c from 3 492c a share. Net asset value would have increased by 10.6% from 2 127c a share to 2 353c.

The sale of Federale Volksbeleggings' automotive interests is in line with its previously stated strategy to concentrate on leisure-market segments ahead of its listing in the beverages, hotels and leisure sector of the JSE later this year.

M&G has an exposure to the motor industry through subsidiaries dealing in, among others, components, spares, and brake and power transmission systems.
Leban shape

Activities: Developing, manufacturing and trading in chemicals and plastics, automotive components, and industrial products

Controls: T & N Plc 61%

Chairman: C F N Hope, CE W W Cooper

Capital structure: 23,1m ordinary Market capitalisation R84m

Share market: Price 368c Yields 6.6% on dividend, 19.2% on earnings, p/e ratio, 5.2x
cover, 2.9 12-month high, 400c, low, 150c

Trading volume last quarter, 113,000 shares

Year to Dec 31

<table>
<thead>
<tr>
<th></th>
<th>'88</th>
<th>'89</th>
<th>'90</th>
<th>'91</th>
</tr>
</thead>
<tbody>
<tr>
<td>ST debt (Rm)</td>
<td>30.4</td>
<td>60.7</td>
<td>73.3</td>
<td>48.6</td>
</tr>
<tr>
<td>LT debt (Rm)</td>
<td>16.0</td>
<td>35.0</td>
<td>31.5</td>
<td>46.4</td>
</tr>
<tr>
<td>Debt essay ratio</td>
<td>0.69</td>
<td>0.75</td>
<td>0.70</td>
<td>0.60</td>
</tr>
<tr>
<td>Shareholders interest</td>
<td>0.63</td>
<td>0.40</td>
<td>0.39</td>
<td>0.40</td>
</tr>
<tr>
<td>Int &amp; leasing cover</td>
<td>4.6</td>
<td>2.5</td>
<td>1.6</td>
<td>1.9</td>
</tr>
<tr>
<td>Return on cap (%)</td>
<td>15.0</td>
<td>11.3</td>
<td>32.9</td>
<td>12.3</td>
</tr>
<tr>
<td>Turnover (Rm)</td>
<td>235</td>
<td>392</td>
<td>413</td>
<td>426</td>
</tr>
<tr>
<td>Pre-profits (Rm)</td>
<td>26.2</td>
<td>39.5</td>
<td>32.7</td>
<td>39.6</td>
</tr>
<tr>
<td>Pre-tax profit (Rm)</td>
<td>11.2</td>
<td>10.1</td>
<td>7.9</td>
<td>9.3</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>8.7</td>
<td>69.3</td>
<td>36</td>
<td>70</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>44</td>
<td>31</td>
<td>13.8</td>
<td>24</td>
</tr>
<tr>
<td>Net worth (c)</td>
<td>433</td>
<td>359</td>
<td>408</td>
<td>492</td>
</tr>
</tbody>
</table>

The acquisition of the minority shareholdings in the automotive components company Associated Engineering (Asseng) at the end of last year, and the termination of that company's listing on the JSE, coincided with a sharp improvement in Asseng's operating profit.

With T&N Holdings' accounts drawn up on the basis that the company was a wholly owned subsidiary at year-end, Asseng's profit was equivalent to the total amount generated by the trading divisions (see table)

FINANCIAL MAIL • APRIL • 3 • 1992 • 95

COMPAINES

Trading margins in the automotive division widened from 8.4% to 10.2%, but in the industrial and mining division the margin buckled from 15.2% to 11.5%, while the loss in the chemicals and plastics division mounted to R5.2m.

In addition to the income from these divisions, there was dividend income of R3.2m (1990: nil) from associates, and R4.8m (1990: R4.5m), credited as an abnormal item, because of a pension holiday resulting from a surplus on revaluation. Included in dividend income was R2.2m received from the property owning associate company Duxtro Dep (Pty), which was sold after receipt of the dividend.

Three-quarters of group sales last year were from the automotive components activities. Of the remainder, 8.5% was from industrial and mining and 16% from chemicals and plastics.

Export sales have continued to grow from the small base of R3.4m set in 1987. Last year saw an increase from R29.1m to R42.7m, about a tenth of group sales.

Chairman Colin Hope contends an opportunity has been created for the company by T&N Plc's decision to reorganise its worldwide product groupings. He reckons T&N Holdings will benefit from participation in the group's global technology and marketing network and says local divisions are seeing evidence of successful implementation of the

PROFIT SOURCES

<table>
<thead>
<tr>
<th>Turnover</th>
<th>Operating profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotive components</td>
<td>300</td>
</tr>
<tr>
<td>Industrial &amp; mining</td>
<td>38</td>
</tr>
<tr>
<td>Chemicals &amp; plastics</td>
<td>70</td>
</tr>
<tr>
<td>Total</td>
<td>478</td>
</tr>
</tbody>
</table>

agreements concluded late in 1991 will reduce finance costs in future years. After being excessively geared in the previous two years, T&N ended last year with a much leaner balance sheet. Short-term deposits, bank balances and cash rose to R51.5m (R36.8m), bringing the net debt equity ratio down to 0.34.

Interest and leasing cover was still thin at 1.9 times, but this evidently does not fully reflect the year-end debt position. If current trends are maintained, the net finance charge should continue to fall.

It is not clear when a turnaround will be achieved in the loss-making chemicals and plastics division, which is suffering from weaker demand, tight competition, low-cost imports and labour problems.

The tax charge was minimal at R594,000. This presumably rose over the next few years, though it will probably remain low due to exports and tax losses estimated at R12.4m (R16.2m). Earnings have doubled and Hope expects benefits from the drive to remain competitive in local and export markets and from T&N Plc's policy on worldwide product groupings. Based on present yields, the share looks worth holding. But EPS, which have been erratic over recent years, are still below the 1988 level and — Hope warns in trading in 1992 is expected to remain difficult.
Motor Industry

Taking a tough line

Hourly paid motor-industry workers are seeking a minimum 25% pay rise from July 1. In the first shots of what is likely to be a drawn-out negotiating battle, unions at vehicle assembly plants are also proposing a hardening of the year-old moratorium on layoffs.

Unions and employers are to meet in Port Elizabeth on Monday and Tuesday under the umbrella of the industry’s National Bargaining Forum. It will be the first formal meeting in the new round of annual talks on pay and conditions.

In its initial demands to employers, the National Union of Metalworkers of SA (Numsa), which represents most of the industry’s hourly paid employees, is understood to have proposed across-the-board increases of 25% or R2 an hour, whichever is greater. Workers receiving the current industry minimum of R6,60 an hour would be favoured by the R2, a rise of 30%. However, the industry average of R9,26 an hour would be better served by the 25%, which would bring an extra R2,31.

Employers will strongly resist such increases. Declining sales, reduced margins and economic uncertainty have hit companies’ profitability and they will protest that Num sa’s demands are unrealistic.

They will also blame overstaffing for the industry’s woes — and it is here that the most potential exists for conflict at the talks. Not only is Numsa demanding that the retrenchment moratorium should continue, but it also wants the strings removed. When the moratorium was imposed last year, it was on condition that workers met agreed production schedules. In other words, if they wanted job security, they had to work for it.

This time round, though, Numsa wants all conditions removed. It is also understood to want jobs guaranteed even if companies are forced to sell or close part or all of their operations. Vehicle assemblers have already made it clear that they dislike the moratorium. By some estimates, it has led to 15% industrywide overstaffing. With vehicle sales still depressed, short-time working is rife.

The moratorium agreement on production schedules at least offered employers some security. Without it, they will argue the moratorium is unworkable.

Perhaps recognising that it won’t get its way on this issue, Numsa also wants guaranteed severance pay of one month’s wages for every year of employment.

Employers, for their part, hope that in return for continued job security, Numsa will accept lower pay increases. On past performance, no-one is betting on it.

David Perlenger
Toyota gloomy on price of new cars

THE price of some new cars is expected to rise by more than the inflation rate this year.

Toyota, market leader in sales and in pricing, says it will be "very difficult" to hold prices below the forecast 16% inflation rate.

Toyota believes price rises will exceed last year's 15%.

Toyota Marketing managing director Brand Pretorius says "While every effort will be made to contain costs, we believe that over the year, prices will rise at a rate marginally above inflation."

Shut

Mr Pretorius says movements in the rand exchange rate, the possibility that the cost of components from Japan will rise, threats of labour stayaways and high local content programmes could affect car prices.

But Peter Cleary, management board member for cars at Mercedes-Benz, says "It is our intention to keep prices below the inflation rate in 1993."

Other motor manufacturers also hope to keep price increases below inflation.

Private buyers have been almost shut out of the new-car market because of high prices. They are in an even worse position after the second round of price increases this year.

By DON ROBERTSON

About 89% of new cars are bought by companies.

Price increases announced this week range between 1% and 4%.

Only 107778 new cars were sold last year, the second-lowest level in 14 years. Sales in 1992 were initially forecast to grow by only 2.5% to about 202500.

In the first two months, however, sales of new cars have been about 8% below the corresponding 1991 figure, suggesting that volumes for the full year could be below 1991's.

Several manufacturers are working on price cuts. Samcor will close its plant for two weeks and then continue on short time.

Two weeks ago, the authorities cut the hire-purchase deposit requirement to 10% from 15% and increased the repayment period from 42 to 54 months.

Prime overdraft rate has been cut by a percentage point and it is forecast that there will be 1% growth in the economy this year.

Nico Vermeulen, director of the National Association of Automobile Manufacturers of SA (Nada), says this should boost the used-car market. It will allow new-car dealers to trade more aggressively.

The National Automobile Dealers Association (Nada) and Naamsa are to ask the Government to reduce duties on raw materials, such as plastic resins and polymers and carbon black, and for a cut in the price of steel. They say SA steel is about 65% more expensive than international steel. The cost of aluminium in SA is also well above world prices.

Delta raised its prices by between 3% and 5% this week and Volkswagen by between 1% and 3% after the 2.5% rise in January.

Mercedes-Benz raised prices by 2.5% on the W124 range, 1.5% on the W126 and by 2.5% on Honda models. Prices of some models are unchanged.

Venture

BMW will charge 3% more for its 5-Series and 7-Series models. The price of the recently launched 3-Series will be held until the next quarter.

Toyota has lifted prices by 4% across the board, but is holding the cost of the Venture.

When the car was launched last November, Toyota said it would hold prices until April 1. But because of the backlog in supply, the price will not change until May. Additional production is expected after Easter.

The price of Nissan models will increase by an average of 2.5% in South Africa, manufacturer of Mazda, Mitsubishi and Ford, has increased prices by 3.5%.
Booming T&N Holdings braces for tough year

TRADING conditions in 1992 will remain tough for industrial holding company T & N Holdings, forecasts chairman Colm Hope in the 1991 annual report.

T & N Holdings doubled its 1991 earnings to 70c a share (1990 35c) and its bottom line profit to R18.2m (R8.1m). These results were achieved on the back of a slightly increased turnover of R425.7m (R413.4m).

Hope said these results were achieved by management focus on improved factory throughput and tight expense control.

The staff complement was reduced by 265 during the year to 3 693 at year end.

T & N plc has decided to reorganise into worldwide product groupings and Hope expects T & N Holdings to benefit from participation in the group’s global technology base and marketing network.

Assung became a wholly-owned subsidiary of T & N on 27 January 1992. However, the consolidated balance sheet of T & N Holdings as at 31 December 1991 was prepared on the basis that Assung had been a wholly-owned subsidiary at that date.

The company disposed of its investment in property-owning associate company Distro Dee during the course of 1991, receiving a dividend of R2.2m prior to disposal.

In the automotive components section, the directors expected a moderate recovery in exports of AE Bearings for 1992, with some orders already received. But directors said there is little evidence of a market recovery for AE Engine Parts in the coming year.

AE Liners should improve its performance significantly this year, said the directors, even at the expected low levels of output.

The AE Pistons division operated significantly better in the second half of 1991 than it did in 1990. This was as a result of cost benefits derived from reduced staffing and costs, as well as refurbishment of major items of plant, said the directors.

Growth was forecast for the AE Pistons and AE Valves divisions in the coming year as a result of exploitation of export potential.

Notwithstanding difficult trading conditions in the motor industry, Ferodo — manufacturer and distributor of friction products — continued to improve market share in 1990.

FHE, manufacturer of aluminium brazed and mechanically-assembled radiators and heater cores, had a successful year. The company started a major product diversification and will be producing heater and blower assemblies later in 1992.

Directors said indications are FHE will maintain its strong growth of the recent past.

Payen Components, SA’s largest manufacturer of automotive gaskets, recorded improved results in 1991 and export sales are being actively pursued.

A marginal increase in turnover over 1990 was recorded by Silverton Engineering — manufacturer of copper-brass truck, bus and car radiators as well as industrial and mining heat exchangers.

The fabricated products division was rationalised because of the depressed local truck market, which is not expected to improve in the short term.
VEHICLE parts distributor Vektra's earnings in 1990 fell for the second year in succession because of tough competition in the new and used vehicle markets and the maintenance of market share — often at the expense of profit margins.

Vektra plc is a 74.9% held subsidiary of W & A Trading in SA, but incorporated in Britain, its primary listing is on the LSE.

Vektra's results for the financial year to December 1991 show sales increased by 14% to R493.5m from R437.5m in 1990, but operating profits fell 9% to R25.5m from R28.1m, reflecting shrunk gross profit margins.

Finance charges increased to R12.7m from R11.4m in 1990.

Attributable profits fell 11% to R6.3m from R7.3m.

Finance charges increased mainly because of excess capital utilisation at its Williams Hunt subsidiary until the second half of last year, the directors reported in the annual results published today.

In spite of a reduction in vehicle inventory — Williams Hunt distributes vehicles from the Delta Motor Corporation — and development of its franchise spares wholesaling activities, depressed trading conditions saw the company incurring substantial losses, the director said.

Financial director Mike Steele said Williams Hunt had entered into vehicle purchase agreements and was obliged to take excess stock in 1991. This resulted in some vehicles having to be sold at a loss. Although vehicle inventory has since been reduced, the company's eventual profitability would depend on an overall improvement in the economy and the marketing ability of the company.

The directors described the contributions to profits of Fomo and V & R Engine Spares as satisfactory. Computer-based inventory management and the containment of overhead costs contributed to this performance, they added.

Budgeted

Goodwill had been accounted for in 1991 in accordance with UK standards and, as a result, reserves at December 1990 were restated to reflect a decrease of R16.5m.

Goodwill of R1.3m in 1991 was also written-off the reserves.

The directors reported that all businesses in the group had budgeted for improved profits in 1992, given stable trading conditions. Earnings a share fell to 37.6c from 46.3c a share. In 1989, earnings were 108.5c a share.

A final dividend of 7c a share was declared, bringing total dividends to 13c a share — 3c lower than the previous year's 16c a share.
LOCAL vehicle component manufacturers have delivered a scathing attack on SA's industrial policy.

"Inresponsible government protective and fiscal measures" had prevented the manufacturers from keeping a lid on prices, National Association of Automobile Component and Allied Manufacturers president John Brandtner said in a statement yesterday.

As an example, Brandtner said, while the worldwide steel market was in a slump and international steel prices had plummeted, Iscor remained the only steel producer in the market enjoying profits. This was because the 3-million tons of steel it exported at "rock bottom" prices was bought by the other 5-million tons sold to local industry at a 69% premium over global prices.

The local steel user had no option but to buy at local premium prices, as import duties and fiscal surcharges such cost differentials could not be absorbed by component manufacturers and the man in the street. Add to this level of protection, said Brandtner, and what is the same disparities applied in other raw material input sectors such as aluminum, sold locally at a 96% premium over world prices. Certain plastic polymers and resins and carbon black for the tire industry.

Furthermore, plant and machinery required for the manufacture of automotive parts had to be imported because local machine tool availability was too limited for most complex manufacturing processes.

"Here again the government is not shy, but takes a 25% duty and surcharge for itself without granting the manufacturer favourable tax concessions," he said.

Locally manufactured automotive components under Phase VI enjoyed at best a 39% protection level whereas the raw material industry enjoyed protection ranging from 55% to 98%.

The finished vehicle enjoyed protection versus built-up import of 110%.

The Board of Trade and Industry had dabbled, under various lobby pressures, into one element of the supply chain — the local component manufacturing link. But at the same time the board had ignored the input cost side and thus unwittingly left the door open to abuse of the Phase VI local content at the expense of vehicle prices.

Brandtner also lashed out against perceptions by vehicle assemblers that local content and high import costs were the cause of unaffordable vehicle prices.

While retail prices were out of the hands of component manufacturers, Brandtner said it was difficult to understand how vehicle prices could rise by just under 20% on average in 1991 with some model price increases exceeding 24%.

He said the average local automotive component price rose by 12% over 1990 and the landed rand cost of imported component purchases increased by only 10% due to a relatively stable yen and Deutschmark.

Furthermore, the manufacturers' association's members lowered prices in 1991 with the implementation of VAT, but this did not filter through to the consumer, he said.

The component industry stood to lose about 30,000 jobs and R1.3bn of annual turnover with the launch of new vehicles comprising mainly imported components this year, said Brandtner.
Other manufacturers may follow

Samcor plant to cut back on working time

SAMCOR’s huge plant at Roslyn will close for two weeks next month and work a seven-hour day until end-June — sometimes on a four-day week, a Samcor spokesman says. This effectively means that in the next three months Samcor’s 5 200 employees will have their income cut by more than a third.

The 480 normal working hours will be cut back to about 310.

It is also understood that Samcor, like most other motor manufacturers, regards itself as seriously overmanned. Between 300 and 1 000 potential redundancies have been bandied about.

Volkswagen and Mercedes-Benz have also knocked between eight and 12 hours off the normal 40-hour week.

Last year the seven major motor manufacturers agreed to a moratorium on retrenchments in exchange for a halt to unprocedural industrial action. The agreement was for the year to end-June.

Locked into the agreement, and reeling under depressed trading conditions, employers like Samcor, VW and Mercedes have cut back radically on working time while maintaining jobs. Other motor manufacturers have said they will use this option if necessary.

This year the motor workers’ union Numsa again demanded a moratorium on retrenchments but did not link it to unprocedural action.

Employers and the union say they are committed to protecting jobs. Some employers would like Num sa to agree to voluntary retirement and retrenchment, but Numsa argues this will undercut its drive to defend jobs. Although employers have the latitude to offer this option directly to workers, most are reluctant to do so without the union’s consent.

But when the agreement was struck last year, few imagined the recession would exact such a toll on the industry. Short time was never part of the longer-term scenario for employers or the union.

A source says that in 1986 Toyota workers on short time went on strike against short-time and accepted redundancy packages instead.

This year’s negotiations, which begin in two weeks’ time, are set to be the toughest to date. Unions and employers must try to strike a balance between demands for job security and above-inflation wage increases, and the viability of the industry under current economic conditions.

Numsa has demanded a R2 an hour across-the-board increase.

Motor manufacturers are the highest paying industry in the country. The lowest minimum monthly wage is Delta’s R1 153 and the highest is VW’s R1 499.

New passenger vehicle sales dropped 2.1% in January to 14 766 units compared with the previous year. Although this was slightly up of December’s figure, the National Association of Automobile Manufacturers of SA said trading conditions would remain tight for the foreseeable future.

Samcor sold 2 849 units in January — the third highest — which accounted for 16.8% of the market.
Autocat plant exploits Phase VI incentives

JOHNSON Matthey's decision to invest more than R40m in its new Germiston auto exhaust catalyst manufacturing plant represented a significant commitment by a British company to industrial development in SA, British ambassador Sir Anthony Reeve said yesterday.

After he had officially opened the plant, Reeve said the investment would prove to be "a sensible business decision". There were good business opportunities in SA, and while there was uncertainty about the country's future, the "events of the last two weeks" boded well for the future.

Johnson Matthey PLC chairman David Davies said his firm's decision was prompted by incentives aimed at encouraging the local production and export of high-technology industrial components. Specifically, it was taking advantage of the Phase VI incentives available to local motor companies that exported components.

At the Germiston plant, imported platinum group chemicals are sprayed onto imported ceramic substrates. The coated substrates are sold to local exhaust manufacturers who clad them in comparatively cheap local stainless steel. The finished product is then sold, as an SA product, to local motor manufacturers. They, in turn, export them and are credited with the full export value in terms of the Phase VI local content requirements.

Davies said he expected cars with converters would be available in SA in the next three to four years as unleaded petrol became available.

Johnson Matthey MD Peter Emmel said of the R300 to R800 cost of the units produced in Germiston, 50% was made up of the platinum metals, 25% the remaining raw materials and 25% the value added in the production process.
From DICK HARTFORD

JOHANNESBURG –  
Samcor's giant plant at Roslyn will close for two weeks next month and work a seven-hour day until end June — sometimes on a four-day week, according to a spokesman for Samcor.

This effectively means that over the next three months Samcor's 5,200 employees will have their income cut by over a third. The normal 480 working hours will be cut back to around 310.

It is also understood that Samcor, like most other motor manufacturers, regards itself as seriously overmanned. Figures of between 300 and 1,000 potentially redundant jobs have been banded about.

Last year the seven major motor manufacturers agreed to a moratorium on retrenchments in exchange for a halt to unprocedural industrial action. The agreement was for the year to end in June.

Locked into the agreement, and reeling under depressed trading conditions, employers like Samcor, VW and Mercedes Benz have cut back radically on working time while maintaining jobs.

This year's negotiations, which begin in two weeks time, are set to be the toughest ever. Motor workers' union Numsa has demanded a R2 an hour across the board increase.

Motor manufacturers are the highest paying industry in the country. The lowest starting monthly wage is Delta's R153 and the highest VW's R1,499.

New passenger vehicle sales dropped 2.1% in January to 14,768 units compared with the previous year.

Samcor sold 2,849 units in January — the third highest — which accounted for 16.8% of the market.
Cut tariffs would damage industry

BY MAX BRAUN

Ironical as it might seem, until the beginning of this month only a few people in the broader motor industry and even at the Board of Trade and Industries (BTI), appeared to have any knowledge of the government's submission to GATT.

Discussing

At the time of going to press the National Association of Automobile Manufacturers of SA (Naamsa) was not available for comment, as it is discussing the matter.

Passenger cars are not affected by the proposed change.

Although unlikely, implementation of the government's submission to GATT in its present form would have serious implications for the motor industry and component manufacturers.

In recent months there have been attempts to circumvent the present high duties to import manufactured trucks from the Eastern bloc, refurbished petrol-driven American school buses and antiquated Japanese light trucks built in south-east Asia.

An open "assame" in South Africa could encourage a variety of more serious players such as Scania, Volvo, Louisvile, Mack, Navistar, Kenworth and DAF/Leyland to re-enter the market.

Worldwide, new truck sales have been in the doldrums for more than two years. Any opportunity to dump old inventories would not be missed. Such a development would damage the established manufacturing capability now in place, with a concomitant loss of jobs.

With protection at a level of 30%, maybe even as high as 40%, it would not make sense for local truck suppliers to manufacture in South Africa. This would threaten the existence of local diesel-engine producer ADE and gearbox and axle producer Asias.

Substitute

The change may encourage motorists to substitute their cars with bakkies or small buses. This would further reduce the need for locally made components and locally built cars and trucks.

The motor industry will probably try to persuade the government to reserve its commitment to GATT. According to industry sources, the compromise with the best chance of gaining acceptance is reduction in duties, for all vehicles including cars, to 60%, phased in over five or preferably eight years. But even this would be a daunting prospect for ADE, Asias and other component manufacturers.

If vehicle manufacturers revert to sourcing from parent companies or international jobbers, it will become more difficult to export parts and components to global markets.

Prudent

The component-manufacturing industry in South Africa employs more than 70,000 people. Another 50,000 jobs depend on the fortunes of this industry.

Naamsa (National Association of Automotive and Allied Component Manufacturers) believes it would be prudent for the government to reduce duties on primary materials and components before reducing them on secondary items or finished goods.

A disadvantage of the scheme is that some imported built-up vehicles will be cheaper to buy but a lot more expensive to maintain and operate.

Locally manufactured vehicles are more costly to build because of low production runs. However, they may be cheaper to own because they are engineered for local conditions and parts support is competitive.
A turning point for Japan’s motor industry

TOKYO — Nissan’s newly named president said on Friday the Japanese car industry was at a “structural turning point,” and he would have to reduce working hours, spending and trade friction all at once.

Yoshifumi Tsuji, a 64-year-old former production engineer, will take over in June from Yutaka Kume, who moves to the chairmanship, replacing the retiring Takashi Ishihara.

Kume, 70, who also rose from the production side, helped rejuvenate Nissan’s product line during his seven-year tenure. But he leaves at a time when the number two car maker could face its first operating loss since 1987 in the second half of fiscal 1992.

Tsuji, like Kume a graduate of Tokyo University’s engineering department, “is an important choice for the next steps at Nissan,” said Steve Usher, an industry analyst for Kleinwort Benson Securities.

Nissan is considered one of the least efficient of Japan’s car makers in terms of labour costs. Nissan’s costs were the highest of Japan’s “Big Five” car companies as a percentage of sales, he said.

Adding to Tsuji’s headaches are a recession that has dampened global demand, and trade pressures to cut working hours and exports, and to hold steady in market share in the US, the company’s largest foreign market.

In the past, Japan’s top car makers often exported their way out of a downturn, today, because of frictions with Washington and Detroit and weak overseas demand, that may not be an option.

In part because of this, Japanese car makers are raising prices and lengthening model cycles. Nissan has already announced it will extend the time between new models for its main lines from four to five years.

“Most people feel this is a structural turning point in the auto industry,” Tsuji said at a news conference.

At the same time, the company is in the middle of paying for its aggressive expansion into the US and Europe beginning in the 1980s, when it built local production plants.

“Despite efforts to cut back on capital spending in a bad environment, the company is still committed to a fairly high level of spending,” said Andrew Blair-Smith, an analyst with UBS Phillips and Drew.

Despite the troubles he leaves Tsuji with a moving to the largely ceremonial post of chairman, Kume is credited with turning Nissan’s product line around with such hit models as the Cima and Sylphy cars.

“He put Nissan in the forefront of car design,” said Ben Moyer, an analyst for Merrill Lynch Research in Tokyo — Sapa-AF.
Too much, luxury, pushing up car prices
McCarthy moves into UK market

By David Cannings

DURBAN — McCarthy’s move into the UK market announced last week is just one of several strategies designed to keep SA’s largest car retailer on the growth track.

In one of its most significant moves in years, McCarthy announced the acquisition of four Toyota dealerships in England — at Sidcup, Belvedere, Maidstone and West Malling.

Its position as SA’s largest vehicle retailer limits its growth potential to a degree, whereas in the much larger UK market, there is huge potential for expansion.

Owing to Japan’s voluntary constraints on exports to the UK, Toyota’s share of the UK market is only around two percent.

However, the building of a new Toyota manufacturing plant at Derby will soon result in production of 200,000 cars a year — more than that for the entire South African market last year.

McCarthy predicts that Toyota will significantly increase its market share in the UK.

An additional bit of fortune dropped into its lap with the announcement in the UK budget that the tax on cars would be cut by half.

This, together with an expected improvement in the economy, will boost sales prospects in the UK, where car sales have fallen dramatically as a result of the recession.

The new British subsidiaries have been selling about 1,000 new cars a year, but these volumes are expected to rise.

The investment is expected to have a neutral impact on earnings this year.

But with UK management staying in place and now supported by McCarthy expertise, profit prospects are described as “encouraging”.

The overall impact of the group must be expected to be relatively small in the early years.

Theo Swart, who has moved from Pretoria to Durban as MD, says greater focus is being placed on parts and service, which are areas yielding better gross margins than car sales.

The average life of the car park is now 10.5 years and expected to increase to 12.5 years by 1995 — ensuring increased demand for parts.

He says another thrust will be to maintain a growing stake in the full maintenance leasing area. Overall, Mr Swart sees local market conditions continuing to be tough this year.

Mr Swart says McCarthy’s presence in the heavy truck market — it has about 14 percent of the national cake — also looks as if it would yield significantly better returns once spending on capital investments recovers.

Strategically, McCarthy is placing greater emphasis on the black consumer, whose buying power is increasing.

A recent innovation is to develop joint ventures to trade more effectively in the black community.

Overall, he says McCarthy’s second-half earnings to June should prove a little better than the first half when net earnings were 11 percent down at R20.5 million on a turnover increase of 17 percent to R1.5 billion.
Metair rides a smoother road

The recent sharp gains in Metair's share price reflects the view that the group has regained its footing and will continue to march forward.

In the annual report, chairman Elisabeth Bradley says the past year's earnings a share growth of 80 percent, although off a low base, marks a return to the good performance and solid growth of the years before 1980.

Prospects are heightened by the fact that Metair, a motor component manufacturer, operates in an industry that has been squeezed to the bone and has limited further downside potential.

Also growth, when it comes, is likely to be significant because of the low base and pent up demand.

Ms Bradley expects a modest increase in demand for original and replacement parts and projects that the results of most group companies will show improvement.

She says companies with good labour relations should be able to improve productivity and exploit new opportunities.

Metair also stands to benefit from the manufacture of new high-volume components, the development costs of which have already been absorbed, and from the easing of trade restrictions.

She says exports are focused on small niche markets and will be increasing from a low level.

In the year to December, group turnover grew 18 percent from R330.3 million to R398.7 million, while operating profit shot up 45 percent from R24.3 million to R35.3 million.

After interest expense rose 63 percent from R5.1 million to R8.2 million, pre-tax profit advanced 41 percent from R19.3 million to R27.1 million.

A reduction in the effective tax rate from 53.2 percent to 47.2 percent pushed taxed profit to R14.3 million — 65 percent higher than the previous R8.6 million.

With an improvement in the contribution from associated companies, attributable income grew 80 percent to R15.8 million.

Earnings a share rose from 15.3c to 27.5c and, after an increase in cover, the dividend rose 17 percent from 63c to 74c.

The balance sheet discloses a healthier cash balance, but higher interest-bearing debt of R35.3 million (R27.8 million a year ago).

Ms Bradley attributes the increase in borrowings to new projects and investments and says a decline this year is on the cards.

Tightly held Metair, priced at R16, is trading on a P/E ratio of 5.8 and provides a dividend yield of 4.6 percent.

These yields are attractive in view of expected real earnings growth and the potential for more exciting performance in the longer term.

COMMENT: Metair's share price entered a bull trend about a month ago and recently broke through the important R15 resistance level.

As long as the price remains above this barrier, further price increases can be expected.
Battle in luxury car market gets tougher

THE battle for market share in the luxury car market looks set to become even tougher this year with new entries from SA’s Japanese-sourced manufacturers.

The sector was previously dominated by European vehicles — Audi, BMW and Mercedes-Benz.

Motor industry sources said at the weekend that Nissan SA planned to launch a new range of luxury car market models to the end of 1992, while Toyota SA is believed to be planning the launch this year of the Camry, a vehicle similar in looks to the Maxima and which would probably be priced in the same range.

Although Toyota SA would not confirm the launch of the Camry, executive chairman Bert Wessels said Japanese vehicle manufacturers had encroached on most luxury car markets, with Toyota’s Lexus outselling European manufacturers in the US a case in point.

Top of Toyota’s local range is its 3-litre Cresta, which Wessels says is seen as “touching the luxury market segment”.

Toyota SA has also sold about 12 of its Lexus models in SA and Wessels said he would be importing more into the country in limited volumes, said Wessels.

The first Japanese-sourced manufacturer to launch a car at the high volume luxury car market recently was Nissan, who launched its 3.1 Maxima in November last year. Nissan spokesman Illana Sallant said, on average, 76 a month had been sold.

The Maxima, priced at around R118 000 and sporting all the trimmings of most European-sourced luxury vehicles in SA, promptly won the 1991 SA Car of the Year competition.

Egg price increase can be expected, says board

THE South African Egg Board has warned that an increase in prices can be expected as the industry continues to experience the effects of the drought.

The board’s March report said the increased cost of importing maize had put upward pressure on prices making egg production more costly.

The board’s GM Jan van Zyl sees the rising cost of maize as a serious problem for producers.

“Seventy percent of the production costs of eggs are in feed for the chickens, of which 60% consists of maize,” he said at the weekend.

“If the maize price goes up, then the production cost goes up and it is passed on to consumers.”

Currently, a dozen large eggs retail for R3.96.

Egg surpluses for January and February amounted to 6.5% of consumption, according to the report.

“This was an extremely high figure we had to absorb,” he said.

Van Zyl emphasised the board was trying to encourage egg producers to operate in a “more market orientated fashion” and to pay attention to consumer demand.

Egg producers are operating with 2% to 2.5% more hens than they were this time last year, though the demand outlook is much weaker.

This has posed a serious problem as the industry cannot afford to subsidise a prolonged surplus.

“Producers may have to get rid of their hen surplus by selling them off to be culled,” he said.

The surplus eggs bought by the board are converted into egg products for export to Japan, Korea and other Pacific Rim countries.

The Board imposes a levy on producers of 7c per dozen eggs.

“It is like an insurance policy,” said Van Zyl, adding that the money was not only used to buy surplus eggs, but also went towards advertising and market information systems, as well as product development.

Van Zyl reserved some optimism, however.

“The drought has irritated a bad situation, yet the economy is expected to grow. Then, consumption grows as well.”
Talks still open in car trade

THE moratorium on retrenchments still remains a key issue in the car industry, SABC radio news has reported. The National Automobile Manufacturers Association of South Africa, the National Union of Metalworkers, and the Iron and Steel Workers Union held the second round of talks in Port Elizabeth.

In a statement released by Numsa collective bargaining secretaries Mr Les Kettledas on Tuesday, the union stated that the employers were still not in a position to place an unconditional moratorium on retrenchments after an extensive debate during Tuesday's negotiations.

No offer was made on wage demands.

According to the statement, Numsa requested more time to consider the code of practice to end so-called unfair discrimination as tabled by Numsa.

The negotiations will continue on May 8 in Port Elizabeth - Sapa
Motor industry talks stall

NEGOTIATIONS around a retrenchment moratorium occupied centre stage in annual negotiations in the automobile industry which kicked off this week.

National Union of Metalworkers of South Africa representative Les Kettle said employers would not make a wage offer or respond to the union's other demands until consensuses was reached on the moratorium question.

Naamsa executive director Nico Vermeulen said they could not agree to an unconditional moratorium on retrenchments.

Negotiations in the tyre industry also started yesterday.
Gloom as new car sales slide again

From EDWARD WEST

JOHANNESBURG — The market for new passenger cars has shrunk by a third over a decade, according to the March figures released today.

For the month of February, 4,589 passenger vehicles were sold, down 41% from the 7,805 of the same month of the year before, which is 97% of the 91,000 new cars sold the previous year.

This has forced another lowering of the price of the cars, which dealers believe will help to sell more units. The National Association of Automobile Manufacturers has already cut prices by 10%.

The weakening economy and a period of oversupply has forced a reduction in demand for new cars. Sales of new cars are down 60% on last year's figures.

Sales of new cars in March are set to be even lower, with a further drop expected in the next two months.

March sales of LCVs, bakkies, and minibuses improved by 11.5% to 9,026 from 8,010 units sold in February. Relative to a year ago, LCV sales fell by 9.4% or 960 units. Sales of MCVs and HCVs improved marginally over February, but compared with last year sales were down 21% to 14,137 units and 13.2% down to 3,607 units respectively.

In the light of poor first quarter sales, Namibia has revised its sales projections. It now forecasts sales of 180,200 cars, 49,000 LCVs, 4,000 MCVs and 5,000 HCVs in 1992. At the beginning of the year Namibia forecast sales of 202,500 cars, 104,500 LCVs, 4,400 MCVs, and 5,000 HCVs.

Toyota SA continued to break new ground in terms of market share. In March, one in three vehicles sold was a Toyota. It has also set a record for the second month in a row, with a total of 15,042 units sold in February. However, when compared with the same month last year sales declined by 2,887 units or 14%.

March sales of LCVs, bakkies, and minibuses improved by 11.5% to 9,026 from 8,010 units sold in February. Relative to a year ago, LCV sales fell by 9.4% or 960 units. Sales of MCVs and HCVs improved marginally over February, but compared with last year sales were down 21% to 14,137 units and 13.2% down to 3,607 units respectively.

In the light of poor first quarter sales, Namibia has revised its sales projections. It now forecasts sales of 180,200 cars, 49,000 LCVs, 4,000 MCVs and 5,000 HCVs in 1992. At the beginning of the year Namibia forecast sales of 202,500 cars, 104,500 LCVs, 4,400 MCVs, and 5,000 HCVs.

Toyota SA continued to break new ground in terms of market share. In March, one in three vehicles sold was a Toyota. It has also set a record for the second month in a row, with a total of 15,042 units sold in February. However, when compared with the same month last year sales declined by 2,887 units or 14%.

March sales of LCVs, bakkies, and minibuses improved by 11.5% to 9,026 from 8,010 units sold in February. Relative to a year ago, LCV sales fell by 9.4% or 960 units. Sales of MCVs and HCVs improved marginally over February, but compared with last year sales were down 21% to 14,137 units and 13.2% down to 3,607 units respectively.

In the light of poor first quarter sales, Namibia has revised its sales projections. It now forecasts sales of 180,200 cars, 49,000 LCVs, 4,000 MCVs and 5,000 HCVs in 1992. At the beginning of the year Namibia forecast sales of 202,500 cars, 104,500 LCVs, 4,400 MCVs, and 5,000 HCVs.

Toyota SA continued to break new ground in terms of market share. In March, one in three vehicles sold was a Toyota. It has also set a record for the second month in a row, with a total of 15,042 units sold in February. However, when compared with the same month last year sales declined by 2,887 units or 14%.

March sales of LCVs, bakkies, and minibuses improved by 11.5% to 9,026 from 8,010 units sold in February. Relative to a year ago, LCV sales fell by 9.4% or 960 units. Sales of MCVs and HCVs improved marginally over February, but compared with last year sales were down 21% to 14,137 units and 13.2% down to 3,607 units respectively.

In the light of poor first quarter sales, Namibia has revised its sales projections. It now forecasts sales of 180,200 cars, 49,000 LCVs, 4,000 MCVs and 5,000 HCVs in 1992. At the beginning of the year Namibia forecast sales of 202,500 cars, 104,500 LCVs, 4,400 MCVs, and 5,000 HCVs.

Toyota SA continued to break new ground in terms of market share. In March, one in three vehicles sold was a Toyota. It has also set a record for the second month in a row, with a total of 15,042 units sold in February. However, when compared with the same month last year sales declined by 2,887 units or 14%.
New car market shrinks by a third

THE market for new passenger cars has shrunk by a third over a decade, according to the March figures released yesterday.

Ten years ago, 74 704 passenger vehicles were sold in the first quarter of 1982. This has dropped to 47 955 for the first three months of this year, which is a 39.3% drop on the 74 873 new cars sold in the first quarter of 1991.

The figures have forced another downward revision of the annual vehicle sales forecasts. Overall sales for the year were now expected to be well below 1991 levels, the National Association of Automobile Manufacturers of SA (Namaisa) said.

Namaisa said industry expectations of a contribution from government sales and car rental companies, as well as pre-emptive buying to avoid the April 1992 round of price increases, failed to improve sales markedly.

Sales of light commercial vehicles (LCV) for the first quarter of 1992 were down 9.7%, while sales of medium and heavy commercial vehicles (MCV, HCV) declined 16.4% and 9.5% compared with the first three months of 1991.

Cars sales in March increased 5.8% or 1 549 units to 27 300 units compared with the 25 751 units sold in February, which compared with the same month last year, sales declined by 5 907 units or 14.6%.

March sales of LCVs, bakkies and minibuses improved by 11.5% to 9 026 from 10 096 sold in February 1991. Relative to a year ago, LCV sales fell by 6.4% or 940 units. Sales of MCVs and HCVs improved.

To Page 2

Cars

marginal over February, but compared with last year, sales were down 10% to 4 127 units and 13.8% down to 5 807 units respectively.

Namaisa believed some relief would be provided by the recent relaxation of hire purchase provisions in terms of a percentage reduction in the p.m. rate, the expected modest economic recovery in the second half of 1992 and a spate of new model introductions.

Nissan SA's John Newbury said a positive balance of payments, increased investment from overseas and efforts to keep the inflation rate in check would support the beginnings of economic recovery.

However, in the light of poor first quarter sales, Namaisa has revised its sales projections. It now forecasts sales of 190 000 cars, 95 000 LCVs, 4 600 MCVs and 900 HCVs in 1992. At the beginning of the year, Namaisa forecast sales of 222 000 cars, 104 500 LCVs, 4 400 MCVs and 5 600 HCVs. In the third quarter of 1991, its forecast was 210 000 new cars. In 1991, 167 736 cars, 100 405 LCVs, 14 277 MCVs and 5 807 HCVs were sold.

Toyota SA continued to break new ground in terms of market share. In March, one in three vehicles sold was a Toyota. It has also steadily increased its passenger car market penetration to 31.4% in March from 27.3% of sales in January and 30.1% in February.

Toyota SA also broke a 10-year industry record for a single model when its Corolla logged 4 358 sales in March.
New car sales continue to slip

The National Association of Automobile Manufacturers (Naamsa) has expressed concern about the steady deterioration in new vehicle sales.

The sales of all classes of vehicles were down considerably on those for comparable 1991 periods, although there were slight improvements in the March figures when compared with February.

Sales of new cars for the first three months of 1992 were 9.2 percent down on the first quarter of 1991, light commercial vehicle sales were down 8.7 percent, while sales of medium and heavy commercial vehicles were down 16.4 percent and 9.5 percent respectively. Similarly, March 1992 sales were down on March 1991.

In the light of the sales performance this year to date, Naamsa has revised its projected sales for the year to cars 150,000, light commercial vehicles 25,000, medium commercials 4,000, heavy commercials 5,600.

Naamsa had expected that sales to Government, car rental firms as well buying to avoid the April round of price reviews, would result in higher figures for March.

The industry forecast is that trading conditions will remain extremely difficult for the remainder of 1992, although the recent relaxation in hire purchase deposits and the one percent reduction in the bank rate might contribute to a modest recovery.

New models

Nevertheless, manufacturers are expected to release a spate of new models during 1992 to hopefully generate additional sales.

The March sales figures were (1991 in brackets): new cars 17,390 units (20,360), light commercials 9,026 (9,966), medium commercials 327 (364), heavy commercials 482 (556).

The top selling car in March was the Toyota Corolla at 4,398 units, followed by the Volkswagen Golf at 1,429 units, the Mazda 323 at 1,032 units and the Toyota Cressida at 1,028 units.

Toyota was also top seller of light and medium commercial vehicles, with 3,269 and 147 units respectively. Mercedes-Benz was top seller in the heavy commercial vehicle category with 131 units, closely followed by Toyota with 129 units—Sapa.
Management reshuffle at the McCarthy Group

The McCarthy Group has made several management changes following the retirement of joint MD Dudley Saville at the end of March, chairman Brian McCarthy said yesterday.

Theo Swart has moved to Durban to take over as group MD — a position previously held with Saville.

Errol Richardson now has responsibility for the group's BMW, MMI, Ford, Rolls Royce and Toyota franchises and independent franchise Car Bar.

Richardson also assumes responsibility for the group's four UK-based Toyota dealerships acquired in March. These followed closely the announcement of the acquisition of two Volkswagen dealerships in Durban and Middleburg.

Head of the group's Mercedes franchise, Graham Damp, becomes chairman of McCarthy Finance — while McCarthy Nissan MD Ray Nethercott takes on responsibility for the group's vehicle auction subsidiary, Burchmore's.

Executive director Roy Parkhurst assumes chairmanship of Yamaha Distributors, but retains his board responsibility for manpower and property.

John Robertson becomes the new MD of Yamaha following the retirement of Alf Price.

Tony Alison, former financial director of the 36%-held Midas group, returns to McCarthy as GM, finance and administration. Terry Sorel, currently MD of Atkinson's Toyota in the Cape, replaces Richardson as MD of McCarthy Toyota.

Commenting on the group's operations in the first quarter of 1992, McCarthy said sales volumes were lower than anticipated and profit margins were tight. On the other hand, the relaxation of HP requirements had improved used car sales while service and parts operations had performed above budget.
Major industry leaders contend the program is sharply criticized.
Job cuts bid by car industry

MOTOR car industry employers have told the National Union of Metalworkers (Numsa) that before making any offer on wages this year, they want to resolve their difficulties with the moratorium on retrenchments agreed in last year’s talks.

Employers say they are unable to maintain an unconditional moratorium on retrenchments.

Representatives of motor, metal and tyre and rubber industry employers — who are separately involved in talks with Numsa — met for the first time this week to share ideas on how to deal with the 270,000-member union’s demands.

Numsa is demanding a R2-an-hour, across-the-board increase. It also wants to extend the moratorium on retrenchments to the metal and tyre and rubber industries — without this being linked to a ban on "unprocedural industrial action" as is the case in the auto agreement.

In the opening round of car assembly negotiations this week, National Association of Automobile Manufacturers (Naamsa) director Nico Vermeulen presented an overview of the key issues facing the industry this decade.

The detailed presentation highlighted current problems such as falling sales and a shrinking industry.

Sawere will cut working time and wages by over a third over the next three months in order to keep to the moratorium. Toyota, meanwhile, is doing so well that it has been working overtime.
Car hire industry cuts down on new vehicles

THE big three companies dominating SA's car hire industry will buy between 10 000 and 15 000 new vehicles this year, about 30% less than last year, Budget MD Tony Langley said yesterday.

Describing trading conditions as tough this year, he said the number of rental days sold by the industry in February at an average 72% capacity utilization amounted to 2.6 million, 17.5% lower than the 3.2 million days recorded in the same month last year, which in turn was 12.5% lower than the 3.5 million days in February 1991.

Imperial Car Hire MD Carol Scott said Imperial would buy about 6 500 new cars this year, 30% of which would be from BMW's new 3-Series range. These would be used mainly for businessmen and foreign tourists — of which there had been an upsurge since October last year, she said.

Scott said the company planned to keep a lid on rates following the 1% decline in interest rates earlier this year. Trading conditions in February and March had been boosted 18% over the same two months in the previous year by rentals from foreign tourists.

Avus will also take advantage of the models launched this year and has spent more than R7m on 80 new BMW 3-Series and more than R4m on 50 Audi 500 SELs, a company statement said. Avus planned to buy about 3 500 cars this year.

Budget's Langley said car hire companies were involved to some extent in the launch of new vehicles. Businessmen had hired new models to test them, either for individual or company fleet purchases.

Avus and Imperial said business in the industry — which traditionally led an upturn in the economy — had improved rapidly in the first months of this year. Rental volumes dropped 20% in 1991 compared to the previous year. Last year the companies forecast a total fleet of 15 000 vehicles for 1992.

Final sequestration order against Du Plessis

DESPERATE attempts by the children of former Cabinet Minister Pietie du Plessis to save him from bankruptcy failed yesterday when a final sequestration order was granted against him in the Pretoria Supreme Court.

The order, by Judge H J Press, concluded months of litigation, during which Du Plessis stalled his final liquidation on several occasions.

Investec Merchant Bank Ltd obtained provisional sequestration orders last month against Du Plessis and his son Johan, who owed the bank nearly R1.6m after signing surety for the debts of an investment company they formed to develop the plateau town of Steelport.

The venture failed, and Steelport was sold at a loss of more than R1m — Sapa

More power for Soweto

EKOM has begun a multi-million-rand project to upgrade Soweto's electricity supply network.

Eskom CE Ian Methe said in a statement yesterday that the project was launched after it took over electricity supply to the township from the Soweto City Council last month.

Eskom was committed to bringing the level of service in the township to the same level as that of "other domestic customers in SA."

"We have started addressing the most pressing issues, such as the replacement of broken meters and updating the customers' database," he said.

Eskom had agreed to implement the tariffs negotiated by parties to the Soweto Accord, a spokesman said.

"A new tariff based on actual costs will be introduced after negotiations have taken place," Methe said.

The Soweto Civic Association recently called for a rent boycott but said the R33.80 tariff for electricity, now controlled by Eskom, should be paid.

Elitestar cancels 24 Easter flights

The operator of the 24 flights cancelled for Easter will refund passengers and customers in line with the conditions of its ticket terms and conditions.

"We have received a large number of calls from those affected," Methe said. "We will do everything possible to get flights rescheduled and refund passengers."
5. Verder word u hierby versoek om binne 60 dae van die datum van hierdie kennisgewing al aan my die titelbewys(e) van die onteende grond te lewer of te laat lewer of indien dit nie in u besit of onder u beheer is nie, skriftelike besonderhede van die naam en adres van die persoon in wie se besit of onder wie se beheer dit is, te lewer of te laat lewer

6. Die eendom wat hierby oentoe word word deur die Republiek van Suid-Afrika in besit geneem 60 (ses-ting) dae na die publikasie datum van hierdie kennisgewing.

7. Die adres vir doeleindes van hierdie oentening is Hoofdirektoraat Werke (Transvaalse Provisiale Administrasie), Pretoria, Kamer C222, Blok C, Provisiale Gebou, Kerksstraat, Pretoria

Gedateer te Pretoria op 3 April 1992

M. MASSYN,
Assistentdirekteur Voorsieningsadministrasie

Vr en namens die Uitvoerende Komitee van die Provisie Transvaal.

(16 April 1992)

KENNISGEWING 341 VAN 1992
DEPARTEMENT VAN MANNEKRAG

WET OP ARBEIDSVERHOUDINGE, 1956

AANSOEK OM VERANDERING VAN DIE REGISTRASIEBESTEK VAN 'N VAKVERENIGING

Ek, Gerhardus Coenraad Papenfus, Assistent-nywerheidsregistrateur, maak ingevolge artikel 4 (2) soos toegespas by artikel 7 (5) van die Wet op Arbeidsverhoudinge, 1956, hierby bekend dat 'n aansoek om die verandering van sy registrasiebestek ontvang is van die United African Motor and Allied Workers’ Union of South Africa. Besonderhede van die aansoek word in onderstaande tabel vermeld.

Enige geregistreerde vakvereniging wat teen die aansoek beswaar maak, word versoek om binne een maand na die datum van publikasie van hierdie kennisgewing sy beswaar skriflik by my in te dien, p/a die Departement van Mannekrag, Mannekraggebou 123A, Schoemanstraat 215, Pretoria (posadres Private Bag X117, Pretoria, 0001)

TABEL

Naam van vakvereniging: United African Motor and Allied Workers’ Union of South Africa

Datum waarop aansoek ingediend is: 21 November 1991

Belange en gebied ten opsigte waarvan aansoek gedaan word: Persone in diens in die Motornywerheid en die Automobielnywerheid in die landdrosdistrikte Pinetown en Ikopo

“Motornywerheid” beteken (behoudens die bepaling van enige afbakening vanstelling gemaak op grond van artikel 76 van die Wet op Arbeidsverhoudinge, 1956) die nywerheid betrokke by—

(a) monter, opgrting, toetsing, herstelwerk, versterwerk, opknapping, bedraadings, stof- lening, bespuiting, verwerk en/of vernuwing uitgeoefen in verband met—

(i) ondersteile en/of bakke van motorvoertuie,
(ii) binnebrandenjëns en transmisiekomponente van motorvoertuie,
(iii) elektriese uitrustings in verband met motorvoertuie, met inbegrip van radio's,
(b) motornengeneurswerk;
(c) die herstel, vulkanisering en/of versoling van tuigebande,
(d) die herstel, versiening en vernuwing van batterye vir motorvoertuie;
(e) die besigheid gedryf deur ondernemings vir die parkering en/of staling van motorvoertuie;
(f) die besigheid gedryf deur vul- en/of diensstasies;
(g) die besigheid wat hoofsaalklik of uitsluitlik gedryf word vir die verkoop van motorvoertuigonderdele en/of -reserveredele en/of -byehore (hetsy nuut of gebruik), ongeag of sodanige verkoop geskied vanuit 'n perseel wat vanuit 'n gedeelte van 'n bedryfsmisst景ing waarna die montering of herstel van motorvoertuie uitgevoer word,
(h) die besigheid gedryf deur motorslopendonderneem-
(i) die besigheid gedryf deur vervaardigingsbedryfsmisstings waarin motorvoertuigonderdele en/of -reserveredele en/of -byehore en/of komponente daarvan vervaardig word;
(j) voertuigbakbou;
(k) die verkoop van trekkers en landbou- en besproeiingsuitrustings (nie gekoppeld aan die vervaardiging daarvan nie)

Vr die doelendes van hierdie omskrwing beteken—

"motornengeneurswerk" die vernuwing van binnebrandenjëns of onderdele daarvan in motor-
voertuie in bedryfsmisstings waarin hoofsaalklik of
uitsluitlik sodanige werk vernig, hetsy daar in
sodanige bedryfsmissting motorvoertuie uitmakar-
gehaal en herstel word al dan nie,

"motorvoertuig" enige welvoertuig wat deur elek-
triese of meganiëse krang (uitsonder stoom) aange-
dryf word en wat ontwerp is vir trekvervoer en/of vir die
vervoer van persone en/of goedere en/of vragte, en
omvat dit 'n sleepwa en 'n woonwa, maar nie ook uit-
rusting wat ontwerp is om op vaste spore te loop, 'n
sleepwa wat ontwerp is om vragte van 20 ton of meer te
vervoer of 'n vliegtuig nie,

"voertuigbakbou" enige van of al ondervormelde
werknaamhede wat in 'n voertuigbakboubedryfsmis-
ingt vernig word

(a) Die bou, herstel of vernuwing van kajute en/of
bakke en/of enige bobou vir enige type voertuig,
(b) die vervaardiging of herstel van samestellende
dele vir kajute en/of bakke en/of enige bobou en die
montering, regstelling en installeer van onderdele in
kajute of aan bakke of op die bobou van voertuie;
(c) die vasst van kajute en/of bakke en/of enige
bobou aan die onderstel van enige type voertuig,
(d) die bestryking en/of versiening van kajute en/of
bakke en/of enige bobou met 'n preserveermiddel of
versierstof,
(e) die uitrus, stoffeer en afwerk van die binnekant
van kajute en/of bakke en/of enige bobou,

(ii) internal combustion engines and transmission
components of motor vehicles;
(iii) electrical equipment connected with motor
vehicles, including radios,
(b) automotive engineering,
(c) reparing, vulkanising and/or retreading tyres,
(d) repairing, servicing and reconditioning batteries
for motor vehicles,
(e) the business of parking and/or storing motor
vehicles;

(f) the business conducted by filling and/or service
stations;

(g) the business carried on mainly or exclusively for
the sale of motor vehicle parts and/or spares and/or
accessories (whether new or used), whether or not
such sale is conducted from premises which are
attached to a part of an establishment in which the
assembly or repair of motor vehicles is carried out,

(h) the business conducted by motor graveyards;

(i) the business conducted by manufacturing estab-
lishments in which motor vehicle parts and/or spares
and/or accessories and/or their components are fab-
ricated;

(j) vehicle body building;

(k) the sale of tractors and agricultural and irrigation
equipment (not connected with the manufacture
thereof).

For the purposes of this definition—

"automotive engineering" means the reconditioning
of internal combustion engines or parts thereof for use
in motor vehicles in establishments mainly or exclu-
sively so engaged, whether such establishments dis-
mantle and repair motor vehicles or not.

"motor vehicle" means any wheeled conveyance
that is propelled by electrical or mechanical power
(other than steam) and that is designed for haulage
and/or for the transportation of persons and/or goods
and/or loads, and includes a trailer and a caravan, but
does not include any equipment designed to run on
fixed tracks, a trailer designed to transport loads of 20
ton or over, or an aircraft,

"vehicle body building" means any or all of the fol-
lowing activities carried on in a vehicle body building
establishment

(a) The construction, repair or renovation of cabs
and/or bodies and/or any superstructure for any type
of vehicle,
(b) the manufacture or repair of component parts
for cabs and/or bodies and/or any superstructure, and
the assembly, adjustment and installation of parts in cabs
or on bodies or on the superstructure of vehicles,
(c) fixing cabs and/or bodies and/or superstructure to
the chassis of any type of vehicle,
(d) coating and/or decorating cabs and/or bodies
and/or any superstructure with any preservative or dec-
orative substance,
(e) equipping, furnishing and finishing off the interior
of cabs and/or bodies and/or any superstructure,
(f) die bou van sleepwaens, maar uitgesonderd die vervaardiging van weie of asse daarvoor; en
(g) alle bedrywighede wat gepaard gaan met of vooruitspruit uit die werkzaamhede bedoel in paragrafe
(a), (b), (c), (d), (e) en (f);
- en vir die doeleindes van hierdie omskrywing omvat "voertuig" nie 'n vliegtuig nie,
"Motormywerheid", soos hierbo omskryf, omvat nie die volgende nie:
(i) Die vervaardiging van motorvoertuigonderdele en/of -byddele en/of -gereedsede en/of -komponente
in bedryfinsinings wat aangelê is vir en gewoonlik betrokke is bij die produkse van metaal- en/of plastiek-
goods en van 'n ander aard op aansienlike skaal,
(ii) die montering, bou, toetsing, herstel, regstelling, opkrapping, bedrading, bespuiting, verf en/of vernu-
wing van landbourekke, behalwe waar dit uitgeoefen word in bedryfinsinings wat soortgelyke diensie lever-
(4) ten opsigte van motorkarre, vragsmotors of motorvrag-
waens;
(iii) die vervaardiging en/of onderhoud en/of herstel van—
(4) uitrustig vir swieele en werktygskundige inge-
nieuwerk en/of onderdele daarvan, hetsy dit op weie
gemonteer is al dan nie,
(4) landbou-uitrusting of onderdele daarvan;
(4) uitrustig bedoel vir gebruik in fabriekse en/of werkgewers,
(4) motorvoertuig- of ander voertuigbakke en/of-
-boboue en/of onderdele of komponente daarvan
mekaar van staalplaat 3,175 mm dik of dikker,
wanneer dit uitgeoefen word in bedryfinsinings wat
aangelê is vir en gewoonlik betrokke is by die ver-
vaardiging en/of onderhoud en/of herstel op aansien-
lieke skaal, van uitrustig vir swieele en/of werk-
ygskundige ingenieurswerk;
Met dié verstande dat, vir die doeleindes van (aa),
(4) en (ac) hierbo, "uitrusting" nie geaag word motorkarre,
vragsmotors en/of motorvragwaens te beteken nie,
(iv) monteerbedryfinsinings, d.w.s. bedryfinsin-
nings waarin motorvoertuie op 'n monteerbaan gemonteer word wat die vervaardiging
en/of fabrisering van enige motorvoertuigonderdele of-
komponente omvat wanneer dit in soedie bedryfs-
insinings uitgeoefen word, maar wat nie voertuigbakbou
omvat nie behalwe in sover dit gegaan is met die
monteer van motorvoertuie, uitgesonderd woon-
waens en sleepwaens, uitgeoefen word
"Automobielynwerheid" beteken die nywerheid
waarin werkgewers en hul werknemers met mekaar
geassosieer is vir die montering van motorvoertuie uit
nuwe komponente op 'n monteerbaan, en dit omvat die
vervaardiging of fabrisering of montering van enige
motorvoertuigonderdele of -komponente of kombina-
sies daarvan wanneer dit deur sodanige werkgewers
uitgeoefen word, hetsy dit op 'n monteerbaan of elders
gedaan word, asook alle werkzaamhede wat daarmee
gegaan of daaruit voortspuit, ongeag die per-
seer waar die werk verrig word
Posadres van ondernemer: Posbus 10850, Johannes-
burg, 2000

(f) building trailers, but excluding manufacture of
wheels or axles for them, and

(g) all operations incidental to or consequent on the
activities referred to in paragraphs (a), (b), (c), (d), (e)
and (f),
and for the purposes of this definition, "vehicle"
does not include an aircraft,
"Motor Industry" as defined above does not include
the following:
(i) The manufacture of motor vehicle parts and/or
accessories and/or spares and/or components in
establishments laid out for and normally engaged in
the production of metal and/or plastic goods of a differ-
ent character on a substantial scale,
(ii) the assembling, erecting, testing, repairing,
adjusting, overhauling, wiring, spraying, painting and/or
or reconditioning of agricultural tractors, except where
carried on in establishments rendering similar services
in respect of motor cars, motor lorries or motor trucks,
(iii) the "manufacture and/or maintenance and/or
repair of—
(aa) civil and mechanical engineering equipment,
and/or parts thereof, whether or not mounted on
wheels;
(ab) agricultural equipment or parts thereof,
(ac) equipment designed for use in factoro
and/or workshops,
(ad) motor vehicle or other vehicle bodies and/or
superstructures and/or parts or components for them
made of steel plate of 3,175 mm thickness or thicker,
when carried on in establishments laid out for and
normally engaged in the manufacture and/or mainte-
nance and/or repair of civil and/or mechanical engi-
neering equipment on a substantial scale.
Provided that, for the purposes of (aa), (ab) and (ac)
above, "equipment" shall not be taken to mean motor
cars, motor lorries and/or motor trucks,
(iv) assembly establishments, i.e. establishments in
which motor vehicles are assembled from new com-
ponents on an assembly line, which includes the manu-
ufacture and/or fabrication of any motor vehicle parts or
components when carried on in such establishments
but which does not include vehicle body building
except in so far as it is carried on incidental to the
assembly of motor vehicles other than caravans and
trailers
"Automobile Manufacturing Industry" means the
industry in which employers and their employees are
associated for the assembly of motor vehicles from
new components on an assembly line, and includes
the manufacture or fabrication or assembly of any motor
vehicle parts or components or combinations of them
when carried on by such employers, whether
performed on an assembly line elsewhere, and ope-
rints incidental thereto or consequent thereon, ir-
respective of the premises where the work is performed
Postal address of applicant: P O Box 10850, Johan-
nesburg, 2000
**KENNISGEWING 342 VAN 1992**

**KANTOOR VAN DIE STAATSPRESIDENT**

**AANSTELLING VAN MINISTERIELE VERTEENWOORDIGERS VIR DIE MINISTERSRAAD VAN DIE RAAD VAN VERTEENWOORDIGERS**

Hierby word vir algemene mingting bekendgemaak dat die Staatspresident kragtens artikel 28 (1) van die Grondwet van die Republiek van Suid-Afrika, 1983 (Wet No. 110 van 1983), die volgende persone met ingang van 1 April 1992 as ministeriale verteenwoordigers vir die Ministersraad van die Raad van Verteenwoordigers aangestel het:

**Mnr. Leslie Joseph Jenneke:** (Noord-Kaap en Oranje-Vrystaat)

**Mnr. William Martin Ross:** (Oos- en Wes-Kaap)

(16 April 1992)

---

**KENNISGEWING 343 VAN 1992**

**DEPARTEMENT VAN VERVOER**

**KOMITEE VAN ONDERSOEK NA DIE DAARSTELLING VAN 'N EFFEKTEWENDE NASIONALE MARITIME BELEID VIR DIE RSA**


Die opdrag van die Komitee is om ondersoek in te stel en verslag te doen oor 'n effektiewe nasionale maritime beleid vir die RSA.

