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**TOTAL**

**PHOTO COPIES**

Number of copies
LUXURY car manufacturers have ruled out government attempts to slap a new ad valorem duty on the industry as "a screw-up".

The sliding scale duty, imposed last month, was too complex to be applied, manufacturers said, and the customs and excise department had failed to inform the industry about the workings of the sliding scale mechanism.

The duty is an attempt by government to recoup revenue losses worth an estimated R1bn following the transition to the motor industry development plan last year. The duty rate, determined according to a complex formula, increases with vehicle value.

The duty for a Toyota Camry amounted to 2.29% of while the rate for a locally produced Mercedes was about 3.4%.

Herman de Bruyn said: "The formula will have a different ad valorem value. Another vehicle manufacturer said they would have to make a new mainframe computer just to work out these values."

BMW SA spokesman Chad Pack dubbed the new duty a "screw-up": "Nobody has told us whether to use the formula or cost. Importers vehicles with the same free on board value or whether we must work out the formula on individual vehicles, which would result in a lower duty being paid."

Both manufacturers planned to meet customs officials to gain greater clarity on the issue.
Bosal opens exhaust factory in Georgia

BY ROY COXAYNE

Pretona — Bosal, the Pretoria-based exhaust and automotive component manufacturer, has opened its 27th manufacturing plant worldwide.

The new plant in Lavonza, in the American state of Georgia, was completed recently and has already begun producing exhaust systems.

But the group, whose annual turnover — excluding the value of precious metals used in the manufacture of catalytic converters — exceeds R2.2 billion, was not prepared to disclose the value of its investment in the new plant.

Its total investment in research and development, production, marketing and logistics in the past 12 months totalled R163 million.

The group's chairman, Karel Bos, said that with a manufacturing plant already established in Canada, the opening of the plant in Georgia was intended to broaden the base for a significant Bosal presence in the North American market.

He said it would soon be supplemented by a production facility in Mexico.

In Europe, Bosal has made significant investments with a new tube mill in France, and a new plant in Zaragoza, Spain. It has established its own distribution network in Italy, boosting its distribution centres worldwide to 45.

In Eastern Europe, it has built a new plant in the Czech Republic.

Starting from a small base in Pretoria 44 years ago, Bosal is today one of the world's leading players in the competitive exhaust manufacture markets.

Internationally, the group manufactures more than 6 000 exhaust systems for 2 500 different makes and models of cars, and employs more than 6 000 people.

It is also a major producer of catalytic converters, towbars, warehouse racking, garage equipment and tube products.

FRANKEL POLLAK (PTY) LTD
Reg No 72/08351/07
New duty will raise car prices

By ROY COULHAN

Pretoria — Higher priced cars, light commercial vehicles and minibuses, particularly imported vehicles, are to cost more because of an ad valorem excise duty just introduced.

Nico Vermeulen, the executive director of the National Association of Automobile Manufacturers of South Africa, said the duty would be applied to locally produced cars, light commercial vehicles and minibuses costing more than R80 000. Vermeulen said the structure of the duty provided a benefit for less expensive vehicles.

But the duty, which was in addition to the customs duty, was highly punitive and became quite prohibitive on more expensive imported vehicles.

Vermeulen said the duty, gazetted just before Christmas, was based on a sliding scale. "The more expensive the vehicle, the higher the tax," he said.

The duty amounted to about R1 840 on a locally produced vehicle with a dealer-billing price of R100 000 excluding VAT.

But he said the duty would rise to about R8 100 for a locally produced vehicle with a dealer-billing price of R200 000.

He said the duty on an imported vehicle valued at R1 million would be about R100 000.

Vermeulen stressed that the duty was not a new tax but replaced the across-the-board 2.5% non-refundable excise duty which fell away with the termination of Phase VI of the local content programme and the introduction of the Motor Industry Development Programme from September last year.

He said the duty was also in line with last year's announcement in the Budget of the intention to impose an ad valorem tax on luxury vehicles.

He said the ad valorem tax was broadly in line with the expectations of the motor industry and the rate on domestically produced vehicles appeared quite reasonable.
Flood of foreign cars tipped as temporary

By Edward West

NEARLY 65 new foreign vehicle models were expected to hit SA's car market this year, but few were likely to survive for long, Toyota marketing director Johan van Zyl said yesterday.

Previewing the year's expected market conditions for the motor industry, Van Zyl said that the surge in new models of vehicles would follow the first year of implementation of the motor industry development programme.

"The overriding influence in 1996 will be the introduction of new models under the freedom of the programme, and the growth of the market for fully imported models with an associated growth in the number of distributors," he said.

Although the expected 65 new foreign model entrants were substantially higher than the 45 introduced last year, Van Zyl said it remained to be seen if those companies which had stated an intention to launch models in SA this year actually did so.

"It is doubtful whether many of these will survive due to the investment required for adequate service and dealer networks," he said.

A potential threat to this year's market was the continued imports of used vehicles into SA - this first became evident last year, when used vehicles entered SA through Namibia.

Van Zyl said the SA government did not allow imports of used vehicles, but some customs union countries did, and effectively gained free access to SA markets. "This is a major threat to local manufacturers," van Zyl said.

Toyota is to spend R450m on capital expenditure this year, of which about R300m would go to tooling up for the introduction of a new range of Corollas.

Van Zyl forecast average vehicle prices increases to be below inflation this year, continuing a trend of steady decline since 1991. In 1995 vehicle prices rose on average 5%, but were expected to be less this year.

Industry vehicle sales growth was likely to slow this year, compared to 1995. SA's National Association of Automobile Manufacturers had yet to release final figures, but 1995 was expected to have been one of the industry's most successful years since 1984.

Total sales have been forecast at 376,000 units compared with 303,165 units sold in 1994. Total sales growth for this year has been estimated at 5%.
Toyota SA for R450m upgrade

BY ROY COAKNE

Pretoria — Toyota SA is to spend about R450 million this year on upgrading its facilities and on tooling for new models.

This capital expenditure forms part of a R1.6 billion, five-year programme which the company announced last year.

The company's group marketing director, Johan van Zyl, said yesterday that more than R300 million would be for the new Corolla to be introduced on to the local market in the second half of this year.

Van Zyl said the National Association of Automobile Manufacturers of South Africa's sales returns for December, due to be announced later this week, were expected to push last year's total to more than 376,000 units — the most successful year in the vehicle industry since 1984, when more than 405,000 sales were recorded.

Van Zyl said export growth for the entire industry amounted to 1 percent last year compared with the company's export growth of 22 percent from a low base.

He said the company would be exporting left-hand drive vehicles into a number of west African countries this year.

It appeared that the company, with total sales of about 96,000 vehicles last year, would fall just short of last year's sales target of 100,000 units. Van Zyl said, however, that the company's sales target for the year had been a market share of 25.1 percent, which translated into 101,300 vehicle sales.

He said he was expecting continued growth in the vehicle market this year, but at a much slower rate than last year.

"We expect that reasonable growth for the total market will be about 5 percent. This will be led by the commercial vehicle sectors, particularly the light commercial vehicle segment, which could grow by 8 percent," he said.

"The passenger-vehicle market is expected to grow by not much more than 3 percent. These expectations are based on a growth in GDP of around 3 percent and these figures must be viewed in the perspective of the abnormal growth experienced last year," he said.

Van Zyl said the growth in the importation of used vehicles was a disturbing trend.
Car industry calls for figures release

Jeanne Vermeulen
20/11/96

THE car industry is to call on all parties involved in preventing vehicle thefts to release a detailed breakdown of models targeted by criminals.

The National Association of Automobile Manufacturers of SA (Naamsa) said yesterday it would pursue the matter at the next meeting of the transportation crimes committee, in which the police, the car industry, the insurance industry and the transport department are all represented.

The next meeting is expected later this month or early next month.

Naamsa director Nico Vermeulen said the decision partly followed growing media coverage of the issue. The SAPS and Naamsa earlier this week blamed each other for not releasing the figures, but Vermeulen has since said Naamsa wanted the figures released, provided they were reliable and were put into the context of market share and vehicle population.

Naamsa also asked the SAPS vehicle theft unit for a breakdown of stolen cars by manufacturer and model.

But SAPS communication officer Reg Crewe said the figures for last year might not be available until March. He said Naamsa had the 1995 figures, but Naamsa had only the global figure, not a breakdown.
Govt considers cap on sliding scale car duty

Edward West

GOVERNMENT, after complaints from luxury car dealers, would consider capping the sliding scale duty slapped on cars late last month, customs and excise deputy commissioner Dame Basson said yesterday.

The levy, to replace revenue lost when the previous duty regime fell away, has wreaked havoc in the luxury car market.

BMW SA and Mercedes-Benz SA have been unable to reprice their cars because they have not determined the level of the levy. Mercedes-Benz said it awaited clarity from government.

Top Ferrari models have jumped R2,37m in price because of the levy. Jaguar and Porsche prices are also poised for hefty rises.

Porsche and Jaguar importer LSM Distributors MD Pienie Venter said: "Contrary to popular perception, the wealthy are just not prepared to pay a few hundred thousand rand extra for their cars in punitive taxes. The duty will mean less income for government due to lower sales and will encourage people to seek imaginative schemes to circumvent it." LSM would seek a legitimate loophole to escape the duty.

The new duty will result in significantly lower costs for locally assembled vehicles selling for less than R130,000.

Ferrari and Lancia importer TAK MD Tibor Scheman said the duty would hit the price of a fairly ordinary Ferrari, the F355, by R100,000. The cost of a new F60 — two of which had been sold in SA — would rise to R4,87m from R2,5m. The effect of the duty on sales might force him to close.

BMW spokesman Chris Moerdyk said his company had been expecting a duty on luxury cars, but the effect had not yet been determined. "Quite frankly, we are confused," he said. "This does not have a heck of a lot in common with the National Association of Automobile Manufacturers of SA proposals."
to speed with R28bn sales
SA motor industry gets up

BY DON ROBERTSON
(12) SLR (14) 1/1996
Aidis puts workers’ retirement investments at risk

BY ROY BLACHMAN

1991, CTR(AR)15/11/96

MY TURN

Aidis has moved a number of its workers’ retirement funds into a new investment scheme without their knowledge or consent. The company says this is part of a strategy to improve the performance of its pension fund, but workers are concerned that they have been sold a product that is not suitable for their needs.

The new scheme, which is advertised as a high-yield investment opportunity, offers a return of up to 15% per annum. However, workers are worried that they have been sold an investment that is too risky.

‘We were told that this was a safe investment, but now we’re finding out that it’s not,’ said one worker. ‘We’ve lost a lot of money and we’re not happy.’

The company claims that the new scheme is designed to help workers save for their retirement. However, workers say that they have not been given enough information about the risks involved.

‘We were given a leaflet that said it was a safe investment,’ said another worker. ‘But when we looked at the small print, we saw that there was a lot of risk involved.’

The company has been criticized for not giving workers enough information about the risks involved in the new scheme.

‘We were promised a high return, but we were not told about the risks,’ said one worker. ‘This is not good enough.’

Workers are now demanding that they be given the chance to opt out of the new scheme. They say that they should be allowed to keep their original investments.

‘We want to keep our original investments,’ said one worker. ‘We don’t want to risk losing money.’

The company says that it is working to resolve the issue. However, workers are not satisfied with the company’s response.

‘We want a proper explanation,’ said one worker. ‘We don’t want to be left in the dark.’

The company has been given a deadline of three weeks to respond to the workers’ concerns.
Sales boom for cheaper cars

BY ROY CORAYNE

Pretoria — The entry level segment — the more affordable sector of the passenger vehicle market — was one of the motor industry's star performers last year, capturing about 16 percent of the car market compared with about 4 percent in 1994.

The light commercial vehicle segment, with sales of 126 934 units, was another star performer.

Motor industry analyst, economist and director of Econometrix, Tony Twine, said the growth of the entry level segment showed the market had been waiting for some time for more affordable vehicles.

He said prices in this segment had fallen since the launch of Volkswagen's Citi Golf Cacho.

Twine said he believed there was a standard policy among many of the manufacturers to move the prices of their vehicles in this segment "as little as humanly possible." "This was not a flash in the pan and cheaper entry-level vehicle prices should continue to invigorate the size of the market," he said.

Twine believed the entry-level segment would this year continue to grow "as fast if not faster" than other segments of the total market. He also believed the sliding scale ad valorem duty introduced last month would further boost the lower end of the market.

Twine believed total National Association of Automobile Manufacturers of South Africa sales this year should exceed 400 000 for the first time since 1984.

Figures released by the National Association of Automobile Manufacturers of South Africa last Friday revealed that new vehicle sales last year rose for the third successive year — and by more than 24 percent or 73 197 units compared with 1994 — enabling the local motor industry to record one of the highest annual growth rates in its history.

New vehicle sales last year totalled 375 362 units compared with 305 165 in 1994, with each sector achieving impressive annual growth rates, led by the low volume heavy truck sector at 7 607 units, up 34.9 percent or 1 967 units more than 1994.

This was followed by light commercial vehicles, with sales 26 percent or 26 580 units higher than 1994. Medium commercial vehicle sales at 4,135 units for the year grew 23.1 percent or 775 units while new car sales rose by 22.9 percent or 43 875 units to 235 686 for the year.
Insurers respond to BMW's scheme

BY ROY COKANE

Pretoria — The introduction by BMW SA of an insurance scheme for its own customers is already drawing a response from insurance companies.

BMW's general manager of public affairs, Chris Moordyk, said that in spite of the hard things BMW had said about insurance companies before the launch of its own insurance scheme, most insurance companies had contacted BMW after the launch.

"They want to talk to us and do business with us. Our customers are also finding their insurers are giving them better premiums. This was part of the reason for the exercise," Moordyk said.

BMW said it introduced the insurance scheme because some insurance companies had persisted in basing their premiums on ridiculously high and often exaggerated car theft and hijacking statistics. "BMW has a 6.1 percent share of vehicle thefts, but the way BMW owners have been handled by insurance companies you would have thought it was 50 percent," Moordyk said.

However, BMW had found that the high premiums applied to people who did not shop around.

"It is not our intention to become an insurance company," he said.

"What we are trying to achieve is a situation where a customer's insurance premium constitutes 5 percent of the retail value of the vehicle. This is what large fleet owners can get. But those who do not have the fleet muscle can now get the same deal.

"Where theft and hijacking comprised 4 to 5 percent or more of the premium, it now has been reduced to between 1 and 1.5 percent. Additional insurance cover in terms of our scheme is optional," Moordyk said.

In terms of the scheme, BMW was offering its customers insurance cover for theft and hijacking on all of this year's models for 12 months. Moordyk said the theft and hijacking cover had to apply to all its cars registered this year so that the risk would be spread.

Customers would then have the option of additional cover for accident damage, third party liability and household insurance. BMW had kept the theft and hijacking insurance components separate and customers could elect to place this with their existing insurers.

Moordyk said that BMW had sold 18 035 vehicles last year, but hoped to sell between 19,000 and 20,000 vehicles this year. Every single one of which would have the theft and hijacking insurance built into the price.
NEWS FOCUS

1.8-million HIV positive in SA, and trend turns to young males

Kathryn Strachan

AS THE new year begins, the health department estimates there are now 1.8-million people in SA infected with the AIDS virus Dr Quarraisha Abdeen Karim, director of the department's HIV/AIDS programme, says hospital studies show the doubling time of 12 to 15 months has not changed.

Along with the relentless increase in the number of people with HIV, there are worrying trends in the pattern of infection. The SA Blood Transfusion Service is beginning to pick up HIV-related deaths in 15- to 18-year-old males — previously a group with very low infection. The pattern has been that HIV infection is found in women five years earlier than men, and teenage girls have been among the highest infected groups. But infection is shifting to teenage boys.

The perception that AIDS is a disease affecting mostly the black community is also proving to be wrong as infection makes inroads into white communities, especially the upper income groups.

The extremely high incidence of rape in the country is another factor in the escalating AIDS figures. The Community AIDS Centres regularly report young girls of about 12 who had been raped, and who were now HIV positive. Many rapes occurred within families.

A new study conducted by Durban University's economic research unit documents for the first time the full extent of the AIDS epidemic's effect on planning. Previous planning reports indicate that AIDS is a wild card, but go no further. The new study, which focuses on KwaZulu-Natal, where HIV levels are highest in the country, shows the epidemic will have a severe effect on the social and economic situation, says its author Prof Alun Whitbread.

The study shows the population growth rate in KwaZulu-Natal will slow considerably as a result of the epidemic. Projections are that, without the AIDS epidemic, the population by 2030 would have been 14.3-million. With AIDS it is projected to be 10.3-million — a difference of 30%.

The structure of the population will also change. AIDS will result in a rise in mortality in the under-five age group, and in the 25 to 40-year age group. This will affect the size of the labour force and the number of dependents in a household.

There will be a marked rise in the demand for health and social services, most notably in the care of orphans. It is expected that by 2000 there will be up to 250,000 AIDS orphans in KwaZulu-Natal alone. The elderly will also lose their adult children and thus their support structure.

The study shows there are not many concrete steps planners can take with regard to the HIV epidemic. The effect will be felt over some years and generally indirectly. Where AIDS will potentially reduce demand for services, such as in education and housing, there is such a backlog that there is no question of tailoring facilities for a slowdown. Where AIDS increases demand, as in health care and social services, it will add to the existing shortfall.

The questions arising from the increased load AIDS will place on health care are how large the extra demand will be, and how it will be met.

In the West, care is high-tech and expensive. The cost per case in the US in 1991 was $322,000, in Switzerland in 1989 it was $57,000. By contrast, in the developing world, expensive drugs are not used, and costs are lower. In Zambia $374 per case in 1991, and in Tanzania $290 in 1990.

Experience in other parts of Africa has shown that as people fall ill with AIDS they tend to seek care in hospitals. The result is — and KwaZulu-Natal's experience is beginning to show this — that hospital beds are clogged up with AIDS patients. The best care for people with AIDS is symptomatic management of their diseases, which can best be done at the primary health care level — and plans will have to be made to increase staffing at clinics.