Enigeen wat skriftelike vertoe aan die Komitee wil ng kan skryf aan die Voorsitter, Komitee van Ondersoek na 'n Maritieme Beleid, Postbus 340, Stellenbosch, 7600

(16 April 1992)
Our article on April 3 said that the acquisition of minority shareholdings in automotive components company Associated Engineering (Asseng) at the end of last year coincided with a sharp improvement in Asseng's operating profit. T&N financial director Chris Good says this is incorrect, though the profit of the automotive components division as a whole improved, that of Asseng weakened.

Also, the article states that the accounts were drawn up on the basis that Asseng was wholly-owned at year-end. Asseng was consolidated only in the balance sheet.
Activities: Makes motor vehicle components
Control: Wesco 42%.
Chairman: E le R Bradley; MD, A D Plummer
Capital structure: 8.7m 1nds. Market capitalisation: R90.6m.
Share market:PRICE R16. Yields: 4.6% on
dividend, 17.2% on earnings; p/e ratio, 5.8;
cover, 3.7 12-month high, R16, low, R11.75.
Trading volume last quarter, 19 000 shares.
Year to Dec
'96 '95 '94 '93 '92
ST debt (Rm) ... 0.6 2.1 4.2 8.1
LT debt (Rm) ... 2.1 8.1 26.2 35.9
Debt/equity ratio ... 0.01 0.08 0.24 0.17
Shareholders' interest 0.74 0.65 0.59 0.59
Int & leasing cover ... 18.7 8.5 4.8 4.3
Return on cap (%) ... 19.8 18.0 13.4 14.5
Turnover (Rm) ... 2 213 309 330 390
Pre-def profit (Rm) ... 27.5 30.5 24.3 35.3
Pre-def margin (%) ... 11.5 9.9 7.2 7.0
Earnings (c) ... ... 230 245 153 276
Dividends (c) ... ... 53 63 63 74
Net worth (c) ... 1 894 1 825 1 921 2 448

makers, wholly owned Motorubber and associate First National Battery, are both said to
have made positive contributions. The turn-
around at Motorubber was probably a signi-
ficant factor in the R5.9m additional earn-
ings from consolidated subsidiaries
But the improvement at First National
Battery was undermined by a drop in attri-
butable income from Hella SA, which had
to replace almost its entire workforce as a
result of labour disputes and consequent pro-
duction disruptions. So associates' combined
contribution rose by only R1.1m to R1.5m
(including dividends). As this is only 9.3% of
increase in cash and short-term loans, up
R16.5m to R20.7m. So net borrowings actu-
ally decreased and, coupled with the effects
of an asset revaluation, the debt/equity ratio
declined from 0.24 to 0.17.
However, while the balance sheet looks stronger as a
result, a less desirable effect is that profit
rates are depressed.
For instance, without the revaluation, gross return on total assets would have in-
creased to 15.7% (1990 13.4%) whereas after the revaluation it's only 14.5%. Simi-
larly, what would have been a 13% net return on equity was diluted to 11.2%, underlin-
ing the point that returns on new investment are
likely to remain low until there is an im-
provement in the economy in general, and the
motor industry in particular.
Still, even without an upturn, Metair
should show a further earnings gain this year
as the full benefits of last year's restrict-
ings filter through. With no apparent strain
on the balance sheet, the annual dividend
should follow earnings, suggesting that the
share is probably on a prospective yield of
more than 5%.
Brian Thompson

Getting it right again
Corrective action taken after losses incurred
in 1990 by certain interests proved effective
and 1991 saw Metair again firing on all
cylinders. EPS of 275c topped the previous
peak of 245c in 1989, though the 12% gain
over a two-year period nevertheless repre-
sents a fairly substantial decline in real
terms, reflecting increasingly depressed con-
ditions in the markets Metair serves.
The report does not detail results of indi-
vidual activities but 1990's two main loss-
their carrying value, MD Alan Plummer
continues to view these results as disap-
pointing.
Since the close of the financial year, it has
been decided to sell Metlink Manufacturing
to Toyota, the only customer of any conse-
quence. The price has not yet been decided
but it is noted that it will be arm's length,
based on net worth and earnings potential.
Assuming the deal is cash-based, income
from the sale could be useful to Metair in the
development of other interests, particularly
as export markets are expected to open up as
a result of the lifting of sanctions.
Plummer notes that the capital spending
programme, which led to a substantial in-
crease in borrowings in 1990, is proceeding
according to schedule. Unlike 1990, howev-
ner, and aided by a strong recovery in cash
flow, the overall impact on the balance sheet
has been relatively slight.
Though total borrowings rose by a further
R13.6m to R43.9m, this was exceeded by the
TOYOTA FM 17/4/92

Keeps going right

Activities: Motor vehicle manufacturer

Control: Wesco 50%

CE: A J J Wessels

Capital structures: 40.7m ords Market capitalisation R987m

Share market: Price R24,25 Yields 2.0% on dividend, 12.2% on earnings, p/e ratio, 8.2, cover, 6.3 13-month high, R35, low, R11.50

Trading volume last quarter, 183 0000 shares

Year to December

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ST debt (Rm)</td>
<td>24.0</td>
<td>105.6</td>
<td>29.6</td>
<td>34.4</td>
</tr>
<tr>
<td>LT debt (Rm)</td>
<td>108.8</td>
<td>32.4</td>
<td>48.7</td>
<td>204.8</td>
</tr>
<tr>
<td>Debt/equity ratio</td>
<td>0.24</td>
<td>0.22</td>
<td>0.05</td>
<td>0.25</td>
</tr>
<tr>
<td>Shareholders' interest</td>
<td>0.06</td>
<td>0.64</td>
<td>0.61</td>
<td>0.66</td>
</tr>
<tr>
<td>Int &amp; leasing cover</td>
<td>3.6</td>
<td>6 6</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Return on esp (%)</td>
<td>23.0</td>
<td>18.2</td>
<td>18.6</td>
<td>14.1</td>
</tr>
<tr>
<td>Turnover (Rbn)</td>
<td>2.51</td>
<td>2.92</td>
<td>3.12</td>
<td>3.47</td>
</tr>
<tr>
<td>Pre-net profit (Rbn)</td>
<td>206.5</td>
<td>206.0</td>
<td>251.1</td>
<td>233.3</td>
</tr>
<tr>
<td>Pre-net margin (%)</td>
<td>8.0</td>
<td>6.3</td>
<td>7.8</td>
<td>6.7</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>219</td>
<td>215</td>
<td>276</td>
<td>287</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>86</td>
<td>41</td>
<td>47.5</td>
<td>47.5</td>
</tr>
<tr>
<td>Net worth (c)</td>
<td>1,314</td>
<td>1,501</td>
<td>2,013</td>
<td>2,258</td>
</tr>
</tbody>
</table>

Relative to conditions elsewhere in the motor industry, Toyota's "everything keeps going right" motto could be said to apply as much to the company as to its product range—at least to the extent that earnings stayed tilted in the right direction.

However, once one looks behind some of the numbers, it becomes clear that 1991's 8% EPS gain did not come easily. Pre-interest profit was down 5% despite a 9% increase in sales value, pointing to severe pressure on operating margins. The overall increase in pre-tax profit and, hence, earnings derived entirely from a sharp decline in the interest charge from R94.1m to R46.7m, despite substantially higher year-end borrowings.

The 9% increase in sales value relative to an 8% decline in number of new vehicles sold, the latter being in line with the contraction of the total SA new vehicle market, translates into an average unit selling price increase of 21%. Even this did not stop the trading margin from falling 1.1 percentage points to 6.7%, underlining the extent to which fixed overheads can eat into profits when volume sales decline.

This was not, of course, the only factor behind the lower trading margin. In common with the rest of the industry, Toyota was plagued by protracted labour stoppages during mid-year wage negotiations, which lost sales because of unavailability of stock.

Latter, with production back to normal, further sales were lost when, as CE Bert Wessels put it, the market for new vehicles floundered under the twin impetus of continued deterioration in the economy and reaction to steep increases in vehicle prices.

However, as indicated above, one of Toyota's strengths was the reduced financing cost, which in turn seems to reflect much tighter financial control throughout the year. This is apparent from the fact that interest charges of R46.7m represented a fairly normal effective rate of 19.5% on total year-end interest-bearing debt, whereas in 1990 the effective rate was almost 11%.

So whereas total borrowings of R239.2m were almost three times 1990's R79.2m, it would appear that the average level of borrowings was far more stable around the year-end level, in contrast to the previous year when the average must have been at least R470m (six times the year-end figure) to justify the R98.1m interest charge.

If the group has in fact been able to stabilise borrowings month-to-month, the up-tick in the year-end balance sheet total is little cause for concern. Toyota is still conservatively geared with a net debt equity ratio of only 0.25, while profits (including interest received, which alone substantially exceeds the interest charge) cover present interest payments 6.5 times.

This year's funding picture looks like being a balancing act between capital requirements associated with Phase 6 of the local content programme and the prospect that the group should see some release of funds now beded up in working capital, if it can normalise its stock position.

The contraction in sales towards year-end was, Wessels says, mainly responsible for a R90m increase in stocks. Added to a R92m increase in debtors, and a relatively small R38m rise in creditors, the net investment in working capital increased by R144m, or 38%, far exceeding the 9% turnover gain.

Overall, Wessels expects little change to this year's gearing ratio, which may be fortunate as he is not looking to any material improvement in market conditions before the second half of calendar 1992, either.

The implication is that profits will remain under severe pressure. Efficiency improvements, stemming from the divestment of the group completed last year, may help but, realistically, are unlikely to do much more than offset inflationary cost increases.

The dividend, however, is well covered and should not be threatened even if earnings stagnate. Investor confidence is reflected in the thin 2% yield, but at the same time any further advance in the share price, which was only R17 when the FM reviewed the 1990 annual report, will probably require firm indications of an upturn in the economy.

Brian Thompson

COMPANIES

<table>
<thead>
<tr>
<th>Year</th>
<th>Toyota SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>1992</td>
</tr>
<tr>
<td>AM</td>
<td>J</td>
</tr>
<tr>
<td>3500</td>
<td>3000</td>
</tr>
</tbody>
</table>

Toyota's Wessels

feeling the pinch
They're nothing if not resilient in the motor industry. Each month, vehicle-sales figures are testimony to another depressing performance. And each month, industry executives express hope that recovery is just around the corner. The latest figures, for March, show car sales down nearly 13% on March 1991. Sales of all new vehicles, including commercials, fell 13%.

What companies find particularly worrying is the low level of buying from government and car-rental companies. March is the traditional month for both these sectors to do the bulk of their purchasing. Nor did the knowledge that many prices were scheduled to rise on April 1 cause an expected flurry of pre-emptive buying.

One of the few companies to be relatively happy, in absolute rather than just market-share terms, was market-leader Toyota, which claimed record monthly sales for its Corolla range. According to the company, the 4 398 sales were an all-time record for a single model.

Otherwise, there is little cause for celebration. And the mood isn't lightened by the thought that the industry faces torrid negotiations with its unions before a new agreement is reached on pay and conditions.

Initial discussions have revealed a wide gulf between what unions want and what companies say they can afford. The biggest sticking point still appears to be the union demand that employers agree to continue the year-old moratorium on retrenchments.

This time, however, the powerful National Union of Metalworkers wants the moratorium free of existing conditions that require workers to meet certain production targets.

Amid the gloom, though, manufacturers continue to seek a silver lining. Despite downgrading its sales forecasts for this year, the industry hopes for better news as soon as the recent relaxation of hire-purchase restrictions takes effect. It also hopes the spate of new-model introductions will generate new interest and sales.

Hopes, but not expectations; on recent experience, that would be irrational.
Transport Services (90%), which is setting up a container manufacturing operation

Initial effects of this diversification were not encouraging. Whereas the combined profits of Toyota and Metair attributable to Wesco increased 12% from R59,8m to R67m, total group income declined from R60,9m to R60m, implying that the profit contribution from other interests (including, in 1991, the new acquisitions) turned from a positive R1,1m to a negative R7m.

Main reason was Gommagamma’s pretax deficit of R10,7m, a result of delays in a reorganisation of its factory, poor management and, inevitably, the marked deterioration in the furniture industry during the second half of the year. Production problems are said to have been overcome but, with little near-term improvement likely in the furniture industry, any contribution to results this year will probably be small.

At Camargue, whose container facility is being set up with assistance from Union Container Industries of Taiwan, there were delays in negotiating the technical agreement with UCI and in finalising the factory layout, with the result that production will now only commence later this year. So no positive contribution to Wesco profits in 1992 is expected from this source either.

In the context of the group, however, these investments are small, having cost only R17,6m. The financial statements remain dominated by Toyota, which is consolidated, and accounts for about 96% of total assets. The investment alone has a market value of R493m, which exceeds Wesco’s own total market capitalisation of R475m. If one adds in the R38m attributable to Metair, it becomes apparent that the market is not entirely satisfied with Wesco as an alternative investment to Toyota.

Part of the reason may be the group structure. If, for instance, Toyota was to be deconsolidated, the investment nature of Wesco’s activities would be more apparent. Taking the balance sheet as an example, the Wesco group is shown to have total borrowings of R239,5m and cash of R5,7m at end-December 1991. What is not immediately apparent is that all but R360,000 of the debt belongs to Toyota, as the cash R4,7m of the cash. So once Toyota is eliminated, Wesco in fact is shown to have the "correct" investment company structure, being, in effect, ungeared.

The same basic considerations apply to the income statement which should, ideally, reflect cash flow instead of being dominated by Toyota’s trading activities.

A second factor which could be responsible for the discount at which Wesco trades relative to its underlying assets is that substantial dividend income is retained. Hence, despite the share price discount, the dividend yield is still only 1,5% against 2% for Toyota, even though the respective PE ratios are similar — 7,9 against 8,2 for Toyota.

On the plus side, retrenchments have enabled Wesco to fund acquisitions without gearing its own balance sheet, which should in time provide a broader base and improved earnings stream. But the downside, as evident from the rating, is that shareholder wealth is suffering and does not add to the attractions of Wesco as an alternative investment to Toyota, which is likely to dominate group performance for the foreseeable future.

Brian Thompson
Deliveries to China start in May, says Volkswagen

THE first consignment of Volkswagen's 5 000-vehicle export order to mainland China was scheduled for delivery early in May, a VW spokesman said at the weekend.

VW public affairs spokesman Johan Wagne also confirmed that talks were under way on the possibility of exporting more cars to the country next year.

The initial consignment of left-hand-drive Jetas is scheduled to be shipped from Port Elizabeth aboard the 30 000-ton Nedloyd van Linschoten in May.

The first phase of the R150m contract from May to December this year involves the supply of 4 500 Jetas and 500 Golfs in semi-knocked-down format.

About 120 containers accommodating four cars each will be shipped every fortnight until the end of the year from Port Elizabeth to mainland China.

The vehicles are being shipped to FAW/VW Automotive Company in Chang Chau City. The company is a joint venture involving Volkswagen AG and the Chinese government.

Six out of seven SA assemblers had trumpeted export successes with finished vehicles. Wits analyst David Duncan told a motor-industry conference last week.

Samcor took the lead in June 1991 with news of Maza 323 exports to the UK. Nissan followed in September when it announced that it was taking part with Samcor in an export deal with Taiwan, said Duncan.

Further Samcor exports were announced the next month, this time to countries north of SA's borders, while Toyota SA promised that its new multipurpose Venture would lead its export drive north.

Double-edged

BMW and Mercedes-Benz had also publicised their intention to develop sales in Africa, said Duncan.

The analyst said export of fully built units were a double-edged sword for motor component firms.

Government included them in the 50% minimum real local content, but the inclusion of at least some local parts in exported units should be a blessing to firms seeking great economies of scale, he added.
Falling car sales take their toll

PALLING car sales and a restructuring took their toll on Combined Motor Holdings (CMH) in its financial year to February 1992. The motor retailer has, however, forecast improved profitability this year barring unforeseen supply disruptions.

CMH's annual profit announcement published today shows sales up 13% to R416m from R367m in the same period to February 1991. Operating income fell to R91,1m from R109,3m, reflecting a decline in gross profit margins to 2.2% from 3%.

CMH director Stuart Jackson said yesterday tough competition had eroded profit margins.

After paying R5,2m interest and R4,1m taxation, taxed profit fell to R3,7m from R4,2m. Interest-bearing debt increased to R7,3m from R2,3m in the previous year.

Total assets climbed 17% to R811m (R70m). Jackson said the restructuring needed to bed down the acquisition of six dealerships had taken up much management time during the year.

Barring any major supply disruption caused by strike action at motor manufacturer level, the group could improve its level of profitability this year, he said.

Earnings fell for the second year in succession, to 19,4c from 22,3c a share in the previous year and from 28c a share in its 1990 financial year. Dividends of 9,3c a share were declared, down from 10,7c a share at the end of the previous year.
VW and Numsa settle work rate dispute

The dispute over production schedules at VW’s press shop has been resolved after the National Productivity Institute (NPI) found that workers could produce more vehicle floors an hour than the disputed target set by the company.

VW declared a dispute with the National Union of Metalworkers (Numsa) after it raised production schedules from 160 to 211 an hour and workers consistently failed to reach the new target. The union said the target was unrealistic and demanded an independent study.

Eventually 38 workers were dismissed for failing to reach the new schedule. After a strike threat and constant short stoppages, VW agreed to Numsa’s demand for an independent assessment by the NPI.

The NPI said workers could produce about 213 floors an hour, but set down about 14 provisions — including allowing time for glove changes, maintaining a constant work speed, and foremen helping when workers went to the toilets.

According to a VW spokesman, these provisions are in place and workers have consistently reached the new target.

Meanwhile, the retrenchment moratorium in the car assembly and tyre and rubber industries, which looks set to become the major issue in this year’s negotiations, continues to cause discord between unions and employers. Employers say the moratorium expires at the end of June. In this context, the tyre and rubber industry offered to extend the moratorium until the end of the year, with an offer of a R1 an hour across-the-board increase.

Numsa rejected the offer. It insists the moratorium is a standing agreement. In addition, it said its demand of R2 an hour increase still stood.

Negotiations in the car and tyre and rubber industries will continue early next month.
Local car makers drive offshore

IN another breakthrough for the local car manufacturing industry, VWSA announced it would ship 5,000 cars to mainland China next month. About 4,500 Jetta and Golf cars assembled at its Port Elizabeth plant would be involved. VW follows in the footsteps of Samcor who have exported Mazdas to the UK and announcements by BMW, Mercedes Benz and Toyota that they intend doing the same.
Motor chief warns on cash cow taxes

By DON ROBERTSON (192)

SOUTH Africa risks the departure of motor manufacturers if it views them as a convenient source of revenue, says BMW Australian chief Ron Meatchem.

The authorities should also make a final decision on local content requirements and import duties to allow companies to plan model launches.

Mr Meatchem, who is visiting SA, quotes Australia's losses as an example of high taxes on cars.

In February 1990, the Australian Government increased sales tax on luxury cars from 30% to 50% in the hope of raising an additional A$100-million. The figure was based on revenue of A$446-million in 1988-89. It was made up of A$293-million from import duties and A$353-million from sales tax.

The subsequent slump in the sale of luxury vehicles, resulted in a 66% drop in taxes to 1990-91 to only A$162.5-million. Realising its folly, the government introduced a luxury tax threshold of A$45,000.

Cars priced immediately above that price were subject to 30% sales tax, rising to 50% for those costing more than A$99,000.

Several car importers were forced to reduce prices and hence margins to below the threshold figure. Others lowered specifications and safety features. In March this year, the Government reverted to a luxury sales tax of 30% on all vehicles.

But, says Mr Meatchem, the damage had been done. Australia's motor industry is expected to lose about A$500-million this year, employment has been cut by 30% in the past 10 years and new-car sales slumped from 565,000 in 1885 to 365,000 last year. Some manufacturers have quit; the latest being Nissan.

Mr Meatchem says that by 1996, there will probably be only two manufacturers in Australia.
In my view...
A daily commentary on current economic affairs by writers of the Star.

Car industry must do some soul searching

A Naamsa spokesman has expressed concern over the disappointing performance of new car sales.

I, and I'm sure many others, simply can't muster much sympathy for the plight of the country's vehicle manufacturers.

Sure, we've been graphically told of the problems the industry faces in the form of the Phase Six local content programme, overlain with the rand's weakness against the mark and yen, along with the economic recession — not to mention high interest rates and tough hire purchase regulations.

It's enough to make one cry — until the realisation dawns that the rand has actually been fairly steady against the German and Japanese currencies and that, in any event, if local content is rising, how can the currency excuse for rising costs (unavoidable, of course) hold any water?

Ultimately, the motor vehicle industry would, I believe, elicit public empathy were it to be seen to be striving to make cars more affordable for the man in the street.

Yet prospective customers are bombarded by prices which move in no other direction than up.

Not only is price escalation of this ilk bad public relations, it's bad economics.

Business executives across the board are quick to accuse the agricultural control boards of short-sightedness when prices are raised at a time of declining demand. The hypocrisy is too blatant to ignore.

The solution is equally clear. If the car manufacturers are to survive, the price of their product must be reduced to affordable levels.

Economics isn't an exact science, but certain aspects of economics can be reduced to irrefutable laws, one of which is that demand rises when prices fall.

Cut prices and sell more cars. Sell more cars and additional efficiencies of scale are achieved, with the result that in the long run profit margins expand on the back of short term margin sacrifices.

The oft-expressed view that price trimming creates a negative impression among prospective buyers is far from convincing, other than, perhaps, when it comes to the luxury models.

If and when the penny drops, new models should be renamed the Adam Smith Special, the David Ricardmobile and Alfred Marshall Sedan — lest the manufacturers forget.
Fiat may return

The Argus Correspondent

Johannesburg — Fiat, Italy's largest car manufacturer, is considering re-entering the South African market in a much more aggressive way.

Fiat representatives who recently attended the Rand Easter Show were reluctant to be drawn on the issue, but a well-placed source disclosed that the Turin-based car giant was assessing the economic viability of setting up their own manufacturing plant in South Africa for export to the whole of southern Africa.

Fiat does have a presence in South Africa via a licensing agreement with Nissan to produce the Uno.
Retrenchments at Samcor plant

By Roy Cokayne

Motor manufacturing giant Samcor is poised to retrench "surplus" workers at its Walthoo plant.

Samcor, which has a total workforce of about 5,000, signed an agreement with Numsa in June last year in terms of which a moratorium was placed on all retrenchments. The moratorium expires in June.

"Negotiations with the union are going to be very tough for both parties. We can't live with a continuation of the moratorium and I think their approach is that they can't live without it," said newly-appointed Samcor group managing director Mr. Robert Herbertson.
Benz feels pinch, set to trim 20,000 jobs

BONN. - Daimler-Benz, maker of prestigious Mercedes cars, plans to trim 20,000 jobs over the next two years.

The cuts would be the first in Mercedes' history.

Mr Werner Niefer, president of the Mercedes-Benz subsidiary of the Daimler-Benz conglomerate, told Die Welt newspaper the cuts would be made through attrition and early retirements.

He said the cutbacks were part of a package aimed at making Mercedes more competitive with Japanese carmakers, whose vehicles are gaining in popularity in Germany.

Other planned measures include more efficient management of machine operation times, Die Welt said.

Mercedes, based in Stuttgart, employs about 180,000 people in Germany.

Mr Niefer said much of the job-calling will take place in the administrative area, where cuts can be made with a minimal impact on customers.

Mr Niefer's remarks appear to be a well-timed blast at the IG Metall, the metalworkers' union, with which German carmakers are in the middle of tough wage negotiations.

The German car industry and other businesses reliant on steel are expected to face warning strikes beginning today, because of employers' refusal to meet union demands for 9 percent wage increases. The employers have offered 3.5 percent instead.

Western Germany is already in the throes of widespread strikes by public workers over wage disagreements. - Sapa-AP.
VWSA on target

VOLKSWAGEN South Africa was right, the National Union of Metalworkers was forced to concede this week. The National Productivity Institute found that workers in the company's press shop could produce two more parts per hour than management's production targets required.

In February, 39 workers were dismissed from the press shop for repeatedly failing to meet production targets. The union was on the brink of strike action when the company agreed to reinstate the workers and be bound by the findings of the NPI.

But surprisingly, the NPI found that workers could build 213 parts an hour, two parts more than management had set. Now the press shop is achieving just that.
R60,000 boost

THE Toyota South African Foundation today presented a R60,000 cheque to the Ennerdale Secondary School in Johannesburg for technical education. This, according to House of Representative public relations officer Samaya Kader, is the final payment of R180,000 which has been paid over three years.
**Business Day SURVEY**

Last year was one most truck manufacturers would like to forget. They are more optimistic about 1992, although the market still has to absorb the effects of the recession, high interest rates and the impact of the drought. But the situation is expected to improve slowly, particularly after the second quarter.

David Pincus

---

**Isuzu delivers — without an upgrade**

THE Delta Motor Corporation, builders and distributors of Japanese sourced commercial vehicles, probably the only manufacturer in SA to have decided there was no need to upgrade its range for this year

And who can argue with a decision, bearing in mind that it has a number of loyal customers who are quite happy with theplanes they are getting?

Of Albany Bakery's more than 1000 vehicles, nearly half are Isuzus.

The main quality a bakery needs in a vehicle is reliability, says Albany's transport manager with executive function Andre Lambrichts.

Since the industry was deregulated last year and the quota and the zoning requirements phased out, bread is no longer sold to retailers on a standing order basis, but on a daily basis from delivery vans and trucks.

As a result, deliveries have to be made with clockwork regularity. Lambrichts says if a customer demands that his bread be delivered at 7:30 am and our truck arrives at 7:05 am, the customer will buy from an opposition vehicle — and this will also happen if the customer has the slightest perception that our vehicle is unreliable.

Lambrichts joined the company in mid-1985 and one of his first tasks was to implement a vehicle selection policy. Among the factors he had to take into consideration were vehicle availability, back-up, warranties and the fact that 60% to 70% of the baking industry's runs are off-road.

**Disinvesting**

He decided on Isuzu, which did not go down well with his peers in the company.

At the time, Delta was still General Motors SA (GMSA) and there was talk of disinvesting for two reasons — subsidiaries of American companies were getting out of SA with seemingly haste to appease the anti-apartheid critics of their parent companies, and GMSA was losing large sums of money.

The management buy-out, headed by current MD Keith Butler Wheelhouse, lost little time in getting into profit and showing that the losses of GMSA were due largely to business mismanagement.

His decision to move from over-specified vehicles to vehicles matched to the payload has proved to be a good one, but he had to prove that sceptics in the company.

He did that by putting a few Isuzu NPRs into service in Venda, where there are very few tar roads. After they had clocked 200 000 km without an major problems, "the vehicles were assured of place in the fleet."

The fuel consumption of Albany's recently acquired Isuzu F5000s is 22.31/100 km Lambrichts says "This may appear to be a slight improvement compared with the 25.31/100 km we were getting from our Isuzu F6500s but it works out to 4c a kilometre, or a fuel saving of R108 000 a month."

---

**ROAD transport has been partially deregulated in SA.**

The old permit system is a thing of the past and it is now possible for anybody who owns a truck and can prove it is well maintained and driven by a qualified driver, to convey goods anywhere.

Private transporters normally convey only their own goods can get these permits.

But on July 1, even this relaxed way of controlling transport will be history when the Transportation Act 1977 is repealed and the phase-in period of the Road Transport Quality System (RTQS) starts.

As the name suggests, the RTQS will be an attempt to control transport by insisting on quality and safety rather than trying to control it by economic means.

It is a fine piece of legislation if properly policed.

One of the easiest ways for an operator to lose his licence will be for him to allow an unqualified driver to drive the vehicle or to allow the condition of the vehicle to deteriorate.

**New road laws will boost safety**

The aim is to make roads safer for all. Vehicles must be in good condition, maintained and managed by a qualified driver.

The phase-in period will last for a year. Whenever a vehicle with a gross vehicle mass (GVM) of more than 3 500 kg is licenced or re licenced it will fall into the net and the owner will be obliged to identify the operator of the vehicle, who will be registered.

The operator will be issued with a card, which will have to be displayed on the vehicle and he will be responsible for the operation, use and maintenance of the vehicle.

In terms of the Road Traffic Act of 1988, he will also be responsible for the vehicle's drivers.

The owner can decide to be registered as the vehicle's operator himself. If he does not nominate any one, "he will, by default, be deemed to be the vehicle's operator."

From July 1, 1993, by which time all commercial vehicles with GVMS of 3 500 kg and above and their operators will have been registered, vehicles will have to be roadworth approved every year and the drivers will have to be in possession of professional driving permits.

By then the much vaunted register of all drivers and their infringements should be operating. If it is, law enforcement officers will be able to access a central data bank to determine whether a licence is valid or not.

They will be able to identify the estimated 100 000 drivers using forged drivers licences.
Immoste DATE

In designing up the air

Trucks can play a part

There is a solution to

Transport

with replacement cost

rejects a boon for new

line
Hopes hinge on better 1992 sales

ALTHOUGH last year was one of the worst truck manufacturers have experienced in many years, there are predicting an upturn in their fortunes this year.

Among the facts that mitigate against an improvement in sales are the recession which shows no sign of easing in the near future, high interest rates which will be with us for some time, and the drought, which has not only affected farmers, but many businessmen as well, particularly those in the country areas who rely on farmers.

Forget

Last year was one they would like to forget.

At the end of October the heavy vehicle market was 25.6% down on 1990, but, says Toyota Trucks director Des Gush, “we expect things will start to improve (1992), slowly at first, and gain impetus after the second quarter.”

“We believe the heavy vehicle market has the potential to absorb 6,100 units, an improvement of about 6% on 1991 sales.”

The medium commercial vehicle market is, to some extent, being underpinned by demand for local delivery vehicles, says Gush. Sales last year were nearly 15% down on 1990, but he expects 4,600 units will be sold this year, a recovery of 7% on 1990 sales.

He forecasts the market will absorb a total of 10,700 trucks this year, which is 20% more than the industry’s average prediction.

Toyota increased its market share in the heavy commercial vehicle (HCV) sector from 22.8% in 1990 to 24.3% in 1991.

Its share of the total truck market increased from 31.2% to 32.4%, which says Gush, “gives us a clear 10% advantage over our nearest competitor.”

Mercedes-Benz of SA’s (MB SA) management board member responsible for commercial vehicles Adolf Moosbauer is expecting an 8% to 10% improvement in the 5-ton and more categories. “This slight improvement in the commercial vehicle market will be because operators have stretched their vehicles well beyond their economic lives and will simply have to replace them.”

However, the complete upturn in the commercial vehicle market will not materialise.

MB SA, which opened a new commercial vehicle manufacturing facility in East London last year, has dominated the above 7.5-ton sector of the heavy commercial vehicle market for many years. Moosbauer says the shake-up of 1991, having passed into history, MB SA will increase its share of that market by 3% to 36% this year.

Inflation

He says prices of commercial vehicles will not rise by more than the inflation rate this year, provided nothing unforeseen happens, such as a dip in the exchange rate.

Last year MB SA launched its M-units, a range of remanufactured products, to capitalise on the need for more affordable trucks. Moosbauer expects a high level of customer acceptance for this new range of exchange units this year.

Nissan Diesel diesel David Scott predicts sales of 6,800 units in the heavy commercial vehicle sector and 4,600 MCVs.

The prediction would have been higher if not for the drought. However, this can be balanced out if the billions of rand needed for the sub-economic housing are invested.

“From the start of the economy and with it commercial vehicle sales,” says Scott.

The National Association of Automobile Manufacturers of SA (Naamsa) classifies commercial vehicles into three categories.

Light commercial vehicles (LCV), with a gross vehicle mass (GVM) of 3,500 kg or less, are designed to carry one to four passengers and heavy commercial vehicles (HCV), with a GVM of between 5,001 kg and 7,500 kg.

Forecasts

LCVs with GVMTs more than 7,500 kg, which fall into the truck and bus sector.

Vehicles with GVMTs of more than 7,500 kg, which fall into the truck and bus sector.

It forecasts that sales of LCVs will increase from 100,000 units last year for R4bn to 104,500 this year, which will be sold for R4.8bn. MCV and HCV sales will go up from 9,934 last year for R1.51bn to 10,500 this year, which will be sold for R1.5bn.

To put those figures into perspective, in 1990 117,358 LCVs were sold for R7.1bn, and 15,132 MCVs and HCVs for R1.5bn.

Naamsa executive director Nico Vermueyens says new vehicle prices remained a function of the deteriorating exchange rate in 1991. Japanese sourced vehicles rose by between 9.5% and 21%, “during the year and German sourced vehicles by between 14.5% and 21%.

Naamsa says new vehicles will cost 12% to 15% more this year than they did last year, with an industry average of 14%.

SA LSES R16m a day in vehicle accidents, not just because drivers need to be better trained but also because executive management lacks concern and commitment to effective motor risk management programmes.

This is the opinion of Allan Harvey, motor fleet risk control consultant at Corporate Risk Management, a member of the Pricewaterhouse risk management and insurance broking group.

He says, “We have 55 fatalities per 100,000 km, 35 fatalities a year per 100,000km, 200 fatalities a year for every 100,000 vehicles on the road.”

The market not only drainage finances and erode profits, but can have other consequences, such as insurers declining to accept high-risk fleets.

“Risk management is about prevention, which includes the maintenance of vehicles.”

Harvey says fleet operators can manage the risk aspects of their portfolios effectively but stresses it starts with education.

His research has shown that drivers rarely understand a company’s motor statement, which should be relevant and easily understood.

He advises management to manage comprehensive, user-friendly, PC-run data bases designed to identify the precise causes of losses. The data that should be recorded should include details of all vehicle accidents, maintenance records, driver and vehicle details and any other information that can contribute to a useful analysis of any accident. Getting to the heart of a problem as quickly as possible can reduce further losses.

“Management commitment to dynamic driver education programmes is vital,” says Harvey.

He says the driver training programme was updated? How long is it since the instructors were retrained, and does the programme include education in customer relations?

“Do drivers know what commodities they are carrying and the relevant precautions that should be taken in the case of an...”
Marais punts value of exports

CAPE TOWN — There were still a number of things government needed to do to create the right environment for the private sector to become export oriented, Administration and Tourism Minister Org Marais said at the opening of the Bosal catalytic converter plant in Uitenhage on Friday.

The plant will be making catalytic converters out of ferrochrome exclusively for the export market.

The plant was an example, Marais said, of how SA could become a world player through the beneficiation of its minerals and through the export of value added products in co-operation with overseas companies.

Marais said progress had been made in promoting export orientation with overseas markets opening up and exports developing.

"In fact many companies maintain that, had it not been for their export activities, the current economic slump in the country would have had much more severe consequences."

But he added there were still a number of things that needed to be done to create the right environment for the successful export of value added products.

It was not easy to change from an import replacement philosophy to one of developing the export of industrial products. A start had been made with Phase VI of the motor vehicle industry development programme which was the first phase that brought in exports as a major part of the programme.

"All the arguments that apply to the industry as a whole, namely that further import replacement opportunities have become expensive, also apply to the motor vehicle industry. To have viewed Phase VI as an extension of Phase V but just with a higher level of compulsory local content, would have made our vehicles too expensive."

"Our market is too small to produce vehicles with a very high level of local content. By bringing in the export market, we are effectively saying our market is the world and volume is no longer a problem."

"To enter world markets we need to become internationally competitive and Phase VI is there to allow SA manufacturers to explore opportunities and to restructure themselves to be able to enter these markets successfully."

---

LONDON FINANCE & INVESTMENT

LAST DAY TO REGISTER

Subject to shareholders approval for the year ended 31st Dec, April 1992 to those members only on 20th March 1992 not to receive preliminary statement and accounts which were sent to:

ADPLAN INTERNATIONAL

...
Car firms in bid to ease HP deals

REPRESENTATIVES of the motor industry will meet government this week to lobby for extended hire purchase (HP) agreements from 42 to up to 60 months in an attempt to bring private buyers back to the market.

National Association of Automobile Manufacturers of SA (Naamsa) director Nico Vermeulen said yesterday the results of the meeting with the Department of Finance would probably be known at the announcement of the Budget on March 16.

"Assisting affordability for the motorist by relaxing HP provisions will increase consumer spending and stimulate demand. HP provisions should be deregulated and banks allowed to determine their own provisions," he said.

Vermeulen said relaxing HP provisions could help stimulate the economy and keep interest rates high to curb inflation as thus appeared to be government's policy.

Toyota SA marketing MD Brand Pretorius said the industry recognised there was an affordability crisis among private sector motorists, but the industry's hands were tied when it came to direct cost reductions on new vehicles.

"Without improved productivity, substantially higher volumes to improve plant utilisation and economies of scale, costs will remain under pressure." The negative effects of exchange rate depreciation also increased the cost of imported content, he said.

Vehicle financing institutions had also indicated their wish to see HP provisions eased, said Pretorius.

If the payment term was moved to 48 months, a vehicle buyer would have an extra R2,80 a month for every R1,000 of finance at his disposal, he said. A 2% drop in interest rates would place a further one rand a month per R1,000 of finance at the buyer's disposal, said Pretorius.

The restrictive measures of a minimum 15% deposit and a maximum payment period of 42 months were introduced at a time when SA was under a balance of payments (BoP) siege, said Pretorius.

The measures represented an effort by government to limit foreign exchange usage by the motor industry. This pressure had fallen off with the introduction of the Phase VI local content programme and an improvement in the BoP, he said.
Toyota leads the pack

New car sales slide further

By AUDREY D’ANGELO
Business Editor

SALES of new cars in February were well below the levels of a year ago. Total sales were 15,539 compared with 17,416 in the same month last year.

But some manufacturers achieved dramatically better results than others. The National Association of Automobile Manufacturers of SA (Naamsa) has resumed giving a breakdown of sales by manufacturer—a practice that stopped in 1988 because of sanctions and restrictions on supplies by some overseas parent companies.

These show that Toyota was far and away the market leader with 4,785 new car sales and 2,791 light goods vehicle sales. Total sales of light goods vehicles were 8,051 compared with 8,501 in February 1991.


Toyota sold 138 medium commercial vehicles out of a total of 353. Delta came second with sales of 105.

Mercedes Benz was the market leader in sales of heavy commercial vehicles with 196. Toyota came second with 80.

The imminent launch of BMW’s new 3 series distorted figures at the top end of the passenger car market. The Naamsa figures show that BMW sold only 800 cars, compared with 1,311 sales by Mercedes Benz.

But 737 of the Mercedes sales were of the Honda Ballade, manufactured under licence.

A spokesman for BMW said that its purchasers were holding back for the new models, to be launched in SA on Wednesday, March 18. There was a waiting list which should take about six months to work through.

“We shall start seeing an increase in sales by April and they should be back to normal levels by May,” he said.

‘Highest market share’

Brand Pretorius, MD of Toyota Marketing, said: “We have achieved our highest market share in five years,” with 30% of car sales and 34% of light goods vehicle sales during February.

Pretorius takes an optimistic view of the coming months. He says “Indications are that the economic fundamentals that will form the basis of any recovery are now falling into place.

‘While vehicle sales for the year to date are down on last year it does seem that the market has started bottoming out.’

This view contrasts with that of Naamsa, which forecasts that low consumer and business confidence will continue to have a negative impact on the economy and the motor industry in particular.

Stressing the need for continued negotiations after next week’s referendum, the Naamsa statement says that this will “ultimately promote confidence in the SA economy, stimulate investment and economic growth.”

Pointing out that a return to isolation would be disastrous, it continues: “The SA motor industry remains highly dependent on continued access to international automotive technology and remains vulnerable to any renewed isolation and trade restrictions.”

“SA requires a high rate of economic growth to address the considerable challenges that lie ahead. Moreover, the country needs to be able to participate fully in the global economy.”

“The goal of normalising our external economic relationships, to enhance SA’s economic future, requires ongoing commitment on the part of all parties to negotiations in the current socio-political transition phase in SA.”

A spokesman for Toyota said one reason for its rising sales was that, with reform underway, it could obtain unlimited supplies from overseas. In the sanctions era it had been restricted severely.
New vehicle sales skid downwards

EDWARD WEST

NEW vehicle sales dropped again in February and the trend was not likely to be backed until at least mid-1992, the National Association of Automobile Manufacturers of SA (Naamsa) said yesterday.

Even though new vehicle sales improved by 10% on sales in January 1991, the total market was 8,1% lower than in February last year, said Nissan Marketing MD Steveplauso Louwser. About 4% of total sales in February was made up of car rental company purchases, he said.

New car sales fell 9% from 17 416 units in February 1991 to 15 839 units last month.

Light commercial vehicle sales fell 6,2% to 2 051 units, 'medium' commercial vehicle sales fell 15,5% to 333 units while heavy commercial vehicles sales fell from 490 to 444 units when compared with the same month last year.

In January and February, car, light commercial and medium and heavy commercial vehicle sales were respectively 5,8%, 8,6%, 11,9% and 6,9% lower than in the first two months of 1991.

Naamsa said low business and consumer confidence, aggravated by the drought, continued stringent monetary policy and subdued investment trends would continue to have an adverse effect on the economy.
Car industry seeks easier credit terms as sales plunge

By Sven Lunsche

New car sales continued to fall in February as the National Association of Automobile Manufacturers (Naamsa) issued a renewed appeal for easier monetary conditions.

Naamsa reported yesterday that total car sales for the first two months of this year at 30 602 units were 8.2 percent below those of the comparative period last year.

February sales at 15 639, however, were slightly higher than the 14 763 units sold in January.

The weaker year-on-year trend was evident in all four vehicle sectors.

Sales of light commercial vehicles, bakkies and minibuses for the first two months were down 8.6 percent at 15 120 units, while sales of medium and heavy commercial vehicles showed declines of 11.9 percent to 601 and 6.5 percent to 820 respectively.

Naamsa says the generally low business and consumer confidence, aggravated by the drought, stringent monetary policy and subdued investment trends, would continue to impact negatively on the motor industry.

**Difficult trading**

Trading conditions in all segments of the market are expected to remain extremely difficult in the months ahead and unit sales would probably remain below those of last year for the first half of this year.

"Any modest improvement in sales will only occur once interest rates start to decline, coupled with some relaxation in hire-purchase provisions applicable to new and used vehicles," Naamsa says.

In its comment on the forthcoming referendum the Association says an ongoing commitment by all parties to negotiation was necessary to enhance SA's economic future.

"The SA motor industry remains highly dependent on continued access to international technology and remains vulnerable to any renewed isolation and trade restrictions."

“Naamsa therefore supports continued progress in the socio-political negotiations process as this will ultimately promote confidence in the economy, stimulate investment and economic growth.”

The agricultural machinery industry expects worse sales in 1992 than in 1991 as a result of the persisting nationwide drought.

"Extreme pressure will therefore be placed on companies providing the agricultural sector with machinery," says the latest sales report released by the SA Agricultural Machinery Association (SAAMA).

**Tractor sales**

In the 1991 calendar year, tractor sales were 26.5 percent lower than 1990 sales.

According to SAAMA's estimate, tractor retail sales are expected to be around 2 000 units this year.

SAAMA also reports that during February, 203 tractors were sold, compared with 264 in February last year.
For better times in the motor sector set

By ANDREW DAVIES
VW boss outlines cost of a 'no' vote

PORT ELIZABETH — A "no" vote in the referendum would mean the "loss of probably thousands of jobs at Volkswagen SA", VWSA chairman Peter Searle said in a statement yesterday.

"It is estimated that more than 100,000 people in Uitenhage, Despatch and Port Elizabeth are dependent on VWSA for their daily bread. A similar number of people in our supplier and dealer organisation in this area is probably also dependent on the money generated by Volkswagen's purchases and supplies."

"If the world decides to act against SA, we would certainly lose virtually all our export business overnight."

"This would affect not only hundreds of jobs at operator, artisan and management level in our Port Elizabeth and Uitenhage plants, but in the present depressed economic situation we would have to restructure our operation to a much leaner level."

"This would in turn involve the loss of probably thousands of jobs at VWSA, its suppliers and its dealers."

A "yes" vote would mean "a substantial strengthening of SA's trading partnerships worldwide and it was "on this inter-relationship that current and future jobs depended, Searle said."

Such a vote would also mean "a vote of confidence in the future, further export possibilities as the world opens up to SA, access to much needed investment and consequently greater participation for all South Africans in the economy."

"Taking our rightful place in world trade is the only viable formula for SA's future. On it depends the jobs and incomes not only of ourselves but also our children and their children," Searle said.

Report by J. Coetzee, THE 19 Business St Port Elizabeth
"No" vote could shut us down - Delta

PORT ELIZABETH - Delta Motor Corporation could close down if the outcome of the referendum was a "no" vote - putting 3,500 people out of employment, Delta chairman Keith Butler-Wheelhouse told staff.

In a memo, he said a "no" vote would result in the loss of Delta's major product supply sources in Germany and Japan. "The thriving export trade in components could be brought to an abrupt end."

Butler-Wheelhouse said the consequent loss of employment would be disastrous, not only for Delta employees but also for those of related businesses, such as suppliers and dealerships.

Unrest 13/13/72

chairman Charles Nopen said a Greater...
Coping with recession

No matter from which angle it is viewed, changing political and economic circumstances had a negative impact on the motor industry and all operators in it in 1991. Toyota’s figures reflect both the economic downturn and the social unrest that was part of industrial action in those 12 months.

As the economy’s growth rate has shrunk, so has the propensity to buy new vehicles. Clearly, a fundamental deterrent was — and remains — the high cost of finance. High interest rates, diminishing confidence in the economy, and to some extent the imposition of VAT on commercial vehicles, hit sales as customers postponed purchases.

To make matters worse, when Toyota received orders for prompt execution, work stoppages meant that it had insufficient stock to meet demand. Sales were lost to competitors when customers were unable or unwilling to wait. Thereafter, Toyota couldn’t recover lost production.

In 1991, the number of new vehicles sold by the motor industry fell by 6% to 308,000. Toyota’s volumes fell by 8.1% to 88,800 units and market share declined marginally to 28.8% (1990: 28.9%).

Viewed in this light, results are satisfactory, if not good. Turnover improved by 11% to R307,2m, partly as a result of the work stoppages in Toyota’s down-to tool phase, the delay meant that stocks of components could not be timeously used and a build-up occurred. In addition, when production returned to normal toward year-end, it coincided with a softening in demand.

The result was an increase in stocks of complete vehicles. This accounts substantially for a R184,2m jump in current assets, which in turn corresponds to the R160m rise in interest-bearing debt.

Inevitably, increased financial costs resulted from higher debt but the quantum is not disclosed in the preliminary figures. Because most additional borrowings were raised near year-end, additional interest, says a spokesman, was not unduly high. The picture for 1992 could be different unless unit sales increase dramatically, together with adroit management of working capital.

Executive chairman Bert Weckels predicts that new vehicle retail sales will rise by 4.3% this year, but that the increase will manifest itself only in the second half. Unless Toyota can significantly reduce stock, with a corresponding cut in short-term borrowings, the interest burden will be much higher.

The market appears already to have taken cognisance of this as another factor that could be a negative influence on EPS. The share price has declined from its high of R35 in September to R24.50. Technically, it is at a critical point, with support at R24. Should it drop below this, it could fall between R19-R22, the next short-term area of support.

On the other hand, a breakout above R27 by month-end could signify that the market is expecting Toyota to move fairly quickly out of its new debt position, with more profitable trading in sight. — Gerald Breeden

<table>
<thead>
<tr>
<th>Year to Dec 31</th>
<th>1990</th>
<th>1991</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover (Rm)</td>
<td>3,118</td>
<td>3,467</td>
</tr>
<tr>
<td>Operating income (Rm)</td>
<td>282</td>
<td>282</td>
</tr>
<tr>
<td>After-tax income (Rm)</td>
<td>113</td>
<td>123</td>
</tr>
<tr>
<td>Attributable (Rm)</td>
<td>112</td>
<td>121</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>270.4</td>
<td>297.3</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>47.5</td>
<td>47.5</td>
</tr>
</tbody>
</table>
Car sales fail to meet expectations

VEHICLE manufacturers initially forecast an increase in commercial vehicle sales this year, but so far these reflect a continuation of last year's sales, described by one company as "the worst in recent history".

Statistics released by the National Association of Automobile Manufacturers of SA (Nasamsa) this week revealed that light commercial vehicle (LCV) sales in January and February fell 8.7% to 15,120 (16,552) compared with the same two months in 1991.

Medium and heavy commercial vehicle (MCV & HCV) sales fell 11.8% to 601 (682) units and 6.9% to 829 (861) units respectively over the same period.

Nissan SA public affairs spokesman Nico Brits said yesterday sales in the first two months were unexpectedly bad and Nissan had consequently revised commercial vehicle sales projections for 1992.

Nissan marketing MD Stephamus Loubser forecast in a statement that 25,000 LCVs, 3,650 MCVs and 3,400 HCVs would be sold in 1992.

Nissan's forecast is 8.4% less than the total number of 110,339 commercial vehicles sold in 1991.

Nasamsa said yesterday that statistics were not surprising considering the industry had experienced eight years of recession in the past decade.

Toyota trucks division director Des Gush said the lack of confidence in the economy linked to recessionary and adverse socio-political trends had resulted in lower than expected truck sales in 1991.

Sales would improve slowly and gather momentum after the second quarter, he predicted.

Toyota forecast a 7% improvement in MCV sales to 4,600.

Mercedes-Benz SA board member Adolf Moensscher forecast that vehicles over a 5-ton gross vehicle mass would show a 8% to 10% increase in 1992.
Vehicle sales still slow

The persistence of the recession was signaled by sales of motor vehicles in February, which continued in low gear. Although new vehicle sales rose by almost 10 percent in February compared to January this year, they were 8.1 percent lower than in February 1991. Nine percent fewer cars, at 155,898, were sold in February compared to February last year.
Vehicle slump backs HP case

By DON ROBERTSON

THE motor industry's case for an easing of hire-purchase requirements is strengthened by vehicle sales figures for February.

In the first two months of this year, car sales are 5.8% lower than in the same time last year.

Light commercials (LCVs) are 6.5% down, medium commercials (MCVs) 11.6% lower and heavy commercials (HCVs) 6.9% below last year's total.

The National Association of Automobile Manufacturers of SA (Naamas) has asked the Department of Trade and Industry to increase the repayment period to 60 months from 42 and to reduce the deposit to 12% from 15%.

It fears that if private buyers cannot buy cars, short-term working will become common in the industry.

Naamas believes that the negative trend in sales will continue in the first half of this year.

Any recovery will be a "slow process and a modest improvement in the sale of vehicles will only occur once interest rates commence their long-awaited decline."

Toyota continues to dominate the industry. Car sales at 4,765 gave it 30% of the market. Then came Volkswagen with 3,464; combined Ford and Maser sales of SAncor (2,564), Nissan (1,514) and Delta (1,209).
DELTA Motor Corporation will launch its Opel Calibra coupe, claimed to be the most aerodynamic production car in the world, in August.

The car will be assembled at the Delta plant in Port Elizabeth in limited numbers. It will be powered by a 2-litre, 16-valve motor which produces 115kW at 6000rpm. Torque is rated at 205Nm at 4200rpm.

It will propel the car from zero to 100km/h in a claimed 8.5 seconds and to a top speed of 235km/h.

The Calibra, with a drag coefficient of only 0.36, will be the flagship of the group and will sell for about R122 000.
Scarcely had they re-emerged — after nearly four years — than detailed motor industry sales figures were in danger of disappearing again this week. Industry officials say any re-imposition of sanctions would cause manufacturers to rethink their decision to reveal detailed sales information.

Publication was suspended in 1988 in case the anti-SA lobby was able to use the figures to work out how companies were sidestepping sanctions. Some manufacturers used complex resourcing routes to ensure continued supplies of components and technology. They feared too much detail could jeopardise their plans.

From mid-1988 until the end of last year, the only figures revealed were monthly industry totals for cars and commercial vehicles without a breakdown of any individual company’s performance. Companies are once again revealing — with differing degrees of pride — exactly how each model is performing in the market.

However, they acknowledge that this week’s referendum has jangled some nerves. Threats of a “no” vote would bring renewed sanctions have had some executives contmued.

**FEBRUARY VEHICLE SALES**

<table>
<thead>
<tr>
<th>Make</th>
<th>Cars</th>
<th>Total % of market</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CARS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Toyota</td>
<td>Corolla 3 859, Cresta 844, Other 62</td>
<td>4 765 30.1</td>
</tr>
<tr>
<td>VW</td>
<td>Golf 1 355, Jetta 971, Fox 306, Audi 266, Other 1</td>
<td>3 454 21.8</td>
</tr>
<tr>
<td>Samcor</td>
<td>Ford Laser/Meteor 560, Sierra 252, Sephias 602, Mazda 323 881, Mazda 626 362, Other 2</td>
<td>2 564 16.2</td>
</tr>
<tr>
<td>Nissan</td>
<td>Maxima 79, Skyline 148, Sentra 611, Uno 729, Other 30</td>
<td>1 596 10.1</td>
</tr>
<tr>
<td>M-Benz</td>
<td>Honda Ballade 757, MB W-124 467, MB W-126 32, Other 55</td>
<td>1 311 8.3</td>
</tr>
<tr>
<td>Delta</td>
<td>Rokor 185, Kudett 647, Monza 457</td>
<td>1 259 7.9</td>
</tr>
<tr>
<td>BMW</td>
<td>3-series 400, 5-series 404, 7-series 46</td>
<td>890 5.6</td>
</tr>
<tr>
<td><strong>2092</strong></td>
<td>1991 % change</td>
<td></td>
</tr>
<tr>
<td>January-February</td>
<td>30 602</td>
<td>32 505 -9.9</td>
</tr>
<tr>
<td>Jan (14 783)-Feb</td>
<td></td>
<td>+7.3</td>
</tr>
</tbody>
</table>

**LIGHT COMMERCIALS**

<table>
<thead>
<tr>
<th>Make</th>
<th>Cars</th>
<th>Total % of market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toyota</td>
<td></td>
<td></td>
</tr>
<tr>
<td>M-Benz</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>MEDIUM COMMERCIALS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Toyota</td>
<td></td>
<td></td>
</tr>
<tr>
<td>M-Benz</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>HEAVY COMMERCIALS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>M-Benz</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL SALES</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Talking of hiding figures again. Says one: “We had hoped sanctions were a thing of the past. The last few days have reminded us just how vulnerable we are.”

Source: Namsa
NEARLY half the motor vehicles sold in SA are Japanese. For many South Africans, vehicle brand names such as Toyota, Nissan, Mazda and Mitsubishi represent the quintessence of Japanese quality at an affordable price.

But leader of the pack in the SA vehicle market, by a long shot, is Toyota, now represented in SA for more than 30 years. Toyota SA is controlled by Wisco on behalf of the directors of the company. It is licensed by Toyota Motor Corporation to manufacture in SA.

Figures released by the National Association of Automobile Manufacturers of SA (Naamsa) show that Toyota increased its passenger and commercial vehicle sales to 7 784 in February, representing 31.6% of the total SA market.

Improve

Second was Volkswagen, with sales of 4 164 or 16.9% of the market, followed by Nissan with 3 763, or 15% of the market.

Samcor's share of the market (Mitsubishi and Mazda) in February was 8.4%, although its share of the vehicle market for 1992 was 16.4%.

Toyota looks set to improve its share of the passenger-vehicle market this year. From 24.7% in 1991, its penetration of the passenger-vehicle market shot up from 22.3% in January to 30.1% in February.

The vehicle market is seen as a barometer of economic performance. But total sales in 1991 were 6% lower than in 1990, significantly lower than the decline in economic activity.

Toyota reported a decline in vehicle sales of 8.1% for the year, from 96 627 units in 1990 to 88 796 units in 1991, due in part to a work stoppage which occurred throughout the industry during wage negotiations in 1991.

Situation

Toyota has been one of the star performers on the JSE for several years. Last year it was ranked 25th in the Business Times Top 100 survey, with a return to shareholders over five years of 47.6%.

Despite the drop in vehicle sales, Toyota improved turnover by 11.2% to R3.47 billion in the year to December 1991. Earnings per share were 297.3 cents, 7.6% higher than the previous year.

Executive chairman Bert Wessels says new vehicle sales will increase by 4.3% in 1992, but the increase will only manifest itself in the latter part of the year.

"Much will depend on whether the economic situation will improve during the second half of 1992, as well as whether a relatively stable labour situation can be maintained throughout the year," Toyota started in SA in 1951 when Dr Albert Wessels imported 10 Toyota bakkies to the country. By 1958 the first locally assembled Corolla rolled off the production line and today it produces and sells more cars than any other manufacturer. Today, Toyota (Japan) is second only to General Motors in terms of world vehicle sales.

The first Toyota Corolla in SA was produced in 1975. It became the top selling vehicle in the country, followed by the Toyota Cressida. With these two winners, Toyota increased its share of the SA vehicle market for several years running.

Phase VI of the local-content programme requires 75% of the value of each vehicle sold in SA to be locally produced. Car manufacturers were required to invest millions in tooling and equipment, and Toyota, when its investment programme is complete, will have poured about R1.4-billion into tooling for new models and additional facilities required to meet the local-content programme and to assist component suppliers.
Motor industry is top payer

ANGLO American's wage survey, which compares the wages of some companies in different sectors, shows that minimum monthly wages are highest in the motor sector. Volkswagen (VW) tops the industry with R1 438 a month while Delta is last with R1 193.

In the steel and engineering industry, top payer is Kolbenco at R1 044 with SCAW taking up the rear at R853.

And in the liquor sector SAB pays R1 410, while Gibeys and Stellenbosch Farmers' Winery are tied on R1 048.

In the paper industry, Nampak comes out top at R1 044 with Sappi taking at R933. Retailer Checkers leads with R910, closely followed by Pick 'n Pay and Woolworths at R850. OK Bazaars pays a R725 starting wage.

In the banking sector, Nedbank pays R900 against Standard Bank's R780.
Study will look into car prices

A STUDY had been launched to address the affordability of cars and to plot the future course of the motor industry, newly elected National Association of Automobile Manufacturers of SA (Naamsa) president Bert Wessels said yesterday.

His announcement comes ahead of plans by the local vehicle assembly industry – all except Samcor – to increase car prices at the end of this quarter.

Wessels, who is also Toyota SA’s executive chairman, said in a statement the study would focus on the course to be taken by the industry after the Phase VI local content programme ran its course. Naamsa anticipated the Phase VI programme to run until 1997.

The study would be conducted in association with overseas consultants, local economists and government bodies.

Wessels said the industry was caught in the throes of severe recession and also had to cope with an unsettled labour situation and buyers’ affordability crisis.

To contain price rises, urgent attention needed to be given to a decade of falling productivity due to a 30% real increase in wages combined with disruption to production caused by labour unrest, he said.

Wessels was elected president last week. He succeeds Samcor chairman Spencer Stirling. Delta’s chairman Keith Butler-Wheelhouse was elected vice-president.

Meanwhile, Volkswagen plans to increase car prices on average between 1% and 3.1% on April 1, says public affairs spokesman Johan Wagner. He says it hopes to keep increases below inflation this year.

Toyota marketing manager Terry O’Donaghue said the company’s car prices would also increase from April 1, but a percentage increase had not yet been decided. No increase in Nissan would also increase prices towards the beginning of April, a spokesman said.

Mercedes-Benz SA management board member Peter Cleary said prices would be adjusted this quarter so that the overall increase in 1992 would be kept to at least 3% below the inflation rate.

BMW planned to increase prices on its 5- and 7-series vehicles by about 3% on April 1, its public affairs spokesman Johan Kleynhans said.
Toyota chief urges rethink on local content

Business Staff

DURBAN — New vehicle prices would fall around 12 or 13 percent if the government eased the local content requirement of local assemblers by half, says Toyota SA chairman Albert Wessels.

That percentage, he said at a media briefing at Prospecton near Durban yesterday, was the premium motorists paid for the employment generated and the foreign currency saved by using local components.

However, from the point of view of manufacturers, it was a double-edged sword.

It had helped inflate vehicle prices to the point where sales were in decline, while employment in the industry had fallen from a peak in 1981 of 435 000 to around 375 000.

Prices had more than doubled and redoubled in the past 10 years. A 1.6 litre sedan which sold for R6 785 in 1981 had risen to R36 750 by last year. A standard car cost about 65 percent of the average household income in 1981, in 1986 the percentage was 90 and last year it had risen to 96.

Mr Wessels was speaking at a ceremony to mark production of the 1.5 millionth vehicle by his company — a six-cylinder sedan — 30 years after the firm's establishment in the country and about 21 years after its consolidation at Prospecton.
New car buyers pay high premium for local content

By Des Parker

New vehicle prices would fall around 12 or 13 percent if the Government eased the local content requirements of local assemblers by half, says Toyota SA chairman Albert Wessels.

That percentage, he said at a media briefing at Prospecton near Durban yesterday, was the premium motorists paid for the employment generated and the foreign currency saved by using local components.

However, from the point of view of manufacturers, it was a double-edged sword; it had helped inflate vehicle prices to the point where sales were in decline, while employment in the industry had fallen from a peak in 1981 of 435 000 to around 375 000.

Prices had more than doubled and redoubled in the past 10 years.

A 1.6 litre sedan which sold for R6 785 in 1981 had risen to R38 750 by last year.

A standard car cost about 63 percent of the average household income in 1981, in 1986 the percentage was 90 and last year it had risen to 98.

Mr Wessels was speaking at a ceremony to mark production of the 1.5 millionth vehicle by his company—a six-cylinder sedan.

Other factors inhibiting performance of the industry included various forms of taxation—from VAT to customs duties, fringe benefits tax, fuel levies and licence fees—which cost the motoring public R3.6 billion last year.

"Industry turnover is R12 billion, so you can see the State is adding another 75 percent on to motoring expenses," he said.

Mr Wessels said while vehicle prices had risen faster than the inflation rate for the past 10 years, in large part because of the decline in the value of the rand, he was hopeful political reform and SA's readmission to world affairs would lead to more stability.
Citroen scraps Namibian car plant plans

FRANCE's Citroen had cancelled plans to establish a R200m car plant in Namibia.

Deputy Trade and Industry Minister Anton von Wietersheim said in Windhoek yesterday the decision stemmed from stringent local content requirements applicable to motor manufacturers in the Southern African Customs Union (SACU). This requires at least 75% of the vehicle be composed of parts made in SACU countries.

He said SA's high import duties (110% on passenger vehicles) had also caused Citroen to cancel its investment plans.

"The influence of the SACU on industrialisation in smaller countries is a negative one because many of the regulations are protective of the existing SA industries," Von Wietersheim said.

However, a National Association of Automobile Manufacturers of SA spokesman said the decision probably resulted from the poor industry conditions in SA.

Von Wietersheim said Namibia was examining ways in which the SACU could change to give the smaller countries a better opportunity of increasing industrial capacity — AP-DJ
Driving prices higher

Car-buyers expecting relief from lower interest rates and relaxed HP rules should move quickly as car prices are going up again next week.

Market leader Toyota will increase prices by 4% on Wednesday — April 1 — and several competitors are expected to follow suit. Dealers say they expect a last-minute scramble by customers anxious to beat the month-end deadline when the higher prices will absorb most of the advantage gained from the new financial concessions.

By reducing the minimum HP deposit from 15% to 10%, and extending repayment periods from 42 to 54 months, government has responded belatedly to motor industry pleas for relief. Faced with plummeting sales, manufacturers are desperate for anything that will make it easier for individuals to afford cars.

The industry had asked for the repayment period to be 60 months but banks, faced with mounting defaults, wanted stricter controls.

Banks have processes to evaluate the ability of their customers to repay loans. Let financial institutions and their customers decide how a buyer should pay for a car, not the lawmakers,”

It’s unlikely, though, that the change will have much of an impact on new-car sales initially. Most of the early effect will be felt in the second-hand market, where dealers have struggled to sell anything but the cheapest cars. It has reached the stage where some won’t accept expensive cars as trade-ins on new models because they know they won’t be able to resell them.

Toyota Marketing MD Brand Pretorius says the HP rules changes “will stimulate demand for higher-priced used cars and that will enable motor dealers to trade more aggressively on new cars.”

In the new-car market, he predicts the easier terms will have the most effect on sales of small, light cars. He believes this bottom end of the market could increase by 5%-10% as it becomes easier for private buyers to afford cars. More expensive cars remain generally the preserve of fleet and corporate buyers, which are less affected by HP terms.

For the most part, they remain well beyond the reach of individuals.

Bert Wessels, executive chairman of Toyota SA, says car prices trebled between 1981 and 1986, then doubled again in the next five years. He estimates that where the weighted average car price represented 65% of the average white’s annual household income in 1981, it had risen to 96.5% last year.

He places most of the blame for those increases on the deprecating rand, domestic inflation, higher labour costs and company tax, lower productivity and the Phase Six local content programme, which, he says, can add more than 13% to the cost of vehicle production. Nevertheless, he hopes price rises can be held below the inflation rate this year. Once again, though, he stresses that many of the factors affecting prices lie outside the industry’s control.

Steps are being taken to exert more control over these factors. Naamas and the National Association of Automotive Components & Allied Manufacturers have formed a committee to investigate the industry’s raw-material costs. Companies complain, for instance, that domestic steel costs at least 50% more than imported steel. By paying such inflated prices, the industry can’t hope to control its costs.

Components association president John Brandtner complains “We must address raw-material input costs. As long as we have expensive steel, chemicals and other raw materials, it’s difficult to become competitive. If we can only get that right, maybe we can make affordable cars.”

Continued...
**NEWS FOCUS**

Naamsa details reasons for affordability crisis

EDWARD WEST

The high cost of imported components, low productivity and Phase VI of the local content programme are the main reasons behind the affordability crisis in the new car market, the National Association of Automobile Manufacturers of SA’s (Naamsa’s) newly elected president Bert Wessels said in an interview yesterday.

Phase VI of the local content programme has increased the price of new vehicles by between 8% and 26% at the 75% maximum rebate level. The cost of imported components — about 50% of the cost of vehicles assembled in SA — has also contributed to higher prices because the rand has weakened by between 20% and 25% more than the inflation difference between SA and its trading partners over the past decade, he said.

The industry could no longer afford a decade of falling productivity and Naamsa planned to focus its attention, particularly in its current annual negotiations on the National Bargaining Forum with the National Metalworkers Union of SA, Wessels said.

He blamed the falling productivity on factors such as a 30% fall in annual worker output. The drop in annual worker output was not so much the result of a decline in the hourly output of workers, but rather a result of factors such as strike action and political unrest, shorter working hours — from nine to eight hours a day — and the increased work content on vehicles due to higher technological sophistication and quality standards, said Wessels. From July 1 last year, the industry lost up to 13 working days on average through industrial unrest alone, he said.

Although reluctant to disclose too much about the current round of negotiations, Wessels said the trade union demands that year were unrealistic when one considered that the industry was caught in the throes of severe recession. Most vehicle assemblers were already working “short weeks” — three to four days a week instead of five and 40-hr.

Bert Wessels

Phot./ROBERT BOTHA

Intermittently halting production, he said, the industry should also be retrenching, but a moratorium on retrenchments reached between the industry and unions on July 1 last year would remain in place until the end of June, said Wessels.

Increased automation would not significantly improve productivity because the cost of machinery and robotics still exceeded the cost of labour in SA, he said.

Automation was only considered when a job could be described as “dirty, degrading or dangerous,” or when quality could be significantly enhanced by automation.
Vektra holds market share

A satisfactory contribution from its automotive replacement parts division helped W&A-owned Vektra to offset the effect of the declining vehicle market on Williams Hunt, its motor dealership subsidiary.

Turnover for the year to last December increased by four percent to R493.3 million (R478.5 million), but operating profit declined by nine percent to R25.5 million.

Profit attributable to ordinary shareholders and holders of compulsory convertible debentures declined from R83.3 million in 1990 to R8.3 million in 1991 (19.2).

Fully diluted earnings per share declined by 11 percent from 52.9c a share to 46.8c a share.

A final dividend of 7c a share has been declared.

Chairman and joint managing director Alan Schlesinger says conditions in Vektra's markets remained extremely competitive throughout 1991 — Sapa
Economy, strikes send Metair into profit dive

MOTOR components manufacturer Metair’s trading was hit by labour problems and the ailing new vehicle market, but attributable income in the six months to June 1992 was boosted by the sale of a subsidiary.

According to results published today, Metair was beset by labour problems in the interim period at its subsidiaries and its single largest customer, Toyota SA. Although no turnover was disclosed, pre-tax income plummeted to R4.5m (interim 1991 R14.2m).

Tax was lower at R2.4m (R6.3m), but taxed profit fell to R2.1m (R7.2m). Profit before extraordinary items was R6.9m (R7.4m).

An extraordinary item of R7.5m related to the sale of subsidiary Meflink to Toyota SA from April 1, 1992, after the declaration a special dividend of R13.9m. The sale resulted in R4.8m revalued depreciation being transferred from non-distributable reserves.

Consequently, attributable income was higher at R8.5m (R7.4m). Earnings before extraordinary items was R2c (R5c) a share. No interim dividend was declared.

Interest bearing debt nearly doubled to R60.9m (R23.8m) and at a result interest paid rose to R6.3m (R3.6m). Total borrowings increased to R154.4m (R97.5m) gearing was at 40%. Metair consolidated the results of subsidiary First National Battery after increasing its holding in FNB from April 30, 1992 to 71.3% from 35.7m%.

The stake was acquired from Federale Volksbeleggings for R6.5m. The deal was reflected in the balance sheets by increased current assets and liabilities.

Metair’s board reported that they believed First National Battery had overcome the disruptive effects of the merger between Rynite and Chloride companies which led to its formation, and that the company was well positioned for positive future growth.

However, trading conditions for the first six months were very poor with sales of new vehicles down 13% compared with the first six months of 1991. Aftermarket demand was also constrained by general economic deterioration, Metair’s board reported.

They said that the strikes at Toyota SA, Metair’s biggest customer, had significantly affected profits and gearing in the last two months, while labour disruptions at its subsidiaries had also affected production.

The impact of Phase VI of the Local Content Programme was also being felt as new models were introduced with lower levels of local content lowering the demand for traditionally localised components.

Latest vehicle sales projections showed little improvement and the aftermarket remained depressed due to poor economic conditions. Toyota had only resumed production at the end of July and mass action in August had disrupted production of all major customers. Consequently, Metair’s results were unlikely to improve in the second half of 1992, the board said.
Toyota skips interim div as profits dive

JOHANNESBURG — Toyota SA posted a 74% fall in profit for the first six months ended June 30, 1992 as it grappled with prolonged strikes and the depressed state of the motor industry.

But it said activities would largely return to normal in the second half of the year.

According to Toyota's interim results released yesterday, the group would not be declaring an interim dividend although Toyota's executive chairman Bert Wessels believed the group could have managed a modest one.

"It was however decided to conserve resources at this stage of the year and as such no dividend will be paid," he said.

We do however foresee that a dividend could be paid for the full year if we continue to recover from the strike according to our plans for the rest of the year," he said.

Attributable income fell from R46m in the first six months of last year to just under R12m in the first half of 1992.

Earnings a share amounted to 29.13c compared to last year's 113.6c.

Turnover decreased by 11.6% to R1.515bn compared to R1.714bn while operating income fell before interest and tax finance dropped 54.1% to R59.4m.

Wessels said the large fall in after tax profit was not really reflected in a drop in retail sales.

"Toyota retailed 40,500 vehicles through the dealer network for a market share of 22.8% for the first half of 1992. While short of our target of 30% this is still a satisfying result considering that dealers started experiencing stock shortages since late May," he said.

The group was affected by the three strikes at its manufacturing facilities in the first half of the year — the second most serious strike starting in May. The last strike was resolved at the end of July.

Stock level

Wessels said the group ended up with considerably more stock at the half year but the approximate three months of stock holding would effectively be halved by the end of September.

The effect of the strike on Toyota was to some extent cushioned by the deteriorating vehicle market.

"In production planning terms we lost 14,120 vehicles during the strike in real terms, taking market conditions into account, our estimates are that we lost between 10,000 and 12,000 units," he said.

Although production after the strike was back to over 400 units per day, Wessels said it was unlikely Toyota would be able to achieve its targeted 30% market share for the current financial year.

He said though the group did not "believe Toyota's position of market leadership is under threat".

The strikes cost Toyota an estimated operating profit of R70m during the strike but if the market had not declined in May it could have lost R100m.

He said Toyota would strive to remain competitive and would not try to recover any lost profits "through any uncalled for price increases".

Wessels believed Toyota's production for the second half of the year would remain in line with that of the first six months of last year.

He said good industrial relations were a priority for the group and Toyota's "labour prospects look to be a lot more stable for the rest of the year".

However, Toyota's production could be affected by the current National Union of metalworkers of South Africa's strike in the metal and engineering sectors.

Failure to resolve the deadlock between the union and the sector's employers over job security and wage increases could disrupt the supply of component parts to Toyota.

Wessels said the group viewed the question of job security in an important light and would try to achieve it — but only in a profitable and stable environment.

— Sapa
Toyota battered in earnings plunge

Edward West

TOYOTA's attributable profit fell by 74.4% — from R45.6m to R11.8m — in the six months to end-June as strikes and the deteriorating motor market cut into production and sales, chairman Bert Wessels said yesterday.

Sales of wholesale vehicles, in the first half fell to R15.5bn from R17.7bn in the first half of 1991, while operating profit fell more sharply to R39.4m from R129.3m as strikes wiped about R70m off the operating figure, Wessels said. The assembly plant lost 33 days of production because of strike action during the half year, while R70m turnover was lost during the full duration of the strike.

The group remained in a position to pay a small interim dividend, but the dividend was passed to conserve resources, Wessels said after he declared a dividend at year-end if the recovery from the strike continued as planned.

However, the falling profits did not reflect a drop in retail sales in the first half of the year. Toyota retailed 40 500 vehicles through its 320 dealers for a market share of 28.8%. Dealers started experiencing stock shortages only late in May and market share shrank to 14.4% by the end of July, he said.

After interest of R26.5m (interim R23.2m) and finance charges of R4.9m (R5.8m), pre-tax profit was 72.4% lower at R27.7m (R100.4m). Tax fell to R15m (R68.5m).

From Page 1

Toyonda 1989

(R45.6m) leaving taxed profits 72.3% lower at R12.7m (R45.5m).

The 74.4% plunge in attributable profit translated into a decline in earnings to 29.1c (132.7c) a share.

Interest-bearing debt increased substantially to R455.9m (R380.5m) because stock of completely knocked down (CKD) kits wasaringly depleted and the stock situation should normalise within three months. Wessels said.

With production operating at full capacity in August, CKD stocks were being replenished during the strike.

Toyota of Japan could stop production of CKD kits to SA only in July, by which time Toyota SA had three months' excess stock in hand, compared with a normal one month, Wessels said.

The build-up of stock was counteracted by a drop in dealers relative to the decline in the number of vehicles wholesaled to dealers during the strike period. Current assets increased to R503.9m from R774.5m.

Fixed assets went up by about R70m to R859.5m, compared with R815.8m at year-end to December 1991, largely due to the tooling up for a new model to be introduced later this year. Industry sources believe this to be the Corona.

Wessels said while the investment needed to introduce a new model ranged between R220m and R240m, most costs for the new model were incurred during 1991. He said this last amount reflected the last portion of the process of tooling up. The ratio of total debt to assets rose to 47.4% from 44%

He pointed out that Toyota's second half profits were expected to improve over the first half even though industrial action, which had continued until July 22, would affect the results. Profits were expected to be lower than last year's Toyota's planned production for 1992 was 75 000 units compared with the 83 000 of 1991.
MOTOR manufacturers and Numsa are likely to sign soon an innovative agreement on job security — to replace last year’s moratorium on retrenchments in the industry — as part of this year’s settlement on wages and conditions.

Numsa and motor manufacturers will be meeting again tomorrow to try to finalise the agreement.

The plan is to set up a work security fund to support and retrain laid-off workers. Employers will contribute 10c an hour per worker. Other sources of funding — including assistance for training from the Unemployment Insurance Fund and national training boards — will also be pursued.

Retrenched workers will have the option of entering the fund on full pay for 15 working days. In this period they will receive individual counselling and information on matters such as employment possibilities, training requirements and financial problems. They can then enter the training activities of the fund for 12 weeks, again on full pay. Training will be appropriate to the industry and the needs of the worker.

Participants in the fund will have preference for re-employment in the industry. If re-employed, they will have all periods of continuous service in the industry recognised for benefits.

Other proposals are that employers finance full-time training in industrial or production engineering for union-nominated workers, a minimum industry wage of R680 an hour; and severance pay ranging from 20 days (less than two years’ service) to 120 days (10 years or more).

An agreement has been reached on a moratorium on retrenchments in the tyre industry after a week-long strike by workers at Tycon, Firestone and Gentrex. Num sa's Les Retief says the minimum industry wage is up by 29.5% to R550 an hour.

See Page 3
VEHICLE production may be stopped for the second time in two weeks as a 16-day strike by metal-workers threatens to dry up the supply of components, a senior trade unionist warned yesterday.

"We expect the car industry to be hit very hard - it is likely to stop in the next week or so," National Union of Metalworkers of SA (Numsa) official Berne Fanaroff told Sapa reports.

The union, claiming as many as 100 000 members to be on strike at 720 plants in the engineering industry, would meanwhile "use every solidarity action we can" to bring employers to a settlement.

Sasa executive director Brian Angus said "virtually none of the companies spoken to since the strike began has had no production at all. Its impact differs widely, and few plants have come to a standstill."

DIRK HARTFORD reports about 50 000 Numsa members are expected to march on Sasa's Johannesburg offices today.

Meanwhile, Sasa had pointed out the Rand Supreme Court did not make any finding on the legality of the Numsa strike, as reported in Business Day yesterday.

The court ruled on a technicity that Sasa had no right to bring the application on behalf of its members. Sasa's appeal against this decision will be heard tomorrow. The legality of the strike still has to be determined.
'Cars more affordable for man in the street'

CT 11/8/92 - Business Staff

A SLOWDOWN in the rate of car price increases is likely next year, says Toyota executive chairman, Bert Wessels.

"Aside from any unforeseen circumstances it is possible that vehicle price increases might not exceed 12% next year and we anticipate that we will now go through a period where real incomes will catch up a bit and cars will become more affordable for the man in the street," Wessels said.

Commenting on the company's results for the six months to end June, Wessels said that Toyota would not try to recover any lost profits through "any uncalled for price increases and we will continue to act with restraint in this regard."

Wessels said that a pattern was developing for vehicle price increases to move closer to the Producer Price Index.
Counting the costs

Toyota has been hit hard by the prolonged strike action at its Durban assembly and component plants.

Interim results to end-June show a 72% drop in pre-tax profit compared to the first six months of 1991, from R100m to R28m. Attributable income plunged 74%, to R12m, taking EPS from 114c to 29c. For the first time since end-1985, the dividend was passed.

The strike cost Toyota 33 working days between early May and the end of June. Though it continued well into July, CE Bert Wessels insists he is confident of a better financial performance in the second half.

At face value, the 11.5% fall in turnover, from R1.7bn to R1.5bn, appears remarkably resilient in the circumstances. In fact, taking vehicle price inflation into account, it is a fall, in real terms, of close to 30%.

The sharp rise in interest-bearing debt since the end of 1991, from R239m to R427m, can also be blamed on the strike. Toyota Japan was unable to immediately turn off supplies at the start of the strike, causing stocks at the Durban plant to rise. Japan has since matched supply to demand, and Wessels expects the debt position to return to normal quickly.

Fixed assets have risen appreciably in the six months, from R816m to R886m. This is largely due to investment for production of the new Camry car range, due to appear later this year.

David Parke

Editor
helped to create a loophole allowing Toyota to negotiate on its own behalf. Nevertheless, Toyota CE Bert Wessels says the company is prepared to sign the full industry agreement once it receives “clarity” on certain aspects of job security.

As it stands, the package agreed between Numsa and other vehicle manufacturers has abandoned the retrenchment moratorium. In its place is a fund to which employers would contribute 10c per worker per hour. This fund would be used to support and retrain laid-off motor industry workers.

As envisaged, the fund will support and compensate laid-off workers for three weeks while they are counselled and assessed, and then a further 12 weeks while they undergo training. After that, they are on their own.

Employers alone will provide money for the fund in its first year. Thereafter, they hope it will be a 50/50 effort between themselves and employees.

Wessels says the company will be represented at forum discussions starting today. “We have certain problems with the job-security agreement as it stands, but if there is flexibility, we will become a signatory. If we can’t resolve it, we have the option to negotiate on our own behalf,” he declines to reveal Toyota’s specific complaints about the current agreement.

Other companies, notably specialist truck-makers like MAN and AAD, have also expressed concern at the job-security issue. In view of their small size, it is likely they will be granted concessions.

But it is Toyota that is causing most concern. Says the chief negotiator for another major manufacturer: “We assumed once the Toyota strike was over, they would join the forum and resume negotiations there. But it’s not like that. They have the right to negotiate between themselves and Numsa and this is causing concern. The whole idea of one company being allowed to negotiate major issues is totally foreign to the notion of the forum. The rest of us find it very worrying.”
Toyota profits do a U-turn

PROLONGED strikes and the depressed motor industry caused a 74 percent fall in Toyota SA's profit for the first six months ended June 30. Toyota, predicting a return to normality in the second half of the year, will pay no interim dividend.

Attributable income fell from R46-million in the first six months of last year to just under R12-million in the first half of 1992.

Earnings a share amounted to 29,13c compared to last year's 113,68c. Turnover decreased by 11,6 percent to R1,515-billion while operating income fell 54,1 percent to R69,4-million.
Toyota on the strike skids

By Cherilyn Ireton

EVEN to its competitors Toyota has been a model company.

So it was a shock this week when SA’s premier motor manufacturer reported its weakest set of half-year figures in more than six years.

It was not merely that profit had fallen by 79% to R1.11-billion. Poor interim results had been expected as a result of the shrinking new-car market and strikes which plagued performance. The company lost 33 production days in the first six months, knocking its share of car sales by a third to 23%.

More troubling was the realisation that over the past three years Toyota had lost out on an estimated R1.5-billion in operating profit as a direct result of work stoppages.

For much of this time Toyota enjoyed the status of one of SA’s top companies, a reputation built on an outstanding production record and market share. Its labour

Siltek beats slump

by Cherilyn Ireton

record was also relatively respectable.

Labour relations specialist Pat Stone of Andrew Levy & Associates is helping to sort out Toyota’s problems, does not believe SA has any model employers.

“While there is an inherent conflict of interest between society and the company, it is only a management team that can manage this balance,” he says.

Toyota, he says, has a long way to go.

Skills

“This led to a groundswell of demands — many were unreasonable — and the idea that Toyota would give in if it was made to suffer enough.

“It would be naive to say the strike was fostered out of nothing. There was no criminal or offensive in Toyota’s actions, but something was missing. We need to get that relationship back on an even keel.Industrial relations specialists are trying to improve communication between management and workers. Management is also trying to normalise its relations with the unions and to induce them to take part in the industry’s national bargaining forum. Other plans include the strengthening of leadership skills in line management."

Chairman Bert Wessels told a news conference this week he was confident that market share would recover to about 30% by October.

“Obviously the results were disappointing. Market conditions could still remain tough, but we believe we can normalise dealers’ stocks by the end of September. “The year-end could even see us paying a dividend.”

Toyota paused payment of the interim dividend for the first time since 1986.

Shareholders still have to absorb another 23 days of production lost after June 30.

There is also a vague chance that Toyota will be forced to absorb more costs emanating from the nuts-and-bolts export scam in which it became implicated.

Group financial director Peter Robinson says Toyota hopes to know where it stands before the year-end.

“I do not believe the issue will be settled before then. We believe our actions were bona fide and we should not be punished.”

In spite of Toyota’s troubles, its position as market leader remains unchallenged, says Econometrix analyst Tony Twine.

“Nobody can come within a mile of Toyota — except when its workers strike.”

Mr Twine says Toyota has firm order books.
Toyota signs

TOYOTA SA signed the 1992-93 wage agreement for the motor-making industry after its representatives attended a National Bargaining Forum (NBF) on Friday (192).

The strike at its Durban operations had prevented Toyota from taking part in NBF negotiations. (Engineering News 23/01/92)

Toyota has expressed concern about some parts of the agreement, particularly the administration of the job-security fund. (Engineering News 23/01/92)

It believes that some practical issues, such as job security, productivity and the removal of discrimination, would be best dealt with at company level.
Landmark agreement

AUTO assembly unions and employers have clinched a landmark job security pact replacing the 1991 moratorium on retrenchments plus wage increases averaging 11 percent, union and employer sources confirmed.

The agreement between the National Union of Metalworkers of South Africa (Numsa), the Yster-en Staalwerkers Unie and six car manufacturers - including Toyota (SA) - was signed at a meeting of the industry's national bargaining forum on Friday.

The agreement which entails a 15.2 percent increase for workers on the minimum hourly grade of R6.60 follows a week-long strike which ended on August 10.
Venter ‘needs performance boost’

VENTER Leisure and Commercial Trailers’ earnings of 6.1c a share in the six months to end-June 1992 would have to more than double in the second half to meet the listing earnings forecast of 21.1c for the year to end-December 1992.

Venter was listed in March at 150c a share. It briefly surpassed its listing price to reach a high of 157c on March 6. However, sellers offered the share at its low of 100c yesterday, indicating that the price could drop even lower.

Operating profit in the first half was R3.6m. In the 12 months to end-December 1991 operating profit was R12.8m. After interest of R27 000 and tax of R369 000 for the year, Du Plessis predicted 1992 operating profit would be R20m.
Wesco's investments perform poorly

WESCO's earnings plummeted to 27c from 36c a share in the six months to end-June due to poor results from its investments in Toyota SA, Metair and Gommagomma Holdings.

Sales fell to R1,5bn from R1,7bn. Operating income dropped to R58,7m from R157,7m in the first half of 1991.

Interest payments of R31,7m (interim 1991: R32,3m) and tax of R15m (R34,5m) left taxed profit substantially lower at R12m (R46m). Associated companies' losses of R3m eroded profits further and profit before extraordinary items was R22,3m (R23,6m).

The extraordinary item of R2,8m represented a surplus on the disposal of a subsidiary by an associate company. Attributable income was sharply lower at R5m (R23,6m). Interest bearing debt jumped to R497m (R283,2m).

Total debt to total assets increased slightly to 48,9% from 44,1%. According to company policy no interim dividend was declared.

Directors said Wesco's results were largely dependent on those of Toyota SA in which it had a 56% stake.

Toyota's attributable income fell 74% in the interim period to end-June 1991 while Wesco's other major investments, Metair Investments and Gommagomma Holdings, also reported disappointing results.

Camargue Transport Systems had not yet started manufacturing, but would do so before the end of the year, they said.

The protracted strike at Toyota SA, the continuing decline in vehicle sales, lower local content for new models as a result of Phase VI, a depressed after sales parts market and the continued decline in economic activity were largely responsible for lower turnover and reduced profit or losses at Wesco's subsidiaries and associate companies, the directors said.

The strike action at Toyota SA was resolved, but industrial action at Wesco's other companies and its client's plants could affect results for the second half of 1991.

The directors forecast that unless Wesco suffered serious labour disruptions, results in the second half should be better than in the first half, but substantially less than that achieved in 1991.

Net asset value per share improved to R63,80 from R64,90 in the first half of 1991, but its share price has fallen from a high of R70 nearly a year ago to its current level of R52, which was only slightly above its 12-month low of R59.
Customers' Reactions

A Business Times Corporate Feature

Higher

Plan

Promise

Structural problems - The problems are compounded by the current economic climate. While we have been able to reduce costs, we have not been able to increase our productivity. This has led to a situation where we are operating at a deficit. To address this, we have implemented a number of initiatives, including a cost-cutting programme and a productivity improvement plan. These initiatives have been successful in reducing costs and improving productivity, but we still have a long way to go.

Benefit

On average, customers report a 25% increase in satisfaction. This is a significant improvement and is a testament to the efforts we have made. We are committed to continuing to improve our services and ensure that our customers are always satisfied with our products and services.

From the top
Dealers under
ALL are kept in touch

Concert a spur to

11616-1541 FOR THE COMING P

Free phone advice

"You can do a lot with flowers, but I can't imagine you doing anything you couldn't do with " - J. Paul Getty

The Sky's the Limit for Them

Real

S. Y. E. xperience

Recontext

satisfaction
Imported vehicle tariffs to be cut

By CIARAN RYAN

The National Association of Automobile Manufacturers of SA (NAMA) proposed that tariffs for both cars and commercial vehicles be equalized at 100% and then reduced by 2.5% every six months, stopping at 65%

NAMA executive director Nico Vermeulen says there is a belief in the industry that we should concentrate on high-volume production vehicles and allow the import of low-volume vehicles to reduce up-front investment.

High import tariffs are also responsible for rising car prices. But dispensing with import protection altogether would drain the balance of payments by R1.2 billion a year as imports flood the market, says Dr Bosman.

“A programme that increases car prices and results in job losses is negative. If the programme provides more jobs while car prices increase, it has positive aspects. Similarly, a programme which results in fewer jobs but cheaper cars can be considered positive.

Higher productivity would improve both aspects.

Dr Bosman says most countries protect their motor industries through tariffs, quota systems, or local content programmes.

Taiwan imposes tariffs of 30% on imported vehicles it disallows imports from Japan. Japanese manufacturers overcome this by selling components to subsidiaries in Taiwan at inflated prices.

South Korea, a major exporter of cars, dropped its tariffs to 17%.

The UK, France, America, and Italy have lower tariffs, but limit the level of vehicle imports to 40% of the domestic market. In Spain and Germany, imports are limited to 30% and 20% of the domestic market. Japan limits vehicle imports to 5% of its market.

Complex

Australia opened its motor industry to foreign competition by lowering tariffs from 60% to 25% over eight years. It did away with its local content programme.

The result is that Australia has lost roughly a third of the domestic car market to foreigners. It plans to reduce tariffs to 15%.

Taiwan’s local content programme sets prices for each of up to 20,000 components used in a vehicle’s manufacture. The local content minimum is 50% on a component basis.

Dr Bosman says this system is unsuitable for SA because of the complexity of its administration.

Local content programmes are used in Venezuela, Philippines, Indonesia, and most emerging economies of South America and the Far East.

Once these countries become signatories to the Uruguay Round of the General Agreement on Tariffs and Trade, these programmes will have to be reconsidered in so far as they help exporters of vehicles.
Interest and tax ravage McCarthy’s bottom line

THE McCarthy Group’s bottom line in the year to June 30 1992 was ravaged by a sharp hike in the interest burden and a higher than expected tax bill resulting from previous underprovisions, chairman Brian McCarthy said.

In a market which was 15% below the previous year, SA’s largest vehicle distributor posted a 14% drop in attributable earnings to R44,1m from R51,4m in 1991.

This translated into earnings of 50,9c a share against 59,8c previously.

However, the final dividend was maintained at 13,5c, giving a 2,4 times covered total distribution for the year of 21c (23,5c).

The results come at a time when work on the proposed merger between McCarthy and Prefcor, with a combined turnover of about R4,5bn, is on its last lap.

The merger could be completed by the middle of next month and shareholders were again cautioned in share dealings.

In spite of a number of acquisitions during the year, the group’s record turnover of R3,1bn (R2,9bn) and operating profit of R104m (R106m) were lower in real terms than the previous year.

However, second half operating profits were more encouraging and increased by 45% over the first half.

The interest bill was higher at R16,7m from just under R7m because of higher inventory levels.

New investments, which also contributed to the higher interest bill, totalled R22m. The most notable of these was the acquisition of Beachway Volkswagen in Durban and two UK Toyota dealerships.

Short-term loans jumped to R80,2m (R22m).

However, gearing remained low at 35% even though it was substantially higher than 9,8% in the 1991 financial year. Interest cover was 6,3 (15,5).

Tax of R44,9m (R46,3m) comprised the provision for the current year of R38,4m (R46,3m) and a R6,5m underprovision in taxation from prior years.

A capital surplus of R20m arose from the revaluation of properties, while, consistent with the policy adopted for subsidiaries, the investment in Molam was written down by R13m to net asset value.

The group increased its new vehicle market share to 13,7% from 12,6% in the year to end-June 1991.

McCarthy’s net asset value was 301c compared with 268c a year earlier. It traded at 335c on Friday.
Car workers back on job as deal sealed

By Thabo Leshilo and Sapa

About 20,000 car assembly workers will return to work today following a draft agreement between employers and the National Union of Metalworkers of South Africa (Numsa).

An agreement "in principle" was reached at talks in Port Elizabeth on Monday, said Fred Ferrera, chairman of the auto assembly industry National Bargaining Forum (NBF) and Numsa senior spokesman Dr Berno Fanaroff.

Mr Ferrera said "Several minor issues are yet to be resolved, but the key elements of an industry agreement are in place.

"As a consequence, employees currently on strike will return to work today," he said.

A full statement, detailing the content of the new NBF agreement, would be released on Friday, pending resolution of the outstanding issues.

Full production

Dr Fanaroff confirmed that workers would return to work today.

In another development, about 5,000 tyre and rubber workers returned to work on Monday after the parties agreed on a 12 percent wage increase for skilled workers, a R1,15-an-hour increase for unskilled workers, a R1,15 an-hour increase as well as a moratorium on retrenchments until June 1993.

The strike had affected production at Gently, Firestone and other major tyre companies.

Production at the Mercedes-Benz of SA (MBSA) plant in East London returned to normal on Monday following the Numsa strike last week.

MBSA public relations manager Wendy Hoffman confirmed that production had resumed.

At least two car manufacturers - Volkswagen SA and Samcor - reported full production yesterday.

MBSA's East London plant was fully operational on Monday.

Toyota was not affected by the national strike, while BMW and the Delta Motor Corporation were.

Numsa Border secretary Enoch Godongwana said the union would begin balloting workers in the engineering sector in Ciskei and Transkei today.

Meanwhile, the strike in the engineering industry continues.

Numsa estimates the number of strikers involved in this sector at 115,000.

However, Steel and Engineering Industries Federation of SA director Brian Angus yesterday put the number at between 80,000 and 80,000.

The union was preparing to ballot its members in the motor industry in the next few weeks.

This follows an impasse at industrial council negotiations and an agreement that the dispute would not be referred to mediation or arbitration.
Motor assemblers, union strike deal

THE motor assembly industry would be returning to full production today after an agreement between employers and National Union of Metalworkers of SA (Numsa) negotiators, it was announced yesterday.

Motor industry national bargaining forum chairman Fred Ferreira said while some minor issues had yet to be resolved, employers and trade unions had reached an agreement in principle on Monday night.

As a consequence, striking workers would return to their jobs today. He added that full details of the agreement would be released on Friday.

Production at most motor assembly plants had been severely disrupted since Numsa's estimated 15,000 members walked out on Monday last week. Of the five major car companies, only Toyota managed any production last week, after a separate agreement with Numsa.

Mercedes-Benz's 2,700 workers had returned to work on Monday, this week, a spokesman said.

Meanwhile, Sapa reports that Seisa director Brian Angus estimated yesterday that 80,000 workers had downed tools in the engineering industry. Major engineering companies said the impact of the strike, begun by Numsa on Monday last week, had varied from plant to plant.

Iscor and Highbveld Steel & Vanadium reported full production schedules after separate in-house agreements with Numsa. But Siemens and Allek experienced disruption and closed some factories.

Police arrested 104 protesting metalworkers in Middelburg on Monday.

Alpha Metals employees were protesting against dismissals at the plant and were arrested for handing traffic and failing to disperse.

Numsa negotiators and Seisa met last night and the union had modified its pay increase demands from 20% to 16%. Seisa spokesman Brian Angus said.

Numsa national organizing secretary Bernar Farnaroff refused to comment on the meeting last night.

He was earlier quoted by our Durban correspondent as saying the meeting was crucial because it would act as an indicator, whether the strike was resolved or not.

The union's engineering sector members were demanding a R2 across-the-board or 25% an hour increase, whichever was greater. The employers' counter offer was an 8.6% pay increase. Farnaroff said the union wanted employers to implement a moratorium on retrenchments.

Kaunda detained

POLICE detained Zambian's former president Kenneth Kaunda for several hours on Monday in Chadza, allegedly for holding an illegal meeting. He was campaigning for his son Pansu in a parliamentary by-election.

Victim of recession

A JOHANNESBURG panelbeating firm which fell victim to the recession was placed under final liquidation in the Rand Supreme Court yesterday with debts of R2.6m.

Auto Tecnsia Panelbeaters and Spray Painters CC member Manuel Pereira Henriques said the business had been undercapitalized from the start in 1987 and that it had been severely affected by the recession.

NEWS IN BRIEF

Row over pension fund

FINANCE companies vying for a share of the newly privatized Venda government pension scheme have been called to a meeting by dissatisfied public servants and trade unions.

The assurance companies controlling the R400m pension scheme confirmed yesterday that the scheme had been suspended pending investigations into data on scheme members.

Military ruler Gabriel Ramushwane — whose own pension benefits exceed R1m — said he was prepared to appoint an independent investigation.
Toyota strike talks break down

TALKS between Toyota and the National Union of Metalworkers of SA to end a strike at the company's Prospecton, Durban, plant broke down again on Friday afternoon and the company will now start employing replacement workers.

Toyota dismissed 6000 workers on Monday when they failed to meet an ultimatum to return to work.
Motor strike could be over today

JOHANNESBURG — The engineering industry remained gripped in a national strike yesterday, but a nine-day strike in the motor assembly sector could be over by today.

In the metal and engineering industry employers and the National Union of Metalworkers of South Africa were due to meet last night.

In the motor assembly industry, a draft settlement was reached between Numsa and the industry's national bargaining forum on Monday.

A Numsa leader in the Northern Transvaal, Mr Louis Ramopo, was apparently kidnapped and murdered at the weekend — Sapa
This week, as marketers once more began downgrading long-term expectations in the light of the latest sales figures, one senior industry official declared that, for some companies, it was becoming a battle for survival. "I don’t see the market picking up for at least the next two years. If that is the case, I think we will see changes in the industry’s composition, either through mergers or withdrawal."

There is no doubt the local market is overpopulated, with seven major manufacturers competing for a market that, in global terms, could easily be served by a single producer. Even accepting the need for competition, the market does not need so many. Indeed, there are those who argue that this "over-competitiveness" has done little to make cars any more affordable.

It's an open secret that some companies are losing money. Those that aren't are generally unhappy with the profits they are achieving.

Volkswagen says it will be profitable this year but largely through cost-cutting and exports. It recently told workers that "the local market is too depressed to sustain VW in its present form and it is mainly due to our extensive export programme that we can maintain full employment."

Other companies are in the same boat. They have become increasingly reliant on what started out as support activities for their core business — building and selling cars in SA. If these profitable extras fall away — and one company has admitted that there are doubts over its export programme to Europe — difficult decisions may have to be taken.

Companies could argue that, having survived the industry bloodbath of the mid-1980s, they should now be able to weather these storms.

Nevertheless, the July sales figures show, there is no light at the end of the tunnel — or as car journalist Les Boyd is reputed to have once said: "Light? I can't even see the tunnel!"

Having earlier this year predicted an already depressing 1992 car market of fractionally more than 200,000 units, marketers are busy lowering their sights.

While the National Association of Automobile Manufacturers now predicts sales of about 182,500, Toyota Marketing Manager Bruce Prentiss is looking for 180,000 SA sales for 1992 and Robert Herbertson is worried it could go as low as 175,000. And he is by no means the most pessimistic.

If companies do survive in their current form, it is unlikely their product range will change as they are all small. The market share from 64.5% to 73% since 1987. Assuming the trend continues, manufacturers will concentrate on this more profitable high-volume segment, at the expense of bigger cars.

"The medium-car sector may show an increase in activity as new models are introduced, but this will be at the expense of the top end of the market," he says. "The executive sector could soon become the preserve of imported vehicles as reasonable economies of scale will be very difficult to achieve."
Cheap tyres dumped in SA

By DANIEL SIMON

SOUTH AFRICA has become a dumping ground for cheap tyres imported from the East — and the inferior tyres have been linked to the high number of black taxi accidents.

This was disclosed yesterday by the managing director of Good-year, Mr Rex Botha, who said substandard tyres, including used tyres intended for retreading, were finding their way into South African townships through the TBVC states.

Mr Botha said R172 million worth of tyres were imported into South Africa last year, R72m more than the previous year.

He said a recent study undertaken by the SA Black Taxi Association (Sabta) into the high number of road accidents involving minibus taxis found that 40% of road accidents were the result of "tyre failures".

"After a thorough investigation, Sabta found the majority of failures were attributed to strange foreign makes which found their way into the country.

High taxi accident rate link

"This is what's happening. Some of these tyres are only meant for animal-drawn transport. They find their way into South Africa by the truckload across TBVC borders where customs checks do not exist."

"They are then sold on the street for between R20 and R30," Mr Botha said.

The chairman of the SA Tyre Manufacturers' Conference (SATMC), Mr Gert Fischer, also echoed concern over the problem, saying investigations conducted by the SATMC had found the bulk of imported substandard tyres were from the Republic of China (Taiwan), Korea and mainland China.

"Many of these tyres are imported into South Africa for re-tread purposes but they are mostly put on the lower income market by fly-by-night businessmen," Mr Fischer said.

He said the SATMC had pressured the government to enact legislation which would make quality control compulsory.

"At present there is no qualitative control governing the importation of tyres. The Board of Tariffs and Trade is looking into the matter and we are also pushing the SA Bureau of Standards to set up a controlling body," Mr Fischer said.

He said most tyres originating from Eastern countries did not have the right compound for South African conditions and did not have correct inflation ratios.

"Most of the tyres, which were clearly second-hand, had their brand names "buffed off". Sabta officials involved in the investigation could not be reached for comment yesterday."
Toyota parts for Italy

TOYOTA's R50-million tool and die manufacturing facility near Durban has signed a R50-million contract with international car designer Pininfarina. In a bid to build Ballyworld-wide competition, the TDM facility will make five components, requiring three sets of tooling, for the Italian group. Initial samples will be delivered by Christmas with the final delivery early in the new year for an exotic car. Pininfarina has designed cars for manufacturers such as Ferrari, Lancia, Maserati, and Alfa Romeo.
Exports hit by strikes

By CIARAN RYAN and DON ROBERTSON

EXPORT orders are being cancelled because of strikes and SA’s growing reputation for unreliability, says the Steel and Engineering Industries Federation (Seifsa).

Car sales have also been hammered by strikes in the motor industry.

Seifsa spokesman Mike McDonald says several large export orders have been cancelled because of the mass action campaign and the two-week-old Numsa strike.

“You will be hard to regain these orders.”

Average monthly car sales to July were only 15,167. The poor showing in July resulted largely from a sharp decline in Toyota sales as a result of the nine-week strike.

Lowest ever

Expectations of new car sales have been slashed to 182,500 for the year from 197,736 in 1991.

Car sales are at their lowest in 16 years.

August sales may be hit by the Numsa strike which affected all manufacturers except Toyota. Strikers in the motor and tyre industries returned to work after settling for 12% and 11% increases.

But Numsa spokesman Bernie Fanaroff warns that motor assembly workers may resume the strike because some plants are balkng at signing the agreement.

The expected drop in sales could result in more lay-offs.

Sascor has retrenched 650 employees.

Between 60,000 and 100,000 workers remained on strike this week at 654 plants.

Numsa replied to Sedisa’s offer of an 8.6% increase in minimum scheduled wages with a counter-claim for 10% in actual pay. Sedisa rejected the claim, saying that it amounts to an effective increase of 20.7% in minimum wages.
70,000 more in strike ballot

AS THE national strike in the metal industry enters its third week, another 70,000 workers in the motor sector are balloting for strike action.

And negotiations in the motor manufacturing industry, expected to be finalised last week, will continue on Friday after the parties failed to reach agreement.

Although motor manufacturing workers returned to work last Monday, they could strike again if no agreement is reached.

The biggest obstacle to settlement, according to a source, is the agreement to end the strike at Toyota, which effectively excludes the company (except for wages) from the industry agreement.

Numsa insists the agreement must cover all motor manufacturers.

Meanwhile, Numsa says more than 100,000 workers at 834 factories are on strike in the metal industry. Sefsa says about 60,000 workers are on strike.

The union has balloted its members in the Transkei and Ciskei and a decision on whether they will join the strike will be made today.

Numsa says workers are determined to continue the strike and marches were being organised in most industrial areas to back up the strike. Marches on Sefsa offices have already taken place in Durban and Cape Town.

Several hundred workers have already been dismissed for supporting the strike and 58 companies have locked out workers, says the union.
Workers win wage hike

WORKERS in the tanning industry have won a 14.7% pay hike — or R290 on the lowest grades — following a two-week strike, the SA Clothing and Textile Workers' Union claimed yesterday.

The agreement, covering only the tanning section of the National Leather Industrial Council, included back-dating of wages to July 1.

Negotiations are continuing, a union spokesman said yesterday.

Sapa CT 18/8/92
by the recession.

The business had assets of R1,2bn against liabilities of R2,6bn and various creditors, including the Receiver of Revenue, were pressing for payment.

**Water supply ensured**

EXTENSIONS costing R1,5bn would increase the capacity of the Rand Water Board’s purification and pumping plant by an additional 1,300 MJ a day.

The board said it would be able to satisfy the increased demand — 4-7% over 10 years — by 1998.

---

**650 Samcor workers to be retrenched**

THE SA Motor Corporation (Samcor) would be retrenching 650 workers from its plants in Pretoria and Port Elizabeth this month, Samcor chairman Spencer Sterling and yesterday. In a statement, Sterling said deteriorating economic conditions and falling vehicle sales had necessitated the move.

July car sales figures, released by the National Association of Automobile Manufacturers earlier this week, indicated a drop of 8.2% compared with July 1991 and a 0.9% fall on June 1992’s figures.

---

**New Iscor plan to limit capital expenditure**

ISCOR’s massive capital expenditure programme of the past four years has come to an end.

A new plan, approved by the board last week, focuses strongly on limiting capital expenditure during the next four years, providing only for the essential replacement and maintenance of production facilities, and on controlling working capital to reduce the current debt situation.

Finance and business services GM Louie van Niekerk said yesterday borrowings were running at more than R2bn and the interest bill had climbed to R400m a year. Capital expenditure in the past few years had amounted to R4bn. In the past two years it was R2.2bn.

A new electro-galvanising line at the Vanderbijlpark works was commissioned last week. The only other major project outstanding is the modern continuous casting facility at its Pretoria works, due for completion later this year. A major capital project under investigation by Iscor and the IDC — a R2.5bn steel mill — was likely to be commissioned only in 1997, if given the go-ahead.

Van Niekerk said that while interest had grown from R100m two years ago and R75m a year ago, it had been expected to peak at the current level. For the six months to December it was R218m.

He said Iscor’s ability to raise permanent capital was being inhibited by its depressed share price, which stood at 113c yesterday.
E Cape tyre strike ends

JOHANNESBURG — A legal strike in the Eastern Cape tyre industry ended yesterday, as efforts continued to settle national strikes by about 130 000 workers in the vehicle assembly and engineering sectors.

Countrywide strikes by the National Union of Metalworkers of SA started last Monday. Talks resumed yesterday.

In the tyre industry, between 3 400 and 6 000 workers went back to work yesterday after accepting a R13 across-the-board increase on hourly rates. — Sapa
Toyota knocked as car sales slide

By AUDREY D’ANGELO
Business Editor

SALES of new cars and bakkies fell in July from the low June figures — and were well below those in July last year.

But the National Association of Automobile Manufacturers of SA (NAAMS) commented that total car sales of 15,328 compared with 16,234 in the same month last year were better than the industry had expected in today’s conditions.

Detailed figures showed how badly hit Toyota — the market leader in normal times — had been hit by a nine-week strike which has now ended. Its car sales totalled only 1,643.


Mercedes-Benz reported total sales of 2,036 but these included 1,414 Honda Ballades.

Delta sales totalled 1,630 and BMW 1,587.

Total car sales between January and July this year were 106,175 compared with 120,848 in the first seven months of 1991.

Sales of light commercial vehicles totalled 7,154 in July compared with 8,182 in the same month last year and 7,632 in June this year. Sales between January and July totalled 53,022 compared with 60,887 in the first seven months last year.

Samcor reported sales totalling 2,186, Nissan 2,101 and Toyota 2,186. Delta reported sales of 1,043, VW 589 and AAD seven.

Medium commercial vehicle sales in July totalled 239 compared with 468 in the same month last year. But they were slightly higher than the 294 in June. Sales between January and July totalled 3,071 compared with 3,368 in the first seven months last year.

Heavy commercial vehicle sales totalled 446 compared with 477 in July last year and 513 in June this year. Total sales between June and July were 3,071 compared with 3,368 in the first seven months last year.

Stephanus Loubser, MD of Nissan (SA) Marketing, said that five manufacturers increased their share of the car market as a result of the Toyota strike.

They were BMW, which lifted its share from 8.7% to 10.3%, Mercedes-Benz, from 13.1% to 13.5%, Nissan, from 16.5% to 16.7% Samcor, from 13.8% to 17.5%, VW from 16.9% to 20.5%.

Loubser said the Nissan Sentra was the best-selling range in July with 1,610 units. The CitI-Golf came second with 1,587 units and the Honda third with 1,414.
Dunlop boosted by clamp on tyre imports

Business Editor

BTR DUNLOP was helped by a curb on tyre imports in the six months to June, MD Clive Hooper said yesterday. But although sales rose to R292.2m (R295.4m), Hooper and chairman A Gnoeit point out in their interim report that in real terms — allowing for inflation — this meant a decline of 9%.

"The difficult trading conditions were also reflected in the margins, and as a result the trading profit at R47.1m (R54.2m) was 13.1% down."

But substantially reduced borrowing meant that financing costs were down to R2.5m from R3.4m. The tax bill also fell, to R16.1m (R21.3m).

This helped to lift attributable profit by 3% to R28.2m (R27.5m). Earnings at share level rose to 120c (117c). The interim dividend was maintained at 60c.

Hooper said the debt-equity ratio was only 5% in spite of the group's continuing capital expenditure programme of about R100m over three years. It was concentrating on plant to meet the swing to steel car and truck products.

Sales to the mining industry were lower and the four divisions supplying components to vehicle manufacturers were hit by the lower car sales.

The interim report said there were "still no signs of an improvement in the general economic conditions in all sectors."

"Until there is some progress towards resolving the political problems in SA it seems unlikely there will be any economic upturn."

A week-long strike in the industry was resolved yesterday, union official Bernie Fanuoff said.

Workers accepted a R1,13 across-the-board rise in hourly rates.
July vehicle sales continue to slide

EDWARD WEST

Vehicle sales from 15 477 units in June 1992 and 9.3% when compared with the 16 234 units sold in July 1991. Light commercial, bakkie and medium commercial vehicles fell 6.5% to 7 104 from 7 602 in June 1992 and 12.2% from the 8 182 units sold in the same month a year ago. Medium and heavy commercial vehicles (MVC and HCV) sales remained at historically low levels. MVC sales improved 17.7% to 2 399 from 2 056 the previous month, but were 20.8% lower than the 2 996 sold in July 1991. HCV sales fell 13% to 644 from 753 sales in June 1992 and 8.5% from 477 in July 1992.

Preterus said the "buy-down" trend towards smaller vehicles would continue into 1993 and the medium car market could show increased activity as new models were introduced.

Samsun sales and marketing executive director Sean Bowles said July sales were unacceptably low and there was no sign of short-term recovery.

Naamsa forecast economic activity to continue declining in 1992, with vehicle sales remaining under pressure.
VW edges out Toyota

By Sven Lunsche

Toyota SA lost more than half its share of the new car sales market in July as a result of the prolonged industrial action at its Prospecton plant.

July car sales figures, released yesterday by the National Association of Automobile Manufacturers (Naamsa), show that Toyota's market share has fallen to 10.7 percent from just under 21 percent in June.

Volkswagen was quick to pick up the pieces, moving from 16.9 percent in June to 20.5 percent last month.

However, for the first half of the year as a whole, Toyota still sold most new cars, with 24 percent of the total, followed by Volkswagen (20.4 percent), Samcor (15.7 percent), Nissan (13.9 percent), Delta (8.4 percent), Mercedes Benz/Honda (8.8 percent) and BMW with 7.8 percent.

Total new car sales declined marginally by 0.9 percent to 15 339 units (15 477 units in June).

Light commercial vehicle sales dropped by 6.5 percent to 7 154, compared with June's 7 652.

Total sales from the beginning of this year to the end of July fell to 53 022 (60 587 in the equivalent period last year).

Naamsa expects new car sales to reach 182 500 this year (186 785 in 1991).
Car exports ‘in balance’

By Leigh Hassall

Car exports are in the balance, says Robert Herbertson, MD of South African Motor Corporation (Samcor), the Anglo American-owned manufacturer of Ford and Mazda.

“South Africa is not really the base to compete on a worldwide basis for exports. When the arithmetic is done, it is doubtful that it is profitable,” he adds.

Samcor’s exports of cars to the UK and the EC are currently in abeyance because of tighter emission control requirements, which will affect next year’s exports.

Mr Herbertson says they are working on a new model to cope with the requirements.

However, the continued export programme will depend on the ruling car price levels in the UK and the EC.

If car prices come down, these markets will be out of Samcor’s reach, says Mr Herbertson.

Samcor’s exports into the rest of Africa are doing well. Service and parts are covered by the dealers in the export countries and backed up by the central operation in Pretoria.

The manufacturing plant in Pretoria was closed last week by strike action, but management is confident workers will return to work this week and that normal work patterns will resume.

Mr Herbertson says the work stoppage has not reduced stocks of completed vehicles to dangerously low levels. At this stage it is doubtful that the lost time will have to be worked in.

Mr Herbertson estimates a mild upswing in the industry for the remainder of the year, with car sales reaching 175,000 units. He expects a further four percent increase next year.

July retail figures are to be released this week. Samcor is confident it has increased its market share.
Car ownership set for rebound

CTU REPORT

THE SA economy has tremendous potential, "once sufficient political stability has been achieved to let everything settle down", Len Abrahamse, who will take over as chairman of Delta Motor Corporation in September, said at the weekend.

He believes car ownership will progressively increase once the recession is over. 
"Vehicle ownership at present is totally out of proportion to the size of the population. The situation will be totally different in five years."

Discussing the outlook for the SA car industry, Abrahamse said the protection built up over the years would have to be phased out progressively.

It was unfortunate that the protection had been built up. But it could not be dismantled quickly because of the amount of investment that had been made.

Delta was already exporting to other African countries. But expansion in these markets was limited by their shortage of foreign exchange and their ability to pay.

Delta was also exporting parts to Europe and Latin America.
NUMSA has revised its pay demand in the motor manufacturing industry — and five of the seven companies will meet it. Resolution of the motor strike now depends on whether the remaining two companies will change their wage offer and if a "job security" agreement can be reached.

NUMSA claims that 290 000 workers are on strike in the motor, metal and tyre industries. Times (Gauteng)

Motor employer spokesman Nelle Strydom says about 20 000 workers are not working at five of the seven firms.

The parties meet tomorrow and Mr Strydom is "fairly optimistic" a settlement can be reached. An increase of about 10% could be agreed on.

Seifsa economist Michael McDonald says the organisation has been unable to estimate how many workers are on strike. Support for the strike at large companies varies between 30% and 100%.

NUMSA demands a 20% wage rise and a retrenchment moratorium. Employers offer an 8% pay increase.
Car sale forecast cut

By DON ROBERTSON

THE motor industry has slashed by 20,000 its projections of new-vehicle sales for the year.

The National Association of Automobile Manufacturers of SA (Naamsa) has made "one of the sharpest downward revisions ever in the industry's sales projections."

In the second quarter, new-car sales fell by 10.7% to 42,552. Combined commercial sales dipped by 9.5% to 23,733.

There are, however, indications that the heavy-commercial sector slump is bottoming out. Sales are expected to be 84,000 compared with 103,500.

Naamsa forecasts car sales of 182,500 compared with its 221,000 estimate at the end of the first quarter. Light commercial sales are expected to be 84,000 compared with 103,500.

Naamsa says in its quarterly report that the recession has gained momentum. The low level of consumer and business confidence and socio-political developments will continue to hurt the industry's short- to medium-term fortunes.

Average capacity use in the second quarter fell to 57.7% from 68.8% in the first three months. Capacity use in the medium and heavy sectors was lower.

Upholding, excluding salaries, employment, excluding Toyota which was hit by strikes, improved slightly.

Since the return to work by strikers at Toyota's Prospecton plant near Durban, production has almost returned to normal.

Capital expenditure commitments by the industry increased to R72.5-million in the second quarter from R63.5-million.
New cars to be ‘more affordable’

MOTOR manufacturers believe they may be able to bring the price of a new car within the reach of the average South African as a result of changes in the local content programme.

Mr Nico Vermeulen National, Association of Automobile Manufacturers of South Africa (Naamas) executive director, said manufacturers would be able to introduce new models at more competitive prices under phase six of the programme provided certain conditions were met.

These included the maintenance of stable rand exchange rates, an end to the recession and a return to economic growth of between three and four percent, satisfactory productivity deals with workers, and possible tax concessions from the government.

"There is not a motor manufacturer in the country who would not be overjoyed to see the man in the street back in the market, particularly a market characterised by falling volumes," Mr Vermeulen said.

"The turning point would come next year," he said.

New models were already coming onto the market at lower prices as the transition from phase five to phase six was completed.

"The effect is immediately apparent and sales figures reveal that those new models are doing well. The manufacturers are making use of phase six efficiencies and passing on the benefits."

Econometrix motor industry specialist Mr Tony Twine pointed out that since 1986 the rise in car prices had outstripped the inflation rate by 8.5 percent a year.

"This means that in real terms car prices have doubled since 1986. If you could buy two cars for the price of a house then, you will get only one car for that price today."

South African manufacturers were watching the German decision to make recyclable cars, said Toyota's vehicle environmental manager Mr John Nimmo.

The German decision would probably be copied by all EC countries, he said.

"The world seems to be divided into definite categories about recyclable components for vehicles. Europe, at the moment, is at the forefront. It's the components that must be recyclable, so we don't yet have an everlasting car."

Manufacturers wishing to sell on the European market would have to meet the legal requirements.

"This explains why even Japanese manufacturers are developing recycling techniques even though there is no domestic pressure on the manufacturers."

"In America the pressure for recycling also doesn't seem to be so intense and anyone who watches American television programmes will know that the metal is compacted for reuse."

But the fields of old vehicles outside so many African towns are not likely to disappear for a while.

Mr Nimmo said other issues were likely to take priority in South Africa before the government decided to tackle recyclable cars.

The affluent societies can afford the luxury of recycled products.

"In South Africa, the average lifespan of a motor vehicle is increasing dramatically every year."
Employers go to court on strikes

Employers in the giant metal industries have taken to the courts to stop pay strikes.

MONDLI MAKHANYA

Following NUMSA's announcement of the strike last Thursday, Sefisa immediately said it would contest the ballot and interdict the union from striking. Papers were served on NUMSA on Sunday morning but at the Monday hearing the union's request for more time to study the papers and formulate a response was granted. Judge R Joffe also declined to force NUMSA to suspend the strike for the duration of the case. Since actual arguing will only begin today, the ruling will only be known next Monday. And by then the strike will be in full swing.

However, Sefisa does seem to have sufficient ground for doubting the result of the ballot. NUMSA did not provide information about the outcome of the ballot and it appears the union doesn't yet have comprehensive reports on the percentage of the poll. "We are working that out but we are sufficiently satisfied that the majority of workers voted in favour of strike action," NUMSA legal representative Amanda Armstrong said in recent years the ballot has been marred by low voter turnout and this year's has also been a very problematic one for NUMSA. The outcome was delayed by two weeks due to slow voting, which NUMSA attributed to intimidation. The union claimed that the Inkatha-aligned United Workers Union of South Africa was harassing members who lived in hostels and that almost 20 people had been killed in clashes related to the ballot.

The dispute in the motor assembly industry may be resolved next week and is unlikely to last as long as last year's damaging strike. NUMSA and the National Association of Motor Manufacturers of South Africa (Naamsa) have virtually agreed on an 11 percent wage increase, but the smaller components companies are unable to give that much.

NUMSA discuss Naamsa's offer today and the two sides will be negotiating again on Monday. "I'm confident the dispute will be resolved then," says Naamsa vice-chairman and chief negotiator Charles Strydom.

But at Toyota's Durban plant, workers are tied by an agreement reached with management two weeks ago that they would not strike until November 1 in return for their being reinstated following a seven-week strike. In tyre and rubber about 3 400 workers also came out on strike as employers rejected NUMSA's demand of a 20 percent or R150 an hour increase and are offering 12 percent or R113.
Auto assembly plants lying idle

Hit by second industry-wide strike in just over a year:

Auto assembly lines have stood idle since Monday in the second industry-wide strike in just over a year.

Mr Dave Kirby, chairman of the sector’s national employer grouping, yesterday confirmed the strike was going ahead and said the National Union of Metalworkers of SA had advised employers its members would strike until further notice.

Numsa members on Monday also halted production in the new tyre manufacturing and steel and engineering industries. Mr Brian Wilson, secretary of the New Tyre Manufacturing Industry Industrial Council, confirmed legal strike action.