Many households will face financial difficulty as income earners fall ill and die, and incomes are diverted for care. This will affect the ability to pay for a range of services, from food, clothing, water and electricity.

Education will be affected as the number of school-age youths will grow more slowly. By 2006, there will be 9.8% fewer children in the five to nine age group, and the deficit will work its way up the population pyramid into secondary schools. At the end of the projection period, there will be 30.1% fewer children in the five to nine age group and 21.5% fewer in the 10 to 14 age group.

The increase in mortality will result in a more rapid uptake of land for cemeteries, and the much greater number of funerals will result in a higher economic loss due to time taken off work by people attending funerals. By 2014 the number of burials a day will be three times greater than it would have been without the AIDS epidemic.

The report shows that, by considering the potential effects of the epidemic, many of the government's plans will be rendered null and its effect can be positively planned for.

But there is also some hope emerging in the form of three major research breakthroughs in the last six months, says Rimmer.

The first is a study in Tanzania which shows that if other sexually transmitted diseases are treated, the HIV infection rate can be reduced by up to 42%. While the link between HIV and other STDs is widely known, this study demonstrates exactly the huge effect a good STD programme has on AIDS transmission.

Another breakthrough is the World Health Organisation study which shows that providing the anti-retroviral drug AZT to pregnant women with HIV can reduce transmission to their babies by 60%. While the WHO research, which includes two South African hospitals, is looking at bringing the cost of AZT down through different doses, it is finally being put in use. It has been suggested that countries ask the World Health Organisation to negotiate with AZT producers for lower prices.

The third is inroads into microbicide research, which shows that Nuvosynol 9, a spray reduces the risk for women who cannot persuade their partners to use condoms.

While the rapid spread of HIV is daunting, Faram believes his directorate has raised awareness: "For the first time we have a strategy in place. We have a credible programme," she says. The fight against AIDS in SA rests on five strategies: sex education at schools, mass media campaigns which include murals in major cities and "AIDS taxes", condom distribution, improved STD clinics, and preparing people to provide care for AIDS patients — from the hospital right through to the home.

Next month the female condom will be introduced at clinics, and nurses have already been trained to promote its use.

But, says Rimmer, social structures still have to be set up, and bureaucracy is holding up this process. As provinces have not yet got their structures in place, head office in Pretoria is driving many of the projects.

Dr James McIntyre — head of maternity at Baragwanath Hospital and an AIDS expert — is concerned about the delays in appointing staff. While government directed R100m to AIDS this year, the question is whether the programme has managed to spend this budget, he says.

Gauteng is the only province to have appointed a person to a provincial AIDS director post. There are government AIDS training and information centres across the country, but it requires a lot more than these structures to implement strong programmes at provincial level.

In some provinces there are only one or two people managing the government AIDS programme. Because of the delay in appointing staff, provinces are relying on foreign consultants — and thereby falling into the trap of importing consultants who lack both local knowledge and the ability to collaborate with other players, he says. In tackling the HIV epidemic, a uniquely local approach is needed.
MOTOR INDUSTRY (192)

Soaking the rich

PM 19/11/96

Don't buy a flashy imported car, buy a truck instead. Maybe that's the message for heartbroken investors suddenly faced with having to fork out hundreds of thousands of rand more for the car of their dreams.

Toyota commercial vehicle marketing head Des Gush predicts truck prices could remain unchanged this year. Much depends on exchange rates. But Gush says manufacturers cannot afford to play around with prices because of intensifying competition locally and from imports.

That's a far cry from the plight of those who would buy luxury imported vehicles. Under the new Motor Industry Development Plan, which came into force late last year, progressively lower import tariffs were expected to reduce the price of imported vehicles.

And so they did — until government sneaked a tariff amendment into the Government Gazette three days before Christmas. Despite the timing, the move was inevitable. Under the previous Phase Six motor industry regulations, a 2.5% across-the-board ad valorem duty on all vehicles had earned the Exchequer billions of rand in revenue. Government wasn't about to forgo all that income and Finance Minister Chris Liebenberg made it clear last year that his department would investigate a new ad valorem duty on luxury vehicles.

The new duty applies only to cars, bakkies and number of trucks are exempt. Under a complicated formula, the higher the value, the higher the penalty rate. The point at which vehicles are subject to the same duties as under Phase Six is about R140,000. Below that, the savings are progressively greater.

At the top end of the scale, it can add as much as 15 percentage points to the 65% import tariff.

Importers of luxury vehicles complain this is unfair and have asked government to cap payments at a fixed maximum. Customs & Excise is considering the request. Manufacturers who import luxury vehicles are also subject to the new formula but can at least claim tariff rebates against export earnings.

The industry in general, is not upset about the changes. Most vehicles sell here for less than R90,000, so manufacturers and motorists are better off than before. But import agents say that, contrary to popular belief, their customers' pocketbooks are not bottomless and the increased ad valorem is contrary to the spirit of the new industry development plan.

By one calculation, luxury imports account for less than 0.1% of the total market. If the new duties deter buyers, it will be a diminishing share of the rest of the market continues to grow. Figures released last week by the National Association of Automobile Manufacturers show that new car sales improved 23% in 1995, light commercials by 26.5%, medium commercials by 25% and heavy trucks and buses by 35%.

Local vehicle manufacturing revenue rose from R21bn to R28bn.

The market's true picture remains clouded by the continued absence of official sales figures from several companies. The most notable absence is Hyundai, whose sales last year are thought to have run to several thousand but which remains in conflict with members of Naamsa.

Volvo, especially its truck division, is also likely to have had a notable impact on final figures.

Naamsa estimates unreported sales could run as high as 10,000.

Stephanus Loubsor, soon to step down as MD of Nissan Marketing, says that besides being an outstanding year for sales, 1995 "was characterised by intense competition among the major local manufacturers, exacerbated by a proliferation of imports."

He adds: "The increased number of players, including some local manufacturers who entered segments which they had hitherto not contested, resulted in the large local motor companies losing some of their traditional dominance of the market and a much more even spread of market share among the main companies."

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**LIGHT COMMERCIALS**

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**TOTAL VEHICLE SALES**

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**FEBRUARY 1996**

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**TOTAL VEHICLE SALES**

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**FEBRUARY 1996**

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Motor industry exports reving up (92)

Driving the sagging economy, motor industry exports grew by 51% to about R3,4bn last year, with the trend likely to continue this year as vehicle and component makers pump up exports to benefit from the motor industry development programme.

A National Association of Automobile Manufacturers of SA spokesman said that R830m represented the sale of about 9,000 fully built cars and 8,500 commercial vehicles. Of the fully built cars sold overseas, 6,231 were Jettas exported by Volkswagen SA (VW) to China in terms of a three-year export contract which ended the middle of last year.

A VW spokesman said the company would be launching a major effort this year to maintain the rand value of last year’s exports.

The value of the contract amounted to about R300m in sales last year, while the export of components lifted its foreign sales by an additional R140m. Further details about VW’s export strategy would be unveiled later this week.

In terms of the development programme, foreign exchange credits from export earnings can be used to offset imports on a rand-for-rand basis.

Delta Motor Corporation predicted 32% growth in its export business this year, with a total sales value in excess of R500m.

The company exports catalytic converters, leather seating, metal components, glass, tooling, stainless-steel stampings and electronics components to all continents.

BMW SA was expected to announce a major capital injection from its German parent today to help the local company become a world production centre for right-hand drive 3-series BMWs, while Mercedes-Benz SA was expecting its overseas sales to increase by 20% this year to about R850m.

Toyota SA said it intended to introduce diesel engines to certain light commercial vehicle models to boost its African exports of fully-built vehicles to 3,500 units this year from last year’s 2,700. The inclusion of Uganda and Tanzania to Toyota SA’s existing markets — Zimbabwe, Zambia, Mozambique, Malawi and Kenya — would also boost exports.

A Nissan SA spokesman said the company would be embarking on an export drive this year, but it was too early in the year to disclose details. Samcor also did not want to disclose its export plans.
Curb crime and we'll spend R1 bn
says motor giant

Business Reporter (2) (72)

BMW is to spend R1 billion on investments in South Africa during the next four years — provided crime can be contained.

In a statement read out on his behalf at a briefing in Cape Town today, the chairman of BMW in Germany, Bernd Pischetsrieder, said the motor giant would make a major investment in the upgrading of its manufacturing plant in Rosslyn, near Pretoria.

But, he said, there were strings attached to the investment.

The company remained deeply concerned at the level of crime in South Africa, particularly vehicle theft and hijacking.

"While we are aware of efforts to contain crime, we remain conscious of the fact that should crime continue to escalate as it has in the past year, it will undoubtedly force us to reassess the considerable investment we intend making during the next four years."

In the statement, read by Raner Hagemann, managing director of BMW SA, Mr Pischetsrieder said the investment would be used to upgrade and increase capacity of manufacturing facilities — by as much as 20 percent — in order to meet increased domestic and export demand.
Watchdog for car industry
Edward West

THE trade and industry department would establish a directorate this year to monitor the implementation of the motor industry development programme, a department spokesman said recently.

Motor Industry Federation vice-president Errol Richardson said that while the move by government was welcome, the body would focus on assembly and component manufacture and would not necessarily embrace developments in the retail market.

"It is a good idea, but we do not think government has gone far enough. We need a body embracing all the players," said Richardson.

The National Association of Automobile Manufacturers of SA supported the move, but it pointed out that the new directorate would have to begin work as soon as possible, as a number of benchmark rulings by government affecting the programme had to be made soon.
Crime threat to BMW investment

CAPE TOWN – German car manufacturer BMW warned yesterday that its plans for an R1bn investment in BMW SA would be scrapped if crime continued to escalate.

Announcing the four-year investment programme, BMW said the investment would be used primarily to upgrade and increase the capacity of SA manufacturing facilities to meet increased domestic and export demand.

But BMW AG chairman Bernard Piechetsrieder said a continued escalation in crime, especially car thefts and hijackings, would “undoubtedly force us to reassess the considerable investment we intend making over the next four years”.

“However, we are optimistic that crime levels will be suitably addressed and we are prepared to play our part,” he said.

BMW SA has supplied police in Gauteng with 100 cars worth R22m.

BMW SA MD Rainer Hagemann said the capital injection would raise SA manufacturing capacity by about 20%, although production levels were running at only about 50% of their potential. This meant BMW SA’s manufacturing staff complement was unlikely to show a substantial increase, especially given the group’s drive to enhance productivity.
BMW injection shows confidence in SA
Motor industry fairly confident

By Musa Zondi and Mongadi Mafata

The motor industry remains fairly confident that 1996 will be another good year for motoring, in particular, and for the country's economy, in general.

This follows a bumper year for the industry with sales almost reaching 377,000 units - the biggest number since the mid-1980s.

While the industry believes that there will be growth this year, they said that the rate of growth - up almost 25 percent from 1994 - will slow down a bit this year.

BMW, which has pledged to invest R1 billion in its manufacturing plant in Rosslyn over the next four years, remained fairly positive.

This move is expected to create some jobs which will be linked mostly to suppliers and dealers. Last year, the company exported 500 cars to Australia and hopes it could increase its exports, said Mr. Rames Hagemann, MD of BMW SA.

He also added that this will be a year of quality. Last year great strides were made in this direction and the trend could only continue, he said.

With the investment, it is expected that the plant will increase its productivity from 16,000 to 25,000 cars, said Hagemann.

Marketing director Tony Kinton said this year will see a tough fight at the top end of the market where manufacturers such as Volvo have settled in:

"Manufacturers think the top end of the market is profitable. It's a crowded and very competitive market," he said.

"Mercedes-Benz," which is also in that market, said the reduction of import duties made the company achieve sales beyond expectations.

The company's passenger car marketing manager, Mr. Eric Scoble, said their market share grew for the fifth consecutive year.

MBDA achieved an 11.3 percent market share in 1995, compared to the previous year's 10.9 percent.

Scoble expressed confidence in MBDA's market performance with the imminent introduction of new E-class models and the new-shape Honda Ballade.

Figures released show Honda Ballade's record-breaking sales of 13,000 units. The Mercedes C250 Diesel was well-received by South African car buyers and averaged 100 units a month towards the end of 1995.

Automakers scoop prestigious award for high quality work

By Mongadi Mafata

NISSAN's and Uno drivers in South Africa can now drive with a smile of proud satisfaction after recent assurances that the cars they drive are produced from a plant that meets the highest standards worldwide.

The manufacturer's managing director, Mr. Charles Wiggill, said this recently when Automakers, Nissan South Africa's holding company, was awarded the prestigious ISO9002 Quality Certification for achieving internationally recognised quality standards on all of its production and manufacturing phases.

Automakers' main assembly plant received this internationally recognized prize at a formal ceremony held at their Roslyn plant, outside Pretoria.

The South African Bureau of Standards had already inspected the plant's stamping, trim, engine and truck plants and came to the conclusion that they were of a high international standard.

"The fact that we have now achieved ISO9002 throughout our manufacturing process is further assurance of quality and peace of mind for our customers in South Africa and from our export markets," Mr. Wiggill said.
VW boss set to apologise for remark about Mandela

**Star** 12/1996

Port Elizabeth - Union officials at Volkswagen said yesterday that managing director Heinrich Holtmann had indicated he would apologise this week for remarks about President Mandela which they considered "derogatory."

A mass meeting of workers and top management ended in chaos on Tuesday after National Union of Metalworkers (Numsa) members demanded an apology from Holtmann for a perceived insult about the president. Numsa administrator Eric Sibada told reporters that Holtmann wished to apologise for the remarks. - Own Correspondent
Component industry ‘could help reduce automotive sector’s deficit’

Johannesburg — The euphoria surrounding South Africa’s resurgent motor industry was masking huge costs which could, given the nation’s underutilised component industry, be substantially contained.

Alfons Mauchle, the managing director of Johannesburg-based Precision Tools, said he believed the mobilisation of the component industry would create jobs, expand exports and help balance trade deficits.

He cited figures from the Industrial Development Corporation predicting that the current R10 billion trade deficit in the economy’s automotive sector would rise to R12 billion next year and to R14 billion the year after.

“The aggregate of more than R30 billion in five years is more than the country can afford — and it will affect other sectors of the economy. Against the background of these figures, component exports of R2 billion a year are paltry.”

Mauchle said component manufacture in South Africa had an international edge, even if it needed sharpening. “South Africa has the raw materials, the infrastructure, the expertise and the labour to make quality components cheaper than overseas manufacturers. We can cut down on imports and expand exports in one fell swoop.”

He said his company already produced automotive components for export.

Mauchle’s dream was a rational strategy to orchestrate industry capabilities.

“Like other sectors, we should be exporting manufactured products by beneficiating raw materials instead of exporting steel, we should be exporting machined forgings and castings.”

He said foreign exchange that could be better used for developing infrastructure was going abroad to finance short-term purchases.

He envisaged all stakeholders benefiting through a co-ordinated strategy.

“The motor industry would have access to guaranteed supply at stable prices. It could also profit from joint ventures which would earn revenue and export credits. For the nation, there would be repatriation of jobs currently exported with the raw materials, as well as a major contribution towards reducing the trade deficit.

“Our industry is responsive, able to react quickly, and flexible enough for short runs at competitive prices.”

“It is facing a period of opportunity which, properly exploited, could signal the end of stifling regulation and quotas,” he said.
Toyota offers interest-free car financing

Edward West

TOYOTA SA is offering interest-free instalment packages on its cheapest cars in another skirmish in the price war spreading across the lower end of the car market.

The company said yesterday its 0% interest rate finance package would apply to all its Corolla, Conquest and Sprinter 130 models.

The package would cut R15 000 from the cost of the cheapest Corolla 130 and Conquest 130 models, while the saving on the Sprinter 130 would be more than R17 000.

Toyota SA marketing director Johan van Zyl said manufacturers were fighting to make vehicles more affordable because the structure of the motor industry was changing.

The motor industry development programme was allowing competitively priced imports and exchange rates were favourable, he said.

Sascor earlier this week also announced price cuts of up to 9.5% on certain models after slashing the prices of its entry level cars last year. Volkswagen SA is running a 10% discount on the Citi Chico, for 12 months.

Van Zyl said Toyota had opted for interest rate savings and innovative financing packages instead of cutting prices of vehicles, in order to avoid hitting resale values.

CE Bert Wessels said the costs of the packages would be borne by Toyota SA's dealerships, and financing houses Bankfin, Stommec and Wesbank.
BMW workers count the
cost of special bonus fracas

By Ross Herbst

Johannesburg — Workers at BMW returned to their jobs yesterday after a four-day wildcat strike over withholding taxes.

The row has left workers pondering the price of protest and management considering the cost of communication.

About 2,500 workers at BMW's Rosslyn plant near Pretoria walked off the job on Friday in anger over the unexpectedly high amount of tax withheld from special bonus cheques. The bonus was meant to commend employees for good production and profits last year.

BMW would not provide details on pay rates or the taxes withheld from the bonuses it said many employees' incomes had been bumped above R40,000, which had boosted their tax rate from 31 percent to 42 percent.

For an employee earning R35,000 a year, the ordinary effective tax rate was 13.5 percent, or R4,725 in tax. A bonus of R7,000 pushed the tax on the bonus to 34 percent, or R7115.

Shop stewards said that employees had agreed to return to work but remained angry.

The four-day strike cost a R35,000-a-year employee R538 in lost wages.

"The big lesson is that communication is vital," I don't think one can go to too much trouble to communicate something that is a potential problem. There is no doubt that we underestimated the impact," said Chris Moerdyk, company spokesman.

"As managers we are quite used to seeing our salaries totally eroded by tax," said Moerdyk.

The company relies on shop stewards to explain the amounts of bonuses to employees. But nothing extra was done to explain the special added bonus or the relevant taxes.

The result has been more disincentive than incentive.