-Sapa
Delta chief takes the wheel at Saab

DELTA Motor Corporation chairman and CEO Keith Butler-Wheelhouse has accepted a position abroad as president and CEO of Saab Automobile AB of Sweden.

Saab Automobile, jointly owned by Saab-Scania AB and General Motors, produces passenger cars which it markets in 46 countries.

Butler-Wheelhouse, 46, has also been invited to join GM's European strategy board in Zurich. He will not relinquish his interest in Delta and will remain on the board. Delta's deputy chairman Les Abrahams will become chairman, while sales and marketing manager Willie van Wyk will be MD.

The Delta board said it viewed Butler-Wheelhouse's departure with regret but took great pride in the recognition accorded to its chairman. It was pleased he would retain his ties with the company and SA Delta said Butler-Wheelhouse's leadership at Delta had led to a turnaround in the company's fortunes after the local management buy-out from GM in 1987.

Butler-Wheelhouse plans to move to Sweden in September. He succeeds David Herman, who was recently appointed head of Opel AG in Germany.
Numsa motor strike may be settled

A SETTLEMENT of Numsa's strike in the motor manufacturing and tyre and rubber industries could be on the cards, but the prospect of settlement in the metal and engineering sector still looks dim.

Numsa started a national strike in these sectors on Monday — the same day the general strike started.

Although no figures were available for the number of workers on strike, employers and Numsa confirmed that it had been "widely supported".

No negotiations have taken place in the metal and engineering sector. Seifsa has applied for an interdict against Numsa to stop the strike on the grounds that its ballot was irregular. The interdict will be heard today.

Numsa said most companies in the industry locked out workers yesterday. These included Dorbyl, Temsa and Lasher Tools, the union said.

In addition, Numsa said several companies had dismissed workers 'apparently on incorrect advice from Seifsa' that the Numsa strike action was illegal.

In motor manufacturing and tyre and rubber sectors, almost all plants are out.

Employer spokesman Dave Kirby said motor manufacturing employers had offered a R1-per-hour increase for lower graded workers. Employers, he said, had also agreed to establish a fund, financed by the employers and jointly administered with the union, to provide counselling, job evaluation and training to those made redundant. Agreement on this fund would require a moratorium on retrenchment.

A Numsa spokesman said employers were not united on this offer, with two companies wanting to break ranks. He said Numsa had agreed to meet employers again on Monday.
Top spot at Saab for Delta Motor chief

The chairman of Delta Motor Corporation, Keith Butler-Wheelhouse, has been appointed president and chief executive of Swedish car maker Saab Automobile. The appointment is widely seen as recognition of the Delta success story since the management buy-out from General Motors in 1987.

Saab Automobile, a producer of quality cars, is jointly owned by Saab-Scania and General Motors. Saab cars are marketed in more than 45 countries.

Mr Butler-Wheelhouse, 46, succeeds David Herman, who was recently appointed head of Adam Opel in Germany, another GM subsidiary.

Mr Butler-Wheelhouse has been invited to join the European Strategy Board of GM in Zurich. He will, however, remain on the board of Delta.

Delta has announced that Len Abrahamson, at present deputy chairman, will become chairman of the board, while sales and marketing director Wille van Wyk becomes managing director.
Car makers want import duties cut

THE motor industry has asked government to cut import duties, industry sources said yesterday.

They said this would lead to rationalisation in locally made ranges and make luxury cars cheaper.

National Association of Automobile Manufacturers of SA (Naamsa) president Bert Wessels said the motor industry had taken the initiative and proposed tariff reductions, rather than wait for government to reduce duties arbitrarily in line with its commitment to GATT's Uruguay Round of negotiations.

Naamsa and the National Association of Automotive Component Manufacturers of SA (Naacam) proposed a reduction of import duties on cars from 110% to 100% by the end of 1992. They also called for further annual reductions of about 5% for commercial and passenger cars during the next five to eight years, with an end limit of 60%.

Wessels said reduced import duties would rationalise local ranges and make it more cost effective to import high priced models.

Mercedes-Benz SA director Peter Cleary said yesterday luxury cars and sports cars should become cheaper in two to three years if import duties were reduced.

Naamsa's proposals contributed to Mercedes' decision to defer the local assembly of its latest S-class range.

"The reductions proposed by Naamsa mean that the possibility exists for cars with relatively low local content, such as the S-class, to become less expensive as imports in two to three years - and certainly before we have amortised our investment on the car range," said Cleary.

He said the reduction would affect low volume vehicles brought to SA with low levels of local content. Phase VI offered manufacturers of these niche market cars the opportunity to average out local content requirements across their entire range of vehicles.

Wessels said government had initially indicated that it wished to reduce duties from 100% to 30% on commercial and commercial passenger vehicles and chassis, and leave duties on passenger cars unchanged. However, such a reduction would have decimated the commercial vehicle component industry.

Wessels said that, although the proposals were being considered by the Board on Tariffs and Trade, he believed government was stalling until the investigation was completed into Phase VII of the local content programme. Naamsa believed import duties should be reduced in phases as soon as possible.
**Numsa workers jump strike gun**

NUMSA members at several factories in Benoni jumped the gun on the union's national strike — officially due to begin today — and started striking on Friday.

Several Seifsa members have already given notice to the union they intend to lock out workers next week. Numsa is striking in the motor, tyre and rubber, and metal and engineering industries.

It will be impossible to gauge the support for the strike before Wednesday, because of the general strike. Even after that it could be difficult — depending on the extent of the mass action programme.

In the motor manufacturing sector, for example, Samcor has closed for the entire week by arrangement with Numsa shop stewards. So it is not actually clear if the workers are on strike or not.

If all Numsa's 250,000 members in the affected sectors come out, it will be the biggest industrial strike in SA's history.

Meanwhile, Seifsa denied last week that it had "begged or made use of dishonest means" to get information on Numsa's strike.

Seifsa spokesman Hendrik van der Heyve said the suggestion was laughable.

He said Seifsa had learnt of the strike plans through its members, who had received written notice that the strike would start today.

Seifsa also said Numsa was "lying" in alleging that Seifsa had not responded to its inquiries on irregularities in the Numsa ballot. Seifsa is going ahead with an interdict against Numsa for ballot irregularities.

Sources in the motor manufacturing, and tyre and rubber, industries said they expected to meet Numsa this week to continue negotiation.

Seifsa reports from East London that more than 2,000 workers at Mercedes-Benz in East London will strike from today, Numsa said on Friday.

A further 1,300 Numsa members in the region involved in the engineering sector would also go on strike over an industrial dispute concerning wages and working conditions, said Numsa's Border secretary Etoch Godongwana. Godongwana said the strike was separate from the two-day stayaway beginning today and would continue beyond that.

A Mercedes spokesman said the company could not comment on the situation as the dispute had developed in the national bargaining forum representing the seven motor manufacturers.
VW retirement offer in bid to reduce costs

The Argus Bureau

PORT ELIZABETH — More than 100 employees over 55 at Volkswagen have been offered voluntary retirement.

Retirement has been offered to 132 people across the board.

Public affairs manager Mr. Matt Gemrick said the company had asked for a response to the offer by September 1.

He said it was no secret that this year would be the second-worst experienced by the motor industry in the past 20 years.

In 1984, 172,000 passenger units were sold and expectations for this year were 152,000.

The voluntary retirement offer was an effort to reduce costs.
Numsa calls national strike

Numsa will strike nationally in the metal, engineering, auto manufacturing, tyre and rubber industries on Monday in support of wage and job security demands. The 270 000-strong union expects the strike to be the biggest yet in SA if many non-members in the affected industries join the strike.

The strike is an industrial dispute separate from and likely to continue after the planned general strike.

Employer organisation Seifa said it was seeking a court interdict to declare Numsa's ballot invalid. The application will be heard early next week — after the strike has already begun.

Seifa said it had already lodged a complaint with the industrial registrar, asking for an inquiry into ballot irregularities. Seifa claimed Numsa had not yet provided it with the outcome of the strike ballot in the metal and engineering industry, despite requests. It said 236 irregularities — including voting by non-members and unsealed ballot boxes — were reported by 272 of its member companies.

Numsa accused Seifa of failing to provide it with the outcome of its lock-out ballot and said Seifa had not responded to its allegations of irregularities in that ballot.

The union yesterday said it suspected Seifa had either “bugged or made use of other dishonest means” to obtain information from its strike committee meetings. After Seifa's announcement of Numsa's strike action before the union had done so...
**TOYOTA STRIKE**

**Taking losses** 31/7/92

The Toyota strike is over. More than 6,000 workers have returned to work at the company’s Prospecton plant near Durban, with apparently little to show for the 57 days of disrupted production which cost the motor industry nearly R2bn.

However, Ekkie Esau, regional secretary for the National Union of Metal Workers (Numsa), remains unrepentent. "The workers had legitimate cause for downing tools." But he concedes that the return to work after the second of two strikes was on management terms, wiping out an agreement brokered at the end of the first stoppage.

That’s not to say that Toyota won either. The car-maker says the country’s 320 Toyota dealers lost R1bn in turnover, component suppliers R15m and the Prospecton plant R910m.

Workers first walked out on May 6 because of a dispute over assembly line supervisory staff, but the strike spread to two subsidiaries and brought in other issues.

This strike was resolved with an agreement on June 2 which most saw as favouring the workers. But by June 9, workers had walked out again. Torq grounds certain shop stewards had been paid during the first strike. This is practice in the industry, according to Toyota, Esau disagrees (his view seems to be supported by most labour relations consultants).

Toyota took a tough stance. It revoked the June 2 agreement and refused to budge from a “no work, no pay” position. In spite of repeated attempts at negotiation and one mediation bid, the impasse continued. Then Toyota implemented an ultimatum to dismiss workers unless they returned to work by July 6.

Only after management began a “restructured remanufacturing programme” on July 16 did worker resolve weaken. Numsa promptly faxed a set of proposals to Toyota, which responded with non-negotiable terms for a return to work by July 23. The workers accepted the terms, with one amendment allowing some leeway for them to take part in Cosatu’s mass action programme.

In terms of the settlement, those who returned are regarded as new employees with the same status and pay they had before. However, provided the plant remains trouble-free — with no industrial action, including procedural and/or lawful action taking place — until October 31, then previous service benefits, such as pensions, will be reinstated on November 1.
DURBAN — National Union of Metalworkers of South Africa (Numsa) representatives and management of the strike-torn Toyota plant in Prospecton failed yesterday to end all the six-week strike.

The strike, which led to the dismissal of 6,000 workers, has cost the company more than R700m in lost turnover.

A company statement said a meeting with Numsa took place yesterday, but union officials failed to sign an agreement that would have resulted in the re-employment of the 6,000 workers.

Numsa regional secretary Ekie Esaal said earlier revised proposals and an "agreement" submitted to the union by Toyota were discussed with the workers.

Toyota and Numsa fail to end strike.

But "certain clauses" had to be clarified before workers decided to return to work.

He confirmed that Numsa had dropped a demand for employees to be paid for the duration of a 17-day strike in May. Toyota's refusal to meet the demand led to the current strike and the dismissal of most of the hourly paid Durban workers.

Numsa says it will hold a meeting with its dismissed members today.

DIRK HARTFORD reports about 300 workers from Toyota's Johannesburg division, who went on strike two weeks ago after the dismissal of their Durban colleagues, returned to work yesterday.
Toyota set to roll again

The Argus Correspondent

DURBAN — The Toyota strike, which cost the company millions of rands in lost production of cars when it began in May this year, is finally over.

Six thousand dismissed workers are to resume work at the Prospecton plant today.

The reinstatement of the workers follows the signing of an agreement between Toyota and the National Union of Metalworkers of South Africa yesterday.

In terms of the agreement, employees are bound not to take part in any legal or illegal strike action at the three plants over the next three months.

Toyota has in turn committed itself not to be selective in re-employing the 6 000 workers.

The company announced that former employees who wished to be re-employed should report to work at 7 am.

Both parties agreed that no payment or compensation for the strike would be made.
Costly Toyota strike ended

6 000 go back to work today

DURBAN — The two-month-long Toyota SA strike here which led to the dismissal of 6 000 workers and cost the company over R700 million in lost turnover ended yesterday.

A return-to-work agreement was signed between the National Union of Metalworkers of SA and Toyota. Under the agreement all dismissed strikers will be re-employed at the company's Prospecton plants from today.

A Toyota statement did not elaborate on the agreement.

The strike lasted 49 working days with a turnover loss of R735m and a loss in production of 430 vehicles a day. Strikers lost R800 000 a day in wages.

Toyota's statement said strikers would not be paid or compensated for the duration of their industrial action — a Numsa demand that led to the dismissal of 6 000 employees on July 6.

A Numsa spokeswoman confirmed the strike had ended and said part of the agreement involved an undertaking by the union that workers would not resort to any industrial action for the next three months. They would then be reinstated in the same positions they held when they were dismissed.

Yesterday's agreement allows for workers to be re-employed from today but not reinstated immediately.

The spokesman said that although most of Numsa's demands had not been met, it was significant that all 6 000 dismissed strikers were to be re-employed, as in similar situations companies often re-employed sacked workers selectively.

The strike began on May 7 with workers downing tools to protest against an allegedly discriminatory supervisor. The strike lasted 17 working days before a settlement was reached and an agreement was signed.

A week later, however, workers downed tools again after discovering some of their shop stewards had been paid for the duration of the May strike. Management said this was normal practice, Numsa refuted this.

Several rounds of negotiations failed to break the deadlock, ending in the company withdrawing the agreement reached at the previous strike and dismissing 6 000 employees on July 6.
Toyot strike ends
workers re-employed

Own Correspondent

DURBAN — The two-month Toyota strike, which cost R600 million in wages and turnover, has ended, and the 6,000 "dismissed" employees are to resume work today.

This follows the signing of an agreement between Toyota and the National Union of Metalworkers of SA last week, binding employees not to take part in any strike for the next three months.

In turn, the company committed itself not to be selective in taking back the employees. The decision to re-employ the entire workforce after formally sacking them is seen by labour experts as an historic move.

No payment or compensation for the strike will be made, but the parties agreed that, depending on workers' behaviour during the next three months, they could be reinstated with full benefits accumulated over the years.

The strike began on May 7 in protest against three allegedly discriminatory supervisors.
Toyota counts cost as strike is settled

Toyota has delayed the planned year-end launch of its luxury Camry range, and market share is likely to be down 12%.

The parties agreed on the relocation of a superintendent and that the company would withdraw legal actions against Numsa. But the case of a dismissed shop steward and a dispute about relocating a manager will go to arbitration.

Workers will be re-employed until end-September on the understanding they will not engage in industrial action in that period. If workers honour the agreement up to November 1, Toyota will restate them with full benefits.

ABOUT 6 000 Toyota SA workers, who have been on strike for more than two months and were dismissed about two weeks ago, are to return to work at Toyota’s Prospecton plants in Durban today.

Toyota said the strike cost it 49 days in lost production and the union had agreed no worker would be paid or compensated for the strike. The strike could have cost Toyota as much as R800m in lost turnover and the components industry which supplies Toyota lost about R250m.

The 6 000 workers lost R48m in wages, which supported up to 65 000 people. Tens of thousands of other workers have been on short time, or laid off, because of the effects of the strike on suppliers and dealers.
Toyota agreement

THE dismissed 6 000 Toyota SA workers may go back to work today depending on whether they sign a unilateral agreement drafted by the company.

The regional secretary of the National Union of Metalworkers of SA, Mr. Eckes Essau, said Toyota and the union officials had met, with the union seeking some clarification on the agreement.

Flowing from the meeting a few slight changes were made in the agreement and this was to be presented to membership yesterday, he said.
JOHANNESBURG
The entire workforce at Nissan in Pretoria walked off the job yesterday after a number of Numsa shop stewards were arrested in Roslyn, a Nissan worker said yesterday.
And Samcor is planning to close its plant today because of the tensions that have been generated by the arrests and the mass action campaign in Pretoria, a Samcor source said.
Toyota strikers back at work

Own Correspondent

DURBAN — Production at the giant Toyota motor plant was back in full swing yesterday when the 6,000 striking employees dismissed last month came back to work. One worker was shot and others hurt when stones and bottles were thrown during the re-employment debate on Wednesday.
EVERY worker at Nissan's Pretoria plant walked off the job yesterday after a number of Numsa shop stewards were arrested in Rosslyn, a Nissan employee said.

And Samcor is planning to close its plant today because of tensions generated by the arrests and the mass action campaign in Pretoria, a Samcor source said.

It was reported that about 400 people had surrounded police barracks in Rosslyn with the intention of occupying them. Some were Numsa shop stewards from the plant. An unconfirmed number were arrested, which led to the walkout at Nissan.

No official comment from Numsa or Nissan was available last night.
Unrest closes Samcor plant

SAMCOR, which makes Ford vehicles, was forced to close its Silverton plant yesterday when industrial unrest prevented delivery of key components, said company spokesman Ruben Els. The shutdown was apparently linked to wildcat strikes which swept through the Rosslyn industrial complex after mass-action protests on Tuesday. The National Union of Metalworkers said workers had been locked out of the Samcor plant yesterday morning and that those in the factory had started a sit-in strike. — Sapa. 25/11/92
Toyota tough talk

TOYOTA'S tough stance with the National Union of Metalworkers of SA (Numsa) ended a 49-day strike this week. The company was hurt and had the strikers not returned to work on Wednesday, management might have been forced to consider contingency measures, such as a rights issue or assistance from Toyota Japan.

The strike arose from a demand that employees be paid for the days between May 6 and June 2 when they went on an 18-day strike. Toyota rejected the claim and other Numsa demands. 1/17/92 26/6/92

The illegal strike cost Toyota 10 600 production units worth an estimated R750-million. Employees lost R49-million in pay and component suppliers in Natal and Port Elizabeth missed orders worth R220-million.

Because dealers have stocks for only a week, Toyota fears its market share this month will fall to between 11% and 12% from 32% before the strike.
Motor deals made safer

Mr Fourné recommends, because the MIF only has authority over its members, that consumers deal with MIF members whenever possible — particularly when buying a used car. He also advises consumers to deal with the right person when they have complaints.

"Consumers phone me and say they've spoken to the mechanic or the storeman and got nowhere. I tell them to go to the top, to the dealer-principal to solve their problems. I rarely hear from them again because by doing that their complaint is addressed.

"If there's a serious complaint, I arbitrate. We're here to look after the interests of the public, which also means looking after the interests of the industry."

The code for the motor industry covers both new and second-hand cars as well as repairs.

Unlike the other sectors covered, the new car industry did not have an existing code, said Nico Vermeulen, executive-director of the National Association of Automotive Manufacturers of South Africa (NAAMSA).

"However, individual manufacturers had provisions under which they worked, so our part of the motor code was based on practices existing in the industry.

"We believe it covers every conceivable contingency. It's based on the relationship between the manufacturers and customers — on real life practice.

"The representatives of manufacturers who drafted the code have dealt for years with customer relations and issues.

"It's a pragmatic attempt to inform the consumer of his/her rights and obligations, and how to complain. And it's also a guide to dealers.

"We endorse the code wholeheartedly and welcome the initiative taken by the government.

How will NAAMSA ensure that staff dealing with the public carry out the provisions of the code?

Mr Vermeulen said he has asked manufacturers to ensure staff know of its obligations, and will carry them through.

"If complaints can't be dealt with at dealer/manufacturer level, NAAMSA will handle them," he said.

NAAMSA represents manufacturers BMW (BMW and Isuzu), Delta (Opel), Mercedes (Mercedes and Honda), Nissan, Samcor (Ford and Mazda), Toyota, Volkswagen (Golf, Jetta, Audi), AAD (Landrover), as well as three other makers of industrial vehicles and buses.

The used car and repair side of the industry is represented by the Motor Industries Federation (MIF).

Executive director Nico Fourné calls it the "auto motive after market", and it covers all motor transactions beyond the manufacturing stage — second hand vehicles, tractor and motor cycle sales, automotive engineers, tyre retreaders and the body repair industry (or panel beaters, as we call them).

The MIF has 9 000 members countrywide, and eight regional offices throughout South Africa. It deals with 3 000 customer complaints each year.

"When Kent Durr, the then Minister of Trade and Industry announced the code, we were the first industry to say 'yes' we have our full co-operation."

"We already had our own code, and we tried to create something that should be a norm in the marketplace," said Mr Fourné.

"We also believe that a big advantage of the code is to educate the public as to what they should expect from a dealer.

"Full credit goes to Louise Tager and Evert van Eeden, who went out of their way to get concensus between consumer bodies and the industry.

"The final result is that we're not afraid of the code and promise to see it honoured."
Strike losses

MORE than £1bn was lost in turnover by Toyota SA's 320 dealers nationwide during the recent two-month strike, a senior company official said at the weekend.

The workforce of about 6,700 incurred a further loss of wages of more than £15m.
Samcor shuts Silverton factory gates

ABOUT 3,000 Samcor workers were locked out of the motor manufacturer's Silverton, Pretoria plant on Friday when a shutdown of operations was forced by a shortage of essential parts.

Samcor — manufacturer of Ford and Mazda vehicles — operated on a 'just-in-time' system and was forced to close its doors when labour action at the Rosslyn, Pretoria industrial complex on Thursday halted supplies of components.

Numsa said at the weekend workers who were locked out on Friday were demanding payment for the hours they would have worked had Samcor not closed the plant.

Sapa reports a Samcor spokesman said the shutdown was temporary, but Samcor could not be reached at the weekend to establish when operations would resume.

Samcor also told Sapa that it was not aware of any industrial action.

The non-delivery of components was apparently initiated by the ANC/SACP/Cosatu alliance's national action campaign.

Numsa northern Transvaal regional secretary Peter Dantjie said at the weekend that Samcor had told workers on Thursday not to come to work the following day because the plant would be closed.

"Since this was a unilateral decision, management had not consulted shop stewards about the closure, workers came to work on Friday but they found the plant gates closed," Dantjie said.
NISSAN Motor's new president Yoshifumi Tsujii has a straightforward message to his staff. Build it simple. Tsujii wants to cut down by half the multiple varieties of parts—such as optional steering wheels—that can go into a Nissan car. He wants to use more common parts among different car models, and is even looking to bring down costs by sourcing major components jointly with rival car makers.

If the 80s was the decade when the Japanese motor companies dazzled the world with rapid expansion and a seemingly endless proliferation of new models, the 90s is forcing the industry back to its engineering basics in an effort to improve profit.

Following last year's dismal financial performance, the industry has come under real pressure for the first time since 1968, when the rapid appreciation of the yen forced the companies into a round of severe cost cutting. Operating margins at Nissan Motor's parent company in Japan last year fell to 0.8%, while Mazda was at 0.9% and Honda at 1.8%. Toyota has yet to report for the year ending in June, but it is unlikely to match Honda.

The cause of poor profitability is not inefficient manufacturing as such. Indeed, Japan's car makers are probably the most efficient in the world. Yet the weak state of motor vehicle markets leaves the companies with little choice but to cut costs, and some companies believe that considerable scope for improvement remains.

"Efficiency was number two or three in our priorities, after reducing lead times and improving quality," says Tynuchi Tsukamoto, executive vice-president at Honda Engineering. Honda's production engineering subsidiary "Now we cannot deny the importance of efficiency, because the business is facing tough times".

An engineering solution to the car makers' problems, however, is a tall order because the companies face conflicting pressures that suggest opposite solutions. The Japanese industry must cope, for example, with a severe labour shortage, which suggests automation may be the answer. Yet automation is expensive. And increased use of robots reduces flexibility on production lines at a time when rapidly changing consumer tastes require increased flexibility.

In an attempt to resolve these conflicting pressures, the companies are focusing on two related areas of the manufacturing process: final assembly and design.

The most recent trend in final assembly technology dates to a small-scale, experimental factory that Honda ran for two years at its Suzuka plant in Japan in the early 80s. At the plant Honda introduced what it called general assembly trucks to replace the traditional assembly line.

In the traditional conveyor line, pioneered by Henry Ford, vehicle chassis rode on a platform of fixed height. The platforms were spaced evenly and were linked together and pulled along by a chain. The line moved at a uniform speed, ideally never stopping, while workers installed parts and components as the vehicle moved slowly by.

Yet the old-fashioned conveyor has proven too inflexible. Cars move along at the same speed, spaced evenly regardless of how difficult they are to assemble. If one car has to be stopped because of a problem, they all stop, bringing work to a halt on the whole line. Because planned stops for the cars are impractical, automation using stationary robots is impossible.

Honda's innovation was to dispense with the link between the platforms. Instead of being pulled along by a noisy chain, Honda put the chassis on a dolly which moves under the power of its own electric motor. The motor draws power by induction from a cable beneath the floor and can also raise and lower the vehicle chassis so that workers never have to bend to install parts.

Honda's assembly system also supplies a key that opens the door to automation. The dolly can move at different speeds, stop precisely to allow robot installation of components, and accelerate and decelerate quickly to keep an expensive robot used to the maximum. And the entire process can be controlled by central computer, which monitors the progress of each vehicle and means that an electronic sensor system on the dolly and tells the robots what is coming on the production line.

The result is a production line much more pleasant to work on and one which is much more amenable to automation. Honda concluded it was technically possible to raise the automation rate on final assembly to 90%, compared with the 5% standard in the industry.

Honda installed the technology on one line at the Suzuka plant, on lines at East Liberty in Ohio, and will open a plant later this year in Swindon using an advanced version of the system. Honda Engineering also licensed the basic technology to Daifuku, the Japanese specialist in factory equipment. Daifuku has sold the system to both Toyota and Nissan, which have opened separate plants in the past year.

The lines are beautiful to watch, when compared with the traditional noisy and disordered line. Nissan believes it will result in smoother operation on the final assembly line, since cars that are complex to assemble can be spaced further apart. And if a problem arises, only one car need be stopped, allowing it to catch up later.

Yet whether the technology offers a true solution for the industry's problems is another question. For one, the line costs between two and three times as much to install as a traditional conveyor or system. Yet by itself does not contribute anything to raising productivity.

The improvement in productivity comes only after additional spending on robots. When Honda installed its Suzuka line in 1989, it lifted the level of automation to 18%. Tsukamoto says this raised labour productivity by 15%-17%. But Honda has shelved a plan to install more robots on the line to raise the automation ratio to 30%. It is too expensive.

Tsukamoto says that to replace one worker with machinery can cost between 10-million yen ($220,000) and 40-million yen ($860,000) depending on the process. Honda is willing to spend the money when it believes it will receive a particularly onerous manual task, or when the investment results in a large improvement in quality.

One area where Honda has not skimped is on machinery for automated, simultaneous installation of car components. The newer lines will put the thing together with mounting and fastening all bolts simultaneously. Tsukamoto says a more precise fit is obtained, allowing for improved handling and ride. Simultaneous bolt-fastening prevents the accumulation of minor alignment errors.

The robots also provide rapid feedback. If a single bolt hole is misaligned, the machines stop. On a traditional line, a misaligned bolt will rarely slow down a worker, who will put the thing together anyway. The worker will still have to intervene on Honda's automated line when holes do not match, but because the robots detect quality problems instantly, the source can be traced immediately and corrected.

Honda's assembly system offers the potential to save labour, improve quality and increase flexibility. Whether this potential can be exploited to the financial benefit of the car makers, however, depends very much on other links in the engineering chain—Financial Times
Volkswagen sales higher

By Sven Lunsche

Volkswagen SA (VWSA) lifted sales 16.6 percent to Dm1.304 billion (about R2.5 billion) last year from Dm1.12 billion in 1990.

The 1991 annual report of VWSA’s German parent Volkswagen AG says the SA operation returned a small profit during the year, while capital investments were raised from Dm88 million to Dm95 million.

The number of cars delivered to customers fell by 0.5 percent to 48,889, but the group increased its share of the market from 19.5 to 20 percent.

Short-term working was introduced at VWSA in September 1991.

Worldwide sales rose 12.1 percent to Dm76.31 billion from Dm68.06 billion in 1990, of which Dm22 billion was from outside Germany.
Toyota expects large drop in market share

TOYOTA SA expects its share of new vehicle sales in July to slump to 11% — from the 29% it held for the first half of 1992 — as a result of the recent strikes at its Durban manufacturing plant.

Toyota SA, which plans to report its interim results in two to three weeks' time, said yesterday its aim was to restore the company to profitability.

Marketing MD Brand Pretorius said the group's balance sheet was "fairly healthy" although the slide in turnover would affect interim earnings. He ruled out the possibility of increased borrowings or a rights issue to restore profitability.

Production was expected to normalise with all facilities operating at optimum levels of 400 to 430 units by the first week in August. Production would increase gradually each day. On the first day when workers returned, production was set over 200 units, he said.

Workers had agreed not to participate in possible industrial action relating to the national bargaining forum and had agreed to work extra time at normal pay in the event of participation in mass action, Pretorius said.

Dealers who had run out of stock two weeks ago and who had not received a single unit since the start of May, would achieve acceptable stock levels within three months.

No dealers closed businesses because of the strike, although a competitor did bid for some of Toyota's rural outlets.

With the normalisation of production, Toyota could produce at levels significantly higher than current demand which would help shorten waiting lists, he said.

He stressed Toyota would not resort to price wars to restore market share.

Arrangements had been made to shorten lags between vehicles coming off the line and reaching dealers.
Locally made Mercedes S-class at risk

THE local manufacture of a range to replace the Mercedes-Benz S-class hangs in the balance due to political and economic uncertainty in SA, says Mercedes-Benz SA board member Peter Cleary.

Cleary said yesterday the new range launched in Germany in 1991 would not be introduced early next year despite previous indications by Mercedes-A decision to go ahead with local assembly would be taken in 1993.

He said political and economic uncertainty played a role in the deferment. A Mercedes spokesman said the manufacturing decision would be influenced largely by government's response to the National Association of Automobile Manufacturers of SA's recommendations to lower import duties and possibly revise the local content programme.

Mercedes would not disclose the rand value of setting up and adapting production facilities for the new range. The current S-class range has been built locally for the past 11 years and has traditionally held the highest resale value in SA.

This range was a top seller in the executive car market with more than 22,700 units sold to date, Mercedes said.
Mercedes cancels launch

Finance Staff (192)

Mercedes-Benz has delayed a decision to manufacture its latest S-class series at its East London plant amid "political and economic uncertainty in South Africa".

Mercedes-Benz SA director Peter Cleary says the planned launch of the new series for early next year has been cancelled.

A decision whether to proceed with the local manufacture of the cars will be made during 1993.

Mr Cleary emphasises that the decision could be materially influenced by government reactions to recommendations by the National Association of Automobile Manufacturers that import duties be lowered and the local content programme be revised.
Mercedes may axe plans for new model

Own Correspondent

EAST LONDON — Political and economic uncertainty has forced Mercedes-Benz of SA to rethink the introduction of its luxury new S-class model early next year.

The car that is considered to be the best mass produced car in the world was to have been built at the East London-based plant but the decision to do so has been put on hold.

Legislation

The management board member for the MBSA passenger car division, Peter Cleary, said a decision to go ahead with local assembly of the high technology range, launched in Europe in 1990, would be taken next year.

Political and economic uncertainty in South Africa had played a role in the company’s decision.

"The manufacturing decision could be influenced significantly by the government’s response to new legis-

lation regarding import duties as well as possible changes to the local content programme," he said.

The current Mercedes-Benz S-class range has been built in East London for the past 11 years.

They have been top sellers in the executive car market over this period with 22,700 units sold to date.

Cleary said the current S-class model was close to its runout and an announcement as to when production would end here would be made in the next couple of months.

Smaller model

The new S-class, were it to be assembled in South Africa, would cost between R350,000 and R450,000 depending on the model.

 Asked about the possibility of MBSA producing the smaller Mercedes-Benz 190 range for the first time in its stead, Cleary said this would be desirable in the range of models offered, but a decision to this effect had not been made and was not likely before 1994.
NEW MARKETING MAN AT NISSAN

John Jessup, who resigned as BMW’s marketing director in March after 17 years with the company, is joining Nissan as head of planning and communications. Jessup, credited with much of the creative and strategic planning that has turned BMW into a major competitor in the local motor industry in recent years, will join Nissan on Monday.

His responsibilities cover all cars and light commercial vehicles built by Nissan and include advertising, public relations, motorsport and product planning. He will report directly to Stephanus Loubser, MD of Nissan Marketing.

Jessup left BMW in March to run a proposed new BMW franchise at Fourways, near Johannesburg. Nissan quickly offered him the new job after it became apparent he was reconsidering his change of career.

Jessup concedes that he will have to make adjustments, marketing a product aimed primarily at the mass market, rather than the luxury segment to which he is accustomed. He insists that after several months away from BMW, he carries few trade secrets from his previous employer.

Nevertheless, it is ironic that Jessup, of all companies, Nissan. CE John Newbury has made BMW the target of most of his barbs in a long-standing and often bitter campaign against manufacturers of luxury cars, which, he claims, SA can ill afford.
Toyota hires staff

DURBAN Toyota South Africa yesterday began appointing new employees to replace 6,000 dismissed workers at its plants here after another breakdown in talks with worker representatives. - Source
Toyota employs new workers

DURBAN — Toyota SA yesterday began appointing new employees to replace 6 000 dismissed workers at its Durban operations after another breakdown in talks with worker representatives on Wednesday.

Toyota spokesman Flip Wilken said the company had been interviewing job seekers over the past week and began appointing new employees to start work immediately.

Interviews were continuing.

Toyota yesterday published large advertisements in Durban newspapers announcing employment opportunities at its manufacturing, automotive components and stamping divisions in Prospecton, Jacobs and Middelburg respectively.

The advertisement said preferential consideration would be given to former Toyota employees who applied before next Friday.

Wilken added no further talks with worker representatives had been planned.

Meanwhile, National Union of Metalworkers of SA regional secretary Ekkoe Esau said yesterday the union would be requesting another meeting with Toyota management soon.

He said Numsa's latest proposals focused on reinstating employees rather than demanding they be paid for the period of a strike in May which led to the dismissals — Sapa
** Strikes put spares firms 'on the line' **

Weekend Argus Correspondent

DURBAN — As many as 10 vehicle parts manufacturers — two in the Durban area — are in a precarious financial position as a result of the labour dispute at the Toyota SA plant at Prospecton.

At the same time, a few small car-dealers trading exclusively in Toyota, have temporarily closed their doors, while others are concentrating on used-car sales as the effects of the two strikes and subsequent firing of about 6 000 factory workers become more evident.

While the country's biggest motor manufacturer has been able to maintain a respectable portion of its market share while dealers have had stock in hand and "vehicles on rubber", businesses up and downstream are being hurt, says John Brandner, president of the National Association of Automotive Components and Allied Manufacturers (Nascam).

So far the production hiatus has had little effect on the motoring public — either new-car buyers or owners needing spares while fewer new Toyotas are available, fleet customers are understood to have re-scheduled purchases and components are still being produced for the "after market", and for Toyota's parts' division.

"The companies most affected are those deriving as much as 50 to 80 percent of their sales revenue from Toyota alone," Mr Brandner said this week.

"Their margins already are paper-thin and I would say about 10 of our 150 members are in a precarious position financially."
Toyota, SABC strikes to end?

Own Correspondent

DURBAN — Hopes for the ending of the protracted strikes at Toyota and the SABC rose yesterday after announcements of further talks next week.

The National Union of Metalworkers of SA submitted new proposals and a Toyota spokesman said a meeting is to take place on Monday.

The Media Workers Association of SA, which has members at SABC, said meetings will be held early next week.
Strikes in two key industries loom

By ADRIAN HERSCH

STRIKES about pay could begin on Wednesday in the motor and metal industries. Conclusional board talks held this week in the motor industry failed to resolve differences — and Numsa immediately held a strike ballot.

The disputes in both industries, affecting about 370,000 workers, enter a critical phase as Numsa’s national executive committee meets this weekend.

Sefsa, the employer body in the metal industry, has received a vote in favour of a lock-out.

The last national pay strike in the metal industry occurred in 1988 and lasted two weeks. Numsa members embarked on what it called “strategic strike action.”

It occurred at carefully chosen companies, mostly in the PWV area.

There is speculation that Numsa may not get a yes vote for a strike. But even if it does, a strike is not certain.

Given tough economic conditions, Numsa may hesitate to call a strike across the entire metal industry.

One of the key advantages of the lock-out is that even if “strategic strikes” occur, employers will be able to act on a broad scale, placing pressure on the unions.

Sefsa offers an 8% pay increase and Numsa demands 26%. The union wants a moratorium on retrenchment. Employers say it is impractical.

Sefsa executive director Brian Angus says “we would prefer a settlement — in line with the economic conditions in the industry.”

The unknown factor — likely to play a decisive role as many pay negotiations come to a head — is how political events unfold.

The parties in the motor industry are reluctant to comment on what happened in conclusion board meetings this week.

But it is believed that there was some modification of positions by both parties, which offers some cause for hope.
Office staff keep Toyota going right

6000 workforce was dismissed on July 7 Toyota began remanufacturing its factory with novice workers this week, but was giving preference to former employees. A Toyota spokesman says the response has been good and “we have more people in orderly queues than the personnel department can handle”. Recruiting continues. The timing of the return to full production is difficult to estimate because it depends on the composition of the labour force in terms of new workers and those previously employed.

About 50 Hlux vehicles have been produced each day equivalent to 40% of normal production. About five trucks are coming off the line with the help of technical staff seconded from the dealer organisation in Natal. Receptionists, clerks and typists put the finishing touches to vehicles. They fit tyres, windows and window-winding mechanisms. More demands work is carried out by artisans.

Managing director of Toyota Manufacturing Ralph Brodley says: “Our salaried staff have shown exceptional spirit and stepped into the breach to keep the plant up and running.”

“We have balanced our priorities by closing down certain administrative areas and moving these salaried staff members to the line alongside our regular plant maintenance, supervisory and management workers.”

The National Union of Metal Workers of SA (Numsa) gave Toyota management a new set of proposals on Friday. This followed a meeting between Numsa leaders and members. Toyota will consider the proposals tomorrow.

TYPISTS, clerks and receptionists have been keeping the wheels rolling at Toyota’s Prospecton plant near Durban, helping to ease the pain of a strike that has cost more than R1-billion in lost production. The strike has lasted 47 days and is costing the company about R15-million a day in lost production and R1-million in wages for workers at the plant and at component manufacturers. Orders worth more than R280-million have been forfeited by component suppliers. Many suppliers who depend on Toyota have been forced to retrench workers. Other workers have been put on short time.

As a result of the deadlock in the discussions, the
Today's talks raise hopes that Toyota strike will be settled
Heavy truck sales unlikely to top 5000 units this year

So says Mosse Mostert, managing director of Truckmakers, which manufactures and distributes the Ivecos and Samag ranges of heavy commercial vehicles. Ivecos is Europe’s second biggest truckmaker and the world’s largest manufacturer of diesel engines.

“Despite this decrease, which is potentially disastrous for the industry, we expect to increase our share of the market segment from about 6.5 percent to 10 percent this year. “Towards the end of last year, along with many others in the industry, we were positive that this year would produce a reasonable increase in the commercial vehicle market,” said Mr Mostert.

However, hopes were fading fast for a number of reasons. “The severe drought the country is experiencing is not only affecting the farming community, but has a ripple effect through just about every business in the country. “The political climate is not encouraging business to make positive decisions so necessary to stimulate the economy.”

He added that with some haulers quoting tariffs as low as between R2.50 and R2.60 per kilometre, which is about the cost of running a truck tractor, one could understand the financial institutions’ reluctance to finance new operators wanting to enter the market.

“One actually has to take a long term view for the prognosis to improve because the average age of trucks on the road must be approaching the 14 or 15 year mark which must necessitate a significant replacement programme,” he said.
Toyota strike hurting parts manufacturers

By Des Parker

As many as 10 vehicle parts manufacturers are in a precarious financial position as a result of the labour dispute at the Toyota SA plant at Prospecton. At the same time, a few small car-dealers trading exclusively in Toyota, have temporarily closed their doors, while others are concentrating on used-car sales.

Businesses up and downstream are being hurt, says John Brandtner, president of the National Association of Automotive Components and Allied Manufacturers (Naacam).

"The companies most affected are those deriving as much as 50 to 80 percent of their sales revenue from Toyota alone," Mr. Brandtner said.

"Their margins already are paper-thin and I would say about 10 of our 150 members are in a precarious position financially."

While Toyota will not say what production is taking place, it is believed salaried staff are turning out about 40 or 50 vehicles a day.
Castral South Africa

Franchising up market share

Rapid expansion

Motoki outletsfive guaranteed back-up

Can sound prices for all pockets

Boost

Countup

ACCO Group sees
drop

are proud to be

(pty) limited

providing

accommodation for all

insurance and other

services and activities

involved in the operation

of the hotel. The hotel

is located in a prime

location within the city,

offering convenient

access to business

districts, shopping

centres and transport

terminals. The

proposals for the hotel

include a range of

facilities and services,

such as conference

rooms, a fitness centre,

swimming pool, spa,

restaurant and bar.

The hotel is

expected to cater to

both business and

leisure guests, offering

high-quality service

and amenities to ensure

a comfortable and

enjoyable stay.

In conclusion, the

proposals for the

hotel provide an

exciting opportunity

for investors and local

businesses. The

proposed hotel will

contribute to the

development of the

area and provide a

boost to the local

economy.
From small repair shop to major chain

THE Midas history has its origins in a small auto-electrical repair business, Alex Cruickshank, that was established in 1954 in Selby, Johannesburg.

Four years later the business changed from the repair to the wholesaling of auto-electrical products and in 1968 the name was changed to Motolek South Africa.

In 1973, the National Automobile Parts Association, a co-operative organisation of wholesalers, was formed.

Motolek took on the exclusive marketing and distribution rights for Hella lighting products in the aftermarket in 1982, while an export department was established to trade with African countries.

The King Midas franchise retail chain was born in 1985, and by the end of that year comprised 24 outlets. A year later the Motolek Auto-electrical franchise chain commenced, as did exhaust, towbar and shock absorber fitment chains.

Fastfit.

In May 1986, Midas Ltd was listed in the Retailers and Wholesalers sector of the Johannesburg Stock Exchange. The company's name was changed from Motolek South Africa (Pty) Ltd to Midas Ltd.

Capital.

The following year Midas Ltd acquired the entire issued share capital of Alfa Romeo South Africa. The name was changed to Genuine Parts (Pty) Ltd, which acquired the assets of McCarthy Distributors. As a result, the McCarthy Group obtained 25% of Midas Ltd.

In 1983, Akala, a Natal-based warehouse distributor, was bought, as was Champion Motor Supplies. An interest was also acquired in Data Time Holdings, which in turn bought out the East London Computer Bureau. A 25% in Quay Buffalo (Pty) Ltd was acquired.

Associated Diesel Holdings came into the stable in 1989, while the Midas FS division, handling auto-electrical parts, was merged with Adco to form Parts Incorporated. The company also took control of S Silvers Motor Spares and Accessories, and Fastfit was sold.

In 1991, a controlling interest in Data Time Holdings was acquired, while the interest in Quay Buffalo (Pty) Ltd was increased to 45%.
Parts aftermarket growth expected to grow ahead of economy
CONGRATULATIONS MIDAS!

We’re proud to have played a small part in your success.

Trust NGK to put back the spark.
WHAT'S BEHIND THE NAME

Local component manufacturers need for growth

Partnership

Supporting franchises in a successful philosophy

Expanding to African countries is now a viable option

Business Day

Survey

Multi-faceted company

(Photograph: Gideon Gilo)
Kawasaki focuses on niche markets

THE Original Equipment Division of Parts Incorporated Africa, which supplies sophisticated bus fitment products, is poised to take advantage of the expected tourism boom in SA.

According to the division's Sally Hatta, overseas tourists are not only accustomed to good hotels and other facilities, but also to luxurious buses and, in particular, bus interiors. "They have been raised on graded buses, similar to our hotel grading system. If they were satisfied with the cheaper option of putting a luxury body on the wrong chassis, then that means the bus currently used for shuttling tourists around the country"

Correct

"In the first place, a bus must have a comfortable chassis and that means air suspension. The days of going for the cheaper option of putting a luxury body on the wrong chassis are over. Similarly, more attention will have to be paid to air conditioning. For each bus it will be necessary to establish exactly how much in the way of fresh air flow is required by each passenger. Hit and miss cooling and heating is not acceptable."

"Toilets will also have to be provided in the highest standard. In fact, there is a market for these various tourist requirements will be satisfied is through careful planning at the design stage. Operators, coach builders and equipment suppliers should liaise more closely to ensure that the eventual final product will satisfy the most picky tourists."

"Only in this way will all possible options available be closely examined before a final selection of interiors and exteriors is made. This will eliminate the use of sub-standard and unsuitable equipment, as well as wasteful fitment options."

On a broader front, he points out, the successful promotion of tourism will have to be drawn in to ensure that the message gets across to all involved in transporting tourists.

Range

Parts Incorporated provides a complete range of products for luxury buses, as well as fire engines, ambulances and off-road vehicles. The world-renowned range includes Bode plug doors and mechanisms, Hapco's innovative hardware and accessories, such as profiles, fittings and locks, Doga wiper and washer systems, equipment from heating, demisting and cooling specialists KL Automotive and Frenzel on-board kitchens, fridges, microwave ovens and hot and cold water boilers.

All products are backed by a 12-month warranty and service exchange units are available where required.
Advancing plays an important role

The Kingitus motor spares into gold

A variety of accessories provided

of operation

forms majority

parts division
Losing the lead

Toyota SA is casting anxious glances over its shoulder as rivals cut into its 11-year market lead. Clearly, the two-month-old strike at its Durban assembly plant is largely responsible for Toyota’s diminishing market share. But management is uncomfortably aware that a resumption of production will not automatically bring that share back to former levels.

Even if full production starts up quickly, it could be three months before stocks are back to normal. But that doesn’t mean pre-strike sales will automatically follow.

By the end of last week, the strike had cost Toyota production of about 14 000 vehicles. Of those, Toyota Marketing MD Brand Pretorius reckons that 4 000 could be permanently lost sales. In other words, while most customers are prepared to wait for their new Toyotas, some aren’t.

At an average of R40,000 a vehicle, that’s R160m in lost turnover. On top of that is the estimated R3 000 the company earns on parts and accessories over the life span of each car it sells. That could add up to another R12m lost to Toyota.

As the June sales figures show, Toyota lost leadership of the light commercial vehicle market to Nissan, and slipped badly in the heavy truck market. While sales of Corollas and Cressidas held up well, the company used most of its stocks to meet demand.

Pretorius is particularly worried about the Corolla, which represents about 45% of all Toyota sales. Stock shortages make it vulnerable to market newcomers such as the latest Honda Ballade and Nissan Sentra, which are both selling well. And with car-rental companies moving towards peak season, the pressure is building.

The company also has Cressida assembly commitments to meet before the range is phased out later this year, and doesn’t want to lose business in this category, either.

Nevertheless, Pretorius remains optimistic that, once production resumes, Toyota can repair much of the damage. He concedes that once a sale is lost, it’s gone for years until it’s time for the vehicle again to be replaced. In some cases, having broken the buying pattern and experienced an alternative, the buyer may stick with it.

But many of Toyota’s major fleet customers have agreed to reschedule delivery of new vehicles. The company has prepared what Pretorius calls a structured recovery plan once the Prospecton plant is working again. He says it will take six to nine months for Toyota to regain its pre-strike market levels.

Meanwhile, two other companies are preparing to move into a niche market that has been almost exclusively Toyota’s until now. Nissan and Ford are both about to launch double-cab, four-wheel-drive bakkies.

While a Nissan version has been available for some months, it has been built independently by another company. Now Nissan is to make the vehicle itself and, with Ford, will...
New staff for Toyota

MOTOR manufacturer Toyota is to employ new workers because no end is in sight to the dispute between the company and 6000 dismissed workers.

Sawyer 16/7/92

A Toyota spokesman said yesterday that discussions between the company and representatives of the workers failed to produce any breakthrough. "Toyota finds it impossible to accede to demands associated with an illegal and unprocedural strike which would prejudice the company."
Toyota to replace sacked strikers

SHARON SOROUR
Labour Reporter

TOYOTA SA will go ahead with plans to re-man its vehicle assembly plant near Durban after the failure of further talks to reinstate the 6 000 workers who were dismissed after striking illegally.

The company said informal discussions with representatives of dismissed employees yesterday did not achieve any breakthrough.

The representative reiterated previous "unacceptable" demands which would prejudice the company and Toyota would now proceed with its re-manning programme.

"Toyota finds it impossible to accede to demands associated with an illegal and unprocedural strike which would prejudice the company," the company said.

The 6 000 members of the National Union of Metalworkers of SA (Numsa) were dismissed two weeks ago after ignoring an ultimatum to return to work.

They were demanding to be paid for the duration of the strike because certain shop stewards who had helped with negotiations had been paid.

The company has refused to pay the strikers, sticking to its "no work, no pay" policy.

Earlier this week, chaos erupted at the plant when people applying for work were intimidated by dismissed employees.

Mediation and several rounds of talks between the two parties failed to resolve the dispute, which began on May 6.

The industrial action has cost the company more than R675 million in lost turnover.

The company said applications for employment to fill positions at Toyota SA Manufacturing, Toyota Automotive Components and Toyota Stamping Division would be processed from today to July 24.

"Toyota will give preferential employment to former employees who apply for positions in the re-manning programme or before July 24," the company said.
Toyota to hire new workers

DURBAN – Motor manufacturer Toyota is to employ new workers because no end is in sight to the dispute between the company and 6,000 dismissed National Union of Metalworkers of South Africa members.

Discussions with representatives of dismissed workers had deadlocked, a Toyota spokesman said yesterday.

Applications for employment to fill the newly-vacant positions would be processed between July 16 to 24, and Toyota would give preferential employment to former workers who applied. — Sapa
Car makers count the cost of fancy new plants

TOKYO — Nissan’s new state-of-the-art assembly plant in Kyushu was designed several years ago when the market was strong and interest rates low. The goal: to increase capacity and attract choosy Japanese workers.

It was a success on both levels. But now Nissan and other Japanese vehicle makers face the bills for costly plants that are running on line just as sales are sagging.

“Such a plant now,” said Nissan production engineering GM Kazumasa Kohatake, “would have been a disaster.”

He said Nissan spent about 1.5 times as much on its new Kyushu “dream factory” than it would have on a more traditional plant.

The state-of-the-art plant substitutes conveyor belts in the assembly process with dollies at each work station, adjusting height automatically to workers’ comfort.

The plant also allows Nissan to use adaptable robots that let a single assembly line handle any combination of up to four models and as many as eight body types. Workers can slow down cars to fix a problem without shutting down the whole line while the robots take over unpleasant or difficult assembly tasks.

The $780m plant boosts Nissan’s Kyushu manufacturing facility capacity by 240,000 to 600,000 vehicles a year, while increasing the number of workers by only about 20%.

In recent years, several Japanese car makers have invested in highly automated plants because of strong demand and worker shortages caused by Japan’s declining birth rate and the difficulty of attracting affluent Japanese to factory jobs.

Toyota has a $1.1bn factory under construction in Kyushu, near the new Nissan plant. Mazda’s $750m, 160,000-emu-a-year capacity plant was completed in Hofu during February.

But car sales in Japan fell 3.9% last year to 5.74-million vehicles. Some manufacturers’ operating profits dropped by more than 60%.

As a result the industry, which accounted for about 20% of all Japanese manufacturing investment, was slashing investment as much as possible by cutting projects that were not ready under way and postponing others.

Honda had decided to shut down its Suzuka line for three days, while Mazda was ending the night shift at its new Hofu plant.

Toyota, meanwhile, decided to stop hiring part-time workers and to roll back production of luxury cars at its new $800m Tahara plant, where it was operating only one shift. Depreciation costs among the carmakers were expected to reach a record $1.2bn next year, with prospects for a sales recovery uncertain.

“From a 30% growth in capital investment in fiscal 1990, it is likely to fall by about 10% this year,” said an analyst.

The sudden turnabout in Japan’s car industry had transformed business strategy. “In the past, they tried to build a competitive edge through continued growth in production capacity. Now the focus is on profits rather than market share,” he said.

Although Japanese car makers have amassed impressive technological and marketing powers, they have had to survive on razor-thin profits because of fierce competition. Capital investment repayment costs are slicing further into those margins. In response, Nissan and other manufacturers are trying to boost profits by raising prices, cutting costs and extending the time between some model changes.

“Our biggest concern is the labour shortage,” Kohatake said. “At first, our cost will be somewhat higher because of the larger investment, but over the years this plant will be much more efficient.” — Sapa-AP
No brakes on dispute

DURBAN — The labour dispute at Toyota SA's plants remained unresolved yesterday although there was a possibility of further talks, said a company spokesman.

Toyota's public affairs general manager Mr Flip Wilken said talks with the National Union of Metalworkers of SA on Monday were inconclusive.
Chaos as sacked strikers fight job-seekers

DURBAN — Chaos reigned at the Toyota plant in Prospecton yesterday when more than 500 job-seekers were allegedly hit, chased and threatened by about 2 000 dismissed workers whose positions they were seeking.

Police intervened, firing tear gas to disperse the workers.

The company sacked its 6 000 striking workers last week after they failed to comply with an ultimatum to return to work.

Toyota started its recruitment drive yesterday and hundreds of people arrived, some as early as 5am, looking for work.

There was panic when they were attacked, witnesses said.

"People scattered in all directions. I had to run for about 150m and jump over a high wall to escape," Anthony Nadoo said.

Police spokesman Capt Bala Nadoo said job-seekers who had arrived at the plant were intimidated and hit with bottles and stones by dismissed workers.

"In an effort to prevent a confrontation and to disperse the striking workers, the police were forced to fire teargas," he said.

However, Numsa organiser Douglas Mbambo claimed "police intimidated the workers."

He added that negotiations with the company were continuing.

Toyota public affairs GM Flip Wilkun said talks took place but no agreement was reached. He confirmed interviews with prospective employees were being held.
Toyota job-seekers stoned

Own Correspondent

DURBAN — Job-seekers took flight when dismissed workers allegedly attacked them at the strike-torn Toyota plant in Prospecton yesterday.

More than 500 people arrived to apply for jobs, but were intimidated, hit with bottles and stoned, police spokesman Captain Bala Naidoo said.

Police had fired tear gas to disperse about 2,000 dismissed workers, he added.

The company fired 6,000 strikers earlier this month.

Several job-hunters said they had arrived as early as 8am, but there was panic when they were attacked.

"I had to run for about 150 metres and jump over a high wall to escape," one said.

A National Union of Metalworkers of South Africa organiser, Mr Douglas Mbambo, said the "police intimidated the workers." He said negotiations with the company were continuing.

Toyota's general manager for public affairs, Mr Flip Wilkin, said no agreement had been reached in talks and applicants were being interviewed.

Hundreds of job-seekers filled in application forms.
Toyota strikers stone job seekers

Police fire tear smoke to disperse dismissed workers after white and Indian job seekers are attacked at Toyota plant:

Sowetan Correspondent

PANDEMONIUM broke out at the Toyota plant in Prospecton, south of Durban, yesterday and police fired tear smoke to disperse ex-workers who had stoned and chased people seeking employment.

Hundreds of job seekers arrived at the motor plant after Toyota announced at the weekend that it would start recruiting new workers yesterday following the dismissal of 6,000 workers who had been on strike for more than a month.

Talks between management and the National Union of Metal Workers of South Africa on Friday ended in deadlock.

From early yesterday hundreds of people, mainly whites and Indians, lined the gates at Toyota waiting for interviews.

According to police spokesman Captain Bala Naidoo, a group of ex-employees who arrived at the plant stoned and threw bottles at the would-be workers. They also chased them away.

"Intimidation was rife and the police were called. Repeated calls to those who were not seeking employment to leave the area were ignored. The mob jeered at police, who then fired tear smoke to disperse the crowd," said Naidoo.

It is believed a number of people were assaulted by ex-workers who did not want them at the gates.

Toyota management and personnel staff were taking down particulars of job seekers.

Last week Toyota called out its administrative staff including women to operate the plant to get out urgent orders.

Nurses' regional secretary Mr Ebiwe Eshu was busy at a meeting yesterday and not available for comment.
Body to fight 'corruption, murder'

By Michael Sparks

A coalition of nearly 50 organizations was formed yesterday to fight Government "corruption and State-sponsored murders".

Dubbed the Coalition against State Murder and Corruption (Casmac), it was formed at Wits University and plans to send a representative to Harare to address a United Nations group investigating human rights violations.

Casmac comprises a broad spectrum of trade unions as well as political and religious groups, including the ANC, Congress of SA Trade Unions, SA Catholic Bishops' Conference, SA Council of Churches, Lawyers for Human Rights, Human Rights Commission, Black Sash, Pan Africanist Congress and Five Freedoms Forum, among others.

Addressing the launch yesterday, ANC secretary-general Cyril Ramaphosa urged the public to set to force the State to be more accountable for its actions.

He challenged the public to take part in a more vigorous public outcry so that the Government could not "get away with denials of complicity in the violence".

Casmac, in a document distributed at the launch, called for the dismissal and prosecution of all Government ministers and officials who had been involved in murder or corruption.

It also called for the full disclosure of secret projects and covert operations — and the creation of a multiparty commission, involving the international community, with full powers of access and investigation into the security forces.

Casmac plans to meet Mr Justice Goldstone to voice its concern that recommendations by the Goldstone Commission are not being acted upon by the Government.

Members also hope to meet President de Klerk.

Casmac intends writing to the UN Committee Against Apartheid and the British Anti-Apartheid Movement.

Among the 18 members elected to the steering committee are Cheryl Carolus of the ANC, Kalie Ebezokom of Five Freedoms Forum, Brian Curren of Lawyers for Human Rights and John Lamola of the SA Council of Churches.

Dismissed Toyota workers stone job-seekers

OWN CORRESPONDENT

DURBAN — Pandemonium broke out at the Toyota plant in Prospecton south of Durban yesterday and police were called in and fired tear gas to disperse 600 workers who had been on strike for more than a month.

Talks between management and the National Union of Metal-workers of SA (Numsa) were deadlocked on Friday.

Job-seekers arrived at the plant after Toyota announced at the weekend that it would start recruiting new workers after the dismissal of 600 workers who had been on strike for more than a month.

"Repeated calls to those who were not seeking employment to leave the area were ignored," Toyota public affairs managing director Phil Wilks confirmed the incident.

Numsa regional secretary Eckie Essau was unavailable for comment.
Fired Toyota workers will ‘defend their jobs’

DISMISSED Toyota workers planned to “defend their jobs” when the company began re-employing in Durban today, Numsa spokesman Gavin Hartford said yesterday.

“It seems to us the company is hell-bent on escalating conflict. Our members will make every possible effort to defend their jobs,” he said.

“Toyota is setting a dangerous precedence that mass dismissals are the way to resolve strikes.”

Toyota fired 6 000 workers on July 1 following a dispute with Numsa over compensatory pay for strikers.

But Toyota spokesman Flup Wilken said yesterday the strike was illegal and the company could not be expected to pay people for not working.

Wilken said talks at the weekend broke down around the compensation issue because “no clarity emerged.”

Numsa sought to “unconditionally reinstate an agreement which fell away as a result of the illegal and unprocedural actions of its members,” he said.

The agreement included the reinstatement of a dismissed shop steward and a halt to pending litigation against the union.

Hartford said “Dismissed workers are not applying for their old jobs because they don’t believe they have lost their jobs.”

He would not say what action was planned by workers.
Toyota to start hiring

Own Correspondent

DURBAN — The giant Toyota motor assembly plant at Prospecton is to start recruiting new workers today in a determined bid to get production back into full swing after labour problems crippled the factory for more than a month.

Talks aimed at resolving the dispute with the National Union of Metal Workers of South Africa (Numsa) concerning the dismissal of 6000 employees ended in deadlock on Friday.

Radio Zulu announcers, who had been working in spite of the Mswag strike, decided to suspend their services indefinitely on Friday.
Toyota set to fire up to 6,000

Toyota is set to dismiss up to 6,000 employees today after mediation efforts on Friday failed to end the three-week strike at the company's Durban assembly plant.

"The breakdown in talks came about through National Union of Metalworkers of SA's (Numsa) intransigence in its demand for payment for no work during the current 19-day strike. In the light of this, our ultimatum that striking workers face dismissal if the do not return to work by Monday stands," said Toyota MD Ralph Broady.

A Numsa spokesman said Toyota had continued to insist that workers return to work today and raise their grievances, including those that led to the initial strike, through the proper channels.

Workers went on strike after they learned that some shop stewards had been paid for the duration of a strike in May.

He said the union had offered to shelve its demand for payment to workers for the second strike if the agreement reached after the first strike could be reinstated.

In addition, it wanted Toyota to consider a series of ex-gratia payments to the workers in lieu of the second strike once production and relations at the plant had returned to normal.

Nwanzo’s members will meet today to discuss their next step.

The possibility of "solidarity action" from Toyota workers in the Transvaal and at other motor assemblers could not be ruled out, the spokesman said.
Strike to go on

THE 18-day old "illegal" strike at Toyota SA's Durban manufacturing plants seems set to continue despite last
ditch mediation on Friday between the company and the National Union of
Mineworkers of SA (Numsa) to resolve the crisis.

Toyota SA Manufacturing managing
director Mr Ralph Broadley in a state-
ment on Saturday blamed the break-
down in talks on Numsa's "intransi-
gence" in its demand for payment for no work during the current strike.
Bid to end dispute
A CONCILIATION board will be convened in Port Elizabeth on July 13 in an effort to resolve the dispute declared by motor industry employers, the National Union of Metalworkers and the Iron and Steel Workers Union against the Delta Motor Corporation on June 22.

The corporation said in a statement, a dispute meeting had been held between the parties involved on Friday to discuss wages, job security and workers' rights.
Toyota talks fail

Last ditch mediation between Toyota SA and the National Union of Metalworkers of SA aimed at resolving the strike at the company’s Durban manufacturing facilities failed to bring an end to the strike, the company said on Sunday. "We regret the fact that mediation which took place in Durban on Friday, July 3, was unsuccessful in obtaining a solution which would bring our plants back to normalcy." Toyota SA managing director Ralph Bradley said.

STAN 6/17/92
Toyota car workers, still on strike, refuse to be fired.
Tax ‘hitting’ car industry

THE tax element in the pricing structure of cars was killing the industry and the motorist, the Automobile Association (AA) said yesterday, Sapa reported.

The AA said if the motor industry was to survive, consideration would have to be given to a complete revision or scrapping of Phase VI of the local content programme and a drastic lowering of the import duties of 119%.

"The duties should be phased down to a level of 60% over five to six years," Charlie Pretzlik reports the AA said increases in traffic fines — up to 300% in some cases — which took effect nationwide on July 1 were not the answer to SA's road safety problem.

It said the courts would not be able to cope with the increase in cases that would be defended.

CAMEROON

armbands

He said the 15 m team had all agreed because they support and democracy

Meanwhile National Congress (NOSC) T Ramovha warned would disrupt next the Wallabies and

He said people were comments attribute international rugby boss Lo

Luyt said he would to wear "peace and if they were select

Ramovha said ye rugby tours would a they went ahead, t ride

"We'll make it

PEANUT

[LOOKING FOR] GOOD REPORT CARD? LOOK AT THESE TIPS
Toyota fires 6 000 workers

TOYOTA SA announced yesterday dismissed 6 000 striking workers at its Durban plants following an ultimatum ordering them to return to work or be fired.

The company said the workers had failed to comply with an ultimatum to return to work issued on June 29.

However, the strikers said they would defy their dismissals and continue “striking” until the company returned to bona fide negotiations.
6 000 strikers sacked at
Toyota's Durban plants

DURBAN — Toyota SA announced yesterday it had dismissed 6 000 striking workers at its Durban plants in terms of an ultimatum delivered to them at the end of last month, ordering them to return to work or be fired.

"Toyota regrets to announce that 6 000 workers have been dismissed following their failure to comply with an ultimatum to return to work, issued on June 29 1992," a statement, issued by the company, said yesterday.

The dismissals follow two strikes at Toyota’s Durban plants over the past two months.

The first strike, in May, lasted 17 working days. Workers returned to work after it was resolved but downed tools a week later, on June 9, after discovering some shop stewards had been paid for the duration of their first strike.

The National Union of Metalworkers of SA described the payment of workers as a breach of Toyota's "no work, no pay" policy and demanded that all strikers be paid for the duration of the work stoppage.

Toyota, however, said the payment of shop stewards for negotiations during strikes was common practice in the motor industry and had been applied by the company in the past without any argument from Numsa.

Unwilling

Toyota said 45 days had been lost in strikes at Toyota's Durban plants, costing the company R675 million in lost turnover. Strikers lost R800 000 a day in wages.

"Toyota has made exhaustive efforts to resolve the situation. However, Num sa has continued to be unwilling or unable to secure a return to work," the company statement added.

The statement also said it was important to note the current strike was not a wage dispute, but rather an issue where Num sa are demanding that Toyota disregards the universally accepted principle of no work, no pay".

Num sa national organiser Gavin Hartford said early yesterday that Toyota had been intransigent during mediation on Friday and had been more concerned about the ultimatum than settling the dispute.

"Their position is workers must return to work with nothing after seven weeks. They seem more committed to their ultimatum than the process of mediation," he charged.

Neither Mr Hartford nor other Num sa officials were immediately available yesterday afternoon to comment on the dismissals — Sapa.
Motor industry pay talks deadlock

A DISPUTE has been declared in the motor industry after employers failed to table improved wage offers yesterday, said National Union of Metalworkers of South Africa official Mr Les Kettlelas.

The white Motor Industry Employees Union also had declared a dispute, while the Motor Industry Staff Association reserved its position.

"There was an all-round feeling that employers were not negotiating in good faith. We broke off the last meeting on June 3 to enable employers to go back and get a revised mandate.

"To propose that petrol pump attendants will not get an increase is incredible."

Mr Kettlelas said that up to 40 000 petrol attendants at over 5 000 filling stations were covered by the negotiations for a new industry agreement for some 200 000 workers.

Employers also did not take up union offers for joint discussions on the future and viability of the industry.

Numsa had tabled demands for a R2 or 25 percent wage increase, maternity and workers' rights and an end to discrimination.

The industrial council would convene on June 29 to deal with the dispute.

Meanwhile, a looming deadlock in metal industry pay talks was defused yesterday after union negotiators threatened a sit-in until Seifsa improved offers on pay and job security.

Seifsa's negotiating team agreed to seek a revised mandate from its council after the 35-member Numsa threatened to occupy the Seifsa boardroom in Johannesburg.

"Absolutely no progress was made at the meeting," said Mr Kettlelas.

Seifsa spokesman Mr Hendrik van der Heever said hopes for a settlement before June 30, when the industry's agreement expired, were remote. He said most of the 12 unions party to the talks revised their demands in response to Seifsa's final offer of eight percent.

Numsa would take part in a march in Johannesburg on Monday to highlight its demands. — Sapa
Toyota dismissals prompt new strike

unilaterally break the principle and pay a minority of shop stewards. This is what provoked the strike. The union also said nine of its members had been forced at gunpoint into the Durban plant and three had been arrested. It condemned the presence of police.

The union added that its members regarded themselves as still on strike and called on Toyota to return to negotiations. It said it had made a number of moves at mediation to break the deadlock — including offering to drop the demand for immediate payment for the strike.
**New Toyota staff ‘within weeks’**

THE strike at Toyota SA could be resolved if Numsa reconsidered its position and put forward a reasonable stance, Toyota MD Ralph Broadley said yesterday.

Management had reluctantly resorted to mass dismissals but after two months of lost production and the impact of the strike on suppliers, dealers and customers, Toyota had to bring its facilities back on line.

Numsa was demanding payment for no work for the second strike. Accession to this demand would ripple through the economy and set unacceptable precedents for labour relations, giving a wrong signal to workers nationally, Broadley said.

Toyota chairman Bert Wessels said getting the work force back was "first prize". But Toyota would have to employ new workers within weeks if there was no settlement.

Numsa said it was willing to negotiate and called on Toyota to move from ultimatums to negotiations. It said it had made moves at mediation which were rejected by the company without any counter-proposal.

A spokesman said Toyota’s industrial relations system was in tatters.
Toyota stands firm on firing of 6 000

SHARON SOROUR
Labour Reporter

TOYOTA SA has not given in on its "no work, no pay" policy and the sacking of 6,000, but has indicated the situation could be resolved if unionists changed their approach.

Commenting on this week's mass dismissal — criticised in some quarters — managing director of manufacturing Mr Ralph Broadley said the company could not accede to worker demands to be paid while on strike as it would set unacceptable precedents for future labour relations.

The repercussions would "ripple through the entire economy".

But Mr Broadley said the company hoped the National Union of Metalworkers of SA (Numsa) would reconsider its position as many of the dismissed workers had had long service with the company.

"It is our sincere hope that Numsa will reconsider its position. Providing a reasonable stance is adopted by the union the current situation can be resolved," he added.

Workers had refused to accept the dismissals and had vowed to "carry on striking", a union spokesman said.

The prolonged, illegal and unprocedural strike action had cost the company R68 million in lost turnover and 45 lost production days at the Prospecton plant near Durban.

Toyota had dismissed the workers with "deep regret and a great deal of reluctance", but after two months of lost production, amounting to 270,000 man days, the company had little option but to exercise a legal right to bring faculties back on line.

"At the core of the stayaway action that precipitated the dismissals is a union demand for payment for no work during the strike. Toyota remains firm on its stance that in no circumstances will the company consider payment for no work," he said.

To violate the principle of "no work, no pay" would give a totally wrong signal to workers countrywide and create a whole new set of problems. It would also be "grossly unfair" to salaried staff.

He said Toyota had had to consider the impact of the strike on suppliers, dealers, customers and the community.

"Aside from the losses to the company we cannot distance ourselves from a situation where losses to the community continue to build at the rate of R1 million a day," Mr Broadley said.

Mr Broadley said salaried staff had stepped in to maintain plant maintenance and limited production.

The union could not be reached for comment.
DAF to enter local truck and bus market

By Stephen Cranston

A complete range of DAF trucks and buses will be assembled at Associated Automotive Distributors' (AAD) plant in Blackheath, near Cape Town, the two companies said yesterday.

AAD, formerly Leyland South Africa, is already DAF's sole importer and distributor in South Africa, Namibia, Swaziland and Lesotho.

In terms of the agreement, a 3.5 ton van, a new series of medium-weight haulage vehicles, a heavyweight truck and a luxury coach will be available from July 1993.

AAD chairman Roman Szymonowicz said the vehicles would conform to Phase Six of the local content programme, which requires 85 percent of the vehicle to be locally sourced.

Mr Szymonowicz said Phase Six might well be substantially altered by Trade and Industry Minister Derek Keys, but that as long as it was in place DAF and AAD intended to conform to its requirements.

DAF chairman Cor Baan said DAF was optimistic about opportunities in the South African market, despite the difficulties it was encountering.

DAF and the commercial vehicle division of British Leyland merged in 1987 which, Mr Baan said, made AAD the logical partner for the assault on the local commercial vehicle market.

Mr Baan said that DAF was the long-time market leader in Holland and Belgium and since mid-1991 had been the market leader in the British market.

"The heavyweight truck market in South Africa represented just 6,000 vehicles last year," said Mr Baan, "but ten years earlier more than 24,000 vehicles were sold."

He said that DAF vehicles were known for their fuel efficiency.

DAF had pioneered turbocharging for truck diesels and other fuel-saving technological advances.

He said DAF engines emitted particularly low nitrate levels and were known for their quietness.

DAF International MD Arthur Zammit said vehicles would be shipped from Europe in kit form.

He said it was too early to say which components would be sourced locally, but promised to offer local component manufacturers maximum support.

Mr Zammit said the DAF 85 series, designed to meet new European emission legislation, would be launched simultaneously next year on the South African and British markets.

He said that more vehicles would be launched in 1994 and 1995 in the second phase of DAF's entry into the South African market.

Neither AAD, which is a private company, nor DAF were prepared to comment on the amount of money DAF was committing to South Africa.
WET OP ARBEIDSVERHOUDINGE, 1956

INTREKKING VAN GOEVERNEMENTSKENNISGEWING MOTORYWERDING


G. M. E. CARELSE,
Adjunkminister van Mannekrag

---

WET OP ARBEIDSVERHOUDINGE, 1956

MOTORYWERDING WYSIGING VAN HOOFOOREENKOMS

Ek, Glen Morns Edwin Carelse, Adjunkminister van Mannekrag, verklaar hierby—

(a) kragtens artikel 48 (1) (a) van die Wet op Arbeidsverhoudinge, 1956, dat die bepalings van die Ooreenkomms (hierna die Wysigingsoor- ekenoms genoem) wat in die Bylae hiervan verskyn en betrekking het op die Onderneming, Nywerheid, Bedryf of Beroep in die opskrif by hierdie kennisgewing vermeld, met ingang van die tweede Maandag na die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 31 Augustus 1992 eindig, bindend is vir die werkgewersorganisasies en die vakverenigings wat die wysigingsoor- ekenoms aangegaan het en vir die werkgewers en werknemers wat lede van genoemde organisasies of verenigings is, en

(b) kragtens artikel 48 (1) (b) van genoemde Wet, dat die bepalings van die Wysigingsoor- ekenoms, uitgesonder die vervat in klausules 1 (1) (b) met ingang van die tweede Maandag na die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 31 Augustus 1992 eindig, bindend is vir alle ander werkgewers en werknemers as die genoem in paragraaf (a) van hierdie kennisgewing wat betrokke is by of in diens is in genoemde Onderneming, Nywerheid, Bedryf of Beroep in die gebiede in klausule 1 van die Wysigingsoor- ekenoms gespesifiseer.

G. M. E. CARELSE,
Adjunkminister van Mannekrag

---

LABOUR RELATIONS ACT, 1956

CANCELLATION OF GOVERNMENT NOTICE MOTOR INDUSTRY


G. M. E. CARELSE,
Deputy Minister of Manpower

---

LABOUR RELATIONS ACT, 1956

MOTOR INDUSTRY AMENDMENT OF MAIN AGREEMENT

I, Glen Morns Edwin Carelse, Deputy Minister of Manpower, hereby—

(a) in terms of section 48 (1) (a) of the Labour Relations Act, 1956, declare that the provisions of the Agreement (hereinafter referred to as the Amending Agreement) which appears in the Schedule hereto and which relates to the Undertaking, Industry, Trade or Occupation referred to in the heading to this notice, shall be binding, with effect from the second Monday after the date of publication of this notice and for the period ending 31 August 1992, upon the employers' organisations and the trade unions which entered into the Amending Agreement and upon the employers and employees who are members of the said organisations or unions, and

(b) in terms of section 48 (1) (b) of the said Act, declare that the provisions of the Amending Agreement, excluding those contained in clauses 1 (1) (b), shall be binding, with effect from the second Monday after the date of publication of this notice and for the period ending 31 August 1992, upon all employers and employees, other than those referred to in paragraph (a) of this notice, who are engaged or employed in the said Undertaking, Industry, Trade or Occupation in the areas specified in clause 1 of the Amending Agreement

G. M. E. CARELSE,
Deputy Minister of Manpower

---

BLYEAE

DIE NASIONALE NYWERHEIDSRAAD VIR DIE MOTORYWERDING

HOOFOOREENKOMS

oorooreenkomste die Wet op Arbeidsverhoudings, 1956, gesluit deur en aangegaan tussen die

South African Motor Industry Employers' Association

en die

South African Vehicle Builders' and Repairers' Association

(hierna die "werkgewers" of die "werkgewersorganisasies" genoem), aan die een kant, en die

---

SCHEDULE

THE NATIONAL INDUSTRIAL COUNCIL FOR THE

MAIN AGREEMENT

in accordance with the provisions of the Labour Relations Act, 1956, made and entered into by and between the

South African Motor Industry Employers' Association

and the

South African Vehicle Builders' and Repairers' Association

(hereinafter referred to as the "employers" or the employers' organisations"), of the one part, and the
National Union of Metalworkers of South Africa

Motor Industry Employees' Union of South Africa

en die

Motor Industry Staff Association

(hereinaf refered to as the "employees" or the "trade unions"), of the other part,

being the parties to the National Industrial Council for the Motor Industry,


DIVISION A

DEFINITIONS AND PROVISIONS WHICH APPLY TO ALL ESTABLISHMENTS IN THE INDUSTRY

1. CLAUSE 1: SCOPE OF APPLICATION

(1) Subject to the provisions of subclause (3) of this clause and of clause 1 of Division B, the terms of this Agreement shall be observed in the Motor Industry—

(a) throughout the Republic of South Africa (excluding the port and settlement of Walvis Bay and the area occupied by the Cape Explosives Works Ltd, Somerset West), and

(b) by the employers and the employees in the Motor Industry who are members of the employers' organisations and the trade unions, respectively

(2) Notwithstanding the provisions of subclause (1), the provisions of this Agreement shall apply to—

(a) apprentices only in so far as they are not inconsistent with the provisions of or any conditions fixed under the Manpower Training Act, 1981, and

(b) trainees undergoing training under the Manpower Training Act, 1981, only in so far as they are not inconsistent with the provisions of or any conditions fixed under that Act.

2. DIVISION B: CLAUSE 9: ANNUAL LEAVE

Add the following at the end of subclause (5)

"and in the case of a motor vehicle sales person or supply sales person it shall be calculated on an amount equal to twice basic monthly remuneration paid, not exceeding R4 000 in the aggregate"

3. DIVISION C: CHAPTER IV: CLAUSE 4: WAGES

In Note 2 of subclause (1) substitute "R227,70" for "R225,45" and "R5,06" for "R5,01" for the wages prescribed for an Operative Grade B

Signed at Cape Town, on behalf of the parties, this 28th day of January 1992

T. NIEUWOUTD,
President of the Council

C. S. ROBERTS,
Vice-President of the Council

H. C. L. LOCK,
General Secretary of the Council
Bleak outlook for car sales

By MAGGIE ROWLEY
Deputy Business Editor

NEW vehicle sales in all four sectors rebounded in June but still remained well below figures achieved in the same month last year and further difficult months lay ahead, according the National Automobile Association of South Africa.

Thanks to strong demand for recently introduced new models, new car sales in June—traditionally the best month for car sales—rose 12.7% to 15,477 units against May's 13,729 unit sales but were still more than 14% down on June 1991 when 18,016 new cars were sold.

Sales of light commercial vehicles, bakkies and minibuses were up 11.7% on May at 7,682 units but showed a 13.6% decline against June 1991 sales.

Medium and heavy commercial vehicle sales notched up welcome gains in June although off a very low base in May rising by 17.6% to 294 from 241 and by 28.7% to 493.

Heavy trucks and buses also showed a nominal improvement in sales compared to the corresponding month a year ago—493 against 486—despite the fact that one manufacturer failed to disclose sales figures for June resulting in a lower figure than would otherwise have been the case, said Naamsa.

Year-to-date sales in all four sectors also remained well below corresponding levels achieved during 1991. New car sales for the first half of 1992 remained 13.1% below the sales level recorded during the first six months of 1991. Light commercial vehicles sales were down 12.5% while medium and heavy commercial vehicles recorded declines of 21% and 9.9% against the corresponding six-month period last year.

Naamsa warned that in spite of the modest rebound experienced during June trading conditions in all segments of the market would remain extremely difficult during the months ahead.

Declining private consumption expenditure and sharply lower fixed investment trends as a result of the prevailing low levels of consumer and business confidence, coupled with tight monetary and fiscal policy as well as the adverse effect of the drought and continued uncertainty about socio-political developments would continue to have a negative effect on the short- to medium-term performance of the industry.

"Moreover the negative impact of the prolonged industrial action at Toyota SA Manufacturing is expected to be reflected in the industry's aggregate July 1992 sales figures," said Toyota MD Brand Pretorius.

Pretorius said in a statement it was clear from the figures there was little hope of a turnaround in the market in the immediate future.

These figures, he said, had to be seen in perspective as June was traditionally the best sales month and this year had three more selling days than May.

"Traditionally sales for the six months to June are 48.5% of the total for the year and if we apply this statistic to the current year we are looking at a market of 187,000 but this may be an optimistic figure. The market could dip as low as 180,000 units," he said.

While it was impossible to quantify the effects of the strike on Toyota and the market as a whole, Pretorius estimated that Toyota lost between 800 and 1,000 passenger car sales opportunities in June and that the strike would distort the market for some months.
AAD, DAF sign deal for city plant

From EDWARD WEST

JOHANNESBURG. — NETHERLANDS-based DAF International yesterday signed an agreement with SA's Associated Automotive Distributors (AAD) for the assembly of a complete range of DAF vehicles at AAD's plant in Blackheath.

The agreement followed DAF International's appointment in March of AAD as the sole importer and distributor for SA, Swaziland, Lesotho and Namibia.

Neither company wished to disclose the value of the agreement, but AAD chairman Roman Szymonowicz said it represented a vast investment from both companies.

AAD's Blackheath plant, currently the biggest assembler of Land Rovers in the world outside the UK, would need upgrading plus restructuring and its distributor network needed to be enlarged, he said.

The first SA-assembled DAF vehicles, including 3.5-ton trucks, a new series of medium-weight haulage vehicles, 296kW maximum-weight trucks and luxury coaches, would be launched in July 1993.

DAF export sales MD Arthur Zammit forecast SA's commercial vehicle market, which topped 6,000 units in 1991, would double by 1995. AAD planned to sell about 2,400 DAF vehicles within three years. Certain models would be exported.

DAF would also contribute to a pilot scheme to train SA commercial vehicle drivers in better vehicle handling.
SAFICON

Taking precautions

Activities: Traded motor vehicles and makes motor vehicle components
Control: Sekure 51.4%
Chairman: S Borsook, CE K J Hipper
Capital structure: 31,1m ords Market capitalisation: R124,6m
Share market: Price 400c Yields 3.3% on dividend; 13.3% on earnings, p/e ratio, 7.6, cover, 4.1 12-month high, 725c, low, 400c
Trading volume last quarter, 13 000 shares

Year to over 31 89 90 91 92
ST debt (Rm) 12.8 57.8* 66.6* 64.8*
LT debt (Rm) 16.1 22.1 17.0 17.8
Debt equity ratio 0.70 0.69 0.51 0.39
Shareholders' interest 0.44 0.41 0.29 0.30
Int & leasing cover 10.6 4.3 2.1 2.0
Turnover (Rhm) 1.3 1.46 1.46 1.53
Pre-tax profit (Rhm) 66.0 84.2 55.3 44.8
Profit margin (%) 5.1 6.8 3.8 2.8
Net worth (Rm) 220 149 49 53

* From 1990 includes capitalised finance leases

Increasing the dividend cover despite the lower gearing suggests management believes the outlook remains optimistic. In fact, in what must be one of the more comprehensive annual reports published, economic, motor and building industry outlooks are given. It does not suggest rosier prospects.

The review assumes GDP growth will not exceed 0.5% for fiscal 1993, while passenger car sales are predicted to increase by 2 150 units to 195 000, still down on 1991's 210 000.

Given the marginal growth in car sales, expected this year, it was probably prudent to have increased cover.

In the 1992 year, trading margins decreased to 2.9, as turnover declined in real terms and economies of scale worsened.

Chairman Sidney Borsook notes management has to evaluate carefully the implications of taking a short-term outlook through relinquishing infrastructure that took years to build up.

For instance, giving up prime locations in downturns amounts to long-term suicide, as good sites are difficult to come by. But the need to ensure that a suitable infrastructure is available in upturns may mean that economies of scale deteriorate in recessions, as

Saficon's Borsook a bigger stake in housing

fixed costs represent a fairly high proportion of total costs

Apart from sales volumes, though, profitability was restrained by a narrowing of gross profit margins owing to competitive pricing pressures.

Turnover of Cargo group, a Mercedes-Benz and Honda franchisee, dropped R2,65m to R655m, with its contribution to group turnover decreasing to 4% (46%).

Turnover at the Volkswagen and Audi franchises, held through Lindsay Saker, jumped 8% to R680m. Its contribution to group turnover, at 44%, was the largest since at least 1985.

Borsook says the Porsche and Jaguar operations, accounting for 5% of last year's turnover, are "a difficult part of the business," particularly with the crippling import surcharges. But the picture considerably differs at trading profit level, as it's likely the Cargo operations work on higher margins.

The 19% drop in trading profit was partially offset by the lower interest charges, the result of careful attention to working capital.

Year-end stocks dropped to R181m (R193m), a creditable accomplishment, while accounts payable rose 16% to R157m.

Lower interest charges were not sufficient to reverse the narrowing of the cover, which has dropped to 2.0, down from the previous year's 2.1 and 1990's 4.3.

Had it not been for the sharply increased equity accounted contribution from the for-

mer associate Boumat, a supplier of materials to the building industry, EPS would have dropped.

Boumat became a subsidiary after Saficon increased its holding from 32% to 51% from April 1. Saficon management has recently given great attention to developing a strategy for the new subsidiary. Borsook justifies increasing the stake through his bullish outlook, explaining housing is in a "massive deficit."

This acquisition elevates the group to the big league. Had the results been consolidated last year, turnover would have been R2,7bn, with trading profit at R84m. EPS, on the other hand, would have declined to 50c on the increased issued shares, while net worth would have fallen to 372c. Gaming also drops.

The SA motor industry is unusual. Though a passenger car is made almost essential by the poor public transport system, the man in the street has to work three times longer than his German counterpart to pay off a car, such is the price of the local content programme and inflation. Insurance costs are similarly skewed.

However, the business sector accounts for as much as 80% of Saficon's car sales. Parts and service help to reduce the vulnerability to economic cycles.

After the volatile business climate of the past year, which remains uncertain, management has abandoned giving a specific EPS forecast. Borsook does say trading conditions are not expected to recover, though productivity and profitability are expected to improve.

EPS has plummeted to 53c from 1992's 147c, a significant drop in both real and nominal terms, and the market believes the outlook is still bearish, indicated by the 325c drop in the share price over the past 12 months, to 400c. The 13.3% earnings yield is marginally higher than McCarthy's 11.8%, which may be explained by McCarthy's wider spread of franchises. The rating is probably fair.

William Griffiths
Ready for the tourists?

How good are the R1m locally made luxury coaches? Tour bus operators say the quality is poor and they want the duties scrapped on the cheaper — and they say better imported coaches. But local coach builders say that, while they may cost more, their products meet a high standard and they want the effective 88% tax on imports left alone.

The operators took the issue to government a few months ago and Trade & Industry Minister Derek Keys cut the 110% tariff in half. But the gesture doesn’t mean much because, after the import surcharge and VAT are added, imported coaches still cost about R300 000 more than those made locally. The operators plan to plead their case for a second time with Tourism Minister Org Marais.

But Keys, who must approve all tariff changes, is not expected to reduce the protection further, he believes that the tourism-industry jobs created by more satisfied overseas travellers would not offset the jobs lost if SA stopped making the small number of coaches it produces now. For the time being, however, most operators are not buying locally made coaches, instead they’re hanging on to their ageing fleets and hoping that soon they’ll be able to buy European, American or Japanese units.

The debate is important because, if the impasse isn’t resolved soon and operators don’t begin buying more coaches, they may not be able to cope with the flood of overseas tourists expected after October when Europeans flee south to escape their winter, says Riccardo Dell’Erba, MD of Sprungbok Atlas, one of the biggest operators.

Hotels, now operating at about 50% occupancy, and other under-used tourism facilities, will not be strained by an influx of tourists. But according to the National Association of Automobile Manufacturers of SA, there are only about 400 coaches on the roads in SA now, probably not enough to cope if hordes of British and German tourists, with their hearts set on Garden Route or wine country tours, materialise.

“Unfortunately, some operators own outdated and unreliable fleets and will not cope with the demand when tourism picks up,” says Christo Bester, GM of Autonet’s Coach Express, a Transnet subsidiary and probably the biggest SA touring-coach operator. “Those that have been updating their fleets continuously will cope with any increase in demand.”

Dell’Erba says Sprungbok Atlas’s business was up 90% in the first quarter of this year, compared with the same period last year, “and 99% of those who boarded our buses were from overseas.” The SA Tourism Board’s latest figures show a 20 950, or 15.6%, increase in the number of overseas visitors in the first quarter of the year, compared with the same period last year. It expects a 12% increase in overseas visitors overall this year. This outlook has dimmed slightly in recent weeks because of the widespread international publicity given to the Bophuthatlong massacre and the ANC’s break-off of talks at Codessa, some visitors may decide to cancel their trips.

Dell’Erba would like to buy European coaches, at R650 000-R700 000 apiece. But the duties put the imported price out of reach: “We would have to charge fares that would be unacceptable to foreign tourists, and certainly to local tourists, to get a decent return.”

But he doesn’t see an alternative in buying locally made coaches. “There isn’t a coach in SA that a European would regard as a luxury coach. They are luxurious by SA standards, but not by European standards, and tourists compare them with what’s available overseas.”

“Our products are poor adaptations. We cannot expect people skilled in building commuter buses to be skilled also in building luxury coaches. And the chassis they use here for our semi-luxury buses are meant for other uses and have been modified.”

He says five coaches that Sprungbok Atlas had built in SA were too heavy over their front axles and had to be redesigned and rebuilt. A competitor’s locally built double-decker touring coaches don’t have enough luggage space, so they haul trailers. Builders say this is because the vehicles were built for inter-city commuter work, not to take tourists around game parks.

His scathing criticism has understandably met with a fierce reaction from builders, who construct the coaches over chassis and engines supplied by manufacturers such as Mercedes-Benz, Rob Duff, MD of Dorbyl Transport Products, which owns Busa, the biggest coach builder, says the local industry makes coaches that are every bit as good as any imported used coach — which he fears tour operators will buy if duties are eliminated — and very close to the quality level of any new imported coach.

He adds: “Considering the small local demand, the industry has taken quantum leaps forward in its own quality levels.”

Neville Roome, a spokesman for Mercedes-Benz SA, says that, though the bodies obviously differ, a large percentage of overseas coaches are built on the same Mercedes-Benz 0303 chassis we use in SA.”

ERF MD Di Davies agrees that price is an obstacle to buying locally made coaches, which’s why he believes operators want to import used equipment. Builders say they could reduce their prices if they had greater volumes.

“However,” Davies says, “the vehicles the industry is producing now are far superior to the older coaches that tour operators are offering to tourists.” Sprungbok Atlas’s fleet, for example, is three to 12 years old.

Coach Express, for its part, is siding with the locals — last week at took delivery of 12 new locally built units. Says Bester: “Their quality has improved so much that they now compare favourably with the imported products.”
New car models boost June sales

EDWARD WEST

The launch of new car models in the first half of 1992 set the stage for the 12.6% increase in June vehicle sales over May, but year-on-year monthly sales were still down 13.5%.

Total vehicle sales in June were 23 916, compared with 22 299 in May and 27 791 in June 1991. Year to date sales of 140 999 units were 13% lower than the 163 019 sold in the first six months of 1991.

While the monthly improvement in sales was encouraging, trading conditions would remain difficult in the months ahead, the National Association of Automobile Manufacturers of SA (Namas) said. The impact of the strike at Toyota SA was expected to be reflected in July sales figures, it added.

Toyota marketing MD Brand Pretorius said the results were not quite what the company had hoped for, but he was satisfied they were in the right direction.

Sales of medium and heavy commercial vehicle sales in June climbed 17.3% to 224 and 29.7% to 498 respectively compared with May.

Sales of heavy trucks and buses recorded a nominal 1.4% improvement compared with the same month a year ago.

Namas said a number of factors would continue to have a negative effect on the industry during the rest of the year.

Car sales

The new vehicles were launched without a major advertising campaign, as consumer confidence was still low.

Despite the strike, Toyota's Corolla remained the best-selling car with 2 478 sold. Nissan sold 1 629 of its recently launched Sentras while 1 619 of the newly launched Honda Ballades were sold. Volkswagen sold 1 663 Citi Golfs while BMW sold 1 018 3-series units.

Pretorius said June sales did little to reverse the downward trend in the market. June was traditionally the best sales month of the year and this year had three more selling days than in May.

Nissan SA Marketing MD Stephanus Louw was similarly pessimistic about prospects. He predicted that sales in the second half of 1992 would be only slightly higher than the first six months because of the introduction of new models.
Toyota and
Numsa
begin talks
on dismissals

Workers' jobs now hang in the balance:

TOYOTA SA's management and union leaders are to meet in Durban today to discuss the dismissal of 6,000 striking workers, according to a company spokesman.

The announcement of the talks follows a letter from Toyota to the National Union of Metalworkers of SA advising them that unless the union presents reasonable proposals for the re-employment of the dismissed workers by 4pm today, the company will start employing replacement workers on a permanent basis.

Numsa's national organiser Mr Gwyn Hartford said yesterday that the tone of management's letter was "a request to reopen negotiations".

Hartford said union leaders would meet workers at the plant this morning before meeting management. — Sapa
The Durban community is losing R1m a day as a result of industrial action, which by the beginning of this week had resulted in 270,000 man-days in lost production at the Prospecton vehicle assembly plant on the outskirts of the city.

In short, everything is still stalled at the facility. Toyota has dismissed 6,000 workers for failing to obey a return to work ultimatum. Workers, on the other hand, are adamant that they are still on strike.

And it is a dispute that one side simply cannot afford to lose and the other must believe it can win. Outside the industry the feeling is that if the impasse continues the wrangle is likely to degenerate into an "ugly affair" — particularly if Toyota begins recruiting replacement workers.

Even 11th-hour mediation failed to resolve the quarrel — the second since the workers walked out on May 6 when car workers, members of the National Union of Metal Workers (Numsa), downed tools for 18 days in a dispute about supervisory staff.

A week after the issue was resolved, the current stoppage began over worker demands for strike pay during the first dispute — a claim based on the fact that some shop stewards were paid during the first stoppage Toyota concedes that it paid the stewards but maintains this is accepted practice in the industry.

Losses mount

By the beginning of this week, 45 days' production had been lost through the two disputes. Furthermore, Toyota says it has lost more than R675m in turnover, while workers' lost wages run to more than R30m.

The components industry, which depends on Toyota for about 30% of its market, has lost some R190m.

What can be done to restore production?

One labour relations consultant believes the only answer is to press ahead with mediation until the issue is resolved. "So far it's only been tried once and then only for a day. Get new mediators, turn the issues around and whittle them away until there's an agreement. The alternative is too ugly to contemplate."

Toyota says in the light of the dismissals it is currently drawing up contingency plans. However, perhaps understandably, it hasn't divulged any details. Numsa regional secretary Ekkoe Esaü says the union is standing firm on its demand for compensation, though the level is negotiable. He adds that the union is to meet with workers today (Friday) to discuss a possible resumption of negotiations.

"Workers don't consider themselves fired even though Toyota has already started trying to re-recruit some of them," says Esaü.

Pat Stone, senior partner at labour consultants Andrew Levy & Associates, believes the impasse arose because the "band aid" settlement of the first strike gave the union the false impression that Toyota would go to any lengths to avoid industrial action. They, therefore, chose to take the power route to gain advantage over the company. But Toyota cannot accept the principle of pay for people on strike. It would be a precedent which would result in anarchy.

This view is endorsed by Toyota Manufacturing MD Ralph Bradly. "The dynamics and repercussions would ripple through the entire economy and set unacceptable precedents in future labour relations."

He has a point.
Numsa, Toyota seek solution to strike

NUMSA and Toyota representatives were to meet today to seek a solution to the strike by 6,600 workers in Durban and Johannesburg after Toyota told the union it would begin recruiting permanent workers next week.

Numsa said Toyota's letter amounted to a request to reopen negotiations. Meanwhile, Numsa yesterday rejected Toyota's assertion that sections of its plant were running at up to 40% capacity.

A Numsa spokesman said even if it were true, customers should be warned that most of the production would have to be scrapped. (1/2)

He said when workers returned to work after the first strike, not one car had been produced. During the second strike the company tried to produce a car, but it was "overburnt" and crudely spraypainted and headed for the scrapheap. (1/2)
Wheels fall off the Volkswagem myth

Makin cars cheaper is harder than it looks. People who think that all they want is a Volkswagem are kidding themselves, says Arg Runnym.

A writer in a Sunday newspaper recently enuined luxury tax concessions. Removing the company car tax relief, he suggested, would make cars less expensive.

It's difficult to know what effect the car market would be of making cars tax neutral for managerial employees.

Possibly putting a brave face on it, Peter Chetwy of Mercedes-Benz SA reckons the tax the car perk already attracts means that not much more would be done to tax company cars and car allowances.

Assuming an end to buying of cars with compare prices, he said, it would back, likely the only pillar now holding the passenger car business up would be knocked out from under the motor industry.

An estimated 75 percent to 80 percent of new vehicles are bought through either a company car allowance or company cars. It could exacerbate a move already under way to cheaper vehicles.

Indeed, Toyota has welcomed a more "intensive" attitude to car buying. Pop has accompanied itself to such an extent, which gives employees a wider choice of cars.

Cheaper doesn't mean cheaper. Motors tend to "buy down", as price rise, from Gmm in performance or luxury vehicles to cheaper and still advanced (and expensive) Japanese vehicles with "executive options" such as fuel injection, airconditioning, electric windows, power steering and leather seats.

If it came to the crunch, and no tax relief was available, Toyota marketing manager managing director Brand Proprietor reckons employers would have to adjust their compensation packages to pay people more to buy cars out of after-tax money.

Pretextus points out "The cost realities are, and they're still there for everybody to see." However, he now, they believe high labour costs, high inflation as locally produced cars, and a combination of the two, is theएयकतम that has been held down by the government of the currencies of the countries where the technology and skills of the parts come from, and a complex and costly local content program.

It adds that the motor industry was profiting, would be seen in the financial statements of carrier manufacturer Toyota, the listed dealer, or the component manufacturers, Noris, suggests, are making excellent profits.

This is slightly misleading, in that sufficient

BUSINESS BARMETY

The key indicator of business confidence in South Africa, the financial risk discount, plunged further ver the second quarter of the year and is expected to remain in the second quarter of the year and is expected to remain.

The Survey of Consumer Sentiment conducted by the Johannesburg Stock Exchange. The JSE overall index closed midweek at 2 994 down 3 7 percent on the week. Industrial shares slumped 7 04 percent from 10 percent down in a month.

Business indicators point downwards

The South African Chamber of Commerce's financial risk discount, a measure of business confidence, has been affected by mass action threats and violence, and the slight improvement in confidence levels in its Manufacturing Survey shows an industrialist expectation that conditions in women in the short and medium term.

S&amp;A's Business Confidence Index, a composite leading indicators also dropped, but only slightly, showing that although political policy, recent events have had little effect on business conditions.

S&amp;A's Business Confidence Index

and car sales outlook still bleak.

An important indicator of the state of business is the business confidence index, which shows the overall level of confidence in the economy. The index is calculated by summing the number of jobs in different sectors of the economy and dividing by the total number of jobs.

In the second quarter of 1992, the index stood at 152.5, slightly higher than in the first quarter of 1992, but still well below the peak of 167.5 recorded in the fourth quarter of 1991.

The survey found that the manufacturing sector remains the most optimistic, with an index of 155.5, followed by the construction sector at 151.0. The services sector has the lowest index at 143.5.

The survey also found that employment growth remains weak, with only 0.7% growth in the second quarter of 1992 compared to 2.0% growth in the first quarter of 1992.

The survey also found that inflationary expectations remain high, with a headline inflation rate of 8.5% in the second quarter of 1992 compared to 7.0% in the first quarter of 1992.
Toyota strike talks collapse

DURBAN — Talks between Toyota and the National Union of Metalworkers of South Africa to end a strike at the company’s plant here broke down again yesterday afternoon and the company will now start employing replacement workers.

Toyota dismissed 6,000 workers on Monday when they failed to meet an ultimatum to return to work after an “unprocedural” strike. — Sapa
We'll hire new men, says firm

DURBAN — Talks between Toyota and the National Union of Metalworkers of SA aimed at ending a strike at the company's Prospecton, Durban, plant broke down yesterday. The company now will start employing replacements.

A spokesman said the union presented new demands.

Toyota dismissed 6,000 workers on Monday when they failed to return after an "illegal and unprocedural" strike. — Sapa
Toyota strike toll
R16m a day

By DON ROBERTSON

TOYOTA is losing R16-million in revenue and employees of the company and its suppliers forfeit more than R1-million in wages every day.

That is the cost of the strike at the Prospecton plant near Durban which could seriously damage the company and impede labour-employer relations.

The illegal strike and subsequent dismissal of hourly paid workers has left both sides in a no-win position.

The strike, which the National Union of Metal Workers of SA (Numsa) prefers to call it out of spite of the fact that workers have been tired, has lasted more than 40 days.

Toyota has lost more than R100-million in production and employees have given up more than R40-million in wages.

The effects of the strike have spilled over into the component industry Toyota has withheld orders worth R174-million in the past two months, about 10% of the figure being the labour content.

Longest

The company buys components from more than 150 suppliers and about half of them have been so badly affected that they have had to put workers on short time.

Some have retrenched employees.

Before the strike started on May 6, Toyota workers had been away for eight days, resulting in lost sales of R120-million and R8-million in wages.

Toyota was producing 430 vehicles a day, suggesting a loss in production of at least 15 000 units, or 15,5% of last year's sales.

The strike is the second-longest in the history of the motor industry, beaten only by the 10-week stayaway at the Mercedes-Benz plant in East London two years ago.

The first Toyota strike started on May 6 and lasted 14 days. It resulted from worker dissatisfaction with management in certain areas of the plant.

An agreement was reached on June 2, entailing a compromise about the position of three managers and the re-employment of a shop steward dismissed by a supplier.

Metlink, last October Metlink was taken over by Toyota in April.

Principle

Toyota says that although the allegations against the managers had “little substance”, transfers were agreed to Num sa members agreed to return to work.

Production did not return to normal and union members went on a go-slow at Metlink.

The second strike began on June 9, union members complaining that some shop stewards were paid during the negotiations. It asked for all workers to be paid. This strike has lasted 25 days and cost R362-million in lost production.

Toyota says the dispute does not concern pay. Toyota refused to pay striking workers on the principle of “no work, no pay”.

Toyota Manufacturing managing director Ralph Broodley says “To violate the principle of no work, no pay would give a totally wrong signal to workers.

Whole new set of problems It would also be grossly unfair to salaried staff.

An amazing aspect of the strike is that a large number of workers have long service with the company and their security of employment has been jeopardised by Numsa’s intransigence.

“IT IS OUR SINCERE HOPE THAT Numsa will reconsider its position. Providing a reasonable stance is adopted by the union, the current situation can be resolved.”

Toyota Marketing managing director Brand Pretorius says vehicle stocks at the plant and at dealers are equivalent to about two weeks’ supply compared with a more normal six to eight weeks.

Mr Pretorius says the company’s interim results for the six months to June, due to be published in August, could be affected by lower sales in May and June.

Toyota has been able to continue production on a limited scale with the use of salaried staff. Technical staff from dealers in the Natal region are helping the plant.

For the past two weeks at least, about 50 vehicles have been produced each day.

The sympathetic strike by about 350 workers at the parts warehouse in Sandton, has also largely been overcome as all daily requirements are being met.

Toyota warned Numsa on Friday that if the matter had not been resolved by the weekend, it would begin employing new staff with no further response to the union.
R551m from deals in nuts and bolts

"I'M INNOCENT," claims Heinz Jurgen Rohde, managing director of provisionally liquidated CET Trading, from his mother-in-law's house outside Hamburg in Germany.

Mr Rohde and CET are being investigated for an alleged R551-million fraud — possibly more — by the Office for Serious Economic Offences.

Industry senior executives say the scale of the fraud was so great that it increased all new-car prices last year.

Hendrik Malan, one of the liquidators who works for Pretoria attorney Ross and Jacob, says "He allowed us to interview him in Germany."

"He claims he is innocent and was misled by others. He seems to be a little perturbed at any suggestion that he has done wrong."

Mr Malan and fellow-liquidator Laurence Pragnell went to Germany, Switzerland and the UK to unravel the web of transactions which enabled Mr Rohde and CET to allegedly spirit R551-million out of the country by claiming huge export rebates in terms of Phase Six of the local content programme for the motor industry.

Years

Mr Rohde left SA in January when the Reserve Bank, Carondelet, the Pretoria Department of Trade and Industry started to investigate how auto nuts and bolts exporter managed to generate such huge export sales.

The Reserve Bank became suspicious when export earnings were left abroad.

"We are not sure how it happened," says Johann Lambrechts, deputy director-general at the Department of Trade and Industry.

The CET investigation will take years and creditors can expect a fraction of what they are owed. It is still uncertain how much CET owes creditors, says Mr Malan.

Phase Six started in 1989 and allows SA component manufacturers to claim a rebate of 50c in the rand for exports.

To claim the rebates, component-makers must export under the aegis of a vehicle assembler. It receives a percentage of the rebate, generally between 10% and 30% by valuing the value of the nuts and bolts, export figures can be inflated by as much as 13 times.

The liquidators believe CET was a scam operation from the day it opened about seven years ago.

CET sold its Phase Six exports through Toyota.

"No fraud has been proven," says a Toyota spokesmen. "The investigation is to establish whether fraud was committed."

"Whatever the outcome, we can state categorically that Toyota acted honestly and in good faith. The first allegation was made of possible fraud by CET, Toyota immediately suspended its agreement with it."

Real

CET stocked the nuts and bolts in a Rotterdam warehouse.

Mr Malan says Mr Rohde exported the nuts and bolts to his own companies in Jersey and Germany, overstating their worth by an average of three to six and a half times. Salus of R551-million represented goods worth about R156-million. By over-invoicing to the time of about R400-million Mr Rohde was able to claim rebates of R275.5-million.

It seems CET was exporting the nuts and bolts to foreign companies owned by it. The inter-company transfers is said to have involved fictitious invoices.

But the export earnings were never repatriated, says Mr Malan. It appears that Mr Rohde had accomplices in Germany and the UK.

He is believed to have fallen out with his German accomplice a year ago and opened another company in Jersey called Industride. It became the offshore headquarters for CET.

The nuts and bolts continued to be warehoused in Rotterdam. Some stocks were sold to bona fide end users, but at roughly the same price at which CET bought them in SA. It did not matter because the real money was being made on the Phase Six rebates.

The liquidators said what remains of CET's stocks in Rotterdam for R15-million last month. The proceeds were placed in an escrow account abroad for distribution to creditors. That and about R15-million in vehicles, antiques and properties, as all that remains of Mr Rohde's and CET's SA assets.

Mr Malan says Mr Rohde, aged about 50, is a giant of a man who left Germany in the early 1960s without a cent. Within a few years he had become a multi-millionaire owner of a fleet of cars, including classics, Porsches and Jaguars.

He sent 10 vehicles to the UK before leaving SA. The liquidators are trying to recover R5-million worth of vehicles in the UK.

He lived at 238 Bryanston Drive in Johannesburg and operated from plush premises in Randburg.

He had a weakness for antiques, but no idea of their worth. He bought one piece of antique furniture for R138 000. It was later sold by a dealer for R7 500.

Border

There is no extradition treaty between Germany and SA. The liquidators have issued summons against Mr Rohde in Jersey in an attempt to recover funds allegedly accumulated by CET's foreign company.

Mr Rohde allegedly withdrew DM1-million from a Jersey bank account belonging to CET.

Mr Malan says "We are looking for other possible contraventions in Germany or elsewhere. We will try to sequestrate his estate. We believe that withdrawal of some cheques from the CET offshore accounts constitutes a criminal action. But cross-border action is difficult and this one will take years to sort out."

See page nine
The dubious working of Phase Six local content

The controversial Phase Six local content programme has raised car prices and destroyed jobs. But hardly anyone knows how it works. CIARAN RYAN reports.

Penalties

Excise is charged in proportion to the manufacturer's shortfall on the local content requirement. The gazetted excise is 40%, but companies which meet the 75% local content requirement pay only 25% to the State.

Unlike normal excise, Phase Six's excise is notional as manufacturers meet local content requirements if they do not, they incur penalties.

Buyers say they receive no benefit from Phase Six, only penalties for not meeting requirements.

Manufacturers argue that when Phase Six was introduced in 1989 a notional excise duty of 27.5% was rebateable to manufacturers who met the 50% requirement — which every car sold then. It was decided that the "simplest" way — from a legal point of view — to legislate Phase Six in terms of the Customs and Excise Act was to rebate a notional excise duty to the manufacturers equal to half of their local content. Local content was defined as the wholesale price less foreign currency usage.

Here is it that an "excise" of 27.5% means no revenue to the State or to manufacturers.

Because all manufacturers satisfied the 55% local content target when Phase Six was introduced, the difference between the duty and the rebate — 27.5% — was zero. It did not represent an actual source of revenue for the State at this local content target and had no effect on vehicle pricing.

If a car's wholesale value is R100,000 and foreign currency spent on its manufacture is R40,000, it is deemed to have a local content value of R60,000, or 60% Excise duty is charged at 40% of the notional excise duty of R100,000 to R40,000, 25% of which goes to Customs and Excise and is non-rebatable.

The balance of 37.5% — R37,500 — is rebateable if the manufacturer meets the 75% target.

The rebate is calculated at 50% of local content value — in this example R40,000. The manufacturer can therefore claim back R20,000 of the R60,000 excise duty, so the actual excise payable is R40,000.

Companies can also increase local content targets by exporting. Net export earnings can be used to reduce local content used to 75% or more.

Norbert Johnson, executive director of the National Association of Automobile Manufacturers of SA (Naaams) says: "We are now beginning to see the impact of Phase Six on the industry." In the first year after Phase Six was introduced, vehicle and component exports were R400 million in the second year R449 million and for the third year are projected at R1,2 billion.

The average local content for cars valued at R100,000, according to Mr Wessels, if one includes the benefits of exports. The median average rebate claimed is 34.5% (half of 69%) Excluding exports, the average local content is about 60%, says Toyota chief executive Bert Wessels.

Economists say the scheme is inflationary and puts new cars further out of reach of the average person.

Vehicle assemblers are allowed to export components on behalf of SA manufacturers and split the excise rebate with them, while claiming the full benefit of export earnings to raise local content.

Freedom

Phase Six is intended to save foreign currency and promote investment. By allowing manufacturers to claim excise rebate, there was hope that the greater economic scale would restrain unit price increases and boost employment.

Phase Six allows greater freedom to indigenous components and it was hoped that this would help to reduce inflation.

In December 1991, Phase Six was changed so that companies exceeding local content targets could not be subsidised by the underperformers. The self-funded pool mechanism ceased to operate. Since December each company may claim rebates only on excise paid on cars sold by itself and not on those of its competitors.

Mr Vermeulen says the pool was bled dry.

"Some manufacturers were able to reach their targets more easily than others Thus meant that they were subsidised by competitors. Excise duty and local content targets had to be continuously increased to raise the revenue for the pool. It was like a dog chasing its tail.

Between December 1989 and December 1991 the local content requirement was raised in stages from 25% to 75% and excise (by exactly half the local content requirement) from 37.5% to 75% plus 2.5% which is retained by the State. This 12.5% increase in excise was passed to car buyers.

Doubt

Mr Wessels says Phase Six requires fine tuning in the short term and should not be scrapped. In the longer term, the number of SA-made models should be cut.

"It would be better if we were given quotas to import completely built-up units (CBUs), say, between 10% and 20% of our total requirements.

"We should continue to make the higher-volume cars and import CBUs for models with low production runs. We will have to follow the world trend and drop our import tariffs."

But it is doubtful whether the Government has the stomach for a "Big Bang" solution — scrapping incentives and import tariffs over-all. The political cost of adding to a critical employment problem will prolong the motor industry's protection.
Angry clashes at Toyota plant — police fire teargas

The Argus Correspondent
DURBAN — Pandemonium broke out today at the Toyota plant in Prospecton, south of here.

Police called in to restore order fired teargas to disperse sacked workers who had stoned and chased people seeking employment.

Hundreds of job-seekers arrived at the motor plant after Toyota announced at the weekend it would start recruiting new workers today.

This followed the dismissal of 6,000 workers who had been on a strike for more than a month.

Talks between management and the National Union of Metal Workers of South Africa on Friday ended in deadlock.

From early today hundreds of people lined the gates of Toyota, waiting for interviews.

A police spokesman said a group of former employees stoned and threw bottles at the job seekers. They then chased them away.

"Intimidation was very rife and the police were called. Repeated calls to those who were not seeking employment to leave the area were ignored.

"The mob jeered at police, who fired teargas to disperse the crowd."

There were unconfirmed reports that people were assaulted by ex-workers.

Toyota management and staff were taking down particulars of job-seekers.

Toyöta spokesman Mr Phil Wilkin said the company was processing the applications for jobs.

Last week Toyota called out its administrative staff, including women, to operate the plant to get out urgent orders.

NUMSA regional secretary Mr Ekie Esau was at a meeting and not available for comment.
No-discount rule lifts reseal value

Best Way to Assess

Big-car luxury in small trim

Dealers keep in

Contact us

Value for money

President's Award

Reale's value


Thailand

A story of two countries:

Rising from the ashes of the global financial crisis, Thailand has emerged as a beacon of stability and growth. Despite the challenges posed by the crisis, the Thai economy has shown remarkable resilience, with robust growth in key sectors such as tourism, manufacturing, and agriculture.

In the past five years, Thailand has witnessed a surge in foreign investment, particularly in the infrastructure and real estate sectors. The government has implemented a series of reforms aimed at improving the business environment and attracting foreign direct investment.

The country's success in managing the pandemic has also contributed to its economic recovery. With strict containment measures and vaccine rollouts, Thailand has managed to keep infections in check, allowing the economy to reopen.

Looking ahead, the challenge for Thailand will be to maintain its momentum and address the pressing issues of income inequality and environmental sustainability. The government has outlined ambitious plans to achieve carbon neutrality by 2060, reflecting its commitment to addressing climate change.

Despite the challenges, Thailand continues to be a vibrant and dynamic country, offering a promising future for businesses and investors alike.
Milestones on the Road

With its Greek origins, the market for small cars has grown significantly over the years. The early 1980s witnessed the introduction of the first mass-produced small car, the Toyota Corolla, which quickly rose to prominence. Since then, the popularity of small cars has continued to increase, driven by factors such as fuel efficiency and maneuverability.

The market for small cars has seen a significant shift in recent years. As consumers seek out more fuel-efficient options, small cars have become increasingly popular. This trend is expected to continue in the coming years, with manufacturers investing in new technologies to improve efficiency and performance.

Market Trends

The market for small cars is expected to continue growing in the coming years. As more consumers turn to small cars for their fuel efficiency and maneuverability, manufacturers are developing new models to meet this demand. This trend is likely to continue as consumers seek out more efficient options for their daily commute.
VW cuts prices before the rest go up

By DON ROBERTSON

VOLKSWAGEN SA has pipped the rest of the motor industry by introducing a range of cheaper models only days ahead of the next round of price increases.

The new 1.3 litre Citi Golf Shuttle and Jetta Trippa have been cut in price by more than R2 000 compared with the previous models. The cheaper versions come without frills.

The Caddy 1.6i pick-up, costing R34 621, is R4 000 cheaper than the previous model.

The Citi Golf Shuttle at R27 990 is now the second-cheapest model on the market, beaten only by the 1.1 Uno Fire priced at R26 850.

The Trippa is the cheapest sedan available.

Dealer

Motor manufacturers have expressed concern about the rising cost of cars, but claim that most of the factors leading to higher prices are largely out of their control.

Higher prices have extended the age group of first-time car buyers by about six years to between 24 to 28 years.

Volkswagen, which has been "running out" this generation of Golfs for the past 10 years, claims to have 34.4% of the hatchback market, well above Uno's 26% and the Toyota Conquest's 33.5%.

Ronnie Kruger, head of public affairs at Volkswagen, says that because of the omission of non-essential features and assistance from the dealer organisation, prices could be trimmed.
SA companies move in on SE Asia trade

By TERRY BETTY

MURRAY & Roberts is countering South Africa's construction recession by tendering for contracts in Southeast Asia.

The company's engineering division is currently negotiating a $7.5m contract to build a new bridge in the Philippines. An additional $2m contract is also in the pipeline.

"We see the Philippines as a key market for us," says Murray & Roberts managing director Andrew van der Walt. "We have had a presence in the country for many years and we believe there is a lot of potential for growth.

The company is also examining opportunities in Thailand, Malaysia and Indonesia, where it has had success in the past.

"We have had a strong presence in Southeast Asia for many years," van der Walt says. "We have a good understanding of the market and we believe we can be successful.

"We have a lot of experience in this region and we believe we can be successful."
Toyota issues ultimatum

Toyota yesterday delivered an ultimatum to the 5,000 striking workers at its Durban plants, ordering them to return to work on Monday or face dismissal. The National Union of Metalworkers of SA said the ultimatum would not solve problems, but merely inflame tensions.
Saficon seeks listing transfer

By Stephen Cranston

Saficon has applied for a transfer to the Industrial Holdings sector from the Motor sector.

Chairman Sidney Borsovok said this reflected the changing nature of the business as the building materials group Boumat — which was previously an associate — had become a subsidiary.

Mr Borsovok said that all other aspects of the group's long-term strategy remained unchanged.

These were directed towards the continued development of the existing motor and industrial vehicle distribution business, the development of the motor component business on a selective and focused basis and entry into new businesses where we can provide added value.

In contrast to previous years, Mr Borsovok did not make a firm prediction of earnings per share, but said he expected 193 000 (192 650) passenger cars to be sold in the year to March 1993, 106 000 (98 691) light commercial vehicles, 3 800 (3 941) medium commercial vehicles and 5 800 heavy commercial vehicles (6 683).

Mr Borsovok predicted that monthly sales volumes would only improve in the latter part of the financial year, between November this year and March 1993.

"Vehicle prices are expected to increase in excess of the rise in the CPI," he added. "The cost pressures on vehicle manufacturers are considerable. Nevertheless, the motor industry continues to invest in new products and production facilities."

More than R60 million was invested during 1991. Production capacity in the industry was used only 69 percent of capacity was used in the three months to March 1992.

Just 62 percent of light commercial vehicle capacity and 55 percent of heavy truck and bus capacity was used.

...
Toyota reads riot act to the 6000 on strike

SHARON SOROUR
Labour Reporter

TOYOTA SA has threatened to fire 6000 workers who downed tools a week after the 17-day strike at the Prospecton vehicle assembly plant was resolved.

The motor giant, which has lost more than R400 million in turnover since industrial action started in May, gave workers an ultimatum to return to work by Monday or face dismissal.

"We have explored every avenue in the search for an acceptable solution without resorting to a mass dismissal but have received little or no co-operation from the National Union of Metalworkers of SA in resolving the dispute," said MD of manufacturing, Mr Ralph Broady.

"In the light of this we have little alternative but to issue an ultimatum for the workers to return to work or face summary dismissal on July 6."

Both parties have agreed to mediation on Friday by the Independent Mediation Services of SA (Imssa), but the company has stated the ultimatum still stands.

The workers, who are losing more than R300 000 a day in wages, resumed the strike on June 8 after it was disclosed that some shop stewards involved in strike negotiations were to be paid for the duration of the first strike.

Workers are demanding full pay for the duration of the first strike.

Discussions to end the new strike ended in deadlock almost immediately, a company spokesman said.

The union had initially requested mediation to start on July 6 but this was unacceptable to the company because of the extended duration of the strike.

Toyota plants were out of production from May 6 to June 2.

The strike action had been "unprocedural and illegal" and the union’s demand for pay-
Deadlock broken

Sowetan Correspondent

A BREAKTHROUGH in the Toyota strike was made yesterday when the company and the National Union of Metalworkers of South Africa agreed to go to mediation.

The workers have been given an ultimatum to return to work on Monday, July 6 or face dismissal.

A spokesman for Toyota said yesterday the company and Numa had agreed to the director of Independent Mediation Service, Mr Charles Nupen, mediating between the parties regarding the "unlawful" strike which resulted in the ultimatum being issued against the workers.

The mediation would take place on Friday, he said.

He said, however, that the ultimatum to striking workers to return to work on July 6 remained in place and workers failing to comply with it faced dismissal.
Car manufacturers increase prices

EDWARD WEST

MOTOR manufacturers, except Toyota and Mercedes-Benz SA, yesterday increased vehicle prices between 1%-3% as part of a quarterly inflation adjustment. Volkswagen's average price increase was 2.9% while Golf and Jetta prices increased the most at 3.1%. Audi prices remained unchanged. 

Nissan's price increase varied between 3% for the Maxima and 1,1% for the Uno with the weighted average at 2,4%.

The price of the recently launched Sentra would increase by 3% only on August 1 because of a long waiting list for the vehicles which would bring the weighted average up to 2.6%. MD Stefanus Loubser said Nissan would attempt to keep price increases at about 12% for the year. Opel and Isuzu prices increased 2.7% and 1.5%, respectively, while BMW's 3-series increased 3%, the 5-series by 2.8% and the 7-series by 1.5%. 

Samcar's increases varied between 12% for the Mazda 323 1,6 sedan and 3.13% for the 21 GLE Ford Meteor.

The National Association of Automobile Manufacturers' SA (Naamsa) recently said the pricing of new vehicles would be especially keen this year in an attempt to make cars more affordable.

Last year price increases averaged between 15% and 23%. Industry spokesmen said manufacturers were showing "great restraint" in pricing in an effort to bring price escalation below inflation. Most of the major manufacturers have revised total new car sales. Naamsa has revised its original 200 000 down to 190 000.

While Toyota revised its projection from 205 000 to 185 000 while Nissan lowered its forecast to between 187 000 and 199 000.
MEDIATION in the three-week-old Toyota SA strike in Durban, involving about 5,000 workers, begins tomorrow — three days before workers have to return to work or face dismissal.

Charles Nuppen of the Independent Mediation Services of SA will attempt to resolve the deadlock which is costing the company about R15m a day in lost production. Effectively, Toyota loses production of 450 vehicles a day.
TOYOTA STRIKE

**Trial of strength**

*Everything* is not going right with Toyota. There is still no work being done at the Prospecton assembly plant at Durban and 6,000 strikers have been warned to return by Monday or face the sack.

Executive chairman Bert Wessels has warned that unless acceptable levels of productivity are achieved, the company may have to reconsider restructuring in the future. Part of this restructuring could mean consideration of the use of robots, though he emphasises that he does not regard automation as a substitute for good industrial relations.

The immediate problem is to restore production. Toyota Manufacturing MD Ralph Broadley says the plant has effectively been at a standstill since May 6 when the first of two strikes began with an illegal and unprocedural stoppage. Since then the impact of the walkout has spread. Several suppliers have gone on to short time and one firm has closed temporarily because of the dwindling demand for components.