"I need to actually go in and look at all the systems for communications," Moerdyk said.
Toyota returns fire in BMW's hijacking war

By DON ROBERTSON

Toyota has disputed police figures which claim that every third vehicle hijacked in Gauteng is one of its models.

In reaction to an advertising campaign by BMW claiming that its cars are not necessarily the main target of hijackers, Toyota has obtained additional information from the National Crime Information Management Centre.

Toyota says the information shows that the incidence of Toyotas hijacked in Gauteng, in relation to its share of the market, is well below that of BMW.

Before BMW's ad campaign, the luxury marque was widely perceived to have the highest number of vehicles stolen at gunpoint.

Until earlier this month, information about numbers and brands of stolen vehicles was withheld by insurance companies, the police and the National Association of Automobile Manufacturers of South Africa.

Three weeks ago, the Sunday Times published NCIMC figures which showed that 34.6% of all vehicles hijacked in Gauteng in the first 11 months of last year were Toyotas, regardless of when the vehicles were sold. Nissan followed with 13.6%, Volkswagen with 8.6%, BMW with 6.5%, Mazda with 5.5% and Mercedes-Benz with 4.9%.

However, Toyota's figures, using only vehicles sold in the 11 months to November last year, show a different picture. Toyota says it sold 20,479 passenger cars in the Gauteng area during this period, of which 1,636 or 5.1% were hijacked. It says that BMW sold 7,798 cars of which 382 or 7.6% were stolen in armed thefts.

Using last year's market share to compare the percentage level of hijackings is perhaps unfair, but it is the only way to gauge the susceptibility of vehicles to theft as there are no accurate details of each motor manufacturer's share of the total number of cars on the road, says Toyota.

"Accepting this flaw, Toyota says that in the 10 years to November last year it sold 197,783 cars in the Gauteng region while BMW sold 89,564. Of this total, the percentage of Toyotas hijacked during the 11 months to November 1994 amounted to 0.92%, while that for BMW was 0.72%.

Since the publication of the police figures, BMW has run a series of full-page advertisements in several newspapers offering motorists of all new BMWs savings of up to 20% on hijack and theft insurance. The advertisements were aimed at dispelling the perception that BMWs are top of the hijackers' hit-list.

One of the full-page advertisements reproduced a graph carried in the Sunday Times on January 14. The graph identifies Toyota as the most frequent target of gun-point theft. The advertisement claims that BMW is one of the few brands with a lower percentage of hijackings than its market share.

Toyota says it is not "declaring war" on BMW, but Toyota's advertising agency, Lindsay Smurthes-PCB, has complained to BMW about the advertisement.

The Advertising Standards Authority has asked BMW to withdraw the advertising campaign on the technicality that it was not submitted to the ASA for approval of possible comparative advertising.

Chris Moorby, BMW's general manager of public relations, says the company will not be drawn into "petty bickering" and manipulation of hijacking figures because it could lead the police to discontinue publishing such statistics.

At a recent news conference, police commissioner George Fyvaz said an elite, anti-hijacking unit would be set up to fight rampant armed vehicle hijacking.

The unit will create a nationwide policing platform to co-ordinate the fight against crime. At the meeting, Mr Fyvaz declared the fight against vehicle hijackings a "national priority".
Samcor hits at Toyota's finance cuts

By ROY COKAYNE

PRETORIA — Samcor, the motor vehicle manufacturer, last week told critics of its reduced prices that it had made the move in the long-term interest of motorists.

Samcor criticised Toyota South Africa, which last week also entered the car-price war with the announcement of a 5 percent, fixed-interest-rate finance package on selected vehicles.

Samcor said its price reductions were permanent and not a short-term measure.

Arthur Mutlow, the managing director of Samcor Marketing, said he believed reduced interest rates and discounting were short-term actions.

They “distress the product and produce a negative influence on resale values”, he said.

Mutlow said Samcor's pricing strategy applied to all its vehicles and not only entry, or selected, problem models.

Johannesburg — The Inland Revenue department has held out an olive branch to tax defaulters beyond the January 31 deadline for the six-month tax amnesty.

On Friday department spokesman Syd Pope said tax dodgers would receive lenient treatment if they approached the department and did not wait for the state to track them down.

"Inland Revenue appeals to all persons who have remained outside the tax net to approach the Receiver of Revenue," Pope said.

"They will not get amnesty any longer, but we won't throw a 200 percent penalty at them. We'll be lenient as far as a penalty is concerned.

He said persistent fraudsters who had not taken advantage of the amnesty would receive a friendly reception and could negotiate favourable terms of payment, including deferment.

Deputy Finance Minister Alex Erwin also indicated the government would consider ways to draw in black businesses which had been held back by the manner in which paying taxes to the former apartheid government.

But Pope warned that those who had never registered, or whose whereabouts were unknown, "would be dealt with severely" if they did not surrender.

Most would face a 200 percent penalty on the amount due or a court summons. In extreme cases this could mean imprisonment.

The amnesty could not continue indefinitely, Pope said.

Inland Revenue hoped to improve its tax collection services after an estimated R100 million integration with Customs and Excise on April 1 to form the new South African Revenue Services.

Pope said new information technology systems would replace the present 30-year-old computer system. New infrastructures would help overcome difficulties encountered in appointing qualified staff.

Both steps would improve the department's ability to trace tax violators, he said.

"Revenue is in a weakened state but we want to get to a situation where we are able to render a more efficient tax collection service."

Of an estimated total South African population of 40 million, Inland Revenue had some 4.5 million on its income tax register.

About 1.8 million of those earned more than R50 000 a year, the level at which a tax return had to be submitted.

After an extension beyond an initial October 31 deadline, the tax amnesty ended on January 31 with a last minute flurry of applications.

On the final day Inland Revenue received as many as 1 200 applications for amnesty.

By January 25, it had received 17 059 applications, but Pope indicated that a final count for forgiveness covering income, sales tax and VAT could be closer to 20 000.

Pope was unable to estimate how many people remained beyond the tax net nor how much in outstanding tax would be written off by the amnesty. But, he admitted: "We weren't in a position to expect anything."

Although the amnesty was directed at those who for political and ideological reasons had refused to pay tax, Pope said a cross-section of good, bad and indifferent people had come forward.

Gill Marcus, chairman of the parliamentary joint standing committee on finance, said: "Tax morality in this country is extremely poor."

She recommended an education programme and improved revenue collection to remedy the malaise. Her committee has heard that tax avoidance is rife among large corporations, wealthy individuals and small black businesses.
The top secret oil...

Motoring Reporter
LIKE the 11 secret herbs and spices in a chicken recipe commercial, Volkswagen's silicone oil, in the viscous coupling driving the front wheels of its Synchro bus, is just that — top secret.

That's why a Parow gearbox expert had to fork out more than R10 000 for the whole coupling, when he could have paid less than R100 for about 125 ml of oil.

This revelation comes in the wake of a furor over the price of car spares which showed that Volkswagen's luxury subsidiary Audi had the most expensive spares of all makes of cars in the country.

Joost van der Ploeg of Gearbox Exchange was asked to fix the drive of a client's Volkswagen Synchro four-wheel-drive bus when it refused to go into four-wheel drive.

He correctly assessed that the viscous coupling had given up the ghost, and promptly removed the offending part to either repair or replace it.

While he knew that it was supposedly a sealed unit, he noticed it had a cover plate held in place with a large circlip.

"I decided to open it up and see what was wrong inside. It was as easy as pie to do it and we quickly spotted the problem," Mr Van der Ploeg said.

The coupling, a cylinder about the size of half-a-loaf of bread, contains a set of discs similar to little clutch plates, surrounded by a special silicone oil with a very definite viscous rating.

Drive shafts connect to bearings on both sides of the cylinder and are clutchedin or out as needed.

The oil hardens under circumstances where four-wheel drive is needed, due to certain torque influences, and the discs clutch in to pass drive to the front differential.

"We fixed the damage to the inside quite successfully but, of course, when we took the thing apart, some of the oil was lost. We did not know that you cannot buy the oil.

"We even inquired by e-mail whether the oil was available in the United States or Europe, but we soon found out it was only supplied with the part.

"This is a clear rip-off. These couplings are made in Austria by Breyer Puch for Volkswagen, and obviously they are interested in selling the parts only.

"What I want to know is why does the part cost only $1 100 in the United States, which in our terms would be about R4 000, but here it is more than R10 000?"

"Why do we have to buy a whole unit if it can be fixed the easy? It is quite obvious Volkswagen is out to make a killing. If you were driving your Synchro somewhere in Botswana and your viscous coupling bowed, you'd have to leave your bus there and sell it.

"Who can afford to fork out R10 000 there and then? I'd rather buy a Rolls or a Landy or something else in future."

The Argus called a Cape Town Volkswagen dealer to check.

"Are you sitting down or standing up, sir?" a shocked spares salesman said.

"The coupling will cost you R11 80 47, so I suggest you should rather sell your bus for that price."

After a wait of three weeks, Volkswagen South Africa had not yet responded to an Argus request for a response.
Samcor exports on the rise

BY ROY COYNE

Pretoria — A major export order clinched by Samcor late last year had turned out to be double its expected volume, said Jim Miller, the group's managing director.

The order from Ford made Samcor's engine plant in Port Elizabeth the sole supplier of Ford Escort 1,4 PTE engines worldwide and required an investment of R126 million.

At the time, Miller said the Ford contract called for 200,000 PTE engines to be delivered over a 36-month period. That was the equivalent of 400 engines a day.

It was thought then that the deal would also result in an additional 350 people being employed at the engine plant in addition to the jobs created among Samcor's suppliers.

The expected export revenue was R400 million a year. But "the volumes are conservative by up to 50 percent and there will be a commensurate increase in export revenue", Miller said.

Miller said Samcor had recently received a number of other export orders involving castings and sheet metal from Ford.

"Samcor's export revenue has the potential to grow considerably. There are a lot of other markets we haven't worked on which have a lot of potential," he said.

Miller was not prepared to estimate the size of Samcor's export revenue other than to say that it involved "several hundred million rand — and growing — and is a significant piece of our business. Samcor is not a publicly traded company and we don't put investment and export orders in the public domain unless it is an unusual event such as the Ford Escort 1,4 PTE engine export contract".

Miller said Samcor's engine plant had the physical capacity to cope with increased export orders.

"We have picked up more export business in the past couple of weeks but don't intend to put the investment and revenue involved in these agreements in the public domain."

Disappointment

Miller said he was disappointed in the execution of the Motor Industry Development Plan.

Not only did it take almost three years from the date of the establishment of the Motor Industry Task Group to get the plan launched, he said, but it also took another couple of months to get the value-added duties gazetted.

Miller said elements of the plan were still under discussion, which could result in further alterations involving retrospective and retroactive legislation.

He said a predictable investment environment was important to international investors.

But Miller said the plan was long overdue, desperately needed and important to the industry to make it more competitive on cost and quality. One way to achieve this, he said, was to expose the industry to built-up vehicle imports.

Miller said that it appeared that the government believed the South African motor industry would be able to compete on the same basis as many Western countries, with a very small margin between the duties payable on completely built-up vehicles and semi-knocked-down vehicles.

Miller believed the small gap between these duties — and the pace at which they had been reduced — would put the local motor industry under a lot more pressure than expected.

He predicted vehicle imports to increase dramatically. He said that those who expected them to grow to only 30,000 to 40,000 this year were dreaming.

Miller said the car trade deficit would move from a small to a significant one and would drive government policy decisions in the next two to three years.

SUPPLIER Jim Miller, the Samcor group's new managing director and chief executive officer.
Land Rover wins R90m export order

By Roy Coloney

Pretoria - Land Rover South Africa had secured a contract worth R90 million a year for the export of leather seat covers to the Land Rover plant in Solihull in Britain, the company said.

The contract will create 100 new jobs at leather manufacturer SA Trim, BMW South Africa's wholly owned leather export subsidiary, and has resulted in a R5 million investment in SA Trim's manufacturing plant in Ga-Rankuwa, near Pretoria.

Rover International entered an agreement with BMW South Africa in November 1994. Earlier that year, BMW in Germany bought British-based Rover Group.

Rover subsequently invested R60 million in a new production facility at Roslyn and a new sales and marketing centre in Midrand.

The leather export contract will boost the outside customer business of SA Trim.

Last year, Kryn Hogendoorn, the senior manager of SA Trim, said he expected customers other than BMW to constitute 40 percent of the company's business this year and next year if a deal with Land Rover SA could be worked out.

Piet Rademeyer, the managing director of Land Rover SA, said the contract was the first in a range of export initiatives Land Rover SA planned to implement.

He said the seat covers would be used in Land Rover's Discovery model, and 36,000 sets of covers would be delivered.

Bram van der Vyver, the public relations manager of Land Rover SA, said the contract was renewable on an annual basis.

He said that the company expected the contract to be a long-term venture.

Van der Vyver said the leather export contract and impending export contracts, involving some other components, would help Land Rover SA to earn export credits in terms of the Motor Industry Development Plan and balance its books.

The implementation of the plan on September 1 last year resulted in Land Rover SA losing its import permit for semi-knocked-down vehicles, causing import tariffs on the Discovery model to rise.

But Rademeyer said Land Rover SA was still committed to keeping its vehicles affordable and, despite the negative financial implications, it had decided to bear the brunt of the increased tariffs to the benefit of the purchasers.
SA firm to export to Land Rover UK

Edward West

Land Rover SA, which started its first local assembly last month, has clinched a R90m UK export order — the first in a string of export deals being negotiated which could include the locally made Defender model.

The deal, with Land Rover's main plant in Solihull, involves leather seat covers made by independent local vehicle trimmers and leather company SA Trim.

The contract was for a year, but spokesman Braam van der Vyver said he expected it to be renewed for several years.

The company also planned to implement a range of export initiatives. Negotiations were under way. Other contracts would include engine components and possibly the locally assembled Defender 90 series. These cars would be introduced to the SA market on March 1.

Land Rovers were previously assembled in Cape Town by Associated Automotive Distributors, but the operations closed when BMW AG took over Rover in the UK in 1994.

Land Rover SA opened as a national sales company on January 2 last year.

In its first year 2 287 fully built imported Land Rovers were sold. The 1 009 Land Rover Discovery units sold pushed the company to number one spot in the luxury 4x4 market with a 40% market share.

The seats covers to be exported would be used in Land Rover's Discovery model. The contract enabled leather manufacturer SA Trim to invest R6m in a plant and create 100 new jobs.
Samcor increases exports

BY ROY COKANE

Pretoria — Samcor under-estimated the increased volume from an export order clinched by its engine plant in Port Elizabeth late last year by up to 50 percent, Mr. Miller, the managing director of the group, said recently.

The export order from Ford Motors made Samcor’s engine plant the sole worldwide supplier of Ford Escort 1.4 PTE engines and required an investment of R126 million.

The order was expected to generate R400 million in export revenue a year.

Miller said the Ford contract called for 200,000 PTE engines to be delivered over 30 months.

The company had expected to employ an additional 350 people because of the export deal, and for its suppliers to have to add jobs — to cope with additional orders.

Miller said that it was conservatively estimated that the export order would represent about 400 engines a day.

“The volumes are conservative by up to 50 percent and there will be a commensurate increase in export revenue,” he said.

Miller said Samcor had also secured other export orders from Ford Motor for castings and sheet metal.

“Samcor’s export revenue has the potential to grow considerably. There are a lot of other markets we haven’t worked on which have a lot of potential,” he said.

Miller was not prepared to put a figure on the size of Samcor’s export revenue but it involved “several hundred million rand — and growing — and is a significant piece of our business.”

“Samcor is not a publicly traded company and we don’t put investment and export orders in the public domain unless it is an unusual event such as the Ford Escort 1.4 PTE engine export contract.”

He said Samcor’s engine plant had the physical capacity to cope with increased export orders.

Miller said he was disappointed about the execution of the motor industry development plan.

He said not only did it take almost three years from the establishment of the motor industry task group to get the development plan launched, but it had taken another couple of months to get the ad valorem duties gazetted.

Miller said elements of this were still being discussed. He said these discussions could result in further alterations involving retrospective and retroactive legislation.

He stressed that a predictable investment environment was important to international investors.

But Miller said the development plan was long overdue. It was important to the industry to improve cost and quality.

One way to achieve this was to expose the industry to imports of built-up vehicles, he said.

He said it appeared the government believed the South African motor industry would be able to compete on the same basis as many countries in the Western world, with a small margin between the duties payable on completely built-up and semi knocked-down vehicles.

Miller believed the small gap between these duties and the price at which they had been reduced would put the local motor industry under more pressure than was expected.

He expected that vehicle imports would increase dramatically and said that those expecting vehicle imports to grow only to 30,000 to 40,000 this year “were dreaming.”

Miller said the automotive trade deficit would move from a small negative to a significant deficit and drive government policy decisions in the next two to three years.
Connoisseur acquisition helps T&N lift income

Nicola Jenvey

DURBAN — Automotive component manufacturer T&N Holdings improved net attributable income 41% to R40.8m for the year to December following the purchase in September of Connoisseur Auto Air Conditioning and increased market share.

Share earnings before exceptional items relating to the closure of the group’s Butterworth operations in 1994 were 38% up at 173.5c (125.9c), with Connoisseur contributing 8c. A 30c (96c) final dividend lifted total distribution to 50c from 38c.

CE Ted Walburger said turnover rose 28% to R727.5m as the group continued growing its export and local markets and raised selling prices 5%-6%. Export turnover increased 38% to R127.9m and represented 17.6% of turnover.

Operating profit came to R72.6m from R53.7m after a combination of cost containment measures, productivity improvements, the group’s export drive and the Connoisseur acquisition lifted operating margins to 10% (9.3%).

The industrial division, excluding Glacer Bearings, produced “disappointing” results with operating profit well below 1994’s levels. The division would be restructured to reduce costs and improve competitiveness.

He said the Connoisseur debt was settled in cash last month. The debt/equity ratio at year-end, including the R36m due for the Connoisseur assets, was 25%, a level with which the group was satisfied.