The management ultimatum comes three weeks after workers downed tools for a second time — only a week after returning to work from an 18-day dispute over supervisory staff. The new grievance (Current Affairs June 26) involves demands for pay during the first strike because certain stewards had been paid during the stoppage. Toyota’s response, displaying a clear loss of patience, was to suspend the original agreement that had coaxed workers back to their jobs on June 2.

Since the stoppage Toyota says there have been just two brief meetings between Toyota and the National Union of Metalworkers of SA (Numsa). They ended without getting closer to a settlement. A management spokesman says the union dropped its demand for pay during the original strike but not during the current one. It also sought the reinstatement of the revoked June 2 agreement.

Numsa regional secretary Elick Esau says the issue is not about strike pay. "It is a matter of principle. It is not normal practice to pay shop stewards during strike action, but (this) has happened on isolated occasions in the past on a negotiated basis." On this occasion money was apparently paid directly into the stewards’ accounts without consultation. This was unacceptable to the workers.

"We have even offered to pay all the money back and restore the status quo ante but management rejects this. We believe their only motive can have been to create divisions between the workers and union. Though they were initially successful the rift has healed," says Esau.

Broadley maintains that management has explored all avenues for an acceptable solution without resorting to mass dismissal, but received little or no co-operation from Numsa. "In this light we have little alternative but to issue an ultimatum for the workers to return to work by 8 am on July 6 or face summary dismissal."

Again Esau takes issue with Toyota, saying that meetings were held regularly but then management bypassed the regional office and went directly to the Numsa national executive. "This was an obvious attempt to undermine the union," says Esau.

Broadley adds that Numsa had subsequently requested mediation. "We are agreeable in principle provided the process is completed this week and does not prejudice the Monday deadline," says Broadley. Esau says the union agrees but it is difficult to arrange at short notice. The mediator Numsa hoped to have will not be available until Monday.

Clearly the issue is less about shop stewards’ pay than about a straightforward power struggle between management and workers.

□ As the *FM* went to press Toyota and Numsa agreed to go to mediation — under Independent Mediation Services director Charles Nuppen — on Friday.
Motor industry takes on tow operators

The Motor Industry Federation is to introduce regulations to curb tow operators who swoop on car accidents "like vultures" and charge exorbitant fees. MIF spokesman Cor Falin said the regulations, drawn up by the MIF and consumer, motor and insurance bodies, had been approved by government.

Operators who register with the MIF will be required to maintain proper business premises, provide adequate storage facilities for towed vehicles and operate during normal business hours and not only after hours or on weekends.

Falin said the MIF also wanted to control towing and storage charges to prevent the "exploitation of people in distress".

Consumers will be able to avoid fly-by-night operators by asking prospective towers for proof of their MIF registration before agreeing to have their vehicles towed, he said.

Airlines avoid entering price war as BA sells 3,000 discount tickets

Airlines serving Europe from SA will not enter a price war after British Airways announced a limited offer of return fares to London at 1919 levels.

SAA, the only other airline serving the Johannesburg-London route, also said it would not be drawn into a price war.

BA recently offered 8,000 seats at R1,962 for a return fare on the Johannesburg-London route, R2,392 from Cape Town and R2,212 from Durban.

Bookings opened on Wednesday and by early yesterday morning an airline spokesman reported that 3,000 seats — on offer for use between mid-September and the end of November — had already been sold.

Lufthansa said it had no immediate plans of lowering its fares, pointing out that a special "birthday offer" introduced by the airline earlier this year was still holding.

Spokesman Karin Lambson said the R2,595 offer stood from the end of this month through the traditionally busy high season, and ended on December 31.

The offer included departures from Cape Town and Durban.

However, discount fares could be announced later this year to coincide with the introduction by Lufthansa of new destinations, he said.

KLM also said its earlier announcement of special fares at R2,595 were still on offer.

“We do what the market demands,” spokesman June Crawford said.

In October, KLM would start flying out of Cape Town and the public could expect some “creative” introductory fares. An announcement was expected next week, she said.

A spokesman for Belgian airline Sabena, said it was too early to react to BA’s offer, while Swissair spokesman Simon Widmer said his airline’s policy was one of flexibility and to follow market demands.
TWO MONTHS ago SA's top performing motor assembler was increasing market share despite the worst trading conditions yet experienced by the industry. While its competitors were cutting back the working week by up to a third, Toyota workers were on almost continuous overtime.

In May, everything blew apart over an apparently trivial incident.

First was an 18-day strike over a superintendent workers wanted dismissed. Then followed another strike, 19 days old today, with workers demanding full pay for the first strike because Toyota had paid some shop stewards (for time spent negotiating) for the duration of the strike.

After one day of the second strike, Toyota scrapped the agreement reached to settle the May strike, and this week issued an ultimatum to the strikers to return to work or be fired on Monday. Last-ditch mediation efforts begin today.

The workers' union, Numsa, has now dropped its demand for pay for the first strike. Instead it is now demanding Toyota pay full wages for the current strike—because it claims the company "pro-voiced" the strike. In addition, Numsa wants the agreement reached on the first strike to be reinstated. Toyota has happily agreed to mediation without foreclosing on the two demands.

S
o far Toyota says it has lost about R675m in turnover and workers are R25m poorer as a result of the strike.

But the effects of the strike spread far wider. About 60 000 people in Natal are believed to be dependent on the wages of Toyota workers. This is money being squeezed as the strike squeezes the regional economy.

The components industry, which is dependent on Toyota for 30% of its market, has already lost about R190m, leading to retrenchments and a sharp decline in the value of the companies. In the industry, Toyota says the union is either unable or unwilling to solve problems or to get the strike settled.

The company argues the strike is an attempt to receive a pay rise, and this is in accordance with the strike. It is not the first time and is a common practice in the industry. Toyota says the union is either unable or unwilling to solve the problems or to get the strike settled.

Thestrike was essentially a spontaneous outburst at Toyota.

An article by Toyota shop stewards, written weeks before the strike and published in the latest edition of the SA Labour Bulletin, quotes the workers as saying the strike was to "challenge management prerogatives", the strike was essentially "spontaneous outburst at Toyota."

Numsa paints Toyota as a "boss" company and its human resources style as belonging to the "dark ages" of industrial relations where the "boss" does what is best for the worker. The production process, the "sheer pressure of work", is seen as being too much to ask where workers have no official, with no production and only management is seen to benefit.

The strike addressed these issues of control indirectly. The company put up a two managers through a grievance process, but they were fired. Instead, the company laid the charges, conditionally reinstated a Merlink shop steward fired previously, and conditionally reinstated three managers the workers objected to, and conditionally withdrew all legal actions against Numsa.

The strike has been a severe blow to Toyota, which has been trying to increase its market share.

Toyota is reluctant to comment on these aspects of the strike "because the situation is extremely delicate and it would be unwise to risk the danger of becoming embroiled in a media debate at this stage."

However, Toyota feels it made significant concessions in the first strike and that Numsa is exploiting the payment issue to have another go at the company. It believed negotiations between shop stewards and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop stewards and shop stewards, and between shop steward
VW's Shuttle to undercut car prices

VOLKSWAGEN SA plans to launch the lowest priced five-door 1.3L car on the market, a new Citi Golf called the Shuttle. Retailing at R27 990, it costs R2 500 less than the standard 1.3L Citi Golf, R6 000 less than Toyota's 1.3L Corolla and Conquest, R7 600 less than Nissan's Uno Fire and R12 597 less than Samco's 1.3L Ford Laser.

The 1.1L 3-door Uno Fire, retailing at R28 850, remains the cheapest car on the market. Nissan public affairs spokesman Nick Brits said the company would review its car prices on July 1 in line with the general quarterly industry price increase.

VW would also launch a 1.3L Fox called the Trappa, R3 000 cheaper than the standard Fox at R21 897 and a cheaper 1.6L 'pick-up, called the Caddy, said VW public affairs manager Ronne Kruger.

The price cuts were made possible by redesigning the standard Golf to eliminate non-essential components such as rear wiper and washers, by cutting profit margins and by taking advantage of rebates on excise duties in terms of the local content programme for vehicles under R28 000.

The Shuttle, which, 'like the Model T is available in any colour you like as long as it's red and white,' would be aimed at the first-time car buyer in the 16-24 age group.

Standard Bank economist Nico Cypionka said high car prices were the principal reason for falling sales. He cited prices of large cars, which had increased 350% since 1984.
BUSINESS BAROMETER

Keys meets food mandarins
IN the wake of last week's Board of Tariffs and Trade (BTT) report into food price inflation, Finance Minister Derek Keys met food manufacturers, retailers and the Vat Co-ordinating Committee.

The retailers spoke of a 10-point plan to bring down food prices. Paramount in this plan would be re-adjustment to the import tariffs on food, fertilisers and farming equipment.

In line with the BTT recommendations, the abolition of food boards would also be looked at.

SA seeks R700m
FINANCE director general Gerhard Croser told an International financiers conference in London that South Africa would shortly be borrowing about R700-million on international markets.

The tapping of new foreign markets, Croser said, would help boost investment in socio-economic development in South Africa via institutions such as the Independent Development Trust and Development Bank of Southern Africa.

Both these institutions have recently tried to raise loans on foreign markets — much to the annoyance of the African National Congress, which threatened not to repay the loans once in power.

Getting foreign loans would also be important to protect the country's foreign reserves, Croser stressed.

Plate Glass cracks
SOUTH African Breweries' newest acquisition, Plate Glass Shatterproof Industries, fell victim to the worldwide recession with attributable earnings falling by R50-million in the past year.

The group, which has, since early this year, been 67 percent owned by SAB, suffered losses both in South Africa and in the United States as a result of poor conditions in the automotive, building and furniture industries, which the company services.

Local content scam probed
A R600-million fraud which used the government's complex Phase 6 local content scheme is being investigated by the Office for Serious Economic Offences. At the centre of the investigation is Randburg exporter CET Trading, provisionally wound up in March. The scam was to get export incentive rebates from the Department of Trade and Industry by submitting inflated invoices on goods, supposedly locally produced motor vehicle components, exported from South Africa.
More panels to beat

First signs of a breakthrough to end the latest stoppage at Toyota's assembly plant at Prospecton near Durban came on Tuesday when the union, Numsa, and management sat down to negotiate. The deadlock on this occasion was broken, according to Toyota, when a Port Elizabeth official of Numsa requested a meeting.

Talks were in progress at the time of going to press.

The latest round of industrial action began a fortnight ago — only one week after 6 000 employees had gone back to work, following settlement of an 18-day dispute over supervisory staff.

This time workers demanded payment for the time they were on strike — when it emerged that some of their shop stewards had been paid during the stoppage.

Toyota openly concedes that some shop stewards involved in the negotiation process were paid. It points out that this is an established practice during strikes, since those shop stewards are perceived to be working long hours to settle differences. Some other car-makers also follow this procedure.

Toyota adopted a tougher stance in dealing with the second dispute. Though a spokesman says there were exploratory talks with Numsa about an early return to work at the beginning of the second strike, nothing was resolved. Toyota then announced that there were no immediate plans for further discussions, and it rescinded the original agreement which coerced workers back on June 2.

Nor did Toyota take the usual step of seeking a court interdict, which could have been used as legal muscle to force a quick return to work.

Quite clearly Toyota was unhappy with the continued disruption at its Durban facilities. It decided to sweat out this dispute rather than go cap-in-hand to the workers.

It appears to be in a strong position at present. Though there were losses on both sides in the initial strike — the workers lost as much as R14m in wages while the carmaker lost an estimated R270m in turnover — the downturn in the car market has softened the blow for management.

It clearly wants to iron out any industrial relations wrinkles in Durban now, rather than being held to ransom by workers when there is an upturn in demand for vehicles.
Local content scam probed

A R600-million fraud which used the government's complex Phase 6 local content scheme is being investigated by the Office for Serious Economic Offences. At the centre of the investigation is Randburg exporter CET Trading, provisionally wound up in March. The scam was to get export incentive rebates from the Department of Trade and Industry by submitting inflated invoices on goods, supposedly locally produced motor vehicle components, exported from South Africa.
Nissan plans R150m capital investment

NISSAN SA, one of Pretoria’s biggest employers, is gearing itself for a R150m capital investment programme.

Nissan SA employs 6 000 people at its 97 ha plant in Rosslyn, near Pretoria. About 300 new vehicles roll off the assembly lines daily, with an annual production of more than 50 000 vehicles since 1988.

Heavy commercial vehicles and engines are built in dedicated plants at Rosslyn, while the complex also houses the stamping and tooling divisions.

Models currently being manufactured are the Sentra, Maxima, Skyline and Ute passenger cars, the half-ton and one-ton light commercial vehicles and the Nissan range and, in the medium/heavy commercial vehicle range, the Dabstar, CM range, UG/DU 780, CK 30 and the CW range of trucks.

Nissan SA has a close and fruitful relationship with Nissan Japan. Strong bonds built up over many years extend beyond products to supervision, training and, most importantly, to people.

Train

An exchange programme between the two companies allows local designers and engineers to learn firsthand every aspect of vehicle manufacture from the world’s best, while Japanese on contract in SA train local workers to the exacting standards of Nissan Japan.

Nissan has played a major role in the development of Rosslyn by providing much of the infrastructure of the town and employment of locals.

“The group’s capital expenditure for 1992 will amount to about R150m,” says Nissan SA Marketing’s MD Stephanus Loubsor.

“This will range from new model tooling and jigs to the improvement of general facilities and production equipment.

“This expenditure is part of our overall long-term development and growth strategy for the future.”

“We are optimistic about the medium to long term in that we have our product in place before growth starts. Others will only get to that point in two years’ time,” Loubsor says.

High

Sales of Nissan vehicles hit an all-time high in May despite the recession, with the company capturing 20.1% of the market, its highest market share ever. Spearheaded by the new Sentra, Nissan’s passenger car market share in May increased to 17.5%.

Loubsor said 1991 saw a continuous improvement in Nissan’s market share and it was working towards increasing it further during the rest of 1992.
DTI in R600m fraud probe

Own Correspondent

JOHANNESBURG — The Office for Serious Economic Offences was investigating a R600m fraud involving the Trade and Industry Department’s motor industry Phase VI incentive scheme, office director Jan Swanepoel said yesterday.

He said the department and Reserve Bank were also involved in the investigation which followed the provisional winding up of Randburg export trader CET Trading in March.

Swanepoel said initial investigations showed alleged fraudulently inflated invoicing enabling the submission of false rebate claims to the DTI.

The office was also investigating the possibility that the proceeds of the exports were not repatriated.

The investigation did not only involve CET, but several other related companies, another spokesman for the office said.

The investigation was at a very early stage and the office had not yet started questioning parties allegedly involved in the scam.

The total amount involved was about R600m, he said.

Until the end of January, CET carried on business as an exporter of motor vehicle parts and accessories, in particular nuts and bolts.

CET allegedly bought large volumes of goods which it claimed were motor parts from SA manufacturers.

It had then exported these goods to a European distributor.

Bona fide rebate claims were then submitted to the department by SA motor manufacturing firms based on allegedly inflated invoices submitted by companies involved in the scam, the office spokesman said.
**Toyota talks break down**

**STAR 24/6/19**

Talks between Toyota and the National Union of Metalworkers of South Africa broke down almost immediately yesterday because of the union's demand for payment of striking workers, according to a senior management spokesman.
DURBAN — Talks between Toyota and the National Union of Metalworkers of South Africa broke down almost immediately yesterday.
By MAGGIE ROWLEY  
Deputy Business Editor

NEW vehicle sales in all four sectors dropped off sharply again last month with car sales down 21.5% from March.

The National Association of Automobile Manufacturers of South Africa (Naamsa) said trading conditions in the new vehicle market remained under pressure and poor sales of recent months suggested the recession was probably more severe than official figures seemed to indicate.

The 13 646 new cars sold last month were down 3 774 on March's 17 390 units and 18.4% or 3 067 units on April 1991, when 16 713 new cars were sold.

Naamsa said the relatively fewer trading days during April this year had contributed to the decline.

April sales of new light commercial vehicles were down 1873 units or 30.7% at 7 153 against 9 026 units in March and down 16.6% or 1429 units for April 1991.

On a year to year basis sales of new light commercial vehicles for the first four months of this year were down 10.6% on the corresponding period last year.

Sales of medium and heavy commercial vehicles during April remained at historically low levels with medium commercial vehicle sales were down 20.2% on March while sales of heavy trucks and buses were down 10.8%.

On a year on year basis the percentage declines were 12.4% and 2.7% respectively.

Naamsa, which last month revised its sales projections downwards for the year, said that any improvement or upturn in trading conditions in the new vehicle market was unlikely before the last quarter.

"However we remain hopeful that a spate of new model introductions this year will generate additional interest and sales figures from sales of new models so far released "have not yet worked their way through to our figures," a Naamsa spokesman said.

Toyota took the largest share of all categories of sales during April. The top selling car was the Toyota Corolla (2 702 units), followed by the VW Golf I (1 176 units) and the B3V W3 series (1 052 units).

Toyota was also the top selling make of car (3 388 units) followed by Volkswagen (3 035 units) and Nissan (1 933 units). Samcor was close with 1 027 units, split 961 MMI and 990 Ford.

Toyota also topped the lists of light and medium commercial vehicle sales, with 2 646 unit sales of light commercials and 102 of medium commercials. Next in light commercial sales came Nissan with 1 691 units and in medium commercials Delta with 47 units. Third in light commercials was Delta with 517 units and in medium commercials Samcor/MMI with 40 units.

Toyota sold 135 heavy vehicles during the month, just pipping Mercedes which notched up 132 units. Third was Nissan with 58 units.
**VW exports 'could net R1.2bn'**

Volkswagen SA could end up exporting vehicles worth R1.2bn to mainland China over the next five years if the current export order worth R188m was delivered on schedule, said Volkswagen public affairs manager Ronnie Kruger yesterday.

The export order had been increased over the past month to 6,000 from 5,000 for basic 1600cc white left-hand drive JettaS because of changing market conditions in China. These would be delivered at a rate of 600 a month over eight months, he said.

The order, won in spite of a competing bid from Volkswagen in Mexico, represented the first phase in a joint venture between the Chinese government and Volkswagen AG to establish a vehicle assembly plant in China.

This phase required the import of semi-knocked-down vehicle kits, said Kruger.

The second and third phases of the establishment of the plant would culminate in full assembly by 1997 and would require the import of medium knocked-down vehicle kits and fully knocked-down vehicle kits respectively. These imports into China would be worth R1.2bn by 1997, said Kruger.

“If we can deliver consistently, there is a good chance we will get the orders to supply the second and third phases.”

Kruger said the current export order would help to fill the gaps in production capacity left by SA’s shrunken market.
BMW gets parts onto production line 'Just in Time'

IT IS not widely known that SA supplies German car manufacturer BMW with about 70% of all leather trim and car seat covers required for production worldwide. BMW SA ships about 350 leather trim sets for upholstery and glove boxes to Bavaria every working day, or enough for about 350,000 cars a year.

The components, which constitute one of Luftkranz and SAA's more consistent cargo revenue generators, are shipped according to a precise timetable, allowing them to reach the various assembly lines often within hours of being fitted to their allotted vehicles.

This method of organizing the transportation of production stock in such a way that it need not take up space on warehouse floors, is known as the "Just in Time" system. In other words, the items arrive at the factory floor just in time to be installed in the product being manufactured.

BMW has taken its expertise in the field of logistical organization to an almost incomprehensible extent.

Consider the following nightmare for any assembly line a range of 3,000 different engine types, eight different drive layouts, convertible, sedan, station wagon, a range of 850 different types of seats, manually or electrically adjustable, digital or analogue instruments and its not just light-weight stuff that is sent on a "Just in Time" basis to the BMW plants. Special trains from Austria ferry all of the diesel engines required in assembly. Conventional petrol engines are assembled in the same building as the car bodies.

More than 250 suppliers manufacture components for BMW. A spokesman says it usually takes 10 days to produce an 8-series car and four days for a 5-series vehicle.

Streamline

Until now the air freight from SA has been sent on flights to Frankfurt and then by road to the plants at Dingolfing and Munich. However, the recent opening of the new Franz Josef Strauss airport about 30km north-east of Munich promises to streamline the flow.

The airport has the most modern freight facility in Europe, and officials have guaranteed customs clearance soon after the plane has landed.

It is also situated at the junction of the main north-south and southern Germany's East-West auto-bahns, so delivery from the airport to the assembly plants is fairly fast.
Union quiet about strike after 8 days

A PROTRACTED labour dispute at the Toyota SA Durban plant remained unresolved yesterday with no sign of further negotiations since talks broke down last week.

A company spokesman said he was waiting for the National Union of Metalworkers of SA to contact him about further discussions to resolve the dispute which has claimed eight days of production.

It also follows a 17-working day dispute at the Durban plant last month.

The latest dispute arose from worker dissatisfaction at a management offer to pay shop stewards for the duration of last month’s strike.

The company said it regarded negotiations by shop stewards as work. Workers demanded that everyone be paid for the period and not just a sector of the employees.

Meanwhile, a union spokesman said strikers were adamant in their demand for pay and would continue putting this position at negotiations.

Strikers lost about R800 000 a day in wages during last month’s strike. - Sapa
Make or break week for metal pay talks

Negotiations in the embattled metal, auto, motor and tyre industries have reached a crucial stage, reports FERIAL HAFFAJEE

DISPUTES and retrenchments are the order of the day as wage talks in the metal and tyre industries as the recession continues to batter these key sectors.

The National Union of Metalworkers of South Africa (NUMSA) has threatened to declare disputes in the automobile and motor industries. NUMSA called this week the “make or break phase of negotiations” and threatened to go on strike if no progress is made.

Most negotiations have to be concluded by the end of June when agreements in the industries expire.

Negotiations hinge on the union’s principal and controversial demand for a moratorium on retrenchments, but employers in all sectors are hard-pressed to accede to this demand.

Last week employers and unions in the metal industry compromised some ground in the search for a settlement. Employers increased their wage offer from 6.4 percent to eight percent while NUMSA decreased its demand from 42.6 percent to 20 percent or R1.50 an hour, whichever is the greater.

The National Council of Trade Unions affiliate, the Metal, Electrical and Allied Workers’ Union of South Africa is also demanding a 20 percent increase, down from 27.7 percent.

While wage moves are crucial, other developments stole the day at last week’s meeting. The employer body, the Steel and Engineering Industries Federation of South Africa (Seifsa) agreed to consider job-saving alternatives like wage reductions, job-sharing and unpaid leave.

The employers also tabled a code of conduct to prevent unfair discrimination in the industry, conceding in part to a long-standing Numsa demand.

The sophisticated negotiations network in the metal industry bodes well for a settlement, but agreement in the motor industry will be harder to come by.

Motor employers are more hard-nosed because NUMSA is not well-organised in this sector, which employs about 200 000 workers at petrol stations, panel-beaters, motor component manufacturers and reconditioning workshops.

Employers have proposed a wage freeze for petrol pump attendants and cashiers, the lowest paid workers in the sector, and increases of only between three and five percent for other workers. NUMSA branded these increases “unfair and undue” and said it would not even refer the offer to its members for consideration.

Vic Foure, a representative of the SA Motor Industries Employers Association (Samaa) however, says substantive negotiations are impossible until the union addresses key productivity issues challenging the “dismantled industry.”

These include an agreement on flexible trading hours in an attempt to boost business “like keeping repair shops open until six on Saturdays”, says Foure.

NUMSA is also in dispute with the New Tyre Manufacturers Association where employers face the removal of import control regulations in December and are adamant that they will not renew the moratorium on retrenchments beyond December.

Tyre manufacturers hold out little hope for inflation-busting increases this year, but employers agreed to a five percent increase in maternity pay.

NUMSA proposed that all parties in the new tyre industry come to an inaba to hammer out a business plan for the industry, but the idea has met with cold refusal by the employers.

In an industry where productivity needs a complete overhaul — import duties cost 30 percent less than locally produced tyres — NUMSA is adamant that “job security is fundamental to productivity and viability of the industry.”

The negotiations are being played out against a backdrop of spalling retrenchments. 13 000 jobs have been lost in the metal industry since the beginning of the year, 7 000 of these since the start of negotiations in March. The union has also been notified of 2 000 retrenchments in the engineering sector at the end of June.

NUMSA representative Gavin Hartford says “Employers are generally resisting any notion of long or short-term job security because they see themselves undertaking restructuring exercises.”

The union said the retrenchments were “provocative when job security is a central issue in negotiations.”
Motor union declares dispute

CAPE TOWN — A dispute has been declared in the motor industry after employers failed to table improved wage offers, National Union of Metalworkers of South Africa official Les Kettledas said yesterday. He added that up to 40,000 petrol attendants at over 5,000 filling stations were covered by the negotiations for a new industry agreement for some 200,000 employees — Sapa
Naamsa calls for import duty cuts on built-up cars

THE motor industry stole a march on the Department of Taxation and Trade by asking for a cut in import duties on fully-built-up cars in October last year.

Action by motor manufacturers was taken ahead of suggestions last month by Minister of Finance and Trade and Industry Derek Keys that motor industry protection — at 110% on imported vehicles — was too high and that it could possibly come down to as low as 40%.

Realising that import duties will inevitably be reduced because of SA’s re-entry into fully-fledged international trade acceptance through the GATT, manufacturers have asked for an immediate, though phased, implementation of duty cuts over a period of about eight years rather than face a “kick in the teeth in one hit”.

Through its representative body, the National Association of Automobile Manufacturers of SA (Naamsa), the seven manufacturers approached the authorities last October and twice this year to ask for a phased-in process of duty reductions.

Bert Wessels, president of Naamsa, says the recommendations suggested a cut in import duties to 60% over a period of five to eight years. This period was needed to prevent the industry from facing competitive disadvantages.

A duty reduction would allow the importation of low-volume luxury vehicles, which in turn would reduce costs in the assembly and components industry, says Mr Wessels.

Influence

Most manufacturers believe that import duty cuts would have no effect on high-volume cars and might only influence the manufacture of “nische” vehicles.

The prices of high-volume cars, such as the Toyota Corolla, Volkswagen Golf, the Nissan Sentra and BMW 3 Series are not that much cheaper than overseas, and it would not be viable to import these models.

In contrast, an Audi 300SE costs £44,750 in Germany, equivalent to R61,400. With a 40% import duty it could be sold here for R114,000, compared with the local price of R119,900. It would be viable, therefore, to import this car rather than manufacture it locally when the next generation is launched.

Naamsa insists that it had never asked for such a sizeable reduction (110%) and that it was introduced by government many years ago without discussion with the industry, possibly to protect the outflow of funds. “It is an embarrassment to us,” says a spokesman.

Samcor MD Robert Herbertson says that, should duties be reduced below 60%, the local industry would have to make substantial improvements on its cost base — which would be difficult but not impossible considering current economies of scale.
Car sector faces capex cutbacks

*The vehicle manufacturing industry is expected to experience cutbacks in capital spending for 1993 as recession and weak sales take their toll. Demand for forward planning capex of R730m, industry spokesmen said next year's spending would, in the main, reflect the state of the industry and the proliferation of new models this year.

Most of the investment was destined for assembly plant expansion, retouching, and improved worker facilities. Other projects under way were advanced robotic spray painting and welding facilities.

National Association of Automobile Manufacturers of SA (Naaamia) director Nico Vermeulen said capex for the industry would probably be lower in 1993 compared with 1992 (R1,196bn) because of the number of new models launched this year.

Volkswagen SA (VW) planned to invest R200m in 1993 to increase local content and export capacity, public relations manager Ronni Kruger said. About R197m was being invested for the same purposes this year, he said.

An industry analyst said: "Whatever way you look at it, the industry is going through a belt-tightening phase. The only way to go is to look at overseas markets, as Volkswagen has done."

Nissan SA planned to invest R167m in 1993, R37m less than the R204m spent this year on new models, plant and machinery.

Passenger vehicle sales leader Toyota said it intended to spend R150m next year to upgrade facilities and improve its paintshop. The company allocated about R300m for 1992.

BMW SA MD Reimund Kunstler said the company planned to invest R75m as part of a five-year, R450m investment programme. He added the programme would be entirely self-financed.

Mercedes-Benz SA's MD Christoph Kopke said 1993 capex plans amounted to R40m. He said new model introductions would account for half of the company's five-year, R286m investment plan, while the balance would be spent on upgrading facilities at its four operating locations.

Samcor's recently announced plans to invest R1bn over a five-year period were "directed towards producing new and improved products", Samcor MD Robert Herbertsen said.

Only about R106m would be spent next year.

Delta Motor Corporation declined to disclose its investment plans.

However, Delta chairman Keith Butler-Wheelhouse said the company would continue improving, developing and expanding its plant over the next five years.
Car makers to cut spending

From KARIN FRANKEN

JOHANNESBURG — The vehicle manufacturing industry is expected to experience cutbacks in capital spending for 1993 as recession and weak sales take their toll.

Disclosing forward planning capex of R738m, industry spokesmen said next year’s spending would, in the main, reflect the state of the industry and the proliferation of new models this year.

Most of the investment was destined for assembly plant expansion, retooling, and improved worker facilities. Other projects under way were advanced robotic spray painting and welding facilities.

National Association of Automobile Manufacturers of SA (Naamsa) director Nico Vermeulen said capex for the industry would probably be lower in 1993 compared with 1992 (R1,196bn) because of the number of new models launched this year.

Volkswagen SA (VW) planned to invest R200m in 1993 to increase local content and export capacity, public relations manager Ronnie Kruger said. About R197m was being invested for the same purposes this year, he said.

An industry analyst said, “Whatever way you look at it, the industry is going through a belt-tightening phase.”

Nissan SA planned to invest R167m in 1993, R37m less than the R204m spent this year on new models, plant and machinery. Passenger vehicle sales leader Toyota said it intended to spend R150m next year to upgrade facilties and improve its paint shop. The company allocated about R300m for 1992.

BMW SA MD Reinhard Kunstler said the company planned to invest R75m as part of a five-year, R450m investment programme. He added the programme would be entirely self-financed.

Mercedes-Benz SA’s MD Christoph Kupke said 1993 capex plans amounted to R46m. He said new model introductions would account for half of the company’s five-year, R356m investment plan, while the balance would be spent on upgrading facilities at its four operating locations.

Sascor’s recently announced plans to invest R1bn over a five-year period were “directed towards producing new and improved products”. Sascor MD Robert Herbertson said only about R105m would be spent next year.
Toyota strike goes on

THERE is no sign of an end to the two-week strike by 6000 workers at Toyota's Prospecton and Durban plants. A spokesman for the company said yesterday that talks with the National Union of Metalworkers of South Africa had so far ended in deadlock. Sapa, 23/6/92

The spokesman expressed concern about the negative effect the strike would have on the economy of Durban and surrounding areas. Many smaller manufacturers depended on Toyota for their business, he said. Sapa.
Toyota strike talks deadlock

There is no sign of an end to the two-week strike by 6,000 workers at Toyota's Prospecton and Durban plants. A spokesman for the company said talks with the National Union of Metalworkers of South Africa had so far ended in deadlock.
40 000
March 23/6/92
Hand Over Demands

About 40 000 angling, toy-joying members of the National Union of Metalworkers of SA (Numsa) yesterday marched through downtown Johannesburg to demand higher wages and improved working conditions.

Led by SACP general-secretary Chris Hani, the marchers, who carried anti-Government placards and ANC and Numsa banners, delivered memoranda to the Steel and Engineering Industries, Federation of SA, the Department of Manpower and the Motor Industries Federation office with demands, including:

- A 20 percent increase across the board and a moratorium on retrenchments.
- That lacor close Kwamadala hostel, whose inmates they have linked to last week's massacre of residents in Bopatong and Slovo Park.
- A "living" wage and a reduction in basic food prices.

The march formed part of the ANC's mass action campaign for an interim government.

"If employers failed to meet the workers' demands, the 230 000-strong Numsa would soon hold a strike ballot and decide on "action", warned general-secretary Moses Mayekiso, adding that wage talks with employers had reached a deadlock.

"Numsa wishes to assert that we have accepted the challenge of the metal bosses in their intransigence to accede to reasonable demands. We want to say that with today's march the matter now is in the hands of the actual producers, those who create the marvels with their labour power but are forced to live in hovels," said Numsa in a statement.

- ANC, Inkatha wrangle over unionists' meeting. — Page 11
April new vehicle sales plunge 21%

TOTAL vehicle sales in April plummeted 21% to 21 450 units compared with 27 222 units sold in March. When compared with April 1991, sales were 17.5% lower.

The National Association of Automobile Manufacturers of SA (Naamsa) said yesterday that given the close correlation between vehicle sales and economic activity, the figures reflected an economy in deep decline and suggested a recession more severe than official figures indicated.

Fewer trading days contributed to only 13 645 new cars being sold in April, 21.5% lower than the 17 350 units sold in March. Compared with April last year, sales were 18.4% lower. Cumulative sales this year at 61 641 were 11.4% lower than the 69 586 during the corresponding four months last year, Naamsa said.

Light commercial vehicles (LCV), bakkies and minibuses sales fell 20.7% to 7 153 from 9 026 sold in March. Against the same month in 1991, LCV sales fell 16.5%. On a year-to-date basis, sales were 16.6% down to 21 357 from 25 100.

Sales of medium commercial (MCM) and heavy commercial vehicles (HCV) declined 20.3% and 10.8% to 261 and 439 units respectively compared with March.

To Page 2

Vehicles

Against April a year ago, MCV and LCV sales were 12.4% and 2.7% lower.

Toyota SA marketing MD Brand Pretorius said the easing of hire-purchase agreements earlier this year had had little effect on buying patterns because banks were cautious about new transactions.

Nissan SA marketing MD Stephan Louboir described the falling vehicle sales as disappointing and blamed the recession, high interest rates, the drought, the slump in the black taxi market and the number of holidays in April.

Volkswagen public affairs manager Ronne Kruger said vehicle sales were at the same levels as the early '90s. Exports were the only lifeline, he said.

Toyota SA maintained its lead in the passenger car, LCV and MCV markets in April. It also pushed Mercedes-Benz in the HCV market, selling 135 trucks compared with Mercedes' 123.

The launch of the new BMW 3-series appears to have been well received, with 1 050 units sold in April. The series was the third best seller, after Toyota's Corolla (2 702) and Volkswagen's Golf (1 176).

Naamsa viewed any improvement in vehicle sales as unlikely before the end of the year. However, the spate of new models planned could generate additional interest and sales.

Tractor sales to the end of April were 15% lower at 703 units compared with the 827 sold in the corresponding four months in 1991. Markets for agricultural vehicles were soft and were likely to worsen in the event of a poor wheat season, the SA Agricultural Association said yesterday.
Toyota strike set to grow

THE strike at Toyota in Durban is set to escalate today with an additional 1,500 workers from the auto components and stampings divisions — who have been working since the strike began last Wednesday — due to come out, according to a Numsa spokesman.

This would effectively close all of Toyota's manufacturing and component operations.

He said there was widespread dissatisfaction among Toyota workers "with management's authoritarian methods on the production line".

The workers were now demanding a personnel manager and a superintendent in the manufacturing plant be dismissed before work resumed.

According to Numsa, Toyota was insisting workers return to work before deciding how to respond to the demands.

Management had suggested arbitration.

But Numsa said workers were adamant they would stay out until the superintendent and personnel manager had left the company.

Last week Toyota won an urgent court interdict ordering strikers back to work. The court ordered the union to show by tomorrow what steps it had taken to resolve the dispute.

A Toyota spokesman said talks were continuing.
TOYOTA said yesterday it had obtained an urgent court interdict ordering striking workers at its Durban assembly plant back to work.

A spokesman said management was prepared to continue negotiations with worker representatives in an attempt to resolve the dispute. However, "due to the complex nature of the assembly operations", it would be impossible to resume production until the company received assurances that all employees would comply with their employment conditions.

Toyota personnel and industrial relations director Theo van den Bergh said yesterday attempts last week to resolve the strike — which began on Wednesday — were delayed by the plant's shop stewards.

Court orders Toyota strikers back to work participating in national motor wage talks in Port Elizabeth on Friday.

The strike began on Wednesday after about 1,000 of the 8,000 workers downed tools demanding the dismissal of a supervisor. A Numsa spokesman said workers were also demanding the reinstatement of a dismissed worker and that overtime be made voluntary because workers had been on almost constant overtime this year.

A Toyota spokesman, responding to Num sa complaints that production levels had been increased and hours of work reduced, said this was the case, but added...
Wheels banks wary of low-deposit deals

The Government's decision to ease hire-purchase rules in an effort to boost new-car sales has put "wheels" banks in a quandary.

They hope for more business, but fear the creditworthiness of buyers who have enough money to pay a 10% deposit.

In March, the minimum deposit was reduced to 10% from 15% and the repayment period was extended to 54 months from 48.

Some of the major institutions financing car deals say that in most cases buyers who have only a 10% deposit tend to be financially weak. Often the money put down is insufficient to cover lenders.

Motor dealers, always keen for trade, say the reduced deposit has had little effect on business. Only the longer repayment period is likely to attract business.

Sales figures for April, under the new HP scheme, are not yet available. But indications are that new-car sales in a holiday-shortened April will be below

14,000 compared with 17,200 in March.

Brian Harden, assistant general manager, retail operations at Stannex, says there are no indications of an increase in business since the rules were eased.

"It is essential that we look carefully at an applicant offering only a 10% deposit to establish whether he can pay."

Doubtful

Wesbank marketing manager Ronnie Watson says few deals are done on a 10% deposit. These would-be borrowers tend to be "weak." The bank wants a bigger deposit from them.

"We are happy to accept a deal at 10% if the customer is creditworthy," says Mr. Watson.

Joe Kriek, general manager of the motor and trade finance division of Bankfin, says that "as a rule we support the new regulations."

"If it is an old used car, sold by a doubtful dealer, we might ask for a repayment period to be reduced to, say, 36 months. We would investigate the customer's creditworthiness."

The extended repayment period is unlikely to influence sales to any great extent because the saving amounts to only R30 for each R10,000 of vehicle value.

Dealers agree that the financial institutions need more equity in a deal at the low deposit rate, especially when VAT and insurance are taken into account.

Some believe the banks are being ultra-conservative in assessing financial risk.

A dealer says, "They generally do not approve a 10% deposit. Such a borrower must be a blue-chip person if the deal is to succeed.

"We were able to do many more deals at the previous maximum deposit of 15%. It seems that the banks have not adjusted their credit requirements to take into account the lower figure."
Taxi sales slump as bad debt rises

GROWTH in the black taxi industry has come to a virtual standstill because of high finance costs and an increasing incidence of bad debt.

In the past 18 months to two years, minibuses were strapped up at a rate of about 600 a month for use as taxis. Sales virtually dried up in January and February this year.

Members of taxi associations and the finance houses are not confident about the future.

Size

A spate of payment defaults has forced some institutions to demand much higher deposits than before and reduce repayment periods. This makes it extremely expensive for aspirant taxi owners to enter the business. A 16-seater minibus costs about R60 000.

The Southern African Black Taxi Association (Sabtia) and the Federation of African Business and Consumer Services (Fabcos) operate the Sabtia Fundosion, a stockel group to which members contribute. Traditionally, taxi operators pay about 30% of the value of the vehicles into a fund which is used to cover bad debts by members.

Phil Van den Heever, marketing director of Futurbank, which administers the fund, will not disclose the size of the fund. But sources say it has been whittled away from R80-million to about R71-million.

Futurebank, which took

Steadily

"Since January last year, purchases have fallen steadily. They dropped to about 50 in the first two months of this year."

He admits high interest rates, the cost of finance and a general decline in the economy.

Futurebank, owned 40% by First National Bank and 44% by Fabcos, has about 4 500 taxis on its books.

Although Mr van den Heever is reluctant to appear too confident, he says sales have picked up since his organisation took over financing from Westbank. Purchases in April rose by about 60%.

Nestlé sells dairy arm

Nestlé is selling its refrigerated dairy division Cambourne.

This follows the disposal of its Leocol beverage interests to Royal Boshoff. Nestlé corporate affairs manager Jon Utphson says the group is focusing on market areas which offer the best growth potential — confectionery, instant drinks, milk powders and condensed milk.

"Nestlé has been operating in SA for 76 years and it is our intention to continue expanding our operations and seek other areas of opportunity to forge with our overall strategy," says Mr Utphson.
STAYING ON IDLE

Vehicle assembly plants are operating at less than two-thirds of capacity as they wait vainly for a recovery in the market. In some sectors, they are operating below 50% of potential.

Figures released by the National Association of Automobile Manufacturers of SA show that car assemblers, on average, used only 69% of capacity in the first quarter of this year — and they were the lucky ones. Light commercial vehicle — bakkie and minibus — assemblers were working at 62%, while medium commercial operations were sitting on 48% and heavy trucks and buses on 55%. All these figures are based on single-shift working.

With the exception of the heavies, use of capacity is significantly down on 1991. And, with companies predicting more sales doom and gloom in the months ahead, the situation is not likely to improve. Vehicle sales in the first quarter of this year fell 9% compared with the same period last year and 1992 looks certain to show the fourth consecutive annual decline.

But, even as they watch existing plants idle, vehicle assemblers continue to spend heavily on new equipment. Companies announced R150m in capital investment between January and March, much of it to meet stringent government-imposed local content requirements. Another large slice is tied to new model requirements. The lead time between deciding to build a new vehicle and bringing it to the SA market can be four years or longer. Much of the current spending results from decisions taken in the late Eighties, when the industry was enjoying a mild recovery.
Numsa, Seifsa in pay dispute

METAL industry negotiators agreed to resume pay talks on June 9 following a dispute between employer and union representatives in Johannesburg on Wednesday.

The National Union of Metalworkers of South Africa (Numsa) said all unions involved in the negotiations, except the SA Yster- en Staalumc, declared a dispute on May 14.

Employers represented by the Steel and Engineering Industries Federation of SA had subsequently also declared a dispute. A further round of talks could be held on June 18 and 19.

Seifsa spokesman Mr Hendrik van der Heever confirmed the decision taken at a special executive committee meeting of the National Industrial Council for the Iron, Steel and Metallurgical Industry.

Numsa officials Mr Les Kettleides said his union would have no alternative but to ballot its members for industrial action if no progress was made in national negotiations across four sectors.

Numsa negotiators in the metal, tyre and motor industries on Sunday expressed concern at the apparent lack of progress in these negotiations.

However, the union remained committed to finding an acceptable outcome to the negotiations and expected employers to do the same. - Saps
DAF's 'green' vehicles for SA

By PAT SIDLEY

THE giant Dutch truck and bus manufacturer, DAF, has signed an agreement with Associated Automotive Distributors (AAD) to import and assemble some of its products in South Africa for local sale and for export to neighbouring countries.

The new vehicles will include large trucks, a luxury bus line and mini-buses.

One of the main marketing tools the company will use in South Africa's depressed vehicle market is its big-selling point abroad. DAF vehicles, the company says, are "green" — environment friendly.

AAD used to be Leyland until 1988 when its management locally bought it out. In 1987, DAF bought Leyland.

The deal between DAF and AAD will involve the "transfer of technology" and training — but no specific amount is being put on the investment. The whole deal was to have been under wraps until July, but was leaked to the Dutch press recently.

DAF sales director for Africa Rens van Herpt told The Weekly Mail that the company hoped to sell the vehicles in South Africa, Swaziland, Namibia and Lesotho.

DAF in the Netherlands also makes military vehicles — a possibility for the future here when arms embargo ends.

The DAF vehicles, he says, are much quieter than others, use less fuel, give longer service and emit far fewer noxious fumes using a system of "turbo-charged intercooling".

All the engines are diesel — raising the problem of local content. Most diesel engines in this country are supplied by Atlants diesel — a source of discontent to many who would prefer to be able to import diesel engines.

Van Herpt said DAF was hoping to gain about 10 percent of the local market.
Strike halts Toyota plant

PRODUCTION at Toyota’s Durban plant has been suspended, affecting up to 6 000 workers.

The closure, on Wednesday, came after about 1 000 workers went on strike to demand the dismissal of a supervisor.

The workers are members of the National Union of Metalworkers (Numsa). Although negotiations were continuing, the strike was likely to continue today, a Toyota spokesman said. He said the strike meant Toyota would not take part in the next round of national motor wage negotiations, due to take place in Port Elizabeth today.

“We can’t negotiate at a national level when we have got problems at home,” the spokesman said.

The chief spokesman and negotiator for the National Association of Automobile Manufacturers of SA (Naamsa), BMW’s Dave Kurby, was unaware of the strike late yesterday.

A Numsa spokesman said workers were also demanding the reinstatement of a dismissed worker and that overtime be voluntary. This was not confirmed by Toyota.

Toyota workers have been on almost consistent overtime this year – partly as a result of a strike at component supplier Metlink. But since April, Toyota said, workers had been refusing to work overtime.

The closure affected Toyota’s entire output in South Africa, its only major production site in the country.

Numsa said Toyota workers were “being worked to the bone”. Toyota workers used to produce 400 units an hour in a 48-hour week, but were now producing up to 465 units an hour in a 48-hour week, the union said.

Recent Naamsa figures showed that the seven major motor manufacturers used only 69% of capacity on average in the first quarter this year. And with vehicle sales down by 9% in the first quarter against the first three months of 1991, the immediate future for most manufacturers looks bleak.

Toyota is the only manufacturer bucking the trend.
ANC acts against
Winnie again

JOHANNESBURG. — Mrs Winnie Mandela has been suspended from the executive committee of the ANC Women's League and faces possible disciplinary action following a sit-in demonstration last month at the ANC's offices in Johannesburg.

The decision to suspend Mrs Mandela, along with fellow Women's League official Mrs Nonuvula Sekonyane, was taken at an emergency meeting at the weekend.

Mrs Mandela is alleged to have recruited members of several squatter communities to protest against her removal as head of the ANC's social welfare department.

Last week Mrs Mandela's last power base crumbled when the League's entire PWV regional executive committee, of which Mrs Mandela was chairman, was suspended after a bitter inter-branch meeting in which the protest was discussed.

The ANC said yesterday a commission of inquiry would be looking into the matter, adding that demonstrations against the ANC by members "disregarded ANC procedures".

6,000 Toyota workers 'to end strike today'

DURBAN. — More than 6,000 workers are expected to return to work at Toyota plants here today after a "settlement package to resolve the dispute" was negotiated with NUMSA, a company spokesman said.

The 18-day strike is estimated to have cost the company up to R310 million.

Toyota SA chief executive Mr Bert Wessels said the impact of the strike on the company's operations would be assessed today if production resumed. He would not elaborate on the settlement package.

Lightning kills cricket umpire

YOULEHEAVE, England. — A cricket umpire was killed by a bolt of lightning at the weekend — on the same field where he suffered a head injury during the soccer season.

Mr Peter Hill, 28, only recently recovered from the football injury after spending two weeks in hospital — The Star
By DON ROBERTSON

TRADE union insistence that
the moratorium on retrench-
ment in the motor industry
be extended for another 12
months could lead to crup-
pling strikes $3\text{15}92$

Motor manufacturers and
the National Union of Metal-
workers of SA (Numsa), rep-er-
senting about 37,000 work-
ers, agreed last year that no
hourly paid workers would
be laid off for a year

The moratorium was
linked to production targets
set by manufacturers

Vehicles sales continue to
fail and motor-makers say
they cannot afford to extend
the moratorium after it ex-
pires in June. Several are
working a short week and
Samcor, assemblers of
Mazda, Mitsubishi and Ford,
closed its operations for two
weeks last month ($4\text{12}$)

Child

Many manufacturers say
they are overstaffed in terms
of expected sales

Apart from job security,
Numsa has asked for a 25%,
or R2 an hour, pay increase.
15 days leave a year for
"child care", additional com-
passionate leave, six months
maternity leave, 19 hours a
month for union meetings, 20
days leave a year for shop
steward training and the
elimination of discrimination
in employment
By Roy Cokayne

Several employees at BMW's manufacturing plant at Rosslyn have been retrenched as part of a restructuring programme.

However, communications manager Johan Kleynhans says the company does not have a target number of job cuts.

Implementation of the restructuring programme had been in progress for some time and would be completed in the next few months.

"It involves the entire company but has started with senior staff and will then move downwards," he said.
18-day strike at Toyota ends

Soweto 2/6/92

The 18-day strike at Toyota's Prospecton plant in Durban ended yesterday after the company agreed to transfer three management personnel who workers claimed were discriminatory.

Mr Gavin Hartford of the National Union of Metalworkers of SA said yesterday the estimated 6,000 workers who downed tools on May 7 were expected to resume work today, ending the strike which has cost the company more than R800,000 and 430 vehicles a day.

"The whole settlement package was a major victory," said Hartford, a senior official in NUMSA's national collective bargaining department. Toyota agreed to move the three managers in question out of production," he said.
Toyota workers end strike

The strike at Toyota SA's Durban plants has been resolved and 6,000 striking employees began returning to work today. A company statement said Toyota and the National Union of Metalworkers of SA had negotiated a settlement package to resolve the dispute that led to the 19-working-day strike.

Four die in minibus crash
Phase VI ‘may restrict rises in vehicle prices’

VEHICLE prices increases in 1991 ranged from 15,6% to 21,3% over the previous year, but a fine-tuning of the local content programme could help contain costs in future, National Association of Automobile Manufacturers of SA (Namasa) president Bert Wessels said yesterday.

Wessels said there was a wide gap between disposable incomes and vehicle prices. However, prices should be seen in the context of tight competition between manufacturers for a bigger share of a declining market.

Generally, German-sourced vehicles were at the lower end of price increases while the Japanese-sourced vehicles were at the higher end.

Higher excise duties added at least 7,5% to the cost of vehicles last year, he said. The duties were linked to the Phase VI local content programme and its accelerated progression to the current 75%.

On December 1 1991, the 2,5% non-rebatable excise duty on new vehicles increased the overall excise duty to 40% from 37,5% at the beginning of the year. However, cost pressures from excise duty escalations were eliminated because the self-funding pool arrangement of Phase VI whereby the industry funded its own rebates through duties was abolished.

EDWARD WEST

The second major impact on vehicle prices was the increased FOB price of completely knocked-down packs shipped by source companies.

Behind these prices were also inflationary cost pressures of 2%-3% from these countries, said Wessels.

Exchange rate deterioration added an average 14% to the landed cost of Japanese products and 5% to German products. And local component and manufacturing costs increased an average 13% in 1991.

Low levels of asset utilisation caused by labour unrest and reduced productivity also increased vehicle prices. Production at most plants was 10%-25% lower in 1991 than three years ago.

Union pressure had forced most plants to reduce working time to eight hours from nine. Each manufacturer lost on average 15 working days production a year to labour unrest. Furthermore, the moratorium on retrenchments resulted in overstaffing.

For the industry to improve from its low base, Phase VI would have to be fine-tuned in conjunction with interested parties, by strengthening organisation and planning, improving overall efficiencies in the industry and containing costs, Wessels said.
Dispute at Toyota settled

MORE than 6 000 workers are expected to return to work at Toyota plants in Durban today after a "settlement package to resolve the dispute" was negotiated with Numsa, a company spokesman said.

But the 18-day strike, it is estimated, may have cost the motor assembler up to R310m in lost turnover.

Toyota SA CE Bert Wessels declined to comment yesterday on the impact of the strike on Toyota's operations. This would be assessed today if production resumed as planned, Wessels said.

Toyota would also not elaborate further on the settlement package for fear of jeopardising it.

Numsa could not be contacted for comment last night.

Sapa reports that in terms of the agreement between Toyota SA and Numsa shop stewards the company would

☐ Place a production superintendent in an office where he would have no dealings with workers,

☐ Transfer a personnel manager to another post,

☐ Remove a manager from the auto components division for placement elsewhere,

☐ Re-employ a shop steward committee chairman who was fired eight months ago, and

☐ Abandon all Industrial Court actions by the Toyota auto components division and its predecessor, Metlink, against Numsa.

Earlier estimates suggested that the strike was costing Toyota up to 450 vehicles a day in lost production. Based on an average vehicle price of R48 000 over the period of the strike, Toyota has lost up to R310m in turnover since the strike began on May 6.

The work days lost exceed the 17.5 days lost to work stoppages in Toyota's previous financial year to December 1991.
**COMPANIES**

**Vectra to seek new franchises**

W & A SUBSIDIARY Vectra had budgeted for an improved performance in 1992 and was looking for opportunities to expand its dealerships into additional franchises. Vectra chairman Alan Schlesinger said in his review of 1991 published yesterday that the company would remain profitable in 1992 even if trading conditions in the motor industry had failed to improve significantly.

While Williams Hunt would retain a dedicated franchisee of the Delta Motor Corporation, Vectra was looking to expand into additional franchises, Schlesinger said.

Conditions in the automotive aftermarket market became increasingly competitive in 1991 and price cutting became the order of the day as businesses sought to reduce inventories and increase market share.

The situation was further aggravated by vehicle thefts, largely for spares purposes, and large-scale import of used engines from Japan, Schlesinger said.

Schlesinger said the market for new vehicles would remain limited unless there was strong and sustained economic improvement. The low level of new vehicle sales and increasing transport requirements would eventually increase used vehicle prices, he said.

In the commercial vehicle sector, the depressed economy led to a reduction of kilometres travelled and cannibalisation of vehicles in large fleets for spares. Demand for commercial vehicles would increase with an economic upturn, he said.

**EDWARD WEST**

**Liebesman upbeat on W&A’s prospects**

THE streamlining and re-focusing of W & A Investment Corporation positions it well for future growth, says chairman Jeff Liebesman, but he avoids making forecasts for the current financial year.

In his 1991 annual review, he said although short-term trading conditions in the group’s major markets would remain depressed, W & A was now well placed for the coming years.

His optimism was based on the fact that W & A was gaining competitive advantage globally and that much of its business in southern Africa was focused on the emerging mass consumer market. Also, its commitment to expand export volumes would pay increasing dividends and would help to offset the effects of the poor local economic environment.

Liebesman said 1991 was a successful year in terms of results and in terms of progress towards greater focus and increasing globalisation.

In the year to end-December, attributable earnings grew by 14% to R120m on the back of strong performances from some offshore activities, rationalisation benefits and reduced gearing.

Liebesman said the group’s focus was sharpened through significant streamlining steps, which included the sale of the homeware business, the majority of shares in Elcentre, the JD Group debtors book and some non-strategic properties. These would have a significant effect on W & A’s ability to reduce debt, while developing its core business locally and internationally, and on the level of interest payable.

The benefits of streamlining the group were evident from the fact that operating margins were maintained in unfavourable conditions, as well as from the increase in the liquidity of its shares and improvement in gearing. The reduction in gearing from 67% to 58% was achieved despite the R167m investment in offshore operations and the write-down of the group’s investment in Elcentre by R100m.

The R157m investment in offshore acquisitions, including Alley Wheels International and OSS Scaffold, was funded from foreign sources and out of other own cash resources.

Capex of R290m included these acquisitions and investments in new companies and innovative technology. Liebesman said cash available from operations, which increased sharply from R75.6m to R241.1m, represented funds for acquisitions, dividends, retention or repayment of borrowings.

**MARCIA KLEIN**

**EXECUTIVE SUIT**

THANK YOU FOR SHARING YOUR BUSINESS EXPERIENCE WITH OUR CLASS, MS. STONE.
Lower sales ease effects of strike

EDWARD WEST

FALLING vehicle sales in April and May softened the effect of the strike at Toyota SA’s Prospecton manufacturing plant, Toyota MD Brand Pretorius said yesterday. Production at the plant — halved when a strike began on May 6 — restarted yesterday.

CE Bert Wessels said in a statement the strike resulted in lost production amounting to 7,000 vehicles. The loss in terms of turnover amounted to R270m while component suppliers lost R75m in turnover.

Pretorius said Toyota’s dominant market share was expected to drop from 31% in January to about 25% in May and June before its supply pipeline filled up again.

The lost production had a keen effect on wholesale sales. However, the dealer network had a good stock of passenger vehicles at the beginning of May. While stock levels remained “reasonable”, the company was under pressure to supply light commercial vehicles, and the production mix would be increased.

Poor vehicle sales in April and another seemingly slow month in May was, with hindsight, fortuitous for Toyota, softened the blow of the strike, Pretorius said.

Car rental customers agreed to reschedule delivery of vehicles, releasing more vehicles for dealers.
ALMOST all 6 000 Toyota workers turned up at the plant in Prospecton yesterday after a three-week strike that cost the company about R200 million in lost production.

The plant went on stream again following the ending of the strike last night when Toyota management and the National Union of Metalworkers of South Africa came to an agreement which ended the dispute.

The workers seemed happy to be back at work, arriving at the plant’s gates about an hour before they started.

There was no tension evident and the workers joked among themselves while some held a 30-minute meeting in the car park, others went straight to their work stations.

It is believed that Toyota lost at least R200 million when the production of 430 vehicles a day ground to a halt.

The component manufacturers are believed to have lost R50 million worth of business and the workers themselves had to forego R800 000 a day in lost wages.

The regional secretary of Numsa, Mr Eckoe Esau announced that the strike was over: “We have got a settlement.”

He said that in terms of the agreement, the three senior white Toyota employees against whom the workers complained had been moved to other jobs.

Esau said that the union would also continue to discuss industrial relationships with Toyota management.

A Numsa shop steward who was dismissed by a company which was later taken over by Toyota will be employed.

The 6 000 workers began downing tools on May 6 to demand the dismissal of a superintendent for alleged discrimination.

They subsequently added the other demands.
Nissan to boost profits at cost of labour

TOKYO — Nissan, Japan's second largest car manufacturer, said it would save on labour costs by reducing the amount of parts needed in its cars by 30% over the next three to five years.

Nissan decided on the streamlining in the hope of improving on profitability, Nissan spokesman Yasuhiro Mogi said on Tuesday. However, he declined to say how much the plan was expected to save.

Mogi said about 60,000 parts, including nuts and bolts, were needed to build a vehicle. The company will design a new model that could be produced easily with fewer parts.

Nissan produces all models, including 24 passenger cars. The company will try to use the same parts as much as possible in the different models, Mogi said. The streamlining would not affect plans to buy US-made parts worth $3.7bn — AP-DJ
Mercedes-Benz car production off 3%

STUTTGART — Mercedes-Benz said yesterday that passenger car production fell 3% in the first four months of this year.

Production fell to 198,618 vehicles in the January-April period from 204,308 vehicles in the same period last year.

The luxury car and commercial truck manufacturer predicted that full-year 1992 new passenger car registrations in Germany would fall 5% after a 6% decline in the first four months of the year.

Mercedes chairman Werner Niefé said yesterday that the group's goal for the current year was to match 1991 vehicle sales as modest recoveries in western Europe and the US offset stagnation in the German vehicle market. Full-year vehicle sales should be about 560,000 worldwide, unchanged from a year ago. Group sales should exceed DM70bn for 1992, up from 1991 group turnover of DM67,1bn, he said.

Deputy chairman Helmut Werner suggested earnings could climb in the current year. "We have set the course,," he said.

While passenger car production slipped in the first four months, truck production climbed 7% in the same period to 102,431 from 95,777 in the comparable 1991 period, reflecting that truck sales continued strongly in Germany.

Niefé said sagging orders within the German market indicated to the company that full-year truck sales would slip below last year's levels. He expected 1992 to be the company's second-best in terms of home market sales.

Overall worldwide revenues jumped 14% in the first four months to DM23,0bn from DM20,1bn in the first four months of 1991.

The company break-down of sales showed turnover within Germany climbed 13% to DM10,6bn in the first four months, while Mercedes-Benz sales in other western European markets rose 8% to DM5,1bn.

US sales rose 9% to DM2,6bn.

Looking back at 1991, Niefé observed that the 12% surge in group sales outstripped growth in earnings. That was reflected by the marginal gain in group net profit, which climbed to DM1,5bn in 1991 from DM1,4bn in 1990.

As a result, Mercedes would cut jobs in its factories and central administration, Niefé said. The company announced in April that it planned to eliminate 20,000 jobs during the next two years. — AP-DJ.
LES KETTLEDAS

Driving a hard bargain

Les Kettle...
Employers won't need reminding that last year's negotiations resulted in virtual industry-wide strike action before agreement was reached. It is hard to resist the view that the Toyota dispute was the opportunity Numsa was looking for, both to soften up the market leader and bare its teeth to the industry as a whole.

The stoppage began on May 6 when workers walked out of Toyota's main Prospecton assembly plant south of Durban, demanding the dismissal of a line superintendent. Numsa shop stewards added further grievances. By the time they finished they were demanding the dismissal of three supervisory staff and re-employment of a fired shop steward.

In terms of this week's settlement, the three supervisory staff were moved to other jobs within Toyota, and the shop steward was re-employed. Numsa officials claim the settlement is a victory for them. Toyota says that because the supervisory staff were transferred, not fired, both sides' honour is satisfied.

Stocks low

The strike is over but the company's problems aren't. Effects are even being felt at Toyota Japan, where a reduction in SA demand for components is causing major complications for that company's export division.

Toyota SA executive chairman Bert Wessels says stocks of some Toyota models, notably commercials, are low. The company is trying to reallocate existing stocks to areas where shortages are worst. It is trying to renegotiate delivery schedules with major customers such as rental companies.

Toyota Marketing MD Brand Pretorius says Toyota has already lost sales to competitors. While car buyers are often prepared to be patient, buyers of bakkies and trucks can't wait.

If their first choice isn't available, they will go to a rival and buy something else.

Nevertheless, he believes deferred sales could recoup much of the R 270m in turnover which has nominally been lost. At the worst, he believes Toyota will have to write off up to R 160m — over the next three months, before stock levels are back to normal.
Activities: Markets automotive parts and accessories.