The acquisition of the company’s Zimbabwean Friction and Gasket operations still hinged on obtaining Zimbabwean exchange control approval, he said. Final confirmation was expected within weeks and the R4.7m purchase price would be settled via a share issue.
Surge in exports drives T&N’s 38% growth

By Shirley Jones

Durban — A surge in exports was behind car component manufacturer T&N Holdings’ 38 percent growth in earnings per share last year to R173,5c (102,5c).

The company also saw a 41 percent increase in attributable profit to R40,8 million (R29 million).

The group’s export thrust delivered a 36 percent increase in offshore sales in 1994 to R172,9 million, breaking through the R125 million barrier.

Ted Waldburger, the chief executive, said that the introduction of a new local product and the acquisition of the Port Elizabeth-based air conditioning company, Connosseur Air, had diluted exports.

They now represented 17,6 percent of T&N’s increased group turnover, which stood at R727,5 million, 26 percent up on R577,2 million in 1994.

T&N Holdings has opted for the capitalization route, but shareholders have the choice of a 33c a share dividend. This represents a 27 percent increase over the 26c final dividend in 1994.

Capital expenditure was higher last year at R36,5 million, more than twice the previous year. Waldburger said this trend was likely to continue as T&N companies prepared for export contracts and increased world competitiveness.

Operating profit was up at R72,6 million from R53,7 million, and net debt was reduced to R19,1 million by year end. The debt to equity ratio, including the R36 million for the Connosseur assets, was 25 percent.

The acquisition of the friction and gasket operations in Zimbabwe from parent company, T&N Fic, will be settled with R4,7 million in T&N Holdings shares.

Waldburger said an important factor in T&N’s performance last year was the increase in operating margins to 10 percent (9,3 percent).

The heat transfer division increased profit in 1994, with FHE and Selverton Engineering increasing exports to 34 percent of turnover. Waldburger said that T&N companies had delivered strong performances.

He said despite margins in the friction division coming under pressure, there were gains in market share and imports increased to 6 percent of turnover.

The heat transfer division increased profit in 1994, with FHE and Selverton Engineering increasing exports to 34 percent of turnover. Waldburger said that T&N companies had delivered strong performances.

This was in contrast to the industrial interests of the company, which delivered disappointing results with profit well below the previous year’s.

Waldburger said he expected T&N Holdings to continue on its growth path this year, but that softer export markets in Europe and the United States, together with adjustments in the local car manufacturing sector, had to be considered.

He said the company was considering a mix of economic growth and new business, which would entail the opening of new distribution areas and the marketing of new products.
Imported models put Automakers in a tight corner

AUTOMAKERS, the newly listed holding company of Nissan South Africa, reported 20% higher attributable profit of R55.5-million for the six months to December.

But John Newbury, the chief executive officer, warns that pressure on margins will make it "extremely difficult" for the group to meet its pre-listing forecasts.

Interim earnings a share are 8% higher at 31.4c (1994 28c), and a dividend of 5.3c has been proposed.

Prior to its October listing, Automakers forecast a 24% rise in attributable profit and a 12% rise in earnings for the year to June, but it now expects only to maintain earnings "unless conditions change."

The group increased unit sales by 8.4% to 28,513 vehicles in the six-month period, but its market share dropped to 14.9% from 16.9% in a market which showed good growth.

Turnover increased 9% to R1.8-billion, reflecting minimal price increases. The group increased prices by 1.5% in July, and has announced no price increases since.

Mr Newbury says the 22% rise in operating profit to R145.7-million reflects the higher turnover and the benefits of certain duties disappearing in the transition from Phase 6 to the Motor Industry Development Programme. He expects what he describes as a "price war" to continue in the second half. "There have been few price increases and some prices have decreased," he says.

"We have a fairly formidable task ahead of us," he says.

The market continues to be affected by the importation of completely built up cars coming into the country at low duties.

Dae Woo has announced it will soon begin selling its own car at pricing levels which Mr Newbury says are cause for concern.

"Imported cars are currently estimated to have about 8% to 9% of the market, and there are signs that this share will increase."

"We have mused two price increases as a consequence of import activity," Mr Newbury says. This, together with domestic inflation and wage increases in the region of 9.5% last year, "will affect both turnover and margins in the second half."

The group has forward cover against yen/rand exchange fluctuations, but there is some concern over the direction of the rand. Mr Newbury says if the rand continues to lose value the increased costs of vehicles sourced from Japan and Italy will lead to price rises.

Automakers is looking at the possibility of increasing prices at the end of the first quarter.

Mr Newbury expects Automakers to maintain its position in the industry this year despite the drop in market share. "The market is expected to grow by 5% in unit terms this year, and we will be within that order. We started the year with market share of 16.2%, and would like to hold that number."

The group expects export growth in the order of 25% this year. "Exports account for about 7% of turnover, but Mr Newbury says "the numbers we achieve are nowhere near what we need to neutralise duty."

In terms of the new development programme, SA manufacturers are expected to earn export credits if they wish to counteract higher import duties.

Automakers has the sole rights for Fiat and Alfa Romeo in South Africa. This year it will import 1,500 Alfa Romeos. In the longer term, this is an aggressive product plan which will be introduced late in 1997. Its association with Fiat will also expand.

Mr Newbury expects Automakers' vehicle sales volumes to increase by 10% from 1997 onwards.

The infrastructure is now in place for exports of Nissan and Fiat vehicles into Africa.

CONCERNED: John Newbury, Nissan's chief executive
Car makers must raise productivity

BY ROY COXANNE

Pretoria — South African motor manufacturers would have to become more productive if they were to compete with the best in the world. Toyota's managing director Ralph Broadley said on Friday.

Technology had to be upgraded and productivity increased if the South African motor industry was going to be world competitive, he said.

Broadley said vehicles produced in South Africa could now be compared with a wide range of competitive imported models on the local market.

This highlighted the need for the local industry to continually upgrade manufacturing technology to improve quality standards, he said.

"Productivity is still a problem in South Africa. But there is nothing better to ram home this message than the competitive situation into which we are moving," he said.

Broadley said the three-year wage agreement negotiated with the National Union of Metal Workers of South Africa last year was an encouraging start.

He said the industry was committed to programmes that would upgrade skills and help achieve a more contented and productive workforce.

Broadley said Toyota had already begun quality-improvement programmes, including the recent investment of R39 million in its paint plant.

"The pressure is on with a vengeance and our quality standards this year will be better than ever before," he said.

Last year Toyota produced its highest volume of vehicles in 11 years, with more than 97 000 units coming off the production lines at Prospecton.

Broadley said the production lines were producing 450 vehicles a day but had the capacity to increase this to 500 units a day.

"We aim to build in excess of 100 000 units this year, which will be a new record for the plant," he said.

"We have recovered from the sanctions era and are now well positioned for real further growth in the future," he said.
Automakers posts ‘muted’ results

By John Spiers

Johannesburg — Automakers has reported lower-than-expected earnings for the six months to end December last year.

Earnings rose 8 percent to 31.4c a share on turnover up 9 percent at R1.64 billion and attributable earnings which were 20 percent higher at R555.5 million. A maiden interim dividend of 5.5c has been proposed.

Automakers is the holding company for Nissan South Africa, which was listed on the JSE in October last year.

A competitive local market, exacerbated by cheap imports, was primarily responsible for the muted earnings growth. The company does not expect to see much improvement.

John Newbury, the chief executive, said industry pressure on margins would make it difficult for Automakers to achieve its prospectus earnings forecast.

"Unless industry circumstances change, it is more likely that earnings for the full year will be in line with the previous year's earnings," he characterised the market situation as a price war, citing the absence of price increases and, in many cases, price decreases and product discounting as well as the entry of new marques.

Although Automakers' unit sales increased 8.4 percent to 28,513 units for the six months, the company's market share declined from 16.9 percent in the second half of 1994 to 14.9 percent. For January this year market share had risen again, to 16.2 percent.

Newbury said the company expected the prices of Automakers vehicles to be increased at the end of the first quarter of this year, partly because the previous price increase in July last year had been only 1.5 percent and partly because of the sharp decline in the rand.

"If the current trend persists, it will impact adversely on the imported cost component of our vehicles sourced from both Japan and Italy and will lead to vehicle price increases."

However, Automakers had been prudent and covered forward on currency for the balance of this year. Newbury said the benefit derived from the introduction of the motor industry development programme had helped operating profit rise 22 percent — a benefit passed on to the consumer in the form of lower prices.

He said the infrastructure to enable the company to administer exports of Nissan and Fiat vehicles into Africa was in place.

Exports now represent 7 percent of turnover, which Newbury expects to rise to 25 percent by the end of the century, if not sooner.

Automakers shares are rated below the averages for the JSE's motor sector and well below those of comparative competitor Toyota.
COMPANIES

Strong sales boost Tiger Wheels

Edward West

27/1/92

STRONG local retail sales and growing exports saw Tiger Wheels lift attributable income 46% to R8.5m in the six months to December, CIE and joint chairman Eddie Kezan announced yesterday.

The alloy wheel and tyre company’s share earnings came to 20.7c compared with 14.5c in the interim period a year before. Tiger Wheels pays an annual dividend at year-end.

Turnover advanced 49% to R166.1m, while pre-interest income was 55% up at just less than R13m.

Interest absorbed R1.9m (R1.2m), leaving pre-tax income 54% higher at R11.1m. The tax bill increased to R2.8m from R1.8m, while the contribution from associate companies declined to R200 000 from R410 000 previously.

Kezan said the shortfall in offshore associate earnings was expected to be recovered in the second half.

Export sales of aluminium wheels had increased sharply. Kezan would not disclose export sales, except to say that half the company’s local wheel production was exported. Domestic retail sales had also shown a healthy increase, but margins were under pressure in a competitive market, he said.

There are 20 retail Tiger Wheel & Tyre stores, of which three are franchises.

Kezan was optimistic that the first half performance could be sustained.

The company traditionally accumulates a bigger proportion of its earnings in the second half.

The share was untraded at R10 yesterday, just off its 12-month high of R12 on January 30 and well off its annual low of R6.50, recorded on May 4.
Automakers trims forecast earnings due to 'price war'

Edward West

RECENTLY-listed Automakers has trimmed its prospects forecast of R156m in full-year earnings to about the same level as last year's R125.7m due to pressure on margins in the motor industry.

CE John Newbury said at the weekend the market situation in the six months to December could be characterised as a price war. This was evidenced by no price increases and in many cases price decreases, product discounting and the entry of new marques.

Unit sales at the halfway stage grew 8.4% to 28 518, but market share had slipped to 14.9% from 16.6% a year before, he said.

Automakers — Nissan SA's holding company — raised attributable profit by 20% to R65.5m, but share earnings were up only 8% to 31.4c on increased share capital because shares in issue for the comparative period were lower ahead of its October listing. A proposed dividend of 5.3c (pro forma 7.9c) would be declared in March.

Turnover edged forward 9% to R1.64bn, but operating profit was 22% higher at R143.7m as margins widened during the transition to the Motor Industry Development Programme. This freed certain imports from duties.

The interest bill rose to R24.3m from R10.2m. Finance director Gavin Stewart said gearing was about 50% but was expected to fall to about 35% by year-end. The company experienced a net cash outflow of R372m due to increased working capital requirements, capital expenditure and a company tax payment of R130m.

Capital expenditure totalled R82.1m. Stewart said the company had had to tool up for new model introduction 18-24 months in advance.

More emphasis would be placed on exports, as export turnover was needed to offset duties for imported fully built cars in terms of the programme. The rand's strength in the first half had cut export margins.

Regarding the price war in the vehicle market, Stewart said the company did not believe in cutting prices, but would continue seeking alternative measures to make its vehicles competitive.

Newbury said the decline in the rand's value was cause for concern. If the trend persisted, it would knock the imported cost component of vehicles sourced from both Japan and Italy, which would trigger price increases.

However, Automakers had adopted a conservative hedging strategy and imported costs would remain fixed until the end of the financial year.
Warning about motor industry jobs

Lucky Madikiza
and Edward West

The onset of the motor industry development programme was also likely to put new pressure on staffing levels.

National Association of Automotive Component and Allied Manufacturers president Johan Meyer said the effect would be known only in about 18 months when local manufacturers began phasing up and running out the next generation of new models.

Manufacturers would have to choose between upgrading, automating or rationalising component manufacture or simply importing more components.

Most manufacturers were under pressure from overseas parents to import, and in terms of the industry programme, duties on fully built vehicles could be offset against exports.

Staffing in the motor assembly sector rose 4.3% last year to 39,192. A further 50,000 were thought to be employed in the component-making industry.

BMW SA said its R1bn investment to increase production for world markets of the BMW 3-series had the potential to create up to 3,000-5,000 new jobs among suppliers, while Delta Motor Corporation said that it planned to employ 400 assembly line operators this year for a new plant planned at Struandale, part of a R270m expansion programme by the company.
GM to open new plants in Africa

By Ross Herbert

Gaborone — General Motors plans to step up competition in the truck market with the establishment of two new assembly plants in southern Africa.

GM's director for Middle East and Africa operations, Joseph Parker, said this weekend that the firm would begin assembling light and medium-duty Chevrolet trucks at a new plant in Gaborone next month.

He said GM had already signed up dealers in the region and planned to increase price competition.

The plant will assemble five-ton to 25-ton medium-duty trucks, initially from US kits, Parker said. It would also manufacture light trucks and large sport-utility vehicles.

Parker said he would welcome participation by local parts manufacturers. "We will maximize local content, but not if it raises prices to the consumer," he said.

The Gaborone plant is owned and financed by Lanas Investments of Botswana which will build the vehicles under licence and supervision of GM.

Separately, Swaziland's minister of transport and communication, Ephraim Magagula, said the kingdom was in negotiations with GM to establish a joint venture to produce trucks and buses in Swaziland.

He said the Swazi plant would be jointly owned by GM and the Swazi government but the exact terms had not been worked out yet.

Parker would not confirm the Swazi plant's negotiations — Independent, Foreign Service.
Too many cars on SA market?

JOHANNESBURG – South African new car buyers are in the driving seat as motor manufacturers jostle for position in a price war.

But the good times won’t roll on forever, some makers have warned.

The recent plummeting of the rand to a record low against the dollar looks set to end the buyers’ love affair with cheaper vehicles and push up prices.

Chris Wells, McCarthy Motors finance director, says it is still too early to predict how the car market will respond. “Things are very unpredictable. The weaker rand could make import costs higher – which could in turn affect the car market.”

But for now, the car price war continues.

Toyota has taken much of the focus after its recent “no interest” deals for 1.3 litre Corollas and Conquests, while Samcor has lowered prices across the board for Fords and Mazdas.

Delta Motor Corporation has offered interest rates as low as 6% on some Opel Kadett and Astras, while some Mercedes-Benz dealers have been offering hire purchase deals on Hondas with interest of up to 10% less than normal financing rates.

In addition, there are cheap “entry-level” vehicles from Volkswagen, Uno and Samcor, while imported Hyundais – which are assembled in Botswana – undercut equivalent SA models.

And this week a Johannesburg businessman announced plans to import a basic 1.1 litre car from Russia, which will sell for less than R30,000.

But Delta’s managing-director, Willie van Wyk, believes the buyers’ market is a result of an overestimation of manufacturers’ share in the market and doesn’t expect the trend to last much longer.

“Manufacturers have cut prices because the market is over-supplied, and they are sitting with surplus inventory,” Mr van Wyk said.

“To a lesser degree the opening up of the South African market has added to the competitive pressures on local manufacturers.”

“But by far the most important factor is a simple over-supply of vehicles,” he said.

Toyota’s group marketing director, Johan van Zyl, said that in spite of rumours of over-stocked warehouses, Toyota was short of cars and shortage of cars.

He called on the banks to be more creative with their vehicle packages, to make new cars more affordable.
Tiger Wheels reports 43% rise in earnings

BY JOHN SPCA

Johannesburg — The wheels are still turning for Tiger Wheels, which yesterday reported a 43 percent advance in earnings to 14.5c a share in the six months to December.

The cream on the profit-harvest cake is that the company has forecast more of the same for the second half of the financial year.

On turnover up almost 50 percent to R166 million, thanks to a steep rise in exports, pre-interest income was 55 percent ahead at just under R13 million.

Interest and tax were higher, reducing the gain at attributable level to 46 percent.

Eddie Kezun, the chief executive and joint chairman, said that export turnover of locally manufactured aluminium wheels increased significantly on the back of higher production volumes and in addition, the group continues to have wheels made internationally under licence to its own design and quality standards to supply world markets.

He said retail sales also showed a healthy increase, with margins maintained under pressure in a competitive market.

There are now 20 retail Tiger Wheel & Tyre stores, of which three are franchised.

Kezun was optimistic that interim performance levels could be maintained in the second half — "provided we are not confronted by unforeseen circumstances".

The group traditionally earns more in the second half of its financial year than in the first.

The share has been one of the JSE's star performers over the past few years, having been especially buoyant since the beginning of the year.
Fraud alleged over export rebates

Govt claims millions from motor industry

Edward West

GOVERNMENT has issued claims against the motor industry running to at least R100m for what it terms “fraudulent use” of a now-defunct export tax rebate scheme.

Industry sources said yesterday the trade and industry and miand revenue departments had lodged claims with most of the car manufacturers and many component manufacturers.

Government officials were unable to comment yesterday, but the claims stem from tax rebates claimed by manufacturers under the Phase VI local content programme, which was phased out last year.

Nissan SA’s listed holding company faced claims for R30m, while Delta Motor Corporation and Toyota SA said they were each facing claims running to “tens of millions”.

Other companies were tightlipped yesterday. Volkswagen SA issued a brisk “no comment”.

Under the Phase VI local content programme, the only avenue for exporters of component manufacturers to claim tax rebates was through the exercise accounts of the motor manufacturers. Toyota SA manufacturing director Dave Wiltshire said the company had taken the export claims of component manufacturers in good faith.

“We felt we were the innocent party on this issue. We took a decision to dispute the claims and we are waiting for the trade and industry department to take us to court.”

Automakers finance GM Gavin Stewart said although the R30m had been provided for and would not affect earnings, Automakers, the holding company for Nissan SA, intended defending the action and affidavits were being prepared for a court hearing.

He added that a number of vehicle assemblers and component manufacturers had been issued with summonses by trade and industry.

Delta Motor Corporation acting finance director Evan Dold said the company would decide at a board meeting next week whether the department’s claim worth “tens of millions of rands” should be paid, or fought — either individually as a company or on an industry-wide basis. In the meantime, Delta had lodged an appeal with inland revenue against the claim.

He said the claims involved tax rebates between 1990 and 1995. Back in 1992 then trade and industry minister Derek Keys warned that “very material frauds” had been committed through false claims against government and manufacturers.

The National Association of Automobile Component and Allied Manufacturers said at the time small-time component exporters/importers had committed fraud which could run into hundreds of millions of rands.
New finance package from Nissan

Pretoria - Nissan South Africa has launched a new financial plan, which replaces and extends its previous packages to include its entire range of vehicles. Called the Flexible Affordability Plan, it will give buyers of its passenger cars and light commercial vehicles a wide range of choice in the financing of their vehicles.

John Jessup, marketing services director of Nissan SA, said instead of offering "a very limited package on one or two of our vehicles, we opted to give buyers of our entire range of vehicles the benefit of complete flexibility."
BMW to invest in Kenya

By Joe Khamisi

Nairobi — BMW South Africa plans to invest about KSh 1.167 billion in Kenya over the next four years.

Rainer Hagemann, the managing director and chairman, said last week that the money would go towards the development of the motor industry and to uplift social services such as housing, education and health.

Last year, the Kenyan government ordered that by this month public service vehicles had to be fitted with speed-recording devices. Aspects of the South African Traffic Act will be incorporated in a bill to be tabled in the Kenyan parliament to stem the number of road deaths.

More than 2,500 people, or an average of seven a day, are killed on Kenyan roads every year because of speeding, overloading, drunk driving, unqualified drivers and driver fatigue.

Badly pot-holed roads and corruption in the issuing of licences and inspection of vehicles were also cited as causes. There is a shortage of emergency vehicles.

A six-member government team believes that though South Africa has more cars, it is able to control road accidents.

Amos Wako, the Kenyan attorney-general, said the Road Traffic Amendment Bill would be tabled when parliament returned from recess later this month.

The team also examined road service and medical vehicles. Kenya would receive many of these vehicles from BMW South Africa — Independent Foreign Service.
Daewoo plans R1bn vehicle plant for SA

BY ROY COLKAYNE

Pretoria — Daewoo, the Korean motor manufacturer that has just launched its vehicles onto the South African market, has long-term plans to invest about R1 billion in a completely-knocked-down manufacturing facility.

But Marcus de Waal, Daewoo’s marketing manager, said that the company had not yet concluded the necessary arrangements.

“It is probably three, four or five years down the line Daewoo will be moving its head office with warehouse facilities to Midrand in April this year. The location of a manufacturing plant has not been finalised but it is likely to be in Roslyn near Pretoria.

“The plant is likely to have a capacity of 100,000 units annually — similar to Toyota South Africa — and will produce vehicles for South Africa, Africa and Europe,” De Waal said.

“The executive managing director of Daewoo Motor’s motor vehicles export division, S K Yeo, mentioned the establishment of a manufacturing plant in South Africa at the company’s launch earlier this week.

Yeo said that initially, Daewoo would import completely built-up units until the economies of scale allowed the company to invest in a manufacturing facility.

“With the interest already shown, we hope that this will be sooner than later,” he said.

De Waal said Daewoo had a stock shortage at present. Between 400 and 600 vehicles would be imported monthly until August.

He said Daewoo would be opening a new 500,000 unit plant in Korea in August, which would increase the number of vehicles available for import to the country. More agents would also be appointed, he said.

Daewoo has already appointed eight dealers countrywide — Sandton, Randburg, Pretoria, Port Elizabeth, Cape Town, Durban, East Rand and West Rand. Yeo said the company expected the dealership network in South Africa to employ about 1,500 people by 1997.

De Waal said Daewoo’s current investment in South Africa totalled “at least R30 million” including its stockholding and operating capital. In the short term, Daewoo would be exporting automotive components to Korea. However, the company was still involved in discussions with component suppliers. A further announcement would be in about two months. De Waal said.

Yeo said a Daewoo delegation came to South Africa in October last year with the purpose of locating South African components to ship back to Korea. He said 40 potential South African business partners had already been identified.

“In some cases, the export opportunity requires 40 to 50 percent of the existing manufacturer’s capacity. The reason for this trade opportunity is that the success of Daewoo in Korea means that production will go from 500,000 units to 1 million units this year and double again thereafter.

“The local Korean components industry cannot cope and Daewoo identified South Africa as an ideal business partner,” Yeo said.

Daewoo has been instrumental in elevating Korea to among the world’s top 10 motor manufacturing countries in a relatively short time. The group was ranked 33rd in the Fortune Global 500 in 1994.

Korea’s motor industry was launched in 1937 with the establishment of the National Motor Company. By 1967, as Saeahn Motor, it was exporting vehicles to 40 countries worldwide. Daewoo assumed management in the late 1970s.
Southeast Asian countries emerge as big buyers of South African-made rolling stock

Carriage firm rolls in R1.4bn in orders

BY JAMES LAMONT

Johannesburg — The South African locomotive and coach manufacturer, Union Carriage and Wagon Company (UWC), that built the fastest steam train in the world, is enjoying an export renaissance to the tune of R1.4 billion in orders from Southeast Asian markets.

The company, established in 1958, yesterday announced the first fruits of a R470 million contract with the Taiwan Railway Administration, the first of three contracts with Taiwan and Malaysia. Union Carriage and Wagon announced the first two mainline intercity locomotives out of a total order of 64 electric traction push-pull trains destined for its longstanding Southeast Asian client.

It will deliver the locomotives to Taiwan over the next two years in partnership with Korean manufacturer Hyundai, which will supply carriages. The motors for these locomotives are provided by British company GEC Alsthom.

“The contract is very important for manufacturing continuity and employment in the area,” said Robert Bingham, the managing director. He said that the export contract had created 300 new jobs at the factory and would have a beneficial effect on 20,000 people.

Bingham said new markets were opening up in Southeast Asia, North Africa and the United States. The company’s export order book, worth R1.4 billion from markets in the Pacific rim region, has encouraged it to invest R30 million in its plant since 1994 and re-employ retrenched staff.

It has won an additional R900 million contract to supply 130 trains to Taipei’s Rapid Transit System and a R240 million contract with Malaysia for a commuter train.

“Most of us in South Africa believe that exports are vital to the development and well-being of the country,” Bingham said. He said South African companies could compete internationally if the rand was correctly valued and productivity was emphasised.

He expressed concern that the future of government assistance to local manufacturers under the general export incentive scheme, from which Union Carriage and Wagon benefits, was unclear.

“Government will want to reshuffle policies on exports and find less direct ways of offering incentives,” said Bingham.

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TAIWAN DEAL DERAILED?

Union Carriage & Wagon's R300m contract to build electric trains for Taipei's new metro system has been shunted into an embarrassing siding Deliveries have been placed on hold because the Taiwanese capital's Department of Rapid Transit Systems has no tracks to carry them.

It could be up to three years before a proper track infrastructure is in place.

The delay — not one of the 72, three-carrige trains has been delivered — could have rescheduling implications for Union Carriage. The contract is an important part of the company's workload.

Union Carriage is a subsidiary of Standard Engineering, an operating group within Murray & Roberts Holdings.

A team from project manager Siemens of Germany was in Johannesburg this week to hold urgent talks and Union Carriage's senior project engineer in Taiwan, Fergus Derwen, has been recalled to head office in Nigel, where finished stock is piling up in the workshops.

The 140 km/h hi-tech trains are called electrical multiple units. A Siemens spokesman says: "There are delays of 18-36 months on the civil construction side of the three lines on which these trains must run in Taipei. We are negotiating for a new delivery programme."

M&H CE Graham Hardy says production of the units has been slowed down while Siemens, as project manager, talks to the Taiwanese.

He says it's too early to assess the effect of the slowdown on Union Carriage. "Our understanding from Siemens is that the customer wants the contract extended because of difficulties on their side, like the lines are not ready yet. If the client is unable to deliver his part of the deal, it's not unusual to renegotiate — both in terms of time and price."

The success of the contract is significant to Union Carriage. The company took a R100m deposit on the deal and invested R30m in additional manufacturing facilities, including R6m for a steel profiling mill. "A project of this nature means considerable investment, both in terms of additional fabrication equipment and extra tooling," says Hardy.

A second Union Carnage rail contract in Taiwan is on track — a R400m order by the Taiwan Railway Administration for 64 push-pull locomotives, the first scheduled for delivery in May 1997. The order was subcontracted by Hyundai of South Korea.

In Malaysia, Union Carriage's order book is buoyant, with two contracts totalling US$127m — for 43, three-carrige sets — for the national railway company KTM. The first contract, for 22 sets, was awarded in December 1994 and deliveries start in October. The second, for the remaining 21 units, was awarded last December but has still to be signed.

But last year Union Carriage lost a $15.4m contract — awarded to South Korea — to modernise Thailand's 30-year-old locomotives and rolling stock.

Union Carriage has a reputation for secrecy. This legacy of the past is not unfamiliar to the SA/Thai Chamber of Commerce in Bangkok, which says the continuing obsession with secrecy by some SA companies is hindering their success in the region.
Nissan SA launches a new vehicle financing scheme
Edward West 192

NISSAN SA had entered the car price war by launching a flexible affordability plan giving buyers a wider choice when it came to vehicle financing, the company said yesterday.

Marketing services director John Jessup said the company wished to avoid a situation where buyers were attracted by one particular, well-publicised financing plan only to find that it applied to just one or two models which the buyer did not need or want.

Nissan, is one of a number of local car assemblers to have cut prices or to have introduced innovative finance packages to make vehicles more affordable.

Jessup said Nissan "opted to give buyers of our entire range of vehicles the benefit of complete affordability and flexibility".

While Nissan’s actual vehicle prices remained unchanged, monthly payments had been reduced on all the company’s financial plans to the lowest possible level, in addition to the flexibility of different financing options. The affordability plan allows different deposit rates, financing periods and residual values, and options which exclude a deposit or residual value, on all its models.
COLD SHOWER

It’s back to cold reality for Automakers after all the ballyhoo surrounding its JSE listing in October.

The build-up to the listing was accompanied by confident statements about the prospects for Nissan SA’s holding company. Now, in the first interim since then, the message is one of caution.

Despite an 8.6% increase in vehicle sales in the six months to December 31, compared with 1994, Automakers — which represents Nissan, Nissan Diesel, Fiat and Alfa Romeo in SA — saw its share of a rapidly growing market drop from 17% to 15%. More important, the figures show a mere 9% increase in turnover, from R1.5bn to R1.64bn.

Operating profit rose 22% to R143.7m, benefiting from a temporary lifting of duties on stock during the transition to the new motor industry development plan late last year. Attributable earnings rose 20% to R55.5m and EPS by 8% to 31.4c.

Before the listing, though, Automakers’ prospectus forecast a 24% rise in attributable profit and 12% rise in earnings for the year to June. Now it expects only to maintain earnings in line with last year “unless industry circumstances change.”

Changes that have already taken place since Automakers prepared its initial forecasts are causing it to renew its position. An intensifying price war is putting pressure on the margins of all manufacturers, including Automakers.

Increased competition from imports, which are taking advantage of sharply reduced protection for the local industry, and new rules in the motor industry development programme, which came into effect on September 1, have added to the woes.

The Automakers listing, therefore, coincided with one of the most disruptive eras in the history of the SA motor industry. So one can sympathise to a degree with CE John Newbury when he explains that the different scenario is to blame for the group being unlikely to meet the earnings forecast.

But everyone knew it was going to be a difficult period. Import tariff reduction was a calculable factor, as was the flood of imports. The price war was also predictable, though perhaps not the degree. Putting it politely, it’s hard to escape the impression that some of the boundless Automakers enthusiasm that accompanied the listing may have found its way into the forecasts. Future predictions may be more conservative.

Looking ahead, Newbury expects Automakers to match projected market growth of 5% this year and sees exports rising by 25%.

David Furlonger
Nissan to contest trade board's claims

By Roy Coughlan

Pretoria — Automakers, the holding company of Nissan SA, said yesterday it would dispute in court the board of trade and industry's R30 million claim against its subsidiary over the alleged misuse of the now defunct export duty rebate programme.

This follows reports that a "difference in interpretation of export regulations with regard to ceded exports" between the trade and industry department and motor manufacturers has led to the government issuing claims worth about R100 million against the motor industry.

Yesterday a Delta Motor spokesman denied any fraudulent practices had been committed by the company and stressed he had no knowledge of any other fraudulent practices committed by motor manufacturers or component suppliers.

The government's claims relate to alleged fraudulent practices in the misuse of export rebates under the now defunct export duty rebate programme.

The programme formed part of the motor industry's phase-six local content programme, which the motor industry development programme replaced from September last year.

John Newbury, the chief executive of Automakers, said: "This dispute between our subsidiary, Nissan SA, and the board of trade and industry has remained unresolved for over two years now and we look forward to a speedy resolution in the courts." He said the board had sought numerous delays during the two years but hoped the matter would be settled shortly.

Automakers' earnings would not be affected if the courts ruled against Nissan SA.
BMW SA exports vehicle system worldwide with the company's vehicle maintenance computer system and consultants for the associated business process.

They had received orders from BMW Italy and Japan plus notification from BMW subsidiaries in the US, Canada, Britain, France, South Korea and Middle East of their intention to install the system.

He said the only issue outstanding was the timing of these installations.

Business from the system will be worth several million rand in foreign exchange earnings within the next four years. Warren said BMW SA was able to substantially reduce the workload on its assessors by using technology — and was the first motor manufacturer in South Africa to use such a system.

The system had been shown to a number of other organisations and is used by the Reserve Bank for foreign exchange applications and by a number of insurance companies.
Car manufacturers face fraud claims

CONSOL and excise department officials are finalising claims against car manufacturers running to R480m for alleged fraudulent use of tax rebates.

Senior department sources confirmed at the weekend that the claims would be handed to the Pretoria attorney-general's office later this year.

The attorney-general's office, meanwhile, is planning to take five manufacturers — Toyota SA, Nissan SA (owned by listed Automakers), Samcor, Delta and Associated Automotive Distributors — to the Pretoria Supreme Court for related claims totaling R120m contained in summonses from the trade and industry department.

A customs and excise source said its R480m claims were also against the five companies, though other manufacturers could also be targeted.

It emerged last week that the trade and industry department was pursuing various manufacturers over tax rebates claimed under phase VI of the local content programme.

The department issued summonses against the five manufacturers in 1993, and the issue has been proceeding slowly since then.

State attorney AJ Janse van Rensburg said at the weekend he aimed to have all five manufacturers in court this year. Toyota SA faced a claim for R57m, Delta for R37m, Nissan for R19.5m, Samcor for R5.1m and the Associated Automotive Distributors (AAD) for R4.1m. Samcor would be in court later this month, while Nissan was scheduled to appear in May. He expected to hear from customs officials on their claims later.

Automakers, which said last week it faced a trade and industry claim for R30m, said at the weekend that the R19.5m figure was not contained in the summons it had received.

Finance GM Gavin Stewart said the company was also not aware of any impending claims from customs and excise.

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Claims

Continued from Page 1

The company planned to fight the trade and industry claim.

Toyota SA company secretary Connie Marais said the company would also fight "Our advice is that we have a good case and we are defending the matter." He suspected customs officials would await the outcome of the trade and industry claims before deciding whether to pursue their own claim.

Toyota had made no specific provision to cover the trade and industry claim.

The actions have outraged many industry officials, who claim that any fault there may be lay with customs officials or components suppliers.

Under the phase VI programme, motor manufacturers' excise accounts had merely acted as "conduits" for component exporters to claim tax rebates, they said.

The Office for Serious Economic Offences is currently investigating a components supplier in connection with rebate claims.
Nissan case set for end of May

Prepara—The court case against Nissan South Africa over alleged fraudulent practices under the now-defunct export duty rebate programme is scheduled to be heard in the Pretoria Supreme Court at the end of May.

Nissan has been charged with making fraudulent claims for export rebates worth R19,5 million under the programme.

AJ van Rensburg, the state attorney, confirmed this yesterday, but said trial dates had not been set for any of the cases against other motor manufacturers.

The trade and industry department has confirmed it issued summonses for similar offences against a number of motor manufacturers in 1998. These included Toyota for R56,67 million, Associated Automotive Distributors for R4,1 million, Samcor for R5,2 million and Delta for R36,79 million.

Van Rensburg confirmed there was only one case pending against each of the motor manufacturers.

Automakers, the holding company of Nissan SA, has said it will dispute the trade and industry board's claim. It said if the court ruled against Nissan SA, Automakers' earnings would not be affected.

Delta has denied any fraudulent practices by the company.

Jim Miller, the managing director of Samcor, said yesterday that the company had bought ceded export credits from another manufacturer, which he refused to name.

"We have not fiddled any export credits or rebates or done anything illegal," he said.
Toyota plant closed down after strike

Durban – Toyota has shut down vehicle production at its KwaZulu Natal assembly plant following strike action by members of the National Union of Metalworkers of SA (Numsa).

Production ceased on Monday when about 200 workers staged protest action inside the company's administration building in Prospecton outside Durban.

Workers damaged property, prompting management to shut the 450 vehicle-a-day plant, spokesman Andrew Bowden said.

The strike followed failed negotiations between Numsa and Toyota management at the plant over an employee incentive scheme.

"Last week, the company ended up paying out on the scheme because certain targets had been met," Bowden said. "(But) it appeared (Numsa) wanted more to be paid out."