Control: McCarthy 36%

Champion: DB Riley, MD J A Rich

Capital structures: 14.9m ord Market capitalisation: R53m

Share market: Price 380c Yields 4.4% on dividend, 16.9% on earnings, p/e ratio, 5.9, cover, 3.8 12-month high, 410c, low, 300c

Trading volume last quarter, 1.1m shares

Year to Dec 31 89 90 91 92

ST debt (Rm) 19.6 30.6 34.6 30.3

Debt equity ratio 0.55 0.39 0.45 0.48

Shareholders interest 0.56 0.54 0.56 0.54

Int & leasing cover 8.4 1.9 1.6 1.8

Return on cap (%) 32.8 20.4 11.2 13.3

Turnover (Rm) 176 221 242 284

Profit profit (Rm) 20.9 16.5 10.6 15.8

Profit margin (%) 11.5 7.6 4.4 4.8

Earnings (c) 118.8 60.3 31.6 60.7

Dividends (c) 36 20 8.5 16

Net worth (c) 271 354 286 393

93% to 60.7c and the dividend was nearly doubled to 16c Turnover rocketed R42m to a new high of R284m and return on capital is showing signs of modest recovery.

While all this must be encouraging for shareholders who have stuck with the company through two abysmal years, a cautionary note must be added; the latest out-turn merely returns Midas to the position as at February 1990. In fact, dividends still lag the 1990 20c and are far behind 1989's 35c.

Reasons are not hard to find. The automotive industry has had great difficulty in recent years. Chairman Derek Riley complains of "high unemployment and recession (which) have aggravated the turbulence in the country." All companies in the sector that reported recently comment on the same issues - difficult trading conditions, fierce competition, cut-throat pricing. MD John Rich confirms that trading margins remain very tight.

Midas had difficulties in managing working capital. A short note in the review says this is "being addressed." Stock holdings soared R18.4m or 32%.

Rich says this was caused principally by imported products in one division, with long delivery lead times, flowing in against a local trading background in which budgeted turnover wasn't achieved. In other words, management was too optimistic in its projections of what it could sell.

To some extent, the lifting of sanctions came to Midas's rescue. Creditors rose 34% to R51.7m, most of which came out of Far Eastern suppliers who, says Rich, "gave fa-

vorable consideration to better trading conditions." However, there was a consequential rise in local borrowings, now R30.3m - an increase of nearly R6m.

Goodwill is being reduced substantially in line with company policy. Last year a further R4.2m was written off Rich says that since all will be amortised by 1994.

The tax position is favourable, with an assessed loss of R40m, most of which accrues from purchases in previous years, such as the Alfa Romeo buyout. For at least two years, therefore, the tax burden will be very low.

A prediction for this year is difficult. Rich says trading conditions, which began favourably, have again become difficult. He won't be drawn any further, other than to confirm cautiously that he expects earnings growth at least equal to inflation so shareholders should not expect earnings much above 70c a share, with dividends around 19c/20c.

The share is up on the p/e of 5.9 in a sector which does not offer a true comparison with its business. Using the motor sector, with an average p/e of 6.4, as a yardstick, Midas has a little catching up to do, especially as it is trading at a discount to NAV. But recent performance has been like a seasaw, and the market will want to see more consistency before revaluing the stock. For the time being it looks fully priced.

David Glason
European suitor for AAD

By DON ROBERTSON

ASSOCIATED Automotive Distributors (AAD) is expected to announce its acquisition by a European truck-maker next month.

AAD, Leyland SA before the management buy-out (MBO) in January 1983 assembles heavy trucks and buses at its Blackheath plant near Cape Town under the Leyland name. It also distributes imported Land Rover vehicles.

Manager director Roman Szymoniewicz confirms that talks have taken place with several parties and that an announcement is expected soon.

He says that since the MBO there has been a turnaround in the company's fortunes.

It is believed that Dutch-based DAF has approached AAD. Any link would make sense because DAF and Leyland in Britain have close working relations.
Recipe for cheaper cars

A REVIEW of the Phase Six local content programme is a prerequisite for controlling price increases and returning the motor industry to a leading economic role. Bert Wessels, president of the National Association of Automobile Manufacturers of SA (Namas) and chief executive of Toyota SA, says the wide gap between disposable incomes and the cost of new vehicles worries the industry.

Mr Wessels's appeal follows a promise by Trade and Industry Minister Derek Keys that the Phase Six programme will be looked at anew.

Mr Wessels says alterations to the programme will have to involve all interested parties, including Namas, the National Association of Automobile Component and Allied Manufacturers (Naacam), labour representatives and political organisations. Foreign consultants could provide input for a delicate process.

Also needed is an improvement in overall efficiency and cost containment by motor manufacturers. By doing this, the problem of cars that are too expensive for the ordinary person could be dealt with.

Closer co-operation between employers and trade unions will have to be improved and management organisations and planning must be strengthened.

Phase Six has provided some stability to the industry, but it needs fine tuning so that it can play a role in containing costs.

Car prices rose on average by between 15.6% to 21.3% last year. German-sourced cars were at the lower end of the price-rise scale.

Increased excise duties, resulting from higher local content of 75% last year, added about 7.5% to the cost of vehicles.

Overall excise duties now amount to 40%, up from 32.5% in June last year. This is outside the industry's control.

The increased cost of imported completely knocked down (CKD) kits, lifted by a deteriorating rand exchange rate and rises in locally manufactured components, added to costs.
SA could make all RHD Audis

VOLKSWAGEN SA and its German parent are considering the possibility of the Uitenhage plant’s becoming the only manufacturer of right-hand-drive (RHD) Audi cars for the world market.

Audi chairman and chairman-designate of Volkswagen AG Ferdinand Piech says in Leadership magazine, it is his aim to have RHD vehicles made in SA, provided production costs are competitive.

Dr Piech says it makes no sense to have more than one investment in RHD plant - one in SA for a small market and others for Japan and Britain. The total market is about 35,000 units.

If all RHD cars were made in SA, other parts that are the same for both left- and right-hand drive could be imported.

“We are working hard to make this possible in the near future — with the next generation of models.”

By DON ROBERTSON

Ernie Barber, commercial services director of Volkswagen SA in charge of exports, confirms that this strategy is being studied in terms of capacity and engineering requirements.

Volkswagen SA has exported the first 200 left-hand-drive Jetta 25s to China as part of an order for 5,000 worth R180-million.

WV SA chairman and managing director Peter Searle says: “If we fill the first phase of the China order at a steady rate of 80 units a month and deliver good-quality cars at low cost, we have a good chance of obtaining orders for phase two and three of the project worth R1,2-billion.”
MOTOR vehicle distributor Saficon Investments reported a 17.4% increase in attributable earnings for the year to end-March, helped by an increased contribution from Boumat.

A slightly lower dividend of 13c (1991: 14c) was declared on earnings of 53c (49c) a share. The higher earnings were achieved even though the number of shares in issue increased by 1,72-million.

Earnings and dividends were marginally higher than those forecast when Saficon's holding in the group was increased to 51%.

Chairman Sidney Borsook said expectations of an upturn in the economy during the second half of the year had failed to materialize. Trading conditions had deteriorated.

The lower than forecast group profits were mainly due to an inability to reach forecast levels of new vehicle sales, and to a deterioration in gross profit margins.

Other inhibitive factors cited by Borsook were continued high interest rates, the indecisive behaviour of buyers during the run-up period to the introduction of VAT and the high new level of perks tax on the private use of company cars.

After tax profits fell by 11.6% but the contribution from building supplies group Boumat increased to R4.3m (1991: R683 000) and Saficon's attributable earnings came to R15.2m (R13.8m).

Turnover showed a 4.6% increase to R13.5bn, but difficult trading conditions in the motor retailing industry resulted in an 18.8% decline in operating income to R44.6m. After lower interest payments, after-tax profits fell by 11.6% to R13.2m.
Samcor unveils R1bn programme

SAMCOR yesterday unveiled a R1bn, five-year, capital investment programme in preparation for the replacement of the company's entire range of passenger and commercial vehicles.

Outlining the programme, newly-appointed group MD Robert Herbertson said the move would entail the installation of a new body assembly line with advanced robotics, which would significantly improve productivity.

"Although we are not launching any new products this year, we will be exercising our minds on how to improve sales of our current ranges until the arrival of our exciting new products during the first half of 1993," he said.

"The current market is hardly the ideal one to launch new product into, though we expect a mild upswing during the second half of 1992 and into 1993," Herbertson said.

Samcor public affairs director Rubin Els said funds for the new programme would come from accumulated profits over the next five years. The company might seek to finance the programme through existing capital and other sources.

He emphasised the financing would not come from an increase in vehicle prices.

"The new range will be released to the market at a competitive price," he said.

Samcor manufactures and assembles Ford, Mazda and Mitsubishi vehicles for the light commercial and passenger markets.
Recession bites as new car sales fall

DUMA GOUNBULE

TOTAL new vehicle sales for May plunged by 19.4%, proving that SA's recession was still deepening, the National Association of Automobile Manufacturers of SA (Naamsa) said yesterday.

A total of 21 305 units were sold compared with 26 307 in May last year.

Figures released by Naamsa showed that all four sectors of the industry remained well below corresponding levels achieved in the same month last year.

Passenger cars sales fell by 19.3% to 13 727 units compared with 17 012 in May 1991, but there was a nominal 0.6% increase in sales over April 1992.

Light commercial vehicle sales declined 18.7% to 6 869 units, while medium and heavy commercial vehicle sales decreased by 27.5% to 620 units. Combined sales were 1.5% down on the low base of 21 490 units sold in April 1992.

Naamsa said the generally low level of consumer and business confidence, tight monetary and fiscal policy, uncertainty about socio-political and related developments and the drought would continue to have an impact on the short-term fortunes of the industry.

10 best-selling passenger ranges

<table>
<thead>
<tr>
<th>Car</th>
<th>Model</th>
<th>May 92 Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toyota</td>
<td>Corolla</td>
<td>16 000</td>
</tr>
<tr>
<td>Nissan</td>
<td>200SX</td>
<td>14 000</td>
</tr>
<tr>
<td>BMW</td>
<td>318i</td>
<td>12 000</td>
</tr>
<tr>
<td>Golf</td>
<td>1.6</td>
<td>12 000</td>
</tr>
<tr>
<td>Jetta</td>
<td>1.8</td>
<td>10 000</td>
</tr>
<tr>
<td>Peugeot</td>
<td>205</td>
<td>8000</td>
</tr>
<tr>
<td>Mazda</td>
<td>323</td>
<td>6000</td>
</tr>
<tr>
<td>Ford</td>
<td>Escort</td>
<td>4000</td>
</tr>
<tr>
<td>Mercedes</td>
<td>190E</td>
<td>3000</td>
</tr>
<tr>
<td>Chevrolet</td>
<td>Belina</td>
<td>2000</td>
</tr>
</tbody>
</table>

Trading conditions in all market segments would remain extremely competitive. A spate of new model introductions could generate additional interest.

The figures follow April's 17.5% decline in year-on-year sales. The combined decline in April and May has been the sharpest over a two-month period since the December 1988 downturn, said Econometrix director Tony Twine.

To Page 2

Car sales

Nissan's Stephanou Louber said the low level of economic activity and political uncertainty as reasons for the decline.

But supply problems also played a role. Toyota MD Brand Pretorius said production problems due to the recent strike at the company's plant had played a role in altering the mix in the marketplace.

A Volkswagen spokesman said a severe shortage of Jetta had been the main reason for a drop in sales to 2 746 units from 3 000 in the previous month. He rejected speculation that recent export orders could have had an impact on the company's ability to supply the domestic market.

Industry sources have now adjusted their forecasts for 1992 sales downwards. Analysts were expecting sales to top the 200 000 units mark.

Naamsa said 1992 industry aggregate sales would be well below 1991's 180 000 units unless the market showed substantial gains during the second half of the year.

Pretorius reduced his 1992 forecast to 165 000 units (from 205 000 units), while Louber's revised estimate was 190 000.

Nissan was the only company to buck the downward trend in May, by increasing its total market share to 30.1% from April's 17.2%.
As recession deepens New car sales plunge
Business confidence rapidly ebbing away

By Michael Chester

The overall business mood has slipped into deeper pessimism, with forecasts of still more cutbacks in investment and employment levels in the pipeline, a survey by the SA Chamber of Business (Sacob) shows.

The business confidence index, which sets a base rate of 100 as a neutral marker between optimism and pessimism, tumbled back to 90.7 points last month in a sharp reversal of marginal rises recorded at the start of the year.

Sacob director-general Raymond Parsons said the economic evidence showed the recession had actually deepened in the first half of the year rather than showing signs of bottoming out.

Sacob had been forced to revise previous predictions of a recovery timetable. It now feared 1992 as a whole would show the economic growth rate at zero — with all hope pinned on the start of an upswing in 1993.

As the initial euphoria sparked by the “Yes” vote in the referendum wore away, the level of business confidence was both volatile and vulnerable.

No fewer than eight of 13 macroeconomic indicators had declined in the May count, despite a slight improvement in the rand/dollar exchange rate, a marginal slowdown in inflation and stronger share prices on the JSE.

The contraction of the economy in the first quarter had been the most severe since the recession started in late 1989. Confidence had also been badly hit by:

- The apparent political logjam in Codesa, and the economic damage threatened by mass action or general strikes (Sacob calculates the cost of a total standstill at no less than R1.2 billion a day).
- Recent policy statements by the ANC, which, Sacob said, though showing signs of more realism, “still reflected a reluctance to accept the domestic and global imperatives of a market-driven economy.”
- Sacob economist Keith Lockwood said confidence in the manufacturing sector was at its lowest since mid-1990. Nearly all the main indicators measuring the outlook over the next month and over the next 12 months were down.

Especially worrying, he said, were signs of cutbacks in capital expenditure in the industrial sector, which were almost bound to deter overseas investors from pumping more funds into SA.

“Increasingly, foreign investors see that new fixed investment is being cut back at domestic level,” he said, “it is not surprising they will be reluctant to plough in cash themselves.”

The employment outlook was bleak, with forecasts of labour cutbacks among both skilled and unskilled workers reported from all regions.

Looking ahead, however, said Mr Parsons, Sacob had been encouraged by the speed at which the nationalisation of foreign trade relations and the record number of inward and outward business missions were creating opportunities for expanding two-way import and export trade.

More and more, he said, exports had to be regarded as the key to a sustainable economic recovery.

Sacob now pinned hopes on a recovery next year.

More bad news for motor industry

By Sven Lunsche

New car sales are running at almost 20 percent below the depressed levels of the same period in 1991, with industry leaders expecting sales to fall well below 200 000 for 1992.

Figures for May, released by the National Association of Automobile Manufacturers (Naamasa) yesterday, show that new car sales at 13 727 dropped by 18.2 percent, compared with May last year, even though there was a nominal 0.6 percent increase over April 1992 sales.

Sales for the first five months of the year, at 75 538 units, were well below (13 percent) the 66 598 units sold in the same period last year.

The trend was also evident in light commercial vehicle sales which in the first five months were 12.2 percent down.

Medium and heavy vehicle sales declined by 17.9 percent and 12.2 percent respectively.

The fall in sales indicated an ever-deepening recession, Naamsa said, warning that unless the industry managed to improve sales substantially in the second half of the year, aggregate sales would be well below those of 1991.

It said difficulties in the industry were due to the generally low level of consumer and business confidence, tight monetary and fiscal policy, the instability surrounding socio-political developments and the impact of the drought.

Stephanie Loubsir, MD of Nissan SA Marketing, said: “Even if there is a moderate recovery in the second half, the worse-than-expected first half of 1992 could result in a market in the order of 190 000 passenger vehicles, which would be four percent down on a disappointing 1991.”

Brand Pretorius, MD of Toyota SA Marketing, said his company had been forced to adjust its sales forecasts.

“At the beginning of the year Toyota’s forecast for passenger vehicles was 200 000. We now believe that a realistic figure will be 185 000 units,” he said.

While both Messrs Pretorius and Loubsir call for more affordable cars, there is no indication as yet that this is being achieved.

Industry sources say prices so far this year have risen by just over seven percent, although some manufacturers, benefitting from the local content requirement levels under the Phase VI programme, have managed to maintain increases below inflation.
Mercedes deal 'less than hoped'

THE sale of Volkskas's interests in Mercedes-Benz SA to Daimler-Benz in Germany brought in a far smaller sum than the speculated minimum of R100m, sources close to the deal said yesterday.

MBSA said on Monday that the sale of Volkskas's 26.5% holding in Daimler-Benz, backdated to April 16, had pushed the German company's shareholding in the SA car company to 76.8%.

The other 23.4% is held by the Gohner Foundation of Switzerland. Sources said the deal had been about 10% of the speculated amount and had barely reached double figures.

Spokesman for Volkskas and Daimler refused to disclose the amount involved. They also declined to comment on whether the deal had been done through the financial rand because of an agreement struck between the parties.

Analysts said the deal could have been between R130m and R200m, based on Toyota's market capitalisation and estimates of the value of Volkskas's holding in MBSA in 1985, which was calculated then to be about R30m.

MBSA is a privately held company, so financial details are not available. Daimler's motivation for the deal was to reinforce its commitment to its SA operation and to set up MBSA as its major supplier to the southern African market.

However, a Daimler spokesman said the deal had been done despite current tough political and economic conditions because Daimler's investment in SA had always been, and would always be, a long-term investment.

"Even during the time of SA's total isolation Daimler remained committed to its investment in SA," the spokesman added.

When asked whether capital would be provided from off shore for expansion in MBSA, he said "It will be decided when such capital investment is necessary; for the time being it is not necessary.

MBSA had already set aside R81m to expand its operations this year and there were no plans at present to increase this amount, he said.

Volkskas sold its shareholding in line with its policy of relinquishing interests in commerce and industry and consolidating its banking concerns.

A forex market analyst said the 5c firming in the rand to R3.35 on April 16 from the previous day's R3.40 possibly could have been a result of the deal.
Toyota, Numsa battle to resolve strike

The strike at Toyota's Durban plant remained unresolved yesterday after workers downed tools on Tuesday for not being paid during the recent 17-day strike, said Toyota executive chairman Bert Wessels.

The strike by 5,000 workers continued yesterday, despite Numsa and Toyota officials trying to resolve differences.

The dissatisfaction arose when a group of workers heard that a shop steward had received normal wages during the May 6 to June 1 strike.

Wessels said all senior management were working towards a solution. He could not say how long the strike would continue.

Numsa spokesman Gavin Hartford said the company had implemented a unilateral wage offer to certain shop stewards in the Toyota auto component division.

The stamping division had received a wage offer while the manufacturing division received no formal offer.

This in turn led to the entire Durban plant demanding normal wages for the 17-day strike period.

He was unable to comment on yesterday's meeting between company and union officials.
It's tools
down at
Toyota
- again

The entire workforce of
the huge Toyota manufactur-
ing plant in Prospecton,
south of Durban, have
downed tools after two
sections stopped work on
Tuesday in protest against
the payment of shop stew-
ards during the recent
strike.

The 6 000 workers,
members of the Cosatu-affil-
iated National Union of
Metalworkers' of South
Africa gathered early yest-
eryear outside the Toyota
plant, singing and chant-
ing slogans.

A spokesman for Toyota
confirmed the stoppage
and referred to it as
"unprocedural!".
He ascribed it to appar-
tent dissatisfaction among
groups of workers about
some shop stewards rec-
ieving normal wages dur-
ning the strike.

The workers were now
demanding full pay for the
duration of strike, he said.

He said the company
fully ascribed to the policy
of "no work, no pay".
The shop stewards had
participated in a daily and
continuous bans in inten-
sive negotiations during
the strike action.

Long hours had been
spent on these discussions
and the company classified
them as "work", he said.

The same procedure
was followed last year
when shop stewards par-
ticipated in negotiations at
the national bargaining fo-
rum and the company did
not differentiate between
time spent by shop stew-
ards on national and plant
level negotiations.

Numsa regional organ-
iser Mr Magraves
Hlatshwayo said that the
company paid the shop
stewards on their own and
did not consult with the
union - Sowetan Corre-
respondent
On the road again

Toyota is back on the road.

The country's leading car manufacturer and the National Union of Metalworkers of South Africa hammered out an agreement on Monday this week.

All three of the managers pinpointed for dismissal by the workers were removed from the production line into office jobs. The chairman of the shop stewards council, dismissed from the company earlier this year, was reinstated in line with workers' demands. He will go to court to contest his demand for back pay.

In the most significant move, the company will drop all actions pending against the union in the Indust
Deadlock in metal industry wage talks

Discussions to resolve the dispute over wages in the metal industry will resume later this month after Seifsa and Numsa this week failed to reach an agreement.

Seifsa yesterday revised its wage offer from 6.4% to 6% for all workers on condition the union dropped other demands. Numsa rejected the offer and a further meeting was scheduled for June 18, collective bargaining national secretary Leo Kettle said in a statement last night.

Seifsa remained opposed to a Numsa demand for a moratorium on retrenchments but said it was prepared to consider alternatives. Kettle said a letter to Numsa said responding to a demand for a code of practice to end discrimination in employment. Seifsa called for a code of conduct.
Toyota deal off after new strike

TOYOTA management has withdrawn a strike agreement it reached with Numsa at the end of the recent 17-day strike, following a new work stoppage.

The workers again downed tools four days ago over demands that they be paid for the duration of the first strike after it emerged that some shop stewards who took part in strike negotiations were paid by the company.

The move could reduce prospects for a short-term settlement of the current strike by 6,000 workers at Toyota's Durban plant.

The settlement included the reallocation of three senior employees, the re-employment of a shop steward and the withdrawal of litigation against the union.

Full pay for workers during the 17-day strike amounted to R800 000 a day, said a company spokesman.

Numsa shop steward Mdudu Ngema said yesterday it had been a management decision to pay shop stewards "For this reason, workers felt everyone should be paid."

Sapa reports a management official confirmed yesterday that the agreement had been retracted "We are considering the agreement null and void. It provided a breach clause in which strikers had to return to work as normal."

He said production had not been normal after strikers resumed work. There had been a go-slow at one of the plant's divisions on the day strikers returned and sporadic stoppages in other divisions.

"On Tuesday, everyone went crazy and we've legitimately withdrawn the agreement," Numsa spokesman Ekhuruleni "Our Durban Correspondent reports eight strikers were arrested by police outside the Toyota plant yesterday. Police used teargas to disperse strikers when they failed to heed repeated warnings to do so, SAP spokesman Capt. Baka said last night."

"We did not dispute earlier management statements that it was normal practice to pay shop stewards for negotiating, saying that had never been done before."

He said strikers would meet today to decide their next move.

Esau also claimed one striker had been shot and wounded by police earlier yesterday. He said a group of workers were "toying" home after a meeting when police fired teargas at them. It was later discovered that a bullet had also hit one of the strikers who was taken to hospital.

Police could not immediately confirm this.
Toyota pulls out of strike deal

DURBAN — Toyota SA yesterday withdrew an agreement reached with its Durban employees at the end of a 12-working-day strike last month because of a subsequent work stoppage which enters its fourth day today.

Workers downed tools on Tuesday after it was discovered some shop stewards had been offered payment for the duration of the strike as management regarded their involvement in negotiations as work.

Workers have since also demanded to be paid for the period of the strike.

A union official said yesterday he had received correspondence from management that the agreement reached on May 29, the day the strike ended, had been withdrawn. — Sapa
Toyota on strike again

Just a week after striking Toyota workers returned to work, they downed tools again.

The work stoppage relates to demands that workers be paid for the 18 days on strike. But Toyota follows a "no work, no pay" policy. Workers went on strike when it transpired that shop stewards who had also been on strike had been paid.
GERMANY'S Daimler Benz increased its investment in Mercedes Benz of South Africa by taking over from Volkskas its 26.5 percent stake in MBUSA. This pushes Daimler's MBUSA stakeholding to 76.5 percent, with the remainder being held by Swiss-based Ghosnier Foundation.
**VEKTRA FM 12/6/92**

**Sharing the pain**

Like every company involved in the motor business which has reported recently, Vektra reflects the same pain tight trading conditions, excessive competition, declining demand. Its business is divided almost equally between motor dealerships, specifically Williams Hunt (WH), and replacement parts, in which it has Femo and V&R.

During 1991, replacement parts kept the show on the road. By extension, that means WH did not perform well. Chairman MD Alan Schlesinger says it was hamstrung by buyback deals entered into some years ago with car rental firms. "WH got involved to an imprudent level in these." WH sells only Delta Motor products and is Delta's largest franchisee. You would think that would almost guarantee success. On the contrary, Schlesinger reports that WH "incurred a substantial loss" largely because of the buyback obligations.

Schlesinger also says that margins in new car sales, contrary to what many believe, are often slim after being trimmed further to retain market share.

In an interesting aside in his chairman's statement, Schlesinger says Vektra is "actively pursuing opportunities to expand its motor dealership business" but will leave WH in position with Delta.

Schlesinger says it is conventional wisdom that replacement parts are a contra-cyclical business, at its best when the economy is performing poorly and vehicle owners extend fleet lives. This process has "natural limits" and its potential has been largely realised. This means, of course, that he believes a pickup in new vehicle sales is close, shareholders will fervently hope he is right.

Group profitability fell significantly, but a substantial reduction in effective tax rate, from 39% to 21.4%, came to the rescue. Good management footwork was displayed in controlling working capital trade creditors fell by R23.7m but stocks showed a R19m reduction.

The trading margin reveals the difficulties. From a high of 7.3% in 1989, it has fallen progressively to 5.2%—a good indication of extreme competitiveness.

Vektra is a curious animal. Formerly E W Tarry, it is UK-registered with a London listing dating from 1895. But all its business is in SA. Is there any point in perpetuating this anomaly which, apart from anything else, gives rise to accounting conflicts?

**COMPANIES**

Activities: Sells motor vehicles and automotive parts.
Control: W&A Investment 75%, ultimately FS Group.
Chairman: A Schlesinger, Joint MD R Crockatt.
Capital structure: 11.9m orts Market capitalisation R26.2m.
Share market: Pnce 220c Yields 8.9% on dividend, 17.3% on earnings, p/e ratio, 8.8, cover, 2.9 12-month high, 240c, low, 200c.
Trading volume last quarter, 116,000 shares.
Year to Dec 31
ST debt (Rm) 68 69 90 91
LT debt (Rm) 6.0 6.8 8.6 8.4
Debt equity ratio 0.16 0.27 0.38 0.44
Shareholders' interest 0.47 0.54 0.54 0.51
Int & leasing cover 10.5 3.1 1.6 1.3
Return on cap (%) 19.6 22.8 16.0 10.3
Turnover (Rm) 284.9 468.9 476.5 493.5
Pre-int profit (Rm) 16.3 34.2 28.1 25.5
Pre-int margin (%) 5.4 7.3 5.9 5.2
Earnings ($) 511 108.5 48 38
Dividends ($) 30 35 16 13
Net worth ($) 288 299 317 331

UK practice treats interest on compulsorily convertible debentures (Vektra has R39.9m of these) as interest paid. In SA, such amounts are often treated as due to shareholders in the same way as dividends. The difference can be significant.

Schlesinger is reluctant to be drawn on prospects. The unpredictable state of the country will, he says, affect the group's ability to get back into high gear.

Vektra is on a p/e of 5.3 against a sector average of 6.4, so it may have a little way to travel. But the best reason to be in it is the chance that W&A will do something positive with the London listing.

David Givens

---

The accompanying chart shows the stock performance of Vektra from 1991 to 1992.
Toyota withdraws agreement

Toyota SA yesterday withdrew an agreement reached with Durban employees at the end of a 17-working-day strike last month because of another work stoppage, which enters its fourth day today.
taken the industry by surprise. Years of labour unrest, low productivity and declining sales had, in fact, led to speculation that the group would inevitably disinvest.

From 1987-1990, MBUSA had lost an estimated R24bn in revenue as a result of work stoppages and go-slow, while damage to their East London plant was about R5m.

Daimler's purchase of Volkskas's 26.5% ordinary shares in MBUSA is believed to be a modest investment. But neither side will say how much the deal is worth.

A spokesman for Daimler, which has been in SA since 1954, says the move reinforces its commitment to the SA operation and indicates that they see MBUSA as its major supplier to the southern African market. The SA operation is Daimler's third largest outside Germany and the only foreign one that manufactures cars as well as trucks.

Earlier this year, MBUSA chairman Christoph Kopke announced that MBUSA has budgeted for an investment of some R445m over the next five years.

Volkskas, an MBUSA shareholder since 1966, says the move was part of its plan to restructure its interests in commerce and industry and consolidate its banking concerns.

The remaining 23.4% of MBUSA is held by the Gohner Foundation of Switzerland.

The National Association of Automobile Manufacturers of SA's figures for May show that new car sales were up over April, though this year's sales are still running 3% behind January to May 1991. The group blames the generally low level of consumer and business confidence, tight monetary and fiscal policy, uncertainty about socio-political and related developments and the adverse impact of the drought on the economy.
If it is, the car and commercial vehicle assemblers hope that annual negotiations on pay and conditions can be completed by June 30, when the current agreement is due to expire.

Instead of a moratorium, employers have proposed a procedure whereby unions are fully consulted before retrenchments occur. According to BMW manpower director Dave Kirby, who leads the employers’ negotiating team, “it’s a process whereby there is a review of all possible alternatives.”

Also proposed is the creation of a joint fund to be used for the support and retraining of retrenched workers.

Employers are cautiously optimistic that unions — notably the National Union of Metalworkers (Numsa) — will accept this compromise. Companies blame the moratorium, which was imposed last year, for widespread over-manning at a time of plunging vehicle sales and rising costs.

So central is the job security issue that other features of the annual negotiations have barely got a look in. Even the question of wages has been pushed to one side while retrenchments are discussed.

Says Kirby “Not a lot of attention has been paid to that part of the exercise. It’s waiting on the outcome of the moratorium.”

When they do get on to it, they will find a huge chasm dividing the two sides’ original proposals. In response to a union demand for
Motor industry in major crisis

The question is, could they propel the genuine private motorist — almost never seen outside used car yards — once more onto the showroom floors.

Economist economist Tony Twine, a close follower of the vehicle industry, believes not.

He says the industry worldwide faces a crisis of affordability: aside from the problem of whether the world’s roads can accommodate more motor vehicles, people do not have the money to buy them.

All of which is not promising for a heavily over-capitalised local vehicle industry which, in Twine’s estimation, needs 10 times its present output to achieve the economies of scale of manufacturers in developed countries.

Besides that, the “bag boys” — such as VW in Germany, which makes about as many cars in a day as VWSA turns out in a year — jealously guard their territories and will not compromise their investment and workers’ jobs to give South Africa a piece of the action.

Accelerate

“We will pick up the pace of developments is about VW taking over production of right-hand-drive (RHD) Audis and its export deal with China,” says Twine.

Daimler Benz is strengthening its stake in Mercedes in East London to cash in on South Africa’s status as a supplier to the regional market, while Toyota said in February it expected to accelerate sales to Africa from 1500 last year to about 5000 this year.

But even if South Africa

ca. cornered the entire African market for RHD vehicles, it would boost turnover by only 20 or 30 percent, says Twine, much too little to achieve the economies of scale necessary to meaningfully contain prices.

The inevitable question is, are local car-buyers subsidising the export drive? There is broad consensus in the industry that they are.

Toyota SA chairman Pieter Wessels said earlier this year that manufacturers could cut prices between 13 and 15 percent if the Phase VI local content programme which encourages exporting was scrapped.

“The short answer to the question is yes,” says Twine.

“Simply stated, for every R1 a manufacturer earns from exports above a minimum level, it receives 50 cents in the rand rebate in duties on imported components for local assembly.”

Broadly speaking, the country pays in two ways. Rebated duties have to be made up by increased taxes in other areas, while vehicle assemblers and component manufacturers are forced to recover the large sums they spend to raise export levels from higher domestic vehicle prices.

Furthermore, “very material frauds” by way of false claims have occurred, Trade and Industry Minister Derek Key said recently while the announced Phase VI was urgently to be overhauled.

At the same time, the programme had resulted in the industry being over-protected from foreign trade — again contributing to higher prices.

An imported Lumburga Diablo carries a R148-million price tag, enough to stop anyone in its tracks.

The same car, imported to the US from Italy, sells for less than R50 000 — and Americans earn considerably more dollars than South Africans do.

Jazzier

Earnings aside, on a straight dollar-for-rand comparison, locally-assembled cars cost considerably more than the equivalent in most parts of the world.

Americans can pick up a brand new, bottom-of-the-range Hyundai (Korean car) for 6 500. The jazzier coupe model costs 10 500.

In South Africa, the BMW 3-series ranges from R66 000 to R116 000 — and is considered better value for money than most here; the US BMW 3-series costs from 19 000 to 33 000.

Statewide, a 1.5-litre Toyota comes for under 16 000, a SA-assembled Corolla of comparable size, the 1.3, is listed at R53 039.

S Africans told: Don’t

Expatriates and other South African residents court financial disaster unless they invest their money wisely through reputable portfolio advisers and fund managers.

This is the view of Daniel Macqueen, expatriate investment and tax manager with Price Waterhouse Moyer.

“Hundreds of thousands of people living in South Africa have funds abroad in the form of pensions, inheritances, trusts, savings and social security,” said the watchnight scheme put to solid financial credit.

Not that long ago, the motor industry was churning out cars that were the cheapest new car in the country would breach the R20 000 price level.

That moment came and went in the twinkling of an eye about two years ago.

Today only the frill-less three-door Fiat Uno hatch-back, at R26 860, will set the prospective buyer back less than R30 000 — only a few years after making its South African debut at a shade over R17 000.

At long last, with more than nine out of 10 new cars being sold to corporate buyers and with sales dwindling to the point where 200 000 a year sounds like a pipedream, manufacturers are beginning to agitate over prices and their effect on motor trading habits.

Affordable

Figures for the industry released this week show sales running almost 20 percent below the levels of last year — itself not a healthy 12 months for new car salesmen.

“We as manufacturers will have to look at alternative strategies to accommodate the real needs of today’s consumer,” Nexus SA Marketing MD Stephanus Louw said, stating the obvious this week.

“One such need is obviously more affordable vehicles.”

— More affordable cars would be more austere cars and their manufacturers would be unable to boast features like climate control and computerised fuel management as standard.

— Inevitably, they would have little appeal for the corporate market, where status is all-important.”
How to make the most of retirement pay

This article, based on the booklet Pay Less Tax published jointly by Sunday Times Business, News and Express FM Goldly, is intended to highlight some tax saving opportunities, using the basic structure of the annual FIT2 return.

Use of lump sums

A provident fund will not attract tax on resignation or retirement if they are transferred to another provident, pension or retirement annuity fund.

Additional concessions apply on retirement.

A Rs 100,000 exemption is available for any lump sum you may receive from your employer in those circumstances.

If you are aged 58 years (in the case of a female) or

Your services are terminated because of ill health, superannuation or other disability.

In the case of a female, in order to marry

Any proceeds above Rs 100,000 will be taxed at your average rate of tax.

The exemption portion of your pension or provident fund lump sum payable to you on retirement is determined in accordance with a formula (g/10 highest annual average earnings in Rs 100,000) in any five years). n equals the number of completed years (maximum of 50) ranging for benefit in terms of the fund.

The exempt portion of the lump sum commutation, as determined by applying the formula referred to above, may not exceed the greater of:

Rs 12,000 or Rs 200,000.

It is important to note that these concessions are available to both husband and wife, enhancing retirement benefits.

Your average tax rate is calculated by dividing the total tax payable on your taxable income (excluding the lump sum) expressed as a percentage.

It is beneficial to retire early and to invest the income so as to reduce your average tax rate.

This is because your monthly retirement income is normally lower than your salary level.

Any fringe benefit or additional monthly income paid by an employer, who, having retired from full-time service, is employed part-time will be treated as part of your retirement income.

Copies of Pay Less Tax can be obtained as a cost of Rs 3.50 (including VAT) from L. Miranda, Delegates FM Goldly. — Pay Less Tax, Private Bag X3, Beaverton, VA.

COMPANY ROUND-UP

<table>
<thead>
<tr>
<th>Week</th>
<th>Turnover (Rs)</th>
<th>Profit before tax (Rs)</th>
<th>Earnings per share (Rs)</th>
<th>Dividends per share (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Week 1</td>
<td>1050.0</td>
<td>84.0</td>
<td>2.7</td>
<td>1.5</td>
</tr>
<tr>
<td>Week 2</td>
<td>870.0</td>
<td>-48.0</td>
<td>-1.2</td>
<td>-0.5</td>
</tr>
<tr>
<td>Week 3</td>
<td>4370.0</td>
<td>48.7</td>
<td>1.2</td>
<td>0.4</td>
</tr>
<tr>
<td>Week 4</td>
<td>1035.0</td>
<td>-23.0</td>
<td>-0.4</td>
<td>-0.1</td>
</tr>
<tr>
<td>Week 5</td>
<td>1320.0</td>
<td>32.0</td>
<td>0.6</td>
<td>0.3</td>
</tr>
<tr>
<td>Week 6</td>
<td>124.0</td>
<td>18.0</td>
<td>0.3</td>
<td>0.1</td>
</tr>
<tr>
<td>Week 7</td>
<td>1175.0</td>
<td>32.0</td>
<td>0.6</td>
<td>0.3</td>
</tr>
<tr>
<td>Week 8</td>
<td>1355.0</td>
<td>31.0</td>
<td>0.6</td>
<td>0.3</td>
</tr>
<tr>
<td>Week 9</td>
<td>1171.0</td>
<td>24.0</td>
<td>0.4</td>
<td>0.1</td>
</tr>
<tr>
<td>Week 10</td>
<td>45.0</td>
<td>37.0</td>
<td>0.7</td>
<td>0.4</td>
</tr>
<tr>
<td>Week 11</td>
<td>1320.0</td>
<td>44.3</td>
<td>0.9</td>
<td>0.5</td>
</tr>
<tr>
<td>Week 12</td>
<td>1232.7</td>
<td>53.0</td>
<td>1.0</td>
<td>0.5</td>
</tr>
<tr>
<td>Week 13</td>
<td>612.0</td>
<td>33.0</td>
<td>0.6</td>
<td>0.3</td>
</tr>
<tr>
<td>Week 14</td>
<td>123.0</td>
<td>22.0</td>
<td>0.4</td>
<td>0.2</td>
</tr>
<tr>
<td>Week 15</td>
<td>83.0</td>
<td>13.0</td>
<td>0.2</td>
<td>0.1</td>
</tr>
<tr>
<td>Week 16</td>
<td>110.0</td>
<td>19.0</td>
<td>0.3</td>
<td>0.2</td>
</tr>
<tr>
<td>Week 17</td>
<td>1075.0</td>
<td>32.0</td>
<td>0.6</td>
<td>0.3</td>
</tr>
<tr>
<td>Week 18</td>
<td>765.0</td>
<td>18.0</td>
<td>0.3</td>
<td>0.1</td>
</tr>
<tr>
<td>Week 19</td>
<td>5.0</td>
<td>2.0</td>
<td>0.1</td>
<td>0.0</td>
</tr>
</tbody>
</table>

AAD & Talks

ASSOCIATED DISTRIBUTORS (AAD) chairman and chief executive Mr. S. C. Verma confirms that discussions have taken place with several foreign buyers over a business tie-up and a prospective joint venture. Mr. Verma says that the talks are expected to be finalized soon. He also said that the talks are expected to result in the acquisition of controlling interest in Metro Cash & Carry, Supermarkets and Clicks Stores, had a major impact on Group turnover and the balance sheet, ConsensusIP, said. Meanwhile, the group has achieved a record results for the first quarter of the fiscal year.
New models to the rescue

SEVERAL vehicle launches prevented what could have been one of the worst monthly new-car sales performances in more than 15 years.

Sales in May of only 13,727 were the lowest for the month since 1977. Light commercial vehicle (LCV) sales at 6,859 were the worst since 1985.

Combined medium and heavy truck and bus sales were the lowest for 20 years.

Sales of new cars last month were the worst in seven years. "LCV" figures marginally beat the low of six years ago.

Had it not been for the launch of the Nissan Sentra in April and the new BMW 3 Series the month before, overall sales would have been much lower.

The new Honda Ballade was introduced towards the end of last month and had no influence on the figures. The new Audi is challenging other marques in the luxury sector.

The National Association of Automobile Manufacturers of SA (Nasasa) says the sales figures suggest that the recession is still deepening.

May sales were a few units more than the 13,466 in April and compare with 17,612 in May last year. Volumes for the year are 12.9% below those for the first five months of 1991.

LCV sales in May compare with 7,153 in April and 8,439 last year. Sales for the year are down 12.2%. Medium commercial vehicles at 1,376 are 17.9% below the 1991 figure, with May sales at only 241.

Heavy truck sales this year have declined by 12.2%. Sales in May were 979.
THE first major task of new Samcor managing director
Robert Herbst is to steer through a R1-billion capital
expenditure programme in the next five years.
It is the first major investment undertaken by the com-
pany since Ford and Mazda were merged to establish
Samcor II. It will involve the replacement of all vehicles
currently made by the group and the introduction of
several variants.
Among the new models will be a restyled Mazda 626
and the Ford Telstar, which will be launched next year.
Mr Herbst says “The current market is hardly the
ideal one in which to launch a product. But we expect a
mild upturn in the second half of 1992 and in 1993.
Being in a position to launch into an improved
market leaves us comfortable about our timing, even
though it is a little after our competitors.”
This year alone, almost R100-million will be spent on
the body and paint shops and the vehicle assembly line.
About R300-million is des-
tined for tooling for new
vehicles.
Mr Herbst says that
with a possible revision of
production cycles, savings
could be effected.
Turnaround in fortunes
by pursuit of excellence

A significant transformation in image and product ranges has marked Nissan South Africa's performance in the past few years.

Chief executive officer John Newbury says “By building on a sound product development programme, based entirely on customer needs and incorporating advanced technology, our results following the launch of the new and revolutionary passenger range have made a remarkable impact on the market.”

Acclaim

He says the secret behind this achievement at Nissan’s commitment to high quality and the relentless pursuit of excellence in all aspects of its business and performance.

Nissan’s new cars have been acclaimed all over the world, particularly the Maxima which is ranked as one of the range in its groove range and among the top 10 overall by leading American Road & Track magazine.

It was voted Car of the Year 1994 in New Zealand and in Canada in 1995. It also won the 1995 Car of the Year award in SA. Another accolade was the SA Car of the Year award for the – a great achievement in its first year of operation.

Nissan is currently enjoying a near 10% share of the market.

Integral

One of seven vehicle manufacturers in SA, Nissan has studied its corporate image and product image jointly upmarket and prided itself on its leadership in the highly competitive car and truck markets.

The return to profitability — and profitability — has resulted in a well-planned and executed product development and marketing strategy dubbed “the core”. This strategy — which was based on a pro-active approach to the market — was started when Takashi Kume took over the reins at Nissan SA in 1996.

The starting point was rethinking the Nissan product range. The emphasis was on aligning the product range with the After Sales Support system, developing a new approach to the market and creating a new brand image.

MOTOR DEALER ARNOLD CHATZ

Nissan holds high hopes for greater market share with the Maxima (OE) and a revoluted Sentra (OE).

Nissan is leading the way in the domestic market with its strong product development programme and its commitment to excellence.

SALES of Nissan vehicles hit an all-time high in May, surpassing 30% of the market share for the first time in the company’s history.

Nissan is a market leader in the passenger vehicle market with 16.3% share.

In terms of the company’s target of increasing its market share, the company will continue to work towards achieving these targets.

The company is committed to maintaining a strong market share and to providing excellent customer service.

Nissan’s strong position in the market has been underpinned by its commitment to excellence in all aspects of its business.

Bright new image

SAKIE LANDOBER, general manager, corporate affairs, says “Nissan is a market leader in the passenger vehicle market with 16.3% share in the market for the first time in the company’s history.”

The company is committed to maintaining a strong market share and to providing excellent customer service.

Nissan’s strong position in the market has been underpinned by its commitment to excellence in all aspects of its business, particularly in terms of technology.

Nissan’s strong position in the market has been underpinned by its commitment to excellence in all aspects of its business, particularly in terms of technology.

Nissan is committed to providing excellent customer service and to maintaining a strong market share.

Nissan is committed to providing excellent customer service and to maintaining a strong market share.
NISSAN has launched a redesigned version of the previous Sentra. It is set to fight for a large share of the medium-car market. This follows hard on Nissan’s Maxima winning the Car of the Year title both here and abroad.

Business reports of the state of Nissan in South Africa, its successes and the challenges that lie ahead.

Partners in fine tuning

The development of Nissan products for South Africa is the result of extensive test and research programs conducted in conjunction with engineers from the Japanese parent company.

Tony Godycka, director in charge of product development and engineering at the Rosslyn plant, says Nissan Japan decided that vehicles for SA warranted their own specification as do the East, US and Europe.

Previously, SA was tied to Nissan’s general export specifications, but is now able to use the European specification as a base. It is compatible with SABS standards, which are based on those of the EEC.

Away

Nissan SA initiated engineering specifications to meet requirements here and has opened communications directly with Nissan’s Technical Centre in Japan (NTC).

Mr Godycka says this meant moving away from a general specification to more exacting standards, with clear quality objectives. Nissan SA now has model specifications in the Japanese computers.

“From here we can develop products, not only technically suited to South Africa, but to meet its market tastes and manufacturing capabilities. This promises a bright future for Nissan when the market picks up.”

Nissan SA has made a considerable investment in test procedures, facilities and equipment to meet NTC’s requirements. SA has unique needs when it comes to cooling, drivability, load and speed, topography and road surfaces.

Part of the investment includes R15.5 million in the last year for computer equipment alone.

One SA engineer is based in Japan and two Japanese engineers are here. This reinforces communications and helps Nissan SA to upgrade its engineering capabilities and processes to the best the Japanese have to offer.

“When new models are considered, we advise Japan on what we would like to have, what we must have and what must be changed,” says Mr Godycka.

“Based on this, Japan tells us what can be achieved, which enables South Africa to take the right action to suit our market. It also means we must know our markets and be sure we know what we want.”

An example of how these standards work for Nissan products is in the cooling system for the Maxima which had to be raised to cope with conditions here.

Durable

Mr Godycka says “NTC’s SA specifications are being built into vehicles destined for us. For example, we have determined through testing with Japan that the SA minus taxi structural durability requirement is the most demanding in the world.”

“All of this has demanded new disciplines and greater commitment to quality standards on our part.”

Eyes on the fleets

When projecting the new Sentra to corporate buyers, Nissan highlights its high quality and lower maintenance costs.

In conjunction with some banks and finance houses, Nissan has put together finance packages covering all its vehicles. They include maintenance contracts and FMI options.

Nissan also gives advice about fleet purchases and the reduction of operating and running costs.

Stephanie Leibner says Nissan follows the industry trend of most sales being to the fleet or company market.

“Our penetration is not as high as some of our competitors, but our fleet sales as a percentage of our local sales have been growing for the past five years. With the range we have today, more fleets will consider us. Previously it was a battle getting our name on the selection list. Today Nissan is on most buyers’ list.”
Dorbyl takes on foreign partners in export drive

By CIARAN RYAN

DORBYL is going for the export market, signing up joint-venture deals with a string of foreign investors.

It has also inaugurated the second phase of its Telelma Transmission, a joins for the motor industry.

In 40% partnership in the project is GKN of the UK. Three other factories with Taiwanese partners are at various stages of commissioning, pro-

ducing mirrors, fully trimmed seats and steering wheels for the domestic and export markets.

Dorbyl is also looking at offshore joint ventures.

Capital expenditure of more than S$30 million in the automobile industry division this year will boost annual sales by S$25 million a year.

Exports account for 15% of Dorbyl's turnover — bolstered by orders for three 3,100-million containerised ships from Germany and the United States.

Chief executive Dwayne Morris says the plan is to increase the export figure to 30%.

Dorbyl is close to acquiring additional ship orders and has set up a London sales office to boost European ex-

ports.

Mr Morris says: "We've been successful in attracting the engineering partners on a small scale. By forming strategic alliances with foreign partners we gain access to their technology and new export markets."

Mr Morris accompanied Minister for Finance and Trade, Dennis Kim, on an export promotion trip to the Far East.

He says he will consider opening a plant in China, but the priority is to get the domestic market moving.

China has low-cost labor and a good work ethic which makes it suitable for labor-intensive industries like the one at Dorbyl. It is generally only the capital-intensive parts of the product that can compete in a free trade envi-

ronment.

Capital expenditure in the year will be about S$30 million. It will be spent on modernising the Texco Transmission plant, which had to be redone, to accommodate the components division, an exportuting machine and a injection molding system.

Related

A new buzzword in manufacturing is "focused factory" and the concept Mr Morris picked up at Harvard three years ago for Dorbyl factories is an extreme departure from the old concept of diverse processes where a range of goods was produced under one roof.

The focused factory concentrates on one or a few related products and differs from traditional factories, to that less work is sub-con-

tracted out.

By switching from mass production to focused factor-

ies, capacity is improved by 70% in certain areas, says Dyson's automotive products chairman Mike Smithson.

The result is a saving of 30% in production planning and a saving of 40% in the production cycle itself. The savings are so great they are corrected as they occur rather than at the end of the cycle. Thus slashes the cost of re-

To put it mildly, Ritmeester are superb cigars. So mild you can smoke them all day.

Sage clears the decks

By JULES WALKER

SAGE'S first general meeting since it was listed in 1982 has been held to announce the merger of its three quoted subsidiaries into the new SAGE Group. The balance will be partly paid and should make a significant improvement in the company.

Shareholders of the holding com-

pany Sage Holdings will re-

ceive 25 shares in Sage Financial Ser-

vices (IFPS) for every 100 shares in Sage Holdings. The new Sage Group will comprise 50% SAGE Financial Services (IFPS) and 50% Sage Property and will be owned 50:50 by the two subsidiaries.

Rescue bid for NCI

Introuduced by ADRIAN HERSCHE

Dr Trusson of the University of South Australia says that in many cases the criteria for selection tend to be for more job-related factors than in SA.

The primary concern is the person's past record — or other factors for decision. It is related to performance on the job or other reasons, work performance," says Dr Trusson.

The task group, commis-

sioned in July 1981, was chaired by Henrie O'Keeffe of the industrial psychology de-

partment at Unisa.

Dr Trusson says that although the guidelines will not necessarily be applied in all industries, employers would do well to implement them.
Gearmax
STIMULATED EXPANSION

GEARMAX, the largest supplier of rear axles to the motor industry, has announced a major expansion and diversification programme (PR2).

The expansion will be accompanied by a R100-million capital injection next year. The company will diversify into new products to cushion itself against the growing switch to front-wheel-drive vehicles.

In the past 10 years, most manufacturers have moved to front-wheel-drive in the A, B and C-segment cars. Gearmax has about a 90% share of the rear-axle market, especially in the bakku sector.

London gold
Low car price rises forecast

MOTOR manufacturers are expected to peg price increases below inflation in a long-term strategy to woo back private buyers, industry sources said.

National Association of Automobile Manufacturers of SA (Naamsa) spokesman said that in an attempt to make vehicles more affordable, pricing would be especially keen this year. Last year price increases averaged between 15% and 23%.

"The crux of the matter is that seven motor assemblers are all scrambling for a greater share of the car market which is unlikely even to top last year's 197 736 sales," one said.

Car prices

At the beginning of 1991, Naamsa forecast 1992 sales at 200 000, but has since revised this to 196 000 due to plummeting sales. Toyota revised its forecasts from 205 000 to 185 000, while Nissan lowered its forecasts to between 187 000 and 189 000.

Toyota marketing MD Brand Pretorius said excluding the effect of new model launches, manufacturers were showing great restraint in pricing in an effort to bring price escalations below inflation.

This was confirmed by Nissan marketing MD Stefanus Louwe who said the company would attempt to keep price increases at about 12% in 1992.

Pretorius said the local content programme's contribution to price increases would not be as high as last year, when Phase VI added 7.5% to car prices.

Econometrix economist Tony Twine said car prices had increased at an average compound rate of 23% a year since 1985, while inflation had averaged 15%.

This meant car prices doubled in real terms every nine years.

Last year, the average inflation rate of vehicles was 23.5%, but Twine believed this would fall to 19% in 1992.

However, vehicle prices would increase by 16% in 1992 compared with 1991. The cumulative effect over three years was that vehicles prices would have increased by 65%, said Twine.

He predicted that interest rates would be lowered by one percentage point next month and towards the end of the year which could stimulate sales in the second half. However, the increase would not be enough to top 1991 sales, he said.

Naamsa said in its 1991 annual report that any expansion in the industry's business activity over the next three to five years was unlikely to come from growth in local vehicle sales. Growth and development would have to come from exports.

High interest rates, low business confidence, domestic and international recession and political and labour instability stunted industry growth at present.
Price hikes below inflation

Motor industry's bid to woo buyers

JOHANNESBURG — Motor manufacturers are expected to peg price increases below inflation in a long-term strategy to woo back private buyers, industry sources said.

"National Association of Automobile Manufacturers of SA (Naamas) spokesmen said that in an attempt to make vehicles more affordable, pricing would be especially keen this year. Last year price increases averaged between 15% and 20%.

"The crux of the matter is that seven motor manufacturers are all scrambling for a greater share of a car market which is unlikely to exceed last year's 107 758 sales," one said.

At the beginning of 1991, Naamas forecast 1992 sales at 220 000, but has since revised this to 180 000 due to plummeting sales. Toyota revised its forecasts from 205 000 to 165 000, while Nissan lowered its forecasts to between 187 000 and 189 000.

Toyota marketing MD Brand Pretorius said excluding the effect of new model launches, manufacturers were showing great restraint in pricing in an effort to bring price escalations below inflation.

This was confirmed by Nissan marketing MD Stefanus Louwrens who said the company would attempt to keep price increases at about 12% in 1992.

Pretorius said the local content programme's contribution to price increases would not be as high as last year, when Phase VI added 7% to car prices.

Economist economist Tony Twine said car prices had increased at an average compound rate of 25% a year since 1985, while inflation had averaged 15%.

This meant car prices doubled in real terms every nine years. Last year, the average inflation rate of vehicles was 23.5%, but Twine believed this would fall to 18% in 1992.

However, vehicle prices would increase by 16% in the first half, compared with 1991. The cumulative effect over three years was that vehicles prices would have increased by 65%, said Twine.

He predicted that interest rates would be lowered by one percentage point next month and towards the end of the year which could enable sales to increase in the second half. However, the increase would not be enough to top 1991 sales levels.

High interest rates, low business confidence, domestic and international recession and political and labour instability could hamper industry growth, he said.

Clicks set for R1bn special T-Bill issue

CLICKS Stores said it would go ahead with its acquisition of Musica (Africa) Holdings Ltd after terminating talks earlier.

The companies said in a statement that agreement had been reached with creditors of Musica.

The due diligence probe referred to in a statement on May 24 that showed the tangible net asset value of Musica at March 31, 1992 was materially less than the R1.2m warrantied, it said.

"The Goosen family, who own 71% of Musica's issued capital, will accept the offer of 65p per share. If Clicks did not gain at least 80% of the issued capital, it would acquire Musica's subsidiaries for R1.2m, reconstituting it as a cash shell and suspending its shares on the JSE.

— Reuters

Govt set for R1bn special T-Bill issue

Johannesburg — The Reserve Bank is likely to issue R1bn in special nine-month Treasury bills over the next week.

The issue is expected to be well bid. One dealer said the Bank was unlikely to issue the entire amount at once, but rather over a few days.

The issue would be in line with the three-point plan recently announced by Reserve Bank Governor Chris Stals who indicated that an issue of this size would be made to mop up liquidity.

Money market rates hardened on the expectation of the issue. Overnight rates fell from around 14.00% to 13.75%.

The Finance Department, meanwhile, said it would issue two zero-coupon stocks. It expected one to be a R300m nominal value with a five-year tenor to maturity. The other, also for R300m nominal value, would have a seven-year tenor to maturity.

The Bank will market the bonds on Monday when it said an official announcement was on hold pending formal approval of the scheme by the parliamentary committee on public accounts.

Zero-coupon bonds had been found to be popular among foreign investors. These bonds carry no interest payments but are issued at a substantial discount to their face value, assuring the holder a profit.

The returns are attractive in an environment of volatile interest movements because the holder can calculate the effective yield at the time of purchase. As the redemption date draws closer, the bond price usually rises towards its nominal face value, assuring the holder a profit.

Sources said there was unlikely to be a cost advantage to the department. The objective of the issue was expected to improve government debt marketability.
MANUF. - MOTOR Industry

1992

MAY - AUGUST.
Activities: Holds Toyota franchise for Rustenburg, operating a service station and selling new and used vehicles
Controls: Southern Motor Holdings (65%)
Chairman: DA Khonati, MD ES Moonda
Capital structures: 3m shares, Market capitalisation R7.7m
Share markets: Price 250c, Yield 13.6% on dividend, 34.0% on earnings, P/E ratio 2.9, cover 1.9 12-month high, 250c, low, 140c
Trading volume last quarter, 1,000 shares
Year to Oct 31

| ST debt (Rm) | 0.24 |
| LT debt (Rm) | 0.23 |
| Shareholders' interest | 0.23 |
| Int & leasing cover | 1.3 |
| Return on cap (%) | 35.5 |
| Turnover (miles) | 25.3 |
| Preint profit (Rm) | 1.82 |
| Preint margin (%) | 7.2 |
| Earnings (c) | 96.1 |
| Dividends (c) | 45 |
| Net worth (c) | 38 |

16 months * Annualised, on weighted average issued equity

meagre R187,000 retained income. The apparent high cover shown in the accompanying table reflects the calculation of earnings on a weighted capital, whereas the dividend was paid on the year-end equity.

A more accurate assessment of performance can probably be gauged from last June's interim report, which showed earnings to be close to the R780,000 forecast. Payment of R2.4m goodwill for the Toyota franchise, the bulk of the R3.6m purchase price, made a hefty dent in capital. Goodwill is now the major "asset," and tangible NAV is a fraction of the share price. At least Raptor has hardly any debt.

Moonda is pleased with the first results. He says the future is "a bit risky," though Rustenburg's economy has in part protected the company from recession. "This is still a boom area, with the mines doing well. But anything could happen and it's difficult to make forecasts," he says.

Khonati adds that turnover and margins are under pressure as the motor industry struggles. With about 60% of business in the fleet line, prospects should be reasonably stable. Moonda notes that demand has been holding up but the market is becoming increasingly competitive. He says the company "is having to discount a bit more than usual."

The DCM-listed share has not raised much interest, though the price has climbed...
6,000 are still out at Toyota

Sowetan 29/11/92

Arbitration hearings aimed at bringing the three-week-old strike at Toyota's Prospect plant have been completed but the 6,000 workers are yet to return to work.

The hearings were completed on Tuesday, according to Mr Theo van den Berg, Toyota's group director of personnel and industrial relations.

"Negotiations are currently under way for a return to work by the 6,000 workers affected by the strike," said Van den Berg.

However, workers representatives had no idea when there would be a return to work to resume production which has been hard hit at the plant.

Most of the workers felt that some of their demands would be met, enough to enable them to return to work but a date has yet to be set by management and their representatives.

The workers went on strike on May 7 to demand that a superintendent be dismissed for alleged discrimination. The strikers later added the removal of two other managers to their list of demands.

The strike has cost Toyota the production of 430 vehicles a day and the company has reportedly lost well over R200 million in turnover.
Toyota management and trade unions seemed on Monday to be about to end the strike at the Prospecton plant near Durban. The output of 430 vehicles a day has been stopped since the first week in May, the company estimates that R200m in turnover has been lost.

But it might also be argued that, with demand for new cars slack and inventories rising, Toyota cannot have been hurt too badly up to now.

The prospects of a settlement had improved last week, with both sides agreeing to go to arbitration. But the agreement collapsed because workers refused to go back to work before the inquiry.

On Monday management and worker representatives sat down again to consider the complaints that sparked the strike. The action, involving more than 6,000 employees, began on the Cressida production line over worker demands for the dismissal of a production line supervisor.

But it is also possible that the dispute also offered an opportunity for the unions to apply additional pressure on motor industry employers in the third round of the National Bargaining Forum wage negotiations, which started last Friday.

Ironically, the Prospecton strike meant that no representatives of Toyota attended the forum talks; so any forum agreements will not be binding on Toyota.