A Numsa spokesman said Toyota had originally agreed to redistribute 10% of their annual profits to workers if target profit margins were achieved. Management, however, only paid each worker a bonus 10% of their normal salary instead of the total profit share. – Sapa
Left-hand drives to be banned next year

Edward West

Legislation banning the sale of left-hand drive vehicles for road safety reasons was expected to come into effect next January, motor industry sources said yesterday.

The third attempt to have the proposal legislated, the first time having failed last February, would be targeted only at the sale of new cars.

SA experts said that the country's left-hand drive vehicles would cross borders to conform to local right-hand drive conditions.

Legislation to be introduced later this year would make imports of right-hand drive vehicles uneconomical.
Toyota profit soars as strike closes plant

Edward West
and Rene Grawitzy

TOYOTA SA reported a 73,5% surge in attributable profit to R194,1m for the year to December as the car manufacturer closed its plant and parts distribution operations yesterday after a labour dispute.

Share earnings were 73,5% higher at 477,2c and a final dividend of 50c (30c) was proposed which would see a total payout for the year of 80c (50c).

About 6 000 workers were affected by the closure of Toyota's manufacturing plant in Durban and its distribution centre in Sandton.

The closures followed an unprocedural action on Monday when workers protested against payments made in terms of an incentive scheme. Negotiations between the parties were expected to resume today.

In the 12 months to December, sales increased 22,3% to R6,04bn and operating income grew 76,3% to R322,7m.

Toyota's south Asia unit earned R7,2m.

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Income attributable to outside shareholders of R860 000 (R849 000) represented outside interests in a marketing operation in Botswana that had been sold during the year.

Current assets increased to R14,8bn from R12,5bn mainly as a result of dealer sales lagging production towards the end of the year.

Toyota's local retail sales increased 14,6% to 93 192 vehicles, and 2 710 vehicles were exported to other African countries. The group's local market share fell to 24,7% (26,6%) because it did not compete in the growing entry-level car market, directors said.

The increased profit was attributed to a number of factors. The sales volume increase was offset slightly by a strong yen during the first half, with the yen strengthening 25% to its strongest level against the rand. However, this was largely countered by currency hedging. During the second half, the currency stabilised. Another positive factor was industrial relations stability, which led to greater efficiencies. Cost controls were also tightened.

Directors expected the local vehicle market to continue growing this year, although not as fast as last year. Toyota intended to increase exports into Africa 30% to 3 500 units this year.

National Union of Metalworkers of SA spokesman Tony Ngcobe said Toyota had advised the union that it intended implementing a profit-sharing scheme after healthy profit in the past year, but payments to workers and salaried staff would differ.

However, a year before the company had agreed to an incentive scheme based on achieving certain targets. Under this scheme the same quarterly payments would be paid to all employees from the MD down.

Toyota said the bonus scheme was not a condition of employment and the strike action was unprocedural.
Toyota plant idle as strike grips

The Argus Correspondent
DURBAN — The 6 000-strong workforce of Toyota Manufacturing near here remain on strike today.

Meanwhile, their trade union representatives are locked in negotiations with management of the motor company.

A spokesman for Toyota said it was not yet possible to predict when the factory would be able to resume production.

The workers' protest stems largely from dissatisfaction with the company's incentive bonus scheme.

The industrial action began on Monday when a group of workers invaded the finance section.

They ransacked office desks and scattered documents around the floor.

On Tuesday the workers downed tools.

They remained on strike yesterday.

The management locked the factory gates to prevent the strikers entering the premises.

The workers gathered in protest outside the gates.

"There are no workers there now," said a spokesman for company management.

"There will be no production today," he said.

"We are meeting at the moment with the trade union."
Mercedes-Benz SA in joint venture with Brazilians

BY ROY COHEN

PRETORIA—Increased demand for luxury buses from the growing South African tourism industry has encouraged Mercedes-Benz of South Africa (MBSA) to embark on an import programme from Brazil.

Paul Henning, the MBSA manager for commercial vehicle corporate marketing, said the company had entered into a joint venture with the Brazilian coachworks Buscar, one of the largest builders of bus bodies in Brazil, and Mercedes-Benz do Brasil.

MBSA introduced a line of Brazilian buses to the South African market late last year. In terms of the joint venture, Mercedes-Benz do Brazil will build the same chassis on which those were built and Buscar will complete the buses before they are imported into South Africa.

The first two fully built-up luxury buses from Brazil have just landed in South Africa.

Pro Tours, a luxury bus operator, bought the two. It has placed an order for 20 vehicles, worth a total of about R23 million. Ten of the buses will be imported from Brazil, the rest will be built locally by the coachbuilders TFM and Neulux.

"Now our customers have the choice of either purchasing a chassis in South Africa and having a local body builder build the coach or to import a fully built-up coach on the same chassis from Brazil."

"This means an operator can still standardise his fleet, with Brazilian and South African coaches," said Henning.

An imported luxury bus can cost up to R1,3 million, compared with the R1,1 million price tag for local luxury buses.
Stable workforce lifts Toyota’s earnings

BY ROY COGANNE

Pretoria — Toyota South Africa reported a 73.5 percent increase in earnings to 477,2c a share in the year to end-December last year.

The increase in earnings was achieved on a 22.3 percent rise in turnover to R6,038 billion and a similar increase in attributable earnings to R194,069 billion.

Operating income was up 76.3 percent to R322,65 million (R183 million)

Operating income was 5.3 percent (3.7 percent) of turnover

A final dividend of 56c (30c) a share has been proposed, which will raise the total dividend for the year to 90c (50c) a share.

Bert Wessels, the executive chairman of Toyota, said stable industrial relations had contributed to greater efficiency.

Commenting on the company’s financial performance, Wessels said a number of factors had contributed to the improvement, including the 14.6 percent increase in the company’s local sales.

Toyota exported 2,710 vehicles to other African countries.

Toyota’s South African market share declined from 25.9 percent to 24.7 percent. The company said this was mainly because it did not compete in the active, entry-level car market.

Wessels said Toyota’s volume increase was offset by the 25 percent increase in the yen in the first six months of the year to its strongest level against the rand.

Wessels said the effect of this movement could be neutralised through the effective use of currency-hedging techniques.

The exchange rate recovered and stabilised during the second six months.

He said strict cost control had also played a significant part in achieving the positive results.

Wessels said assets had increased 12.5 percent to R1,194 billion (R1,238 billion). Dealer sales had lagged behind production towards the end of the year, he said.

Meanwhile, the company closed a KwaZulu Natal plant last year because of a strike.

Production ceased at the plant on Monday after negotiations between Toyota management and the National Union of Metalworkers of South Africa failed to resolve a dispute over an employee incentive scheme.

Negotiations are scheduled to resume today.
Struggling Safto slashes its staff

By Shirley Jones  96

Durban — The South African Foreign Trade Organisation (Safto), which was saved from insolvency by the Industrial Development Corporation in June last year, is in the throes of a radical restructuring.

The Durban regional office was reduced to a single person last week. This follows a similar reduction in size of the Port Elizabeth and Cape Town offices. Staff numbers at the Johannesburg head office are expected to be cut by as much as 40 percent.

Safto chief executive Johan Scheepers yesterday confirmed the restructuring was under way. A broad strategic framework for the restructuring of operations was being developed, he said, and it would be impossible to confirm the extent of staff reductions before this was completed. Scheepers said detailed strategies were being devised and these would be implemented over the next four to five months.

The restructuring appears to stem from the very financial difficulties from which the IDC said it has rescued Safto. At the end of June 1995, the IDC’s liability for Safto’s debt stood at R7.1 million. Of this, R1.6 million was owed to the IDC.

Safto, regarded as the country’s premier export marketing authority a few years ago, relied heavily on state grants for 25 percent of its revenue and, as a result, was unable to build up reserves.

At the time of the takeover, Safto could count on the membership of 1,200 companies. Since then, according to Scheepers, membership has declined.

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Catalytic exhausts worth R2.5 billion

By James Lamont 96

Johannesburg — The introduction of unleaded fuel at South Africa’s petrol stations and the expanded export markets could generate R2.5 billion a year in foreign exchange for the highly competitive local catalytic converter producers.

South Africa has the capacity to build five million converters a year — the fruits of a government incentive policy to add value to the local supply of platinum, nickel and stainless steel. The Southern African Stainless Steel Development Association (SASSDA) estimates converters could generate R2.5 billion a year in foreign exchange.

SASSDA said this week that South Africa could become a manufacturing hub for the world supply of catalytic converters. Catalytic converters are designed to remove more than 90 percent of the polluting exhaust gases from car exhausts by converting them to harmless water, carbon dioxide and nitrogen.

The association expected a rise in local demand and exports to guarantee the six-year-old industry growth of at least 4 percent a year. But industry sources estimate that the figure could be nearer 25 percent.

Production stands at 1.3 million converters a year, earning local producers R650 million in foreign exchange.

The Southern African production of catalytic converters accounts for 6,600 tons of stainless steel a year, all of which are exported. Unleaded fuel could increase this figure by 1,100 tons a year next year. Stainless steel consumption for catalytic converters is forecast to increase to 10,000 tons in 1998.

Budget predictions ‘put pressure on rand’
Firestone workers vote to strike, Toyota stays closed

Renee Gravitzky

THE plant closure affecting 6 000 workers at Toyota continues, while close to 1 000 Firestone workers have voted to strike in protest against the retrenchment of 120 colleagues.

Workers at Firestone in Port Elizabeth voted to strike after the parties failed to reach agreement on retrenchments and packages for workers.

Toyota's manufacturing plant in Durban and its distribution centre in Sandton have been closed since Monday after workers marched in Durban to protest against incentive scheme payments. Management reported some damage to property.

Last year, the National Union of Metalworkers of SA and Toyota held talks on implementing an incentive scheme which was initially linked to achieving production targets. Numsa's Tony Ngobe said Toyota thereafter extended the scheme to cover targets linked to profit. Without an agreement on the method of payment, the company paid a flat rate to workers while salaried staff got a percentage of their annual earnings.

Ngobe said workers felt they were being discriminated against.

Toyota's Andrew Bowerman said the company had to pay out the profit share by end-February, the close of the tax year. The plant would remain closed today and talks would continue.

The plant has lost production amounting to 1 500 units.

Meanwhile, more than 50% of Numsa members at Firestone voted to strike. The union had given management until this afternoon to reopen negotiations involving restructuring and retrenchments.

Firestone said the company had introduced an 'interactive planning process' to generate ideas from all parties on a survival plan for the plant to ensure it became competitive. The company said the union rejected any need for retrenchment.
BMW's vehicle financing market reflects trend

Samantha Sharpe

BMW's entry into the financial services market reflected a trend among local car manufacturers to become involved in the finance business, a move which could increase competition for traditional finance houses, industry sources said yesterday.

BMW subsidiary BMW Financial Services, which provides financing for BMW and Land Rover, expanded into the insurance market in January through a joint venture with MIB Insurance Brokers.

BMW Financial Services national manager Jerome McMamna said the trend to own financing in the manufacturing industry was expected to increase in SA, with more manufacturers entering the finance business.

Traditional finance houses had lost market share to BMW over the past year since BMW Financial Services had handled the financing of about 30% of all company retail sales.
Rebate rebound

SA vehicle manufacturers - facing claims of R480m for allegedly fraudulent duty rebates - say they’re being made the scapegoats for shortcomings in the government-run rebate system.

Though they don’t dispute that fraud does occur on a major scale, they say they were victims of scams encouraged by sloppy Customs & Excise monitoring.

Under the old Phase Six local content programme, vehicle manufacturers could use export earnings to claim rebates on import duties.

Components companies could not receive direct rebates but ceded their export credits to vehicle manufacturers. The rebates would be shared between the manufacturers and components companies.

Customs officials were supposed to inspect every export batch from whatever source. In practice, the department’s manpower shortage made that impossible and it was commonplace to verify consignments by phone.

Knowing the odds were against personal inspection, a number of companies started exporting nonautomotive goods and claiming the benefit from illegal rebates.

To achieve this, they needed to go through vehicle manufacturers desperate to export anything which would earn them relief from high import duties. So when companies offered them export credits — all neatly certified and approved by Customs — the manufacturers were glad to accept!

According to a senior industry executive, “Our prime need was to minimise export duty. So when someone came along with an approved motor industry export, he could sell to the highest bidder. We accepted these in good faith.”

A director of one of SA’s leading vehicle manufacturers says “People would come to us with export claims certified by Customs. The documents had all the relevant stamps. We thought there was no need to look inside the box.”

Doubters might argue this was a convenient trust. Knowing how exports could be certified without official checking, it’s hard to believe manufacturers weren’t suspicious — particularly when dealing with infrequent suppliers.

Industry executives say they aren’t critical of Customs, merely of the system under which it was forced to operate.

Commissioner of Customs & Excise Daan Colesky admits that staff shortages hampered investigations. But there were occasions when officials supervised the packing of export goods, only for them to be taken out afterwards and replaced with other items.

Vehicle manufacturers say they warned government of the potential for fraud. Government takes a different view and several manufacturers face legal action to recover the allegedly fraudulent rebates — not just what they received but also what the components companies got. In some cases, those components companies are out of business.

Since the new motor industry development programme came into effect, such frauds are much more difficult. Under Phase Six, rebates could be claimed the moment the goods left SA. Now export earnings must be repatriated first.

New industry rules have also tightened the definitions of components. It’s also now worthwhile for components companies to export on their own account. In addition, CEs of all exporters are required to sign an affidavit accepting responsibility for everything that happens in their company’s name. If that doesn’t focus their minds, nothing will.

Says Colesky, “I’m not saying that cheating is impossible, but the new programme certainly makes it much more difficult.”
Figures indicating decline in car imports questioned

Lukanyo Myanda

CUSTOMS and excise figures, which showed a sharp decline in imports of motor vehicles from September to January, did not make sense, Transnet economist Mike Schusler said last week.

He said it was not logical that SA’s imports of motor vehicles and parts had declined while the sale of cars, which had a large import component, had continued to rise. Sales of heavy trucks — which were not normally manufactured in SA — had also continued to rise despite the reported drop in imports.

Monthly figures released by customs and excise had shown a protracted year-on-year drop in automotive imports, with November’s fall of 56.6% being the highest Schusler said January’s figures indicated a 27.3% drop from the same month a year ago and thus was “not on”.

He said customs and excise’s unclassified category had shown a large increase at about the same time when motor vehicle imports had started to go down. “Are some of the (vehicle) imports now added into this category? If so, why?”

Nedcor chief economist Dennis Dykes said it was “not impossible” that motor vehicle imports had been underestimated.

Although most cars sold had been manufactured locally, these had a large foreign component which should have pushed import levels up.
Toyota plant stays idle

Renee Grawitzky

PRODUCTION at Toyota's Durban plant did not resume yesterday despite opening after being closed for a week after National Union of Metalworkers of SA (Numsa) members stormed administration offices in a dispute over profit-share payments.

Toyota spokesman Andrew Bowren said the plant reopened, but workers left after a union meeting.

The union said the profit-sharing agreement was part of an incentive scheme linked to productivity and profit targets. It said it declared a dispute last Monday after workers were paid a flat rate as their share of profit, while salaried staff received a percentage of their annual earnings.

It would appear that the amount paid out in terms of the scheme is still in contention, with the company indicating the amount cannot be revised.

The union said payments were discriminatory. An additional stumbling block developed after the company indicated last week it intended disciplining workers — including shop stewards — involved in trashing offices.

The closure, affecting 6,000 workers, had resulted in lost production of 240 units a day. Bowren estimated the cost in turnover at R27m a day.

Toyota indicated discussions would continue today.

Meanwhile, Sapa reports that a strike by about 1,000 Numsa members stopped production at Firestone's tyre plant in Port Elizabeth yesterday. The union said Firestone retrenched 120 workers without proper consultation.
Losses mount at Toyota plant

BY ROY COMEYNE

Pretoria — There was no production again at Toyota’s manufacturing and assembly facilities in Durban yesterday, and the company had now lost almost a week of production — equivalent to R136 million in turnover. Hourly paid workers have lost R7,8 million in wages.

A spokesman said the company’s plants had been open since last Thursday, but too few employees had reported for duty to make production possible.

“This is despite the fact that Numsa has confirmed that there is currently no formal industrial action,” he said.

Numsa spokesmen could not be contacted for comment yesterday.

The disruption in production was caused by a dispute between Numsa and Toyota over the payment of a profit bonus to all company employees at the end of last month.

The Toyota spokesman said the bonus formed part of an incentive scheme comprising two elements: a quarterly production bonus and an annual profit-related bonus, both introduced last year.

Numsa declared a dispute with Toyota over the scheme on March 4, although industrial action was not formally announced.

Toyota said it was prepared to have its actions with regard to the scheme tested in court in terms of legislation on unfair labour practice. The company also said it intended taking disciplinary action against those who participated in incidents last week when a group of employees moved into the company’s administration building at Prospecton and damaged office equipment.
Strikers arrested at Toyota plant

Renee Grawitzky

HOPES of resumed production at Toyota's Durban plant were dashed yesterday when a group of striking workers were arrested after occupying security offices at the plant's main gate, allegedly to prevent other workers from entering the plant.

It is understood that after the strikers took control of the security offices they hoisted the SA Communist Party flag above the main gate.

Toyota human resources director Harry Gazendam said 1 000 workers returned to work yesterday, but after a meeting with shop stewards they were told to go home. More than 200 remained behind and occupied the security offices. Toyota said a minority of strikers were intent on prolonging the dispute.

Numsa general secretary Enoch Godongwana said the sooner the issue was resolved, the sooner "we can address other factors." He said the other factors were a byproduct of the bonus issue and would not have occurred if bonus payments had been made.

Toyota's distribution and manufacturing plants were closed two weeks ago after workers demonstrated against the company's decision to pay out to workers their share of the profit-share scheme, which formed part of an overall incentive scheme. Numsa formally declared a dispute with Toyota after this decision.

Godongwana said the union opposed the payments as hourly paid workers were given a flat amount and salaried staff were granted a percentage of their annual salary, which amounted to more than what the hourly paid workers were granted.

Numsa wanted everyone to get the same amount. Workers who built the case contributed directly to achieving profit targets, Godongwana said.

The plant was reopened three days after the closure, but workers did not return to work. Numsa said the reopening was conditional upon workers accepting that a group of workers involved in the demonstration on March 4 would face disciplinary action.

Gazendam said: "We are digging in our heels on this issue." He said Toyota was still battling to hold a transparent disciplinary process, hopefully under the auspices of the Independent Mediation Services of SA for those involved in the first incident on March 4. The company had lost more than R250m in turnover from the strike.
Strong Toyota and Metair help boost Wesco’s income

Edward West

WESCO Investments lifted attributable income 42% to R72,9m in the year to December following strong performances from its investments in Toyota SA and component manufacturer Metair.

Share earnings were 62% higher at 99c, but the dividend was maintained at 12c. Turnover for the holding company, which has a 50% stake in Toyota SA and a 42% investment in Metair, improved 23.7% to R6,2bn.

Interest paid was 9.8% higher at R92.3m, while pre-tax income rose 73.3% to R297.6m. A tax bill of R131.2m (R73.3m) left taxed profit 69% up at R166.4m.

Executive chairman Elizabeth Bradley said dividend income from group investments was expected to be higher in the current financial year, and an interim dividend was possible.

Wesco’s improved earnings had been achieved in spite of continuing losses at Camargue Transport Systems, she said.

Camargue had been plagued by poor industrial relations, an inability to achieve the right prices locally and internationally and a high rand exchange rate. All options were being considered to rectify the situation.

The group disposed of its minority shareholding in Gomgammm Holdings during the year, and a R10,4m extraordinary item related mainly to the difference between the selling price and Wesco investments’ carrying value of the investment.

Bradley said the buoyant vehicle market had benefited group results the most, with vehicle sales having risen 24% compared with the year before. However, sales were unlikely to grow as fast this year and earnings growth was not expected to be at the same level as in 1995.

Toyota SA’s prospects had been brightened by the strike action at the group’s KwaZulu-Natal plant, but Bradley said she remained optimistic that the vehicle manufacturer would “catch up” lost turnover. She was also bullish on prospects for Metair, which was growing exports. The company supplies components to a number of other motor manufacturers.

Meanwhile, Toyota SA said yesterday it had lost almost R200m in turnover after about 6,000 workers went on strike at its plant two weeks ago. There were no major shortages of vehicles at dealerships yet, barring a shortage of the Conquest 1,3i model.

Toyota financial director Peter Robinson said the point had not yet been reached when earnings would be severely knocked by the strike, and there was still time to make-up lost revenues. He was hopeful that production would resume early next week.

The National Association of Automobile and Component Manufacturers said the strike had had a ripple effect on component manufacturers — Toyota has a share of about 24% in the local vehicle market — and in some instances component manufacturers had had to shorten production shifts.
The local vehicle market continues to be affected by the low import duties on completely built-up cars — which make up 8% to 9% of the market — and the price war between local manufacturers, which looks set to continue into the second half of 1996. Lynn Carlisle reports.

Surging car imports threaten local industry

BERT WESSELS

LOWER priced imported vehicles are giving some local products an increasing run for their money.

The recent implementation of the Motor Industry Development Programme (MIDP) and growing demand for lower priced cars have encouraged surging imports.

Although SA-made vehicles are up to international standards, some new vehicle buyers simply cannot afford them and are increasingly opting for what they regard as the imported equivalent.

Increased competition from imports is also partly behind the recent wave of price cuts to some SA-made lower market segment models.

National Automobile Dealers' Association (Nada) chairman Derrick Dixon says imported cars are estimated to have about 8% to 9% of the market, and the signs are that this will increase.

McCarthy Motor Holdings CEO Brand Pretorius believes that by the year 2000 about 30% of total passenger sales in SA could be imports.

Names of non-luxury cars that have sprung up in the last 12 months, among dedicated import forays spearheaded in 1992 by the likes of Subaru and Hyundai, include Daewoo sedans, "cheaper" four-by-fours from Roesta and Mahindra, cars and bakkies from Dacia and what could be SA's cheapest cars — the Ukraine's trio of basic 1,1-litre Travas — models starting at R27 950.

Naamsa president and Automakers CEO John Newbury says the market continues to be affected by the low import duties of completely built-up (CBU) cars and the price war, which looks set to continue into the second half of 1996.

Toyota SA executive chairman Bert Wessels says the motor industry's emergence from isolation and an associated drop in import duties also comes amid intense international competition for market share.

"As small as SA's market is, it cannot escape being targeted by the widest range of vehicle manufacturers."

"Government is under pressure to take a firm and transparent stance to ensure a totally level playing field for all players in the motor industry," he says.

Wessels says a great threat is also posed by the emergence of imported used vehicles, with typical values given from R1 000 to R5 000.
Toyota and Numsa appoint mediators

Reene Grawitzky

TOYOTA and the National Union of Metalworkers of SA (Numsa) have agreed to appoint the Independent Mediation Services of SA to facilitate setting up a structure to deal with the issues behind the strike which is costing Toyota R27m a day.

Toyota confirmed yesterday that the parties had agreed to this move. However, production at Toyota's Durban has not recommenced.

Since the plant's closure about three weeks ago, Toyota has lost production of 4,590 units, lost turnover estimated at R38.15m.

The plant was closed after workers demonstrated against the company's decision to go ahead with profit-share payments to its employees after they indicated their opposition to the form the payments would take. Union members rejected Toyota's decision to grant salaried staff a percentage of their annual wages as workers, in discussions the previous year, had decided everyone should receive the same amount.

Because salaried staff were given a percentage of earnings they had received large amounts deemed discriminatory.

The dispute had been complicated by the fact that management was intent on initiating disciplinary processes against workers involved in demonstrations at the plant, the union said.

Meanwhile, Firestone has started a vigorous campaign to highlight the reasons behind the nine-day strike at its Port Elizabeth plant.

Firestone, in an advertisement published this week, said those facing retrenchments had been offered a voluntary retrenchment package which included two weeks' notice pay, two weeks for every year of service, a gratuity of R10,000 and payouts relating to the pension or provident fund.

Firestone said the union did not agree to any restructure, under any conditions or for any reason.

The union demanded that Firestone agree to establish a joint committee to look at mechanisms to improve efficiencies. It said if the company wanted to keep up with the challenges facing it, emphasis had to be placed not only on prices but on improving systems.
Toyota and Numsa reach provisional agreement

Bonile Ngqiya

The National Union of Metalworkers of SA and Toyota SA have agreed on “certain issues” which could lead to the resolution of the illegal three-week strike by thousands of union members, Numsa's general secretary Enoch Godongwana said yesterday.

However, there was disagreement between the parties on whether the agreement — signed on Friday night — was "formal and binding".

Toyota SA spokesman Andrew Bowren said as far as he was concerned, an agreement had been signed but "there (Numsa) always says they have to go back to the workers".

The union maintained yesterday the strike's termination would be subject to ratification by its 6 000 members today.

The strike cost Toyota "millions of rands" in lost production and union members several million rand in wages.

Godongwana criticised Toyota's announcement that the strike had been resolved as "irresponsible at this stage", as the parties had agreed not to deal through the media. He declined to discuss the settlement before the union had met its members.

Toyota said Num sa had agreed its members would return to work "no later" than tomorrow.

They agreed to implement a lost production recovery programme over the next 10 weeks, which would pay bonuses on the achievement of production targets beyond normal production.

The parties had agreed no further payments would be made under Toyota's 1996 incentive scheme.

Toyota said the "unacceptable behaviour by a small group" of employees would be addressed through a disciplinary process under the auspices of Independent Mediation Services of SA.
Edward West

A PRETORIA company is to begin exporting SA's first fully home-designed sports car to the US.

Advanced Automotive Design said at the weekend that 500 of the cars — dubbed the Shaka — would be produced for the US market, and each would cost R100 000.

Partner Brian Glover said the first prototypes would be on the street in about three months, once the SA Bureau of Standards had cleared the design.

Most of the components would be outsourced, with the vehicles assembled in Pretoria.

Components such as the rear axle, wheels, seats and body would be manufactured locally.

though the cars would be powered by a V8 Chevrolet engine. A Buick V6 engine would be introduced from 1998 when global emission laws required all vehicles to have on-board electronic engine diagnostic systems in place.

"The car will be grossly over-powered," Glover said.

The two-seater would be manufactured to the latest mechanical technology. The total investment in the project so far amounted to R1m. The Shaka would be marketed in the US through Internet and through specialized automotive publications.

The vehicle would also be displayed at the Detroit Auto Show in February and the Birmingham Automotive show in the UK later this year.
No quick fix for SA labour relations

NEWS FOCUS
Fransaf to make car parts

Paul Vecchiato B 27/3/76

FRANSAF is to begin manufacturing motor vehicle components for the domestic and international markets in a move expected to contribute up to R100m to its bottom line.

The company, which makes and converts plastic products for commercial, industrial, educational and consumer markets, said the new product lines were expected to be up and running at its Brats factory by year-end. The factory would employ an additional 100-140 people.

MD Denis Georre-Genton said the first line to come into production would be plastic fuel tanks.

Within 18 months, the company hoped to be producing dashboards, bumpers and other components, he said. About 80% of production would eventually be exported.
Catalytic converter plant to create 30 jobs

Production in the hi-tech R5 million plant in Gabriël's Retreat factory would start at 5,000 units a week and rise to 13,000 units a week by September.

Two “cells” – autonomous production units – would be set up, with a third likely “in the foreseeable future”. The first cell was already producing converters for quality testing at Arvin’s research centre in the United Kingdom.

Gabriël SA is fully owned by exhaust and shock absorber manufacturer Arvin, whose head office is in Indiana. The US group has 50 manufacturing plants and eight technical centres in 18 countries.

Mike Biden, managing director of shock absorber company Gabriël, which will produce the converters for parent company Arvin Industries of the United States, said the plant would employ 15 people at first. This would double “in a very short space of time”, he said.

The converters – used in the control of exhaust fumes – would be produced by Gabriël in association with motor group Suncor for export to Ford in Europe.
Metair enjoys increase in vehicle, export sales

Edward West

MOTOR component manufacturer Metair Investments generated a 28% increase in net income to R44,4m in the year to December, mainly due to surging new vehicle sales.

Earnings a share were up by the same percentage to 784c from 623c the previous year, and a dividend of 200c (160c) was proposed.

Turnover grew 28% to R834,3m and operating income was 31% higher at R71,4m. The tax bill was 59% up at R25,5m after the average tax rate increased due to full utilisation of tax losses in the first half. Taxed profit was 20% up at R45,3m.

MD Alan Plummer said the substantial increase in turnover reflected some real growth in export sales and replacement markets.

He said turnover had been predominantly influenced by a 24% surge in new vehicle sales over the year.

However, vehicle sales growth this year was not expected to reach the same level as last year.

Additional investment to increase exports was planned for the current year, he said. The economy in general and vehicle sales in particular remained more buoyant than expected, although the last quarter saw a softening in the market which could affect turnover in the first quarter of the current year.

Growth in turnover had enabled the group's subsidiaries to offset the under-recovery of cost increases by better facility utilisation and general efficiency savings, he said. Component manufacturers had generally been accepting cost increases below inflation over the past four years.

Short-term interest-bearing debt increased to R33,8m by year-end from R5,2m at the end of the previous year.

The rise was the result of funding additional current assets due to higher activity levels and the acquisition of the remaining 28.7% of First National Battery Company.

The group's shares closed unchanged at R62 on the JSE yesterday, having lost 590c or 7.5% so far this month. The counter recorded a 12-month high of R67 on January 24.
HEAD-ON SMASH?

With the advent of large-scale imports, the heavy truck sector has undergone some radical changes. One of these will see two divisions of the same company clash head on in what industry sources say could be the fight of the decade.

Over the past five years, Mercedes-Benz SA has claimed the largest number of unit sales for 16 t trucks. But the picture is changing. Ironically, the challenge is coming from imports of Freighliner — built by Mercedes-Benz-owned factories in North Carolina and Oregon in the US.

The Freighliner units are being marketed through a separate division and imported as fully built-up units with no local content.

A further irony is that Adolf Moosbauer, a member of the management board of Mercedes-Benz SA in charge of commercial vehicle marketing, is also heading the newly formed Freighliner division.

Wearing his Mercedes-Benz hat, Moosbauer says the seven truck manufacturers which shared the market during sanctions will fight to prevent the newcomers from taking over.

But, he points out, the market, which is expected to grow, has also changed significantly with US-style trucks competing with European counterparts.

"In the light of opposition like that, it would be unrealistic to expect Mercedes-Benz to retain its 47% of the heavy commercial vehicle market, but we'll fight like hell to prevent it from slipping below 40%," he says. "However, it would not be unrealistic to expect us to sell 300 Freighliners this year." A diplomatic statement coming from a man now wearing his second hat.

He says Freighliner is coming into an established niche in the market Tyco, and Toyota with its Peterbilts, have established the American concept, and ERF has for years been selling custom-built trucks, which is what Freighliners are.

"There is no room to bring customer requirements into the design of European trucks, which are available as complete packages. The American concept is for manufacturers to assemble custom-built trucks and source components from manufacturers specified by customers. It is possible to do that in the US because of the economies of scale."

"The first Freighliners we'll import will be stock models but those we import afterwards will be tailor-made to customers' exact requirements. Customers will be able to sit down with sales engineers, who will replace the traditional salesman, and design their own trucks on computer, seeing immediately how additions or alterations affect the price."

"They will, for example, be able to select a Cummins, a Caterpillar or a Detroit Diesel engine, or a Fuller, an Eaton or a Rockwell back axle. They will also be able to choose one of six different air horns."

"The negative side is they will have to wait five months for delivery."

But what will this do to the local operation of Mercedes-Benz? "We must expect our market share to drop to around 40% this year because all the newcomers are interested in the above 15 t segment of the market," says Moosbauer.

The newcomers obviously include Freighliner.

The Mercedes-Benz share of the above 16 t truck market has varied between 52.3% in 1990 when 1,402 heavy commercial vehicles were sold and 47.4% in 1995 when 1,614 were sold. Which puts it way ahead of competitors.

Freighliner, with 26.3% of the heavy sector, was market leader last year in the US. This could pose a dilemma for Mercedes-Benz, which could see its locally manufactured units lose out to the American imports.
Fraud investigation shifts offshore

GOVERNMENT legal experts are to move offshore in their investigation into hundreds of millions of rand in export incentive fraud by certain motor component manufacturers.

Several parts manufacturers are alleged to have fraudulently claimed export rebates under the defunct phase VI local content programme. The suspected frauds have also led to civil actions following a dispute between the trade and industry department and local vehicle assemblers.

Trade and industry has claimed up to R193m from certain local assemblers because it says the component manufacturers had claimed export rebates to motor assembly companies.

"The red lights should have gone on for the motor manufacturers when SA started exporting R600m worth of nuts and bolts to Europe," a spokesman from the state attorney’s office said last week.

The office also confirmed the customs department would begin issuing letters of demand this week to assemblers involved. Customs has indicated its claims could amount to R450m. If disputed, the claims will be dealt with in separate civil proceedings. Advocate Rachel van der Walt of the

Investigation

Pretoria attorney general’s office said the criminal proceedings against Superior Bolts & Nuts and ASA Fasteners — owned by Aubrey Israil and Michael Diamond — and involving alleged frauds amounting to R54m-R56m would move overseas this year for evidence from witnesses who had bought parts from the companies.

The case follows investigations by the Office of Serious Economic Offences into parts manufacturers CET, ASA and BTM.

A state attorney said discovery documents were also prepared in the civil case involving Toyota SA and evidence would be heard in commission in Germany and the UK this year in the matter involving Nissan SA, whilst other manufacturers implicated were filing pleadings.

Two years ago, the trade and industry department sent letters of demand to Toyota, Associated Automotive Distributors, Nissan, Samcor and Delta.

The manufacturers have denied export fraud, claiming they were innocent parties. Samcor has said that the R5m claimed from it by government was actually an export rebate bought from another vehicle assembler.
ANC, NP in urgent talks

Linda Ensor

CAPE TOWN — Electoral court chairman Judge JW Smallberger has summoned the legal representatives of the NP and ANC factions of the provincial committee for urgent talks today in a bid to reach an out of court settlement over their dispute for a model for rural government.

If the parties fail to reach agreement, the matter will appear before the Electoral Court on Monday. Members of the provincial committee were also invited to be on standby for consultation and, if necessary, to endorse any settlement.

A decision is urgently required before Tuesday next week if the rural elections are to take place on May 29 as scheduled.

That is the last day for the registration of parties which would appear on the proportional representation lists.

Sources said today’s discussion would deal with the one outstanding issue left unresolved after urgent talks during the week, namely the composition of the district councils.

Whereas the NP wanted a 50:50 representation for town and rural councils, the ANC has argued for representation to be based on the numbers of registered voters in each area.

The ANC supported any attempt to keep the elections in the rural areas on track.

Mandela acts over KwaMashu killings

Farouk Chothia

DURBAN — President Nelson Mandela is scheduled to visit Durban’s KwaMashu township next week in a bid to end the gang warfare that has disrupted schooling, following a decision by the KwaZulu-Natal cabinet to step up the security force presence in the township.

Teachers at 75 schools in KwaMashu, near Durban, have been on a stayaway since the early part of this week after a teacher, Joaquim Ndabe, was shot dead last month by gang members.

It is understood that two different ANC factions, including unemployed cadres of Umkhonto we Sizwe, have formed rival gangs which are fighting in KwaMashu’s Lennoxton.

Their clashes have spilled over into other parts of the township. Ndabe was killed as his brother belonged to a rival gang.

An ANC KwaZulu-Natal safety and security spokesman told about 1,000 people at a meeting in KwaMashu yesterday that Mandela would visit the section next week to hear the concerns of teachers and residents.

A representative of KwaZulu-Natal police commissioner Gen Chris Serfontein, Mulder van Eck, said police and soldiers had been deployed to the township to step up crime prevention operations.

Roadblocks were set up yesterday morning. If more security personnel were needed, there would be further deployments, he said.

The provincial cabinet decided unanimously earlier this week that additional security force members should be stationed in the township.

Ndaba Gwabaza, the SA Democratic Teachers’ Union KwaZulu-Natal secretary, said security force involvement was a temporary measure to deal with the conflict. Ultimately, community leaders should take steps to bring about peace.

He said it was heartening to know that Mandela had decided to visit KwaMashu, and the union was satisfied with ANC efforts to find a solution. The union hoped that classes would resume next week.

Sapa reports that thousands of children played in the streets as teachers stayed away after schools failed to open for the new term on Wednesday.

Gwabaza said earlier this week the stayaway would affect about 85,000 pupils. “The stayaway is part of a major drive to normalise the situation in KwaMashu. It has never been plagued by political violence before.’’

Students object to Zuma as chancellor

Farouk Chothia

DURBAN — A group of ML Sultan Technikon students forced the closure of the campus yesterday to demonstrate against the appointment of Health Minister Nkosazana Zuma as the technikon’s chancellor.

The SA Students’ Congress-aligned students said Zuma should not have been appointed until the controversy around her R14.2m allocated to the Sarafina! AIDS play was cleared up.

SRC campus co-ordinator Nkululeko Nzuza said students forced security guards to lock the gates before lectures. They were reopened later.

The SRC would take disciplinary action against two students who were behind the lock-out, Nzuza said.

Families resubmit challenge to truth body

Deborah Fine

THE families of three slum anti-apartheid activists have resubmitted papers to the Constitutional Court challenging the constitutionality of the truth commission after their documents, deemed incomplete by the Court, were returned to them on Wednesday.

 Pretoria attorney Cyril Morolo confirmed his clients had resubmitted an amended set of documents to the court yesterday. He said the papers included a new prayer asking the court to interdict the truth commission from holding hearings on Monday, pending the outcome of his clients’ challenge.

Margaret Biko, wife of slain activist Steven Biko, Churchill Mxenge, brother of the late human rights lawyer Griffiths Mxenge, and Chris Ribeiro, son of murdered doctor Fabian Ribeiro and his wife, Florence, have applied for direct access to the court.

They have accused the truth commission of being unconstitutional in that it would deprive them of their right to justice, would deny victims of human rights abuse their right to seek redress and would relieve government of its obligation to punish human rights abusers.

Constitutional Court president Judge Arthur Chaskelton is expected to decide today whether the court will hear the application.
**MARCH VEHICLE SALES**

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<th>Cars</th>
<th>Total sales</th>
<th>% of total car market</th>
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<tr>
<td>Volkswagen</td>
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<tr>
<td>Samedor</td>
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<td>Toyota</td>
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<td>Dacia</td>
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**Jan-Apr 1996**

**LIGHT COMMERCIALS**

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**HEAVY COMMERCIALS**

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**TOTAL VEHICLE SALES**

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<td>Dacia</td>
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</table>

**January to March 1996**

But all is not gloom. Sales of medium trucks remained strong during the month rising 28.2%, while sales in the heavy truck sector remained virtually unchanged. Even though this augurs well for the commercial sector, both these segments of the motor manufacturing industry are low volume...
Motor trade set for price war as car sales tumble

HENRI du PLESSIS
Motor Trade Reporter

THE motor industry price tussle is about to become a war as sales flag, and a shock awaits motorists who expect high trade-in prices.

March car sales were lower than those of a year ago, and lower even than those in February this year.

They numbered 18 536, 2 660 or 13.4 percent less than in the same month a year ago, when 21 396 had been sold, said a spokesman at the National Association of Automobile Manufacturers of South Africa (Naamsa).

The South African economy was slowing down, he said.

After some optimism and growth last year, signs of a slowdown in the motor industry's momentum showed as early as November last year.

Predictions of a 5 percent improvement in sales this year would have to be adjusted downwards, he said.

Sales of new light commercial vehicles, bakkies and minibuses were also lower in March, but the low-volume medium and heavy truck segment remained strong, with an increase of 23.2 percent in medium commercial vehicles. But only 89 were sold.

Motor industry sources were unanimous in their concern about the falling value of the rand, a proven drop in business and consumer confidence levels and unacceptably high interest rates.

Meanwhile, industry sources warned that residual car values were "softening dramatically" as price increases adapted to lower inflation.

This could cut the price of second-hand vehicles.

But this could be temporary as the rand's falling value could force rapid and steeper price increases.

The industry had hoped to keep increases down to boost car sales overall.

Meanwhile the price war is set to enter a new arena that could make the owners of older cars happy - spares.

Automakers, the holding company of Nissan South Africa and the importer of Alfa Romeo and Fiat, has announced its intention to reduce spares prices by as much as 30 percent.

This follows the announcement of a plan by Mercedes-Benz, not yet spelt out in detail, to restructure its spares sales system and reduce prices.
Imported exotic car scam exposed

DAN SIMON

CAR buyers are being warned to be wary of buying bargain-priced exotic cars after the recent exposure of an international car theft scam involving luxury vehicles stolen in Germany and shipped to Cape Town.

The warning comes from a city car dealer following the arrest two weeks ago of two illegal German immigrants who have been linked to the theft in Germany of three exotic cars worth about R2 million.

The men, who arrived in South Africa last May, registered the cars in Durban before re-registering them in Cape Town and trying to sell one at a price way below its value.

The scam, prompted one exotic car dealer, Bloomsbury Carriage, to place an advertisement, warning the public of the possible pitfalls when buying bargain-priced exotics, in the Cape Times Drive Times supplement last week.

It said that as syndicates had become more sophisticated, so it had become increasingly difficult to verify ownership or customs clearance or to clear any other legal technicalities associated with such cars.

"Further to this is the fact that many other exotics are coming in through neighbouring countries with either little or no duty being paid," the advertisement said.

Bloomsbury disclosed on Friday that it was one of three car dealers in the city that had been approached by two German nationals wanting to sell a 1995 left-hand drive Mercedes 320SL for R300 000.

"It was a steal, but I smell a rat. No one gives their car away at that price," said Mr Peter du Plessis, who added that the car would have sold for R435 000 in South Africa.

After being turned down by Bloomsbury, the men tried to sell the same car to two other car dealers without success.

One dealer tipped off members of the Cape Town vehicle theft unit, who arrested one suspect in Sea Point and confiscated the 320SL, and a Porsche Targa.

A second suspect was arrested in Rosalyn, Pretoria, early this month and a Mercedes 500SL worth R800 000 was confiscated.

Falsified SA identity documents and three unlicensed firearms, including a 12-bore shotgun, were also seized.

Police have since established that the three cars were stolen in Germany around May last year and shipped to Cape Town by container.

Vehicle theft unit member Captain Jacques van der Merwe said on Friday that since the arrests, he and colleagues in Durban had uncovered two incidents of insurance fraud, totaling R2.9m and involving the suspects, in Durban and Cape Town.

Of this amount, R290 000 was paid out to the suspects in Cape Town when they reported that their Newlands home had been broken into and valuable household items stolen. Police found the "stolen" items stored in a warehouse.

Van der Merwe said he was working with Interpol and German police to ascertain the men's backgrounds.

He said his unit had confiscated four stolen luxury German vehicles since the beginning of the year.

"I know for a fact that there are other vehicles in the country which came in through Cape Town.

"Some of these are broken up and reassembled once they are in the country. Unfortunately, there is a problem when it comes to checking containers as there is a lot of red tape involved to get a
ON THE DRIVE E15/3/96

Vehicle manufacturers are likely to almost double the level of new investment this year. Compared with 1995's R847m, they expect to spend R1.6bn.

More than half that sum — R843.5m — will go on new products and tooling, estimates the National Association of Automobile Manufacturers. Another R566m will be spent on improving plant and machinery, with the remainder earmarked for land, buildings and general support infrastructure.

The level of investment, especially in new products, is indicative of industry confidence in the continued strength of the market. It could also be said to recognise the need to update model ranges in the face of increased exports. A look at the industry's new-product programme for the rest of 1996 shows a plethora of new vehicles, from local manufacturers and abroad.

Market confidence will have taken a slight knock with latest figures showing car sales marginally down this year. That may be misleading, though, as official sales figures continue to underplay the real state of the market. Until Hyundai and others fulfil their pledge of disclosing sales, it will remain difficult to genuinely gauge the market. Once they are all included, sales may well be ahead of 1995.

Commercial vehicle sales remain considerably stronger in line with the continued confident mood of business. Medium and heavy trucks in particular are comfortably outperforming 1995 — and that excludes sales from companies such as Volvo which still won't disclose figures.

Delta Motor Corp marketing director John Cumming says that if government sustains projected economic growth rates, growth in the commercial vehicle sector will continue to flourish.
Local vehicle sales face a dent from imported models

BY DON ROBERTSON

Imports and distributors are expected to sell more than 77,750 imported passenger cars on the SA market this year, putting pressure on local manufacturers. It is estimated that imports will account for 15% of the 550,000 units forecast to be sold this year, which local manufacturers consider to be a sharp increase in the proportion in previous years. Precise figures, however, are not available. Within the next four years, imports could account for 25% of all new car sales.

The influx of fully built-up vehicles has been made possible by the Motor Industry Development Programme, which has introduced a gradual reduction in import duties. Duties at present are 65% of wholesale value, having fallen from 110% plus a 15% surcharge a year ago.

Although importers were promised a further 4% reduction in duties at the beginning of the year, the government has failed to introduce this cut. Instead, it introduced an ad valorem duty which will affect prices of the more expensive imported cars.

Toyota Pretoor, chairman and chief executive of McCarthy Motor Holdings, says increased imports will lift the number of marques on the market over the next three years to about 17 from 13 at present and will raise the number of models available to 75 from 64.

Some manufacturers have expressed concern at the increase in car imports, but all have agreed to the MIDP.

To counter the competition of imports, capital investment by the motor industry is expected to double this year to R1.8 billion in an effort to increase productivity, quality and efficiency.

In addition, a Motor Industry Advisory Forum, under the banner of the Department of Trade and Industry, will be established to monitor the performance of the industry and its ability to withstand the impact of the MIDP.

Of concern to the industry, however, is the virtual collapse of customs and excise control at the various ports of entry. It is likely that a committee will be established to investigate irregular or fraudulent imports. The SA Chamber of Commerce has offered to train 150 customs and excise staff to patrol the various ports.

Largest of the importers is Hyundai, which has been in the market for the past two years. Last year Hyundai Motor Distributors, based in Botswana, sold 14,000 units. Accents, Elantras and Sonatas and expects to average about 2,000 cars a month this year, reaching a peak of about 2,500 a month by the end of the year.

Hyundai is not an Importer in the true sense as it imports cars in semi-knocked down form and assembles them.

Botswana... Under the MIDP, Hyundai has been given two years to establish a full-manufacturing facility in South Africa. Hyundai has asked for four years, which it says it has been granted.

Toyota SA plans to increase vehicle exports into Africa by 30% this year to 3,500 units worth R135 million, compared with 2,710 worth R100 million last year.

Volkswagen, SA's largest vehicle exporter, last year exported 6,255 units. Toyota SA was second in the total export market last year, followed by Delta (2,800), Samesol (1,730), Nissan (1,730), Mercedez-Benz (581) and BMW (580).

Toyota SA's growth this year will come from improved dealer networks in the various Africa countries, particularly Zimbabwe, where it markets alongside Toyota Motor Corporation. A similar situation exists in Tanzania, Uganda and Mauritius. Other exports go to Zambia, Mozambique, Kenya and Malawi.

Toyota steps up exports

BY DON ROBERTSON

TOYOTA Japan's trading company has established a branch in Sandton to help its SA associate boost exports of fully built-up vehicles elsewhere in Africa.

Toyota Tansho Corporation has been involved in South Africa for the past 30 years, but only as a liaison with Japan. It is now a fully fledged branch whose main business is the shipping and sales of Toyota vehicles and forklifts into South Africa and other African countries.

Peugeot, which recently returned to the SA market, hopes to sell about 1,000 cars this year. Peugeot, distributed by McCarthy Motor Holdings, began with one dealer in Johannesburg, but has opened a second in Durban and will open a third in Cape Town next month.

Stash, imported by the Delta Motor Corporation, has been selling since December and hopes to sell 1,000 units this year.

The Diggers' Grill franchise is growing

DIGGERS' GRILL FRANCHISING CO (PTY) LTD IS IN THE PROCESS OF OPENING THEIR DOORS TO NEW FRANCHISEES. Sites have been identified in the following areas for Diggers' Grill Restaurants & Pumphouse Pubs.

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Local vehicle sales face a dent from imported models

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Imports and distributors are expected to sell more than 37,500 imported passenger cars on the SA market this year, putting pressure on local manufacturers.

It is estimated that imports will account for 15% of the 250,000 units forecast to be sold this year, which local manufacturers consider to be a sharp increase on the proportion in previous years. Precise figures, however, are not available. Within the next four years, imports could account for 25% of all new car sales.

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Hyundai is not an importer in the true sense as it imports cars in semiknocked-down form and assembles them in Botswana. Under the MIDP, Hyundai has been given two years to establish a fully-manufacturing facility in South Africa.

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Toyota SA plans to increase vehicle exports into Africa by 30% this year to 3,500 units worth R310-million, compared with the 2,710 worth R235-million in the last year. Volkswagen, SA's largest vehicle exporter, last year exported 6,285 units.

Toyota SA was second in the total export market last year, followed by Delta (2,020), Samcor (1,779), Nissan (1,769), Mercedes-Benz (581) and BMW (580).

Toyota SA's growth this year will come from improved dealer networks in the various African countries, particularly Zimbabwe, where it markets alongside Toyota Motor Corporation. A similar position exists in Tanzania, Uganda and Mauritius. Other exports go to Zambia, Mozambique, Kenya and Malawi.
The three-week Toyota strike ended on Tuesday — but no-one is betting that management or workers have heard the last of it.

About 200 employees, including several shop stewards, face disciplinary hearings in the next few days for allegedly running amok through offices at the Prospecton assembly plant near Durban.

They are accused of damaging equipment and intimidating other employees during the alleged rampage, which occurred after the National Union of Metalworkers (Numsa) had declared a dispute with the motor company on March 4.

Though hearings will be conducted by independent mediators, human resources group director Harry Gazendam says “I can foresee difficulties if some workers are dismissed. If that happens, there could be more problems.”

Workers are said to have agreed to resume work only “grudgingly” after none of their strike demands was met. For each of the 14 working days the strike lasted, workers lost R1,2m in wages and the company R25m in turnover.

The dispute started after Numsa demanded that 1995 incentive payouts of about R26m should be split equally between all 8,000 Toyota hourly paid and salaried employees. The company had paid out 10% of each employee’s annual wage or salary. At the end of last week, Numsa accepted the company’s position and, after consulting members, recommended a return to work.

In terms of the settlement, the Toyota plant will implement a 10-week programme to recover lost production, during which workers will be able to earn overtime bonuses to recoup some of their losses.

What most worries some Toyota managers about the coming disciplinary hearings is that they believe the alleged rampage was the real cause of the prolonged strike. The managers suspect that ringleaders realised they were in serious trouble and tried to mask the issue by pushing the strike. If that is the case, the hearings will bring these issues to the fore again. As a Toyota official noted, “It’s not necessarily all over yet.”
No quick fix for SA's labour relations problems

News Focus

By Duane Olschewski

The government's new labour relations bill, which is expected to be introduced in Parliament next week, is likely to have a significant impact on the country's labour market. The bill, which is aimed at improving the handling of disputes and strikes, is intended to address some of the problems that have plagued the country's labour relations in recent years.

The bill is expected to include provisions that will allow for the appointment of mediators to help resolve disputes, as well as provisions that will allow for the formation of joint labour management committees to help resolve disputes at workplace level. The bill is also expected to include provisions that will allow for the establishment of a national labour relations council, which will be responsible for drafting and enforcing labour laws.

The bill is part of a broader strategy by the government to improve the handling of labour disputes and to create a more stable labour market. The government has been under pressure to address the country's labour relations problems, which have resulted in a number of strikes and protests in recent years.

The bill is expected to be debated in Parliament in the coming weeks and is likely to be passed into law in the near future. The government has also indicated that it plans to make amendments to the bill in response to feedback from stakeholders.
Strong Toyota and Metair help boost Wesco’s income

Edward West

WESCO Investments lifted attributable income 42% to R72.9m in the year to December following strong performances from its investments in Toyota SA and component manufacturer Metair.

Share earnings were 62.5% higher at 99c, but the dividend was maintained at 19c. Turnover for the holding company, which has a 50% stake in Toyota SA and a 42% investment in Metair, improved 23.7% to R6.2bn.

Interest paid was 9.8% higher at R92.3m, while pre-tax income rose 73.3% to R297.6m. A tax bill of R131.2m (R73.3m) left taxable profit 69% up at R106.4m.

Executive chairman Elizabeth Bradley said dividend income from group investments was expected to be higher in the current financial year, and an interim dividend was possible.

Wesco’s improved earnings had been achieved in spite of continuing losses at Camargue Transport Systems, she said.

Camargue had been plagued by poor industrial relations, an inability to achieve the right prices locally and internationally and a high rand exchange rate. All options were being considered to rectify the situation.

The group disposed of its minority shareholding in Gomagamma Holdings during the year, and a R10.4m extraordinary item related mainly to the difference between the selling price and Wesco Investments’ carrying value of the investment.

Bradley said the buoyant vehicle market had benefited group results the most, with vehicle sales having risen 24% compared with the year before. However, sales were unlikely to grow as fast this year and earnings growth was not expected to be at the same level as in 1995.

Toyota SA’s prospects had been blighted by the strike action at the group’s KwaZulu-Natal plant, but Bradley said she remained optimistic that the vehicle manufacturer would “catch