Unions went to Port Elizabeth asking for a 25% wage increase, which employers say was effectively 45% by the time benefits were taken into account.
COMBINED MOTOR

Earnings slide continues

Activities: Operates Ford and other retail motor vehicle franchises
Control: Directors 68%
Chairman and MD: M Zimmerman
Capital structure: 19m ords Market capitalisation R15.2m
Share markets: Price 80c Yields 11.6% on dividend, 34.3% on earnings, p/e ratio, 4.1, cover, 2.1 12-month high, 135c, low, 60c
Trading volume last quarter, 539 000 shares

Year to Feb
- 90 91 92
ST debt (Rm) 36 38 36 38
Debt equity ratio 0.36 0.38 0.38 0.36
Shareholders' interest 0.30 0.39 0.40 0.36
Int & leasing cover 1.4 4.1 4.3 2.9
Return on cap (%) 20.5 21.1 18.4 11.6
Turnover (Rm) 315 370 367 418
Pre-Int profits (Rm) 13.1 14.0 10.9 9.1
Pre-tax margin (%) 4.2 3.8 3.0 2.2
Earnings (R) 32.2 28.0 22.3 19.4
Dividends (R) 10.7 10.7 10.7 9.3
Net worth (R) 131 146 139 149

Outlets were consolidated

Chairman Maldwyn Zimmerman says the new business is now on stream, ready to produce profits and so debt should start to come down this year

But a longer view shows CMH to be on a four-year slide, with EPS dropping steadily since 1989

After maintaining the dividend for three years, the group succumbed to tightening margins last year and cut the dividend in line with the lower earnings

Tighter grip

Performance did improve in the second half, with CMH seeming to get a better grip on working capital. At half-time, operating income was down 37% on a 16% increase in turnover. The margin improved to 16% fall on a 13% turnover increase by year-end

Zimmerman says sales for the first few months of financial 1993 have been way above the corresponding period last year, so prospects may not be that bad. But they are not that good. Zimmerman says motor man-

ufacturers "are not exactly ebullient," with 1992 passenger car sales expected to rise by only 2%-5%

Dealers will also have to live with the threat of supply disruptions caused by strikes at the major manufacturers, though CMH has until now largely escaped the effects of industrial action. The strike at Toyota in Durban is not having any significant effects

The group has only one minor Toyota dealership and Toyota products made up only 3% of turnover last year

Total stocks, in financial terms, are up 27% This does not look healthy but the new dealerships should help to clear it. Zimmerman says the rise results largely from the new outlets. Taking this into account, the year-on-year increase is not significant

Income from new vehicle sales has remained static, but the trend towards used cars has seen the contributions from this source increase to 22% of operating income, up eight percentage points on the year. At present, this seems to be the only market in the industry that is growing

After rallying towards the middle of last year, CMH's share price dropped from its high of 135c to 60c by the end of February It has since recovered to 80c, though its rating is below average for the motor sector

Results of the past few years are not likely to attract interest at this stage, though a bullish investor not adverse to risk might consider the share cheap. The expanded dealer base should at least put CMH in a favourable position when the economy turns
**CURNOW M&G**

**FM 29/5/92**

**Treading water**

Activities: Distributes automotive refinish products

Control: FSI & AECI 71.4%

Chairman: A Schlesinger, MD. M Bloom

Capital structure: 22.1m ords. Market capitalisation R4.2m

Share market: Price 19c. Yields 10.6% on dividend, 24.2% on earnings; p/e ratio, 4.1; cover, 2.3 12-month high, 40c; low, 18c

Trading volume last quarter, 462,000 shares

Year to Dec 31 '91

<table>
<thead>
<tr>
<th>Item</th>
<th>'92</th>
<th>'91</th>
</tr>
</thead>
<tbody>
<tr>
<td>ST debt (Rm)</td>
<td>3,015</td>
<td>2,988</td>
</tr>
<tr>
<td>Debt equity ratio</td>
<td>0.69</td>
<td>0.57</td>
</tr>
<tr>
<td>Shareholders' interest</td>
<td>0.38</td>
<td>0.36</td>
</tr>
<tr>
<td>Net &amp; leasing cover</td>
<td>6.0</td>
<td>6.0</td>
</tr>
<tr>
<td>Return on cap (%)</td>
<td>27.7</td>
<td>17.7</td>
</tr>
<tr>
<td>Turnover (Rm)</td>
<td>27.5</td>
<td>33.9</td>
</tr>
<tr>
<td>Pre-tax profit (Rm)</td>
<td>2.7</td>
<td>2.2</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>6.5</td>
<td>6.3</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>1.76</td>
<td>2.25</td>
</tr>
<tr>
<td>Net worth (c)</td>
<td>18</td>
<td>20</td>
</tr>
</tbody>
</table>

This company faithfully reflects all the signs of an economy in recession and an overtraded sector. To sum up, it had great difficulties last year. Turnover rose 14% to R44.6m, an achievement in a competitive sector. Unfortunately, the trading margin slipped for the fourth successive year. Now there is no fat left.

Increased turnover was bought at a cost. Creditors barely changed but debtors soared by R1.5m to R8.3m. A consequence was a R1.2m increase in overdraft and, with it, a bigger interest bill. All these factors burden relentlessly through to the bottom line. After-tax income fell 18% to R1.02m, EPS fell similarly to 4.6c and the dividend was cut to 2c.

Shareholders must be wondering why the answers are not difficult to find, though they provide little comfort. Curnow's business is concentrated primarily in the accident and repair end of the motor industry. About 65% of turnover comes from Duco paints, made by AECI subsidiary Dulux — which explains why AECI holds 35% of the equity.

Competition is savage. In 1990 chairman Alan Schlesinger complained bitterly about "desperate competitors... offering cut-throat pricing and even passing off inferior product under branded labelling." Last year was no better. Schlesinger says Curnow maintained its position as market leader but "in the face of continuing intense and disruptive competition, operating margins inevitably came under pressure."

Financial director Michael van Niekker admits that management is not happy about earnings. Nevertheless, he says it was critical to maintain market share. Apart from slaving margins, policy was to absorb many of the price increases thrown at Curnow by suppliers, says Van Niekker. "This is not something that can continue indefinitely." Van Niekker confirms management's view that more normal market trading conditions will return in time. This may be wishful thinking. The competition has succeeded in ratting Curnow's cage. So why should it now ease the pressure? The answer is that this is a widely spread sector, peppered with small and one-man operators. They cut margins until they run out of resources and then, says Schlesinger, "they ask us to buy them out."

To reduce the reliance on paint distribution, plans include introducing modern technologies related to plastics repair (such as bumpers) in body shops instead of getting repairs done by specialist firms. But this is a long, costly process.

Van Niekker says the first quarter of this year showed a good trend. He expects earnings for 1992 to increase by about 20%. Unfortunately, all that will do is return EPS to about 5.5c — no better than in 1990 and below 1988's 6.5c. The company is now
Toyota arbitration ends

Arbitration hearings aimed at ending the three-week-old strike at Toyota's Prospecton plant have been completed, but the 6,000 workers are yet to return to work, and await a date to be set by management and their representatives.

Van Eck: NP can't scare me

[Handwritten note: Read an essay on page 257?blur=5]
Inquiry paves way for more talks at Toyota

AN INTERNAL inquiry into complaints against three managers at strike-hit Toyota were completed last night, opening the way for further talks with the National Union of Metalworkers of SA (Numsa), the motor company said.  

The strike started on May 7 when about 6,000 workers downed tools in support of their demand for the dismissal of a superintendent and the removal of two managers on charges of alleged discrimination. They later added the removal of two managers to their demands.

The dispute has brought the Toyota motor assembly plant at Prospecton, Durban, to a halt for the past two weeks.

Toyota PRO Flup Wilkin said last night that the inquiry by management and workers had been completed, and that negotiations with Numsa would resume today.

A Numsa spokesman had said earlier that management would make a decision based on the inquiry. He said there would be further talks on the reinstatement of a shop steward dismissed six months ago.
Realistic ‘prices luring buyers back’

The prestige/classic car market has bottomed out — if buying trends at South Africa's largest and longest established classic car dealer, Burchmore's, is any barometer.

However, the “tyre kickers” are disappearing and buyers are coming back, says Darryl Jacobson, managing director of Burchmore's, a McCarthy Group company.

"Prices have dropped from the unrealistic peaks of end-1989 — so much so that once-dormant buying interest has pickuated and cars are again beginning to leave the showroom floor in encouraging numbers," Mr Jacobson says.

Burchmore's boasts a R10 million stock of classic, prestige and vintage cars on its Sandton showroom floor — probably the largest selection of these vehicles under one roof in South Africa.

Mr Jacobson says the classic/prestige car market is almost totally underpinned by demand from collectors and investors.

To illustrate the point, Mr Jacobson says the recent drop in interest rates and easing of higher purchase payment terms has had absolutely no effect on this market.

"An interesting and encouraging new development is the increased number of investment syndicates that are buying classic, prestige and vintage cars.

"This is clear proof that prices have dropped to levels which offer attractive investment opportunities," says Mr Jacobson.

In recent years, there has been a fall-off in the prices of collector's cars, says John Griffin, managing director of Car Auctions.

At one time an E-type Jaguar could fetch up to R250,000, but today it would sell for up to R70,000.

While Mr Griffin says there is still some risk in whatever one buys, a car in top condition will sell regardless of make or model.

Having recently returned from a visit abroad, Mr Jacobson has had, among other things, a first-hand look at the latest developments in the classic car market in the United Kingdom.

He says overseas buying of investment cars in South Africa, which was a major factor in the heady days of the late 1980s, has come to a halt.

"Reason is that, like South Africa, the current market has bottomed out and sensible prices again prevail — so that buyers in Europe and the United Kingdom, for instance, need currently not look beyond their borders for attractive deals," Mr Griffin says.

He says that it is a sad reflection of balanced trade that the authorities allow South Africa to export cars freely, but restrict motor dealers from importing.

Exports are ostensibly encouraged to bring in more foreign, but this is not always the case.

"Certain exporters repatriate fictitious (lesser) amounts thereby building up a kitty of forex abroad, or bringing it back later in financial rand," he says.

"Some people are allowed to rape the country of its car heritage while importers, on the other hand, are subjected to import duties that are beyond affordability," says Mr Griffin.
Industry holds its breath for upturn

Motor manufacturers and dealers are hoping years of declining demand for prestige cars — new and old models — will end, but much depends on an upturn in the economy and an easing of fiscal and monetary pressure.

"It's been tough for everyone — both in South Africa and abroad — every local business sector is waiting for the Government to help stimulate the economy," says Mr. Newman, managing director of luxury and exotic car dealer Chariots.

Mr. Newman also emphasizes the need to spend money on general goods, equipment and tourism in order to stimulate the economy as a whole.

"We need the Government to drop interest rates and get consumers to spend more," he says.

Mr. Newman says he plans to give customers a bigger share of a smaller cake, he says.

Mr. Searle says that Audi, VW's luxury marque, expects a modest increase in the luxury sector's share of the market.

"It is a known fact that new car launches have had a stimulatory effect on the market," he says.

"And with cars such as the new Audi 500, the BMW 3-series and other expected contenders from Toyota and Nissan making their bow, this year should see greater interest in the car market in general," Mr. Searle says.

Peter Cleary, management board member of Mercedes-Benz (car division), says that in line with general market conditions the prestige car market has also declined in recent months.

"We believe many of our customers are businessmen as well as entrepreneurs who thus have a social responsibility towards the welfare of their employees in these difficult times," Mr. Cleary says.

"We think this will be a motivation not to re-purchase new cars in the light of the prevailing depressed economic conditions.

"The result could be that there will be a pent-up demand for prestige cars once economic conditions improve.

The market for prestige medium to large cars that cost more than R120 000 has shown a year to date April decline of about 20 percent.

However, despite new competitors Mercedes cars increased market share by three percent compared with 1991.
Toyota and union in bid to end strike

DURBAN — The dispute which has brought the giant Toyota motor assembly plant at Prospecton to a halt for the past two weeks remained unresolved last night.

And yesterday the National Union of Metal Workers warned that it would not be held to ransom by Toyota's refusal to attend national vehicle industry pay talks because of the strike, reports Sapa.

Toyota did not attend the third round of national pay negotiations in Port Elizabeth on Friday, employer spokesman Dave Kirby said yesterday.

As a result, agreements reached at the pay talks would not be binding on Toyota.

At Toyota's Prospecton plan representatives of the management and workers were engaged in a day-long internal inquiry yesterday into complaints against three staff members at the plant.

The inquiry would continue today, MD Ralph Bradfield said last night. "Hopefully it will come to an end soon," he said.

About 6,000 workers downed tools on May 7 in support of their demand for the dismissal of a superintendent for alleged in discrimination, and later added the removal of two managers to their demands.

Frequent talks between management and the National Union of Metalworkers of SA officials failed to break the deadlock.

Union spokesman Thomas Magrapes Hlatshwayo said if the outcome of the inquiry was "satisfactory", strikers would return to work today.

Commenting on Toyota's decision not to attend the wage talks, Numsa chief negotiator Les Kettle said any agreement reached at the national bargaining forum (NBF) would be binding on Toyota.

"We do not believe that the NBF should be held to ransom by any company that experiences problems at plant level which are not related to national negotiations," Kirby said employers tabled a full response to wage and other demands by Numsa and the Iron and Steel Workers Union on Friday.

He said the demands, if met, would cost employers R110m. An additional 45% for benefits would raise the real cost of the demands to more than R160m.

Other demands relating to job security, workers' rights and workplace discrimination were either rejected or referred to quarterly NBF meetings.

A senior Toyota spokesman said negotiations had to end by June 30.
Motor industry talks

NO DECISIONS emerged from Friday's meeting between the Board of Trade and Industry and motor industry representatives on the future of the Phase VI local content programme. No date had been set for further discussions.
Labour strife will force car prices up, says motor retailer

IF labour unrest and strikes continue to gain momentum in the coming financial year, vehicle prices will increase and supplies will be disrupted, retailer Combined Motor Holdings says in its 1992 annual report.

Chairman Maldwyn Zimmerman said the industry was faced with an uncertain future following the demand by National Union of Metalworkers of SA (Numsa) for a 25% pay increase and guaranteed employment.

Zimmerman urged employers not to heed the demands, saying they would lead to stagnation in productivity and reduced sales and margins.

He said the total passenger car market declined from 221,000 units in 1989 to a near-record low of 198,000. However, new product launches in the future would help stimulate sales.

The group's income from new vehicle sales in 1991 remained static at about 30%.
Toyota strike toll mounts

By DON ROBERTSON

THE 12-day strike at Toyota's Prospecton plant near Durban has cost the company lost sales of 5,160 vehicles worth about R276-million.

Prospects of a quick return to work seem remote.

The strike has affected about 6,000 workers at the plant and 2,000 at component suppliers in the region, some of whom are on short time.

The strike was sparked by demands that a supervisor be fired for alleged discrimination. The demands were extended to a call for the dismissal of two other supervisors.

Toyota estimates that workers in the assembly and component industries have lost about R180-million in pay in the past 12 days, affecting more than 63,000 dependents.

Component suppliers have lost R35-million in revenue.

Loss of revenue to both industries is expected to grow by about R5-million each day the strike continues.

Toyota group director of personnel and industrial relations Theo van den Berg says negotiations are deadlocked.

Shop stewards have asked that arbitration be completed before workers return.

The inference is that any return to work will be conditional of arbitration finding in favour of the workers.

Mr Van den Berg says, “This is obviously an untenable situation for us.”

Toyota obtained a court order on May 7 declaring the strike illegal and unprocedural. But the company continues to recognize the right of employees to voice grievances within the procedures and provisions laid down, says Mr Van den Berg.
New Hondas tackle high-cost problem

By DON ROBERTSON

The car, for which tooling cost about R50 million, is the first fully built-up Phase Six one in its range. Mercedes hopes for sales of about 1 000 a month for a 6% share of the market.

Several alterations have been made to the car to suit the SA motorist.

The fuel tank has been increased in size from 43 litres to 53, the suspension has been raised to allow greater clearance on rough roads and power steering is standard on all models.

Apart from normal options, additional features include anti-lock braking systems, alloy wheels, a compact disc player and leather seats.

Fleet owners will also receive special attention. A corporate marketing division has been established to provide products and services to dealers, enabling them to make vehicles attractive to fleets.

The Honda range has traditionally been more expensive than its competitors, but pricing has been carefully considered for the new launch. In many instances, the new model is priced lower than its predecessor or only marginally more expensive.

Guise

Prices range from R47 500 for the Ballade 150 manual compared with the old model's cost of R45 824. The Luxline with options sells for R53 000 for the manual compared with the old model without options at R53 356.

The 160E in the new guise costs R65 247 compared with R69 247 before. The Luxline with options sells for R65 900. The 160E manual model will cost R75 500 and the automatic for R79 000.
Everything keeps going wrong at Toyota plants

BY FERIAL HAFFAJEE

MANY prospective Toyota buyers now face a four-month wait for their new wheels because of a two-week strike at the company’s Durban plants.

Every day 430 motor cars do not roll off the assembly line and the 6,000 workers on strike lose R800,000 in wages. Experts estimate that the company has lost R207-million in turnover and the communities where workers live have lost R7,2-million workers would have spent there. In addition, the company’s 68 component suppliers have lost R42-million with the figure climbing by R5-million a day.

These are the startling statistics behind the strike which was sparked by the actions of an allegedly racist line manager “who practises outdated industrial relations”, alleges the National Union of Metalworkers of South Africa (Numsa). Workers and management were on strike to demand that the line manager be fired.

But the company says: “By demanding that we act against a supervisor without any recourse to due process, workers are violating their own hard-won advances toward security of employment.”

On Tuesday, the parties agreed to refer the matter for arbitration. But workers refuse to return to work until the arbiter makes an award. “The inference is that any return to work will be conditional on a finding in favour of the workers. This is an untenable situation for us,” says Toyota.

The union says that management was alerted to workers’ dissatisfaction with the line manager in February and failed to do anything about it.

“We feel that if workers come back to work now, management might come up with delaying tactics so problems must be resolved while we are on strike.”

On May 7, the company was granted an interdict by the industrial court forcing workers to go back to work. Workers have ignored the interdict and are adamant about staying on strike “even for a thousand days”.

The call for the dismissal of the line manager has been extended; two other senior managers are also on the firing line. In addition workers are demanding the reinstatement of a shop-steward dismissed six months ago.

Numsa regional organiser in Durban said the parties held five meetings to iron out the dispute. On Wednesday they worked late into the night to find a way out of the impasse.
Phase Six scrapped

TRADE and Industry Minister Keys announced in his budget speech in parliament that Phase Six of the local content programme would be scrapped before the scheduled 1992 completion date. Keys said the programme, whereby motor manufacturers were compelled to use locally manufactured components, had been open to fraud with component manufacturers making false claims to the Board of Trade and Industry and car manufacturers. Phase Six had cost thousands of jobs and raised car prices. He admitted that the effective 110 percent tariff rate for built-up vehicles was overprotection. Keys' announcements coincide with a growing future over high car prices. Car manufacturers, who have been critical of the programme for some time, welcomed the move.
Midas hosts 'Africa' at Midrand headquarters

A LEADING motor accessories company is to host a three-day convention in Johannesburg with the aim of boosting exports to Africa. Businessmen from several African countries will attend the Midas African Export Convention which gets under way at the company's Midrand headquarters on Sunday.

The annual convention is designed to promote the export of locally manufactured components and quality branded automotive parts and accessories to African countries.

Attending will be delegates from Zaire, Tanzania, Kenya, Zambia, Zimbabwe, Malawi, Mozambique, Uganda, Madagascar, Botswana and Swaziland.

Midas export director Giovanni Schule said the convention formed part of his company's efforts to market themselves outside SA.

One of the highlights of the convention will be the presentation of a series of locally made television programmes to be screened throughout sub-Saharan Africa in English and French.

The convention ends next Tuesday.
Mercedes-Benz to cut Honda prices, up production 50%  

The Argus Correspondent  

JOHANNESBURG — Mercedes-Benz SA has launched a range of cut-price Honda cars, announced that production had been increased by a staggering 50 percent, and has called on industry to become involved in politics.

The new medium-size range of Honda compact sedans are priced from R47 000.

Board chairman Mr Christoph Kopke said industry could no longer sit back, watch political developments, and hope for the best.

"It is imperative that the private sector became pro-active and a worthy player in the creation of the future South Africa, with the specific emphasis on economic development," he said at the Sun City launch of the new Honda Ballade.

"The creation of wealth for the upliftment of the disadvantaged sector of our community can only happen in a combined effort of capital and labour.

"In my opinion this type of co-operation is more important than the efforts of the politicians.

"A political system without a functional economy will result in a political desert."
Local content changes to be discussed

Changes to the motor industry's Phase VI local content programme are expected to be discussed tomorrow when Board of Trade and Industry (BTA) officials meet representatives of the vehicle assembly and components industries.

Industry sources said the meeting followed the announcement by Finance, Trade and Industry Minister Derek Keys that Phase VI could be scrapped because of fraud involving millions of rand through abuses of the scheme.

Keys had said Phase VI had reduced jobs and increased vehicle prices. Industry sources said discussions would centre on what line of action to take, what programme of events should be followed and how they should be implemented.

Two members of the National Association of Automobile Manufacturers of SA, two of the National Association of Automobile Component and Allied Manufacturers, and BTA chairman Nic Swart would be at the meeting, the sources said.

This is not the first time Phase VI has faced restructuring. Keys's predecessor, Org Marais, announced changes in December.
TOYOTA STRIKE

Everyone loses

The crippling strike at Toyota's Prospecton plant in Durban has entered a new phase. Toyota and the union are likely to go to arbitration and the group's chairman, Bert Wessels, has entered the fray.

The strike has stalled production at the plant, which produces 430 vehicles a day, since the first week in May. The cost so far is estimated at R430m.

The industrial action, said to involve more than 6,000 employees, began on the Cressida production line after workers demanded the dismissal of a production-line supervisor. It has subsequently spread to other facilities and the list of worker demands has grown to four — all related to disciplinary action and worker-management relations.

National Union of Metal Workers (Numsa) regional secretary Ekkoe Esau concedes that the original walkout was not preceded by a ballot. And, though an urgent court interdict ordering a return to work was granted, this has subsequently been postponed twice, by mutual consent. This was to allow a chance for negotiations to proceed.

Esau maintains that morale and relations with management are on the whole good at Toyota's Durban plants, with generally good dispute resolution procedures. He claims this strike would not have happened had management addressed complaints when they were raised.

However, management's response is that, though the matter was raised at divisional line level, it was assumed that the matter had been dealt with when it was subsequently removed from the agenda. It stresses that the complaint never reached management because it was not registered through the agreed grievance procedure.

A statement from Wessels says little progress is being made in negotiations. Management has requested a return to work, offering to refer some of the issues to independent arbitration and handle others through the normal in-house grievance procedures.

Though the offer seems largely acceptable to the union, Esau this week said Numsa does want an arbitrator appointed as soon as possible, one condition is that they return to work before the hearing.

On Tuesday, workers were in the process of deciding whether to return to work before an arbitration hearing is held.

There clearly are mutually acceptable dispute procedures within Toyota, as both sides indicate. Why these have apparently not been properly applied or adhered to is not clear.
The impossibility of pleasing everyone

Trade & Industry

Minister Derek Keys' admission that the motor industry's Phase Six local content programme is seriously flawed should come as no surprise. His announcement of an urgent damage-control exercise to undo some of the harm caused to the motor industry and consumer is welcome. It is also overdue.

It's not certain yet what will happen to Phase Six. Board of Trade & Industry officials were to meet representatives of the vehicle assembly and component industries today to discuss changes. One option is to abandon the programme. That is unlikely, given the level of investment that has been made to meet its requirements. The more probable outcome is yet another tush-up process. Board chairman Nic Swart favours this option. He adds that discussions might also look beyond 1997, when Phase Six is due to expire, to building a longer-term process.

Many in the industry would be unhappy to see the sudden disappearance of Phase Six. After initial misgivings they have come to accept the principles behind the programme, if not its complex workings. But to find a universally acceptable version will require a huge measure of restraint by all parties.

Says Swart: "We have to get to a point where we agree with the industry on a long-term strategy." To achieve this, participants will have to stop the special pleading that has hamstrung Phase Six until now.

Phase Six, as originally devised, was always looking for trouble. The patchwork nature it assumed as board officials plugged gaps and fiddled with details added to the works. Nevertheless, it was unfair to lay the blame solely at the door of the board. True, as Keys says, it is dangerous to place industrial decisions in the hands of people who are unaffected if their plans produce unintended results. And the nature of the subsequent tampering suggested too much concern for central policy and not enough for the industry's real long-term needs.

But the industry contributed to its own problems. From day one, vehicle assemblers were pitted against component manufacturers in seeking favourable terms. Even within the rival camps, individual companies sought preferential treatment. The special pleading reached deafening levels. No wonder the board couldn't find an acceptable solution.

Phase Six, which sets value-based local content targets for SA-built vehicles, has been the target of criticism since its introduction in mid-1989. Yet it was created with three laudable ambitions: to reduce the industry's rocketing foreign exchange bill, encourage exports, and stimulate local production and employment.

The result: foreign exchange spending has undeniably been stemmed and exports are flourishing — though at some cost to the motor industry and economy. But production and employment are down.

That may be out of three, but there have been bonuses. At least one senior executive finds the timing of Keys' statement unfortunate. For while the industry may have suffered under Phase Six, some of the long promised benefits are beginning to filter through. He argues that it was always going to take time for the industry to overcome the inefficiencies of the weight-based Phase Five.

Until now, assemblers have produced vehicle ranges with their roots in previous programmes. Current new models are all born of Phase Six, which allows them more cost flexibility to source components. In addition, the emphasis on high-value components is encouraging local hi-tech development. But benefits thus far have been outweighed by grievances. One of the biggest is the shifting nature of Phase Six.

It can cost R250m and take up to four years to bring a new model from planning to production. For that kind of commitment, companies need to know the rules won't change. That hasn't happened.

At the outset, vehicle assemblers were told they must immediately reach 55% local content, in carefully administered stages to 75% by 1997. But the self-funding nature of the programme — whereby duty rebates for companies exceeding the target would be paid from penalties imposed on non-achievers — proved its undoing.

The Phase Six formula allowed export earnings to be offset against import costs in determining local content values. Some companies poured resources into export programmes in order to raise local content levels above the target level and avoid penalties.

But if no-one was paying in to the central fund, where was the money to pay the duty rebates of companies exceeding the limit? The answer: raise the target, put companies into arrears, and get the penalties flowing again. So companies responded with more exports and again pulled themselves above the limit — which was then raised again.

Instead of taking eight years to move from 55% to 75%, the industry got there in two. And the pressure for exports meant that many of them were uneconomic. Just before the central fund was abandoned in a major shake-up on December 1, and the target pegged at 75%, Toyota CEO Bert Vennes complained: "Companies have been chasing each other in circles and pushing unproductive exports to ensure they remain ahead of their competitors."

And who paid the additional cost of those exports? The motorist, in the form of higher prices. The motor industry has been excluded from the General Export Incentive Scheme, which applies to other industries, so its customers paid for the incentives.

They have also helped to pay for the huge investment the industry has made to meet local content requirements. Companies admit that the investment will stand them in good stead in the long term. But they must be paid for in the short term.

By one estimate, Phase Six is responsible for adding between 9% and 12% to car prices. And though the worst of this cost-push is over, it is the high prices that are considered mainly responsible for the long-term slump in vehicle sales. At the same time as they introduce new machinery and tooling to meet Phase Six requirements, companies are watching production machinery he idle because no-one's buying new vehicles.

Assemblers have shed thousands of jobs because of the slump. While the year-old moratorium on layoffs has halted further unemployment, it has resulted instead in widespread short-time working. Component manufacturers also blame Phase Six for job losses. They argue that because the programme deems local content to include manufacturing, components buy fewer local components.

Components companies complain that by the time they include assembly costs, overheads, profit margins and, of course, export earnings, assemblers are too close to the target level. To achieve the 50% minimum local content decreed by Phase Six, they estimate that assemblers need only 15% from local components.

So what are the chances of components companies, assemblers and government getting it right this time? When Keys predecessor, Org Marais, announced December's Phase Six shake-up, he expressed hope that this would be the final version. Few shared his confidence.

So what are the key issues? Will it lead to a final, final version of Phase Six that will satisfy everyone? Don't bet your shirt on it.
New bid to end Toyota strike

Toyota management and representatives of 6,000 striking workers met yesterday evening in an effort to end the action, which has so far cost the company more than R2 million in turnover and employees almost R1 million in wages.
Toyota talks stalled

DURBAN — Talks aimed at ending the nine-day-old Toyota SA strike here remained deadlocked yesterday CT 201592 (192)
News in Brief

4 000 Toyota workers on strike

Soweto 19/5/92

PRODUCTION of more than 3 000 vehicles has been held up since 4 000 Toyota workers at Prospecton, Durban, downed tools eight days ago. A Toyota spokesman said yesterday the strike had not yet affected their customers, but if it continued it could have serious repercussions for them. - Sapa
Toyota production losses top R140m and unprocedural.

Toyota public affairs spokesman Flip Wilkin said the supply of vehicles to dealerships was reasonable, though there were waiting lists for certain models.

Sapa reports that the National Union of Metalworkers of SA said it would continue meeting management in an attempt to resolve the dispute.

Yesterday workers extended demands for the dismissal of a supervisor at the Prospecton plant for alleged discrimination to call for the dismissal of another supervisor at the Jacobs plant and a personnel manager at the Prospecton plant.

EDWARD WEST

PRODUCTION of 3 440 vehicles — or 450 a day — worth about R140m, has been lost since 6 000 Toyota workers at Prospecton, Durban, downed tools eight days ago.

Yesterday negotiations deadlocked on the issue of arbitration.

Toyota SA executive chairman Bert Wessels said management had requested a return to work and had offered to refer some issues under negotiation to arbitration. Other issues would be handled by in-house grievance procedures.

In a statement Wessels said: "It would appear as if this offer is unacceptable."

Wessels said his company would have to consider its position as a court order had been obtained declaring the strike illegal.
Converters provide catalyst for platinum

By AUDREY D'ANGELO

DEMAND for platinum is set to soar by an estimated 20 per cent this year, according to metal dealers Johnson Matthey (JM), who forecast a rise in the platinum price to $240 an ounce by the end of 1992.

The company said the main reason for the forecast rise was an increase in the use of platinum as a catalyst in automobile exhaust systems, particularly in Japan.

"The report suggests that platinum, which is already in demand for other applications such as electronics and jewelry, will be in even greater demand as a result of new sales for vehicles in Japan," the company said.

The reason, it said, was that the narrowing of the gap between supply and demand, which has been a major factor in the rise of the platinum price, would continue.

"This is due to the growing trend towards cleaner engines and the increasing use of catalytic converters to reduce emissions," the report said.

The company said that the increasing use of platinum in auto manufacturing would lead to a rise in the price of the metal.

"The higher price is likely to lead to increased sales of platinum in other sectors, such as jewelry and electronics, which could further drive up the price," the report said.

The report also said that the increasing use of platinum in auto manufacturing would lead to a rise in the price of the metal.

"The higher price is likely to lead to increased sales of platinum in other sectors, such as jewelry and electronics, which could further drive up the price," the report said.

The company said that the increasing use of platinum in auto manufacturing would lead to a rise in the price of the metal.

"The higher price is likely to lead to increased sales of platinum in other sectors, such as jewelry and electronics, which could further drive up the price," the report said.

The report also said that the increasing use of platinum in auto manufacturing would lead to a rise in the price of the metal.

"The higher price is likely to lead to increased sales of platinum in other sectors, such as jewelry and electronics, which could further drive up the price," the report said.

The company said that the increasing use of platinum in auto manufacturing would lead to a rise in the price of the metal.

"The higher price is likely to lead to increased sales of platinum in other sectors, such as jewelry and electronics, which could further drive up the price," the report said.

The report also said that the increasing use of platinum in auto manufacturing would lead to a rise in the price of the metal.

"The higher price is likely to lead to increased sales of platinum in other sectors, such as jewelry and electronics, which could further drive up the price," the report said.

The company said that the increasing use of platinum in auto manufacturing would lead to a rise in the price of the metal.

"The higher price is likely to lead to increased sales of platinum in other sectors, such as jewelry and electronics, which could further drive up the price," the report said.

The report also said that the increasing use of platinum in auto manufacturing would lead to a rise in the price of the metal.

"The higher price is likely to lead to increased sales of platinum in other sectors, such as jewelry and electronics, which could further drive up the price," the report said.

The company said that the increasing use of platinum in auto manufacturing would lead to a rise in the price of the metal.

"The higher price is likely to lead to increased sales of platinum in other sectors, such as jewelry and electronics, which could further drive up the price," the report said.

The report also said that the increasing use of platinum in auto manufacturing would lead to a rise in the price of the metal.

"The higher price is likely to lead to increased sales of platinum in other sectors, such as jewelry and electronics, which could further drive up the price," the report said.

The company said that the increasing use of platinum in auto manufacturing would lead to a rise in the price of the metal.

"The higher price is likely to lead to increased sales of platinum in other sectors, such as jewelry and electronics, which could further drive up the price," the report said.

The report also said that the increasing use of platinum in auto manufacturing would lead to a rise in the price of the metal.

"The higher price is likely to lead to increased sales of platinum in other sectors, such as jewelry and electronics, which could further drive up the price," the report said.

The company said that the increasing use of platinum in auto manufacturing would lead to a rise in the price of the metal.

"The higher price is likely to lead to increased sales of platinum in other sectors, such as jewelry and electronics, which could further drive up the price," the report said.

The report also said that the increasing use of platinum in auto manufacturing would lead to a rise in the price of the metal.

"The higher price is likely to lead to increased sales of platinum in other sectors, such as jewelry and electronics, which could further drive up the price," the report said.

The company said that the increasing use of platinum in auto manufacturing would lead to a rise in the price of the metal.

"The higher price is likely to lead to increased sales of platinum in other sectors, such as jewelry and electronics, which could further drive up the price," the report said.

The report also said that the increasing use of platinum in auto manufacturing would lead to a rise in the price of the metal.

"The higher price is likely to lead to increased sales of platinum in other sectors, such as jewelry and electronics, which could further drive up the price," the report said.

The company said that the increasing use of platinum in auto manufacturing would lead to a rise in the price of the metal.

"The higher price is likely to lead to increased sales of platinum in other sectors, such as jewelry and electronics, which could further drive up the price," the report said.

The report also said that the increasing use of platinum in auto manufacturing would lead to a rise in the price of the metal.

"The higher price is likely to lead to increased sales of platinum in other sectors, such as jewelry and electronics, which could further drive up the price," the report said.

The company said that the increasing use of platinum in auto manufacturing would lead to a rise in the price of the metal.

"The higher price is likely to lead to increased sales of platinum in other sectors, such as jewelry and electronics, which could further drive up the price," the report said.
**Security guard robbed**

A SECURITY guard at SBH Cotton Mills in Epping Industria was held up and robbed of goods worth R3 000 at the weekend, police said yesterday.

**Strike talks deadlock**

DURBAN — Talks between management and representatives of 6 000 striking Toyota SA employees deadlocked yesterday over the issue of arbitration, according to the National Union of Metalworkers of SA.

**Blue Light robber jailed.**

JOHANNESBURG — Blue Light gang robber Gavin Schultz, 29, was yesterday jailed for an effective 10 years for his part in attempting to murder Rand Merchant Bank executive chairman Mr Gerrit Ferreira on February 26 last year.

**Guard’s trial postponed**

THE trial of a security guard who allegedly raped two Table View women was postponed to May 26 for further investigation.

**Man dies after beating**

JOHANNESBURG — Mr G Smith, a 65-year-old caretaker at the premises of an Alberton firm, has died after being beaten up by six thugs on Friday night.

**Hout Bay alarm at crime**

**Rapid rise in price of medicines**

JOHANNESBURG — Medicine prices had risen 10 times during the past 15 years compared with a rise in the consumer price index of eight times, Medical Association of SA (Masas) director Mr Reg Magennis told the Pharmaceutical Society’s national conference in Somerset West yesterday.

Mr Magennis said medical aid schemes were facing a crisis precipitated by the increase in the cost of medicines.

The average annual increase in payouts for medicines since 1975 was 26%, while general-benefit payouts rose 25%.

The volume of medicines consumed had dropped back to below 1975 levels by 1981, which indicated a growing resistance to price increases, he said.

**Dutch burial**

Since 1975
TOKYO - Nissan Motor Company was responding to a weak market outlook with plans for a 7.7% year-on-year cut in capital investment in plant and equipment to 246-billion yen for the fiscal year ending March 31 1993, a company spokesman said.

Nissan plans investment cut

Nissan spent 260-billion yen on capital investment in fiscal 1991, and 318.5-billion yen in 1990. Total investment for the three years between fiscal 1992 and 1994 would not fall short of 600-billion, he said.

The capital investment cutback is expected to ease the burden of depreciation costs from the high levels of capital investment over the past few years.

In February, company spokesman said unofficial estimates saw parent pre-tax profit in fiscal 1991 plunging about 58% year-on-year to 70-billion yen. In March, Nissan predicted a 5% reduction in its domestic production to about 2.2 million vehicles this year.

— AP-DJ
Toyota goes for Eurobond

NEW YORK 19/5/92

Toyota Motor Corp would soon launch the largest fixed-rate Eurobond corporate issue, valued at $1bn, the Wall Street Journal reported yesterday.

Probably a five-year issue, the Toyota Eurobond may come to market some time this week. Co-lead underwriters are Nomura International plc and Merrill Lynch International.

A Nomura official said the previous largest fixed-rate corporate Eurobond offering was a recent £500m issue from British industrial company Hanson plc, while the largest dollar-denominated issue was a 1990, $800m issue, from energy concern Chevron.

Toyota Motor said proceeds from the bond issue, the company's first fixed-interest European bond offering, would be used to refinance a maturing equity warrant issue.

Andrew Pelling of Nomura International in London said while the bonds would be sold in denominations as small as $1,000, "we expect the buying to be dominated by overseas institutional investors".

Nomura International expects a triple-A rating for the issue from US rating agencies — AP-DJ
Fraud could sabotage local content plans

EDWARD WEST and LINDA ENDSOR

FRAUD worth millions of rands, committed through abuses of Phase VI of the motor industry's local content programme, has led to a government threat to scrap the programme before 1997.

Trade and Industry Minister Derek Keys said in his budget vote in Parliament on Friday that the scheme had reduced jobs and increased vehicle prices. The Board of Trade and Industry (BTI) had been asked by the industry to review it.

Keys said "very material frauds" had been committed by various false claims against government and manufacturers.

He said flaws in the scheme made it unlikely that it would last until 1997 as planned. While a tariff of about 40% on built-up vehicles was reasonable, SA's 110% tariff constituted overprotection.

The National Association of Automobile Component and Allied Manufacturers director Denzil Vermeulen welcomed a review of the programme.

He said the scheme in its current form would eventually lead to the demise of local component manufacturers.

He said Phase VI was inflationary. The fact the programme measured local content in terms of forex usage meant vehicle manufacturers' overheads, profits and costs were included in the deemed local content. As a result, only 25% to 30% of the deemed local content was made up of SA components.

Small-time component exporters had committed fraud which could run into hundreds of millions of rand.

Vermeulen said known fraud cases included over-invoicing and exporting without repatriating the proceeds.

Keys said no sudden, or undiscovered, changes were envisaged. The long lead times for model and production changes had been taken into account.

He said structural adjustment programmes for industries which lacked the right to import to export achievement were the product of poor policy-making, because the BTI did not administer the programmes. Policy could only be made

Fraud

by a body directly exposed to the results of its decisions, he said.

Keys also highlighted flaws in the General Export Incentive Scheme (GEIS). The Department of Trade and Industry was examining the fact GEIS could not be claimed for exporting, consulting and professional services, particularly to Africa.

The tourism aspects of the scheme were also being examined.

Keys said the lifespan of the GEIS until 1995 was too short to justify investment for export purposes.

It was even too short for certain contracts beyond existing capacity, which had to be tendered for now but whose delivery date was far beyond 1999. As a result, the scheme did not test the maximum effectiveness per rand, he said.

Trade and Industry director-general Stel Naude said in a report released on Friday that vehicles and components worth R260m were exported last year, compared with R136m in 1989 before the programme was introduced.
Fleet owners feel breeze

By DON ROBERTSON

THE rising cost of new cars, even in the medium-cost range, is forcing motorists to shed both image and status and buy down.

Small cars, although a significant sector of the market five years ago, are now the only variants the private buyer can consider.

The owners, which buy about 85% of new cars, are also buying cheaper vehicles. In 1988, cars in the A, B and C sectors — Nissan's Aro, alone in the A sector — and hatchbacks and sedans from various manufacturers — had a market share of 68.3%. It grew to 71.7% last year and, in the first three months of 1992, it was 72.7%.

This switch in buying has been largely at the expense of the D sector — Toyota Corollas, Nissan Skylines, Audis, Ford Sierras and Mazdas. Its market share fell from 25.4% in 1988 to 19.2% last year and 17.2% in the first quarter of 1992.

Nissan Marketing managing director Stephanus Louw on says the buy-down is likely to continue until the economy recovers.

"The D segment could then pick up marginally."

Surprisingly, the E — luxury — segment has shown modest growth, rising in market share from 5.3% in 1988 to 9.1% in 1992. Fleet buying dominates this market, suggesting that executives are able to maintain their status.

The affordability problem has become a major issue, not only for the ordinary person but for manufacturers.

Perhaps the main reason for continuing price increases is lack of an economist's scale.

The recently launched Audi 80, BMW 5 Series and Nissan Sentra cost each manufacturer more than R100-million for tooling.

With sales of perhaps between 200 and 1 000 a month, amortisation of expenses has to be carried by a commemorative "profit" on each car for about five years. Similar manufacturing expenses in Europe would be written off rapidly.

In 1988, the cost on an average car would have represented about 65% of annual income for the ordinary buyer. Accepting the decline in disposable income, today's cost would be almost a year's salary (see graph).

Pressure on buyers also means that the average age of cars is increasing. In 1981, the average age of cars was 7.2 years. It rose gradually and was 10.6 years in 1991. It is expected to reach 12.5 years by 1995.

Major

Car sales in holiday-shortened April were the lowest for seven years, excluding December figures. Light commercial sales were the lowest in six years.

Nissan, perhaps the only manufacturer to recognise the swing to "man" cars, has been successful with its entry into the B segment.

The Uno, which "owns" this division of the market, took a 4.7% share in its second year. It is now 9.3%.

Mr Louw on says small cars are no longer as featureless as before. At the top end of the range, air-conditioning, electric windows and side mirrors and more space are now standard.

Easing of hire-purchase terms two months ago has not led to the expected boom in sales. The market has not benefited because lenders are reluctant to grant credit to buyers able to pay only the minimum 10% deposit, spread over 34 months.

The industry needs support of another sort, perhaps a reduction in local content, now 75% and a figure due to have come into force only in 1995.

The motor industry is a major contributor to the economy. In 1988, sales of new and used vehicles, workshop revenue and spares and accessories amounted to R21.9-billion. This will rise to an estimated R34.9-billion this year.

The Government has also benefited. Tax from the sale of cars, spares, vehicle insurance, excise duties, fuel taxes and fringe benefit tax was R9.6-billion last year.
CAN Atlantis Diesel Engines (ADE) survive without overt government support? This is a question vehicle manufacturers and many truck owners would like answered.

The government's decision to reduce protection of locally manufactured commercial vehicles and components, and the vagaries of Phase Six of the local content programme, once again casts a shadow over the Cape-based engine builder's future.

Should the motor industry recommendation of reducing protection to 60% (not 30% as offered to GATT by government) over the next five years, and assuming Phase Six continues along its path to an ultimate 50% protection, is it likely under such a scenario that ADE would retain all of its current client base?

The advent of Nissan's Cabstar and the new Ivecco heavy rigs shows it is possible to make use of "thoroughbred" motors.

Nissan's director of trucks, David Scott, says that while he agrees with ADE's contention that locally built motors are superbly engineered, reliable and long-lasting they should not be compared with Japanese truck engines designed and built a decade ago when ADE first started.

Mr Scott believes there are considerable advantages for his and other Japanese products to benefit from the latest driveline technology available from source companies.

**SURVIVE**

The benefits include power to mass ratio, fuel efficiency and optimum productivity from "matched" components.

To overcome the problem of proliferation that has beleagured ADE from its inception, motor industry and business consultant Ian Byers says: "If ADE wants to survive the 90s they ought to be building just one engine with which they can dominate world sales.

"Manufacturing more than 200 versions of three or four engine families in minute quantities can never be made to pay," says Mr Byers.

Only time will tell if ADE can hold on to its market share of MAN for one has been evaluating the possibility of fitting home-grown motors.

However, marketing director Don Vale says MAN is committed to giving its users the best possible deal, which for the moment is ADE power.

Market leader Toyota confirms its commitment to ADE both now and in the near future.

However, says director of heavy trucks, Des Gush, this will, in the future, depend on price differentials.

Perhaps ADE should be more aggressive by finding ways to export its motors as truck motors, not just part of a generating or pumping plant.

Even if their licence excludes or limits exports that could be achieved through competent third parties with little fear of comebacks. In this regard, ADE should ruthlessly pursue government for assurance in making such ventures possible.

Hopefully, if he stays in the portfolio-long enough, Minister Derek Keyes will prove to be interested in this important industry.

ADE chief executive Fritz Korte confirms there is a need for a level of protection it it is to survive in the future.

"ADE breaks even when production reaches 12,000 units a year (naturally, a variety of vigorously growing exports helps in lowering break even point)."

**PROTECTION**

"If engine sales rise to, say, 25,000 units a year we could introduce modest price reductions. It is the level of sustainable sales that determines the degree of protection we will need in the future," says Mr Korte.

A further point to consider is the inevitable price premium of at least 15% to 20% for locally made engines when compared with equivalent imported engines. It would be fickle to believe a low volume plant, regardless of where it is situated, could "match the economies of scale of major producers."

Whatever happens to ADE in the next few years, we should not forget the important role it has played in making the cost of engine replacement parts highly competitive.
HP changes could bring cash savings

Changes in the hire purchase terms for buying cars will result in a worthwhile savings in cash flow, according to Neville Frost, director of the Toyota Marketing Finance Co.

"It will be particularly welcomed by the private family motorists who face an affordability crisis not only in terms of the purchase price of a new car but also in terms of the effect of monthly payments on his monthly cash flow," he said.

"We believe this relaxation of the hire purchase terms will help to stimulate sales in a depressed market," Frost said.

Car dealers point out that new car prices begin at around R30,000 with repayments at 15% deposit extending over 48 months at 24% interest and repayments at 10% deposit extending over 54 months at 24% interest.
Motor industry scheme reviewed

By BARRY STREEK

THE recently approved Phase Six scheme for the motor industry was being reviewed as a matter of urgency, the Minister of Trade and Industry, Derek Keys, said yesterday.

The many-times amended scheme had flaws and very material frauds had been perpetrated in the way of false claims of various kinds, he said at the start of the debate on his Vote in Parliament.

He had hoped that the Phase Six scheme could be allowed to run its appointed course until 1997, giving sufficient time to allow for a thorough review of its aims and achievements.

"Unfortunately, it it already abundantly clear that whereas the scheme has achieved one of its objectives, in making the industry export conscious, it has certain flaws which have the overall effect of reducing local jobs and increasing motor vehicle prices.

"In addition, very material frauds have been perpetrated on both the government and the manufacturers in the way of false claims of various kinds."

Keys said the vigilance and of the department's staff had uncovered these.

The industry world-wide was at a point where the economics of concentration and of large scale were of such an order that any local manufacture programme is bound to involve higher costs to an extent requiring a protective tariff of the order of 40% on built-up vehicles.

"The fact that ours is at a level of 110% gives a rough indication of the extent to which our programme could be said to overprotect."

"I want to make it clear that no sudden and undiscussed changes are envisaged and that the long lead time associated with model changes and production changes is fully appreciated.

"The time frame for change will be non-threatening, all the more reason for accelerating the review itself," Keys said.

The government was looking at creating export incentives for professional and consulting services, particularly in regard to the rest of Africa, and for tourism, Keys said yesterday.
Assemblers, meanwhile, continue to hope against hope that the ongoing sales slump will soon show signs of ending. In particular, they are relying on the spate of new model introductions to generate fresh interest.

They may have a point. Sales of BMW’s latest 3-Series doubled in April, the first month the new model was available. And the sudden dip in demand for the Honda Ballade suggests customers are waiting until the new model is available later this month.

Most other companies are also launching new models in the next few months, and expect to benefit accordingly. Few suggest, though, that the renewed demand will make up for the industry’s current misery.

While one or two continue to predict total car sales close to last year’s 197,736, the majority are looking for a target closer to 190,000. With sales in the first four months 11.4% down on 1991, there’s little realistic chance of wiping out the deficit in the current depressed economic mood.

Bert Wessels, Toyota CE and president of the National Association of Automobile Manufacturers of SA, says “We have conceded job security as a valid concern.” Wessels is particularly aware of the consequences of conflict. This week, there was no end in sight to a strike at Toyota’s Prospecton assembly plant. The strike, over shop-floor demands for a supervisor to be moved, was declared illegal by a judge last week.

Complicating the Toyota issue is a shop-floor refusal to work overtime, amid union claims that Toyota has unilaterally changed production schedules to unreasonable levels, something the company denies. The company has also inherited a dismissal dispute at its recently acquired TAC component manufacturing operation.

The Toyota strike and brief stoppages this week at BMW and Nissan are undoubtedly complicating national negotiations. Companies with large export commitments and others involved in costly new-model introductions are anxious for the stalled talks to make headway as soon as possible.

Wessels, however, insists negotiations will not be governed by short-term considerations. “We are dealing with fundamental issues and adherence to procedures. We can’t be motivated by expediency.”
Price of cars: It's the economy

Staff Reporter

CAR manufacturers yesterday conceded that spiralling car prices were one of the major reasons for plummeting sales, but blamed "economic factors" for ever-increasing hikes.

Embattled South African motorists can expect to brace themselves for further hikes next year but increases can be expected to be below the inflation rate, industry sources said yesterday.

Spiralling inflation, higher labour costs, rising operating costs and the poor international exchange rate have conspired against the South African motorist, putting the cost of new cars out of the reach of the average South African motorist, Mr Johan Kleynhans, spokesman for BMW SA, said yesterday.

"Price is one of the biggest factors, with 80% of new luxury cars bought or financed by companies," Mr Kleynhans said.

A recent survey by a fleet management organisation, Prime Car Leasing, showed that this year's models were 21% more expensive than last year's on average.

In the eight-year period from 1984 to 1992, prices rose by an alarming 287% for most popular fleet vehicles.

Even at the bottom of the range the Fiat Uno Fire, launched two years ago at R17 650, has gone up 34.2% to R23 691.

Of Toyota's top models the Cressida 2.4 GLE has gone up 29% and the Corolla GL 23%

Manufacturers interviewed yesterday said that every attempt was made to keep the increases below the local inflation rate.

Mr Dirk de Vos, a spokesman for Samsor, said "Prices are increased on a three-monthly average to enable the manufacturers to calculate the local inflation rate, foreign exchange movements, plus labour and material costs."
No agreement in Toyota strike talks

DURBAN — Management at Toyota SA and representatives of the National Union of Metalworkers of SA have still not reached an agreement on ending the massive strike.

A Toyota spokesman said yesterday negotiations were still taking place but there had been no progress as yet.

The strike at the Prospecton plant, south of Durban, spread yesterday with union officials claiming all 6 500 Durban workers were out.

Workers at the plant began their strike a week ago with production being brought to a standstill from Thursday causing a loss of 430 vehicles a day. A Numsa shop steward, Mduzun Ngema, said the workers were demanding the dismissal of a production line supervisor they regarded as discriminatory and unfair.

Sapa reports that a management official, who declined to be named, said the company would act only if the correct grievance procedures were followed.

Ngema said: "We did follow procedures. We took up the issue with line management and the department manager. When the problem was not resolved we took up the matter with the personnel department, and when it was still not resolved we went on strike."

Ngema said the strike had spread from the production plant at Prospecton to the automotive components and stamping divisions in Jacobs and Mopheni.

Meanwhile, Ngema said union representatives would today challenge a court interdict declaring the strike illegal and which last week ordered strikers to return to work.
of the Official Opposition has a problem regarding my answer, he should feel free to submit his question in writing. We will then answer it.

**Dog-fights/attacks on people by dogs**

(1) Whether his Department is investigating (a) dog-fights and (b) attacks on people by dogs, if not, why not, if so, (i) what progress has been made, and (ii) what proposals is his Department considering, in this regard,

(2) whether he will make a statement on the matter?

**The DEPUTY MINISTER OF JUSTICE**

(1) (a) and (b) Yes

(i) and (ii) In the past on several occasions I have made mention of the fact that I have requested the Department of Justice to investigate into the whole matter pertaining to the occurrence of dog-fights and attacks by dogs on people. The first phase of the investigation has been completed and I may now announce that the Government has decided that—

- a Bill, in which dog-fights as well as attacks on people by dogs will be addressed, is to be published for comment shortly, and
- a project is to be launched in terms of which the dog ordinances and regulations of the Provinces and municipalities will be consolidated in a general dog statute, concomitant with the involvement of the various dog breeders associations, animal protection associations, interested state departments and other interested organizations and institutions in deliberations on and preparation of such a dog statute.

The Bill referred to by me is in a final stage of preparation and further particulars will be announced shortly.

(2) A statement is not necessary.

---

**Phase 6 Export Scheme: abuses**

(3) Mr. M. RAJAB asked the Minister of Trade and Industry

(1) Whether any abuses of the Phase 6 Export Scheme have been brought to his notice or that of his Department, if so, what are the relevant details,

(2) whether his Department has taken any steps to investigate these abuses, if not, why not, if so, what steps,

(3) whether he will make a statement on the matter?

**The DEPUTY MINISTER OF TRADE AND INDUSTRY**

(1) Yes, certain abuses have been identified by the Department of Trade and Industry and brought to my notice. These relate, inter alia, to rebates of excise duty granted to motor vehicle manufacturers by Customs and Excise in terms of the provisions of the Customs and Excise Act, 1964, in respect of the export of unassembled motor vehicles by Bera Motor Industries (Pty.) Ltd and bolts and nuts by CET Trading (SA) (Pty.) Ltd (CET) and certain other export trading houses. In all instances the export values were overstated and the export proceeds were not repatriated. In the case of bolts and nuts the export trading houses concerned relied on the overstated export value instead of the net foreign currency earnings to certain motor vehicle manufacturers.

The Department of Trade and Industry was only responsible for the payment of excess rebates to motor vehicle manufacturers on advice by Customs and Excise. Certain parties in the private sector were responsible for abusing the incentives in terms of Phase VI of the Local Content Programme for the Motor Vehicle Industry.

(2) Yes, the following steps were taken

(a) A Co-ordinating Task Group, consisting of representatives of the Department of Trade and Industry, Customs and Excise and the S A Reserve Bank, was formed to investigate the abuses.

(b) Payment of the excess rebates in respect of which doubt existed was summarily suspended by the Department of Trade and Industry.

(c) The matter was referred to the State Attorney and a legal opinion was obtained from senior counsel.

(d) The Auditor-General and the Directors-General of Finance and of State Expenditure were fully informed in respect of the state of affairs.

(e) Following the suspension of payments, Bera Industries (Pty.) Ltd instituted legal action against the State. The case was opposed by the State and a legal team gathered evidence in Hong Kong to which the motor vehicles were allegedly exported. The case was dismissed with costs by the Supreme Court on 22 April 1992.

(f) After CET was placed under provisional liquidation, additional liquidators were appointed at the insistence of the Department of Trade and Industry and Customs and Excise to attend to the interests of the State.

(g) Chartered Accountants were appointed as inspectors in terms of the Companies Act, 1973 to investigate, inter alia, the affairs of CET and its associated companies.

(h) The Commercial Branch of the S A Police and the Office for Serious Economic Offences were also included in the investigations.

(i) A legal team is presently abroad to gather evidence with a view to possible legal action against guilty parties.

(3) No, since the investigations have not yet been finalized, no further details can be supplied or a statement be made at this stage.

---

The LEADER OF THE OFFICIAL OPPOSITION Mr. Chairman, arising out of the hon. the Deputy Minister's reply, I am going to ask an awkward question. Is the hon. the Deputy Minister aware that the hon. the Minister has written to me on this particular issue, which has been taken far further than the hon. the Deputy Minister is aware?

The DEPUTY MINISTER Mr. Chairman, I was not aware of that fact, but if the hon. the Leader
The DEPUTY MINISTER—This has not been brought to my notice, but if it is the case, I ask the hon. the Leader of the Official Opposition to provide me with the necessary facts

Chemical plant in Cato Ridge: mercury poisoning

4 Mr T PALAN asked the Minister of Water Affairs and Forestry:

(1) Whether, with reference to a certain chemical plant in Cato Ridge and instances of mercury pollution of a nearby stream, particulars of which have been furnished to the Minister’s Department for the purpose of his reply, an investigation is to be instigated to determine the environmental impact of the chemical plant in question if not why not, if so, (a) when and (b) by whom will the investigation be conducted, (c) what is the name of this chemical plant, and (d) what are the details of the case?

(2) Whether he will make a statement on the matter?

DH46E

The DEPUTY MINISTER OF WATER AFFAIRS AND FORESTRY

(1) Yes A comprehensive geohydraulic investigation and impact assessment of the plant on groundwater and on the surface water and sediments of the Umgeni River and its tributaries has been instituted.

(a) Studies commenced towards the end of 1990

(b) Consultants appointed by the Department concerned and the Department of Water Affairs and Forestry

(2) The name is the one provided by the hon. member

(c) Elevated mercury levels were found in a relatively small stream in the direct vicinity of the plant. Action was taken by the Department to halt the pollution. An order was issued in the termination of operations on 19 April 1990, of the production of any effluent containing mercury. This action was taken with further remedial actions, resulted in a marked improvement on the surface and groundwater quality

(2) No effluent containing mercury is presently produced at the plant. Effluent containing mercury which has been generated in the past is contained in double-lined dams. This effluent is currently treated to remove mercury to a level below the National Standard in terms of the Water Act, 1956 (Act 54 of 1956). The treated effluent is used, under strict control, for intermittent irrigation and the environment is not adversely affected by the practice.

INTERPELLATION

The sign * indicates a translation. The sign † used subsequently in the same interpolation indicates the original language

On Affairs

Court actions to defend Department

1 The LEADER OF THE OFFICIAL OPPOSITION asked the Minister of Education and Culture:

(a) What total amount was paid in legal costs to defend his Department in court actions during the period 1 January 1990 up to the latest specified date for which figures are available,

(b) Whether he has taken a decision in regard to the engagement of any member of the legal fraternity to represent the Administration House of Delegates, if not why not, if so, what did he decide?

DH48E

Mr M MAKDA Mr Chairman as I informed the House yesterday, unfortunately the hon. the Minister of Education and Culture has been hospitalised. As such, it is in hospital that I wish to suggest that this interpolation be withdrawn. With that, I do not wish to raise the question of No. 1 and No. 2 for my own affadavits, which have been referred to, also stand over.

HOUSE OF DELEGATES

Allocation of business/industrial plots: Transvaal

2 Mrs R EBRAHIM asked the Minister of Housing and Agriculture:

(1) What procedure is adopted by his Department in allocating business and industrial plots in the Transvaal?

(2) Whether the procedure has been adhered to in all such allocations, if not, what exceptions are made?

DI55E

The MINISTER OF HOUSING AND AGRICULTURE Mr Chairman, hon. members will know that when a business person requires a piece of land for the purposes of conducting business, it is required of him to apply to the Department of Local Government, Housing and Agriculture where such an application will be scrutinised and processed provided the applicant is a displaced person in terms of the Group Areas Act or other legislation.

Whilst in the policy of the Administration to sell off commercial and industrial stands in order to generate funds which in turn are used for our low-cost housing programmes, such actions are governed by the provisions of the proclamation and registration of townships. Where the latter has not been authorised by the municipality, the land may only be disposed of after the property into the name of the purchaser cannot be done in such circumstances.

Where the situation of non-proclamation and non-registration pertains sites can only be leased to successful applicants who are willing to opt for the alternative. Over the years the sites have been allocated to individual entrepreneurs on the basis of applications submitted and often also taking encouragement of the support given by local public representatives such as the affairs committee.

In non-proclaimed areas sites were leased to individuals whilst in proclaimed areas sales by private treaty could be and have been concluded.

Furthermore in view of the limited number of such sites is usually large, the number of applications of interest evidently exceed the demand. As a result interest among applicants to acquire sites, purchase a limited number of sites, have been advertised for sale by tender where the highest tender is allocated the site tended for.

In this way the needs of those entrepreneurs who are not displaced persons are also satisfied. Another method of allocation is sale by public auction, where a site is auctioned and allocated to the highest bidder.

To summarise, there are basically four alternatives for disposing of land, which implies the allocation of sites. The first is leasing to individual applicants for a specific period at a specified rental (Time expired)

Mrs R EBRAHIM Mr Chairman, newspaper articles and both direct and indirect intimations of Mr Sayed, the town mayor who was allocated stand No. 10068 in Lenasia, prompted me to place this interpellation on the Question Paper. I want to add that I had ascertained many facts before arriving at a decision regarding this interpellation.

The Minister of Housing confirmed to a letter to me—I have the letter here—that business sites are sold exclusively by tender, however, it has been exceptions where land has been sold by private treaty only. During the course of this year two sites were sold to me as an individual with the approval of Parliament by tender, and to Col. E. Wintle, in whose name, the tender had to be refunded.

At that stage, two of the land had been given to me by Mr T Chetty and a third one through Mr D Bullock, the Minister’s Representative in the Transvaal. The tender was, however, withdrawn for a period of six months until the tender was红线decided on by the House of Delegates.

Mr O Sayed of Omar's Towing Service has taken occupation of the erf allocated to him on lease pending sale and transfer. In terms of a letter addressed to Mr Sayed by Mr Moorin, the regional representative of the Department, the erf would be leased to Mr Sayed with effect from 1 April 1992 at a monthly rental of R50.00 until such time as the area is proclaimed and a sale agreement is entered into.

Notwithstanding the written commitment given to Mr Sayed, the Department refuses to honour its undertaking and enter into this lease agreement. Mr Sayed is occupying the land, thus affecting improvements and sales which it has embarked on these premises. What is the reason for this? It seems to me that the situation is growing more difficult by the day. The hon. member is also aware of the situation. He chaired the meeting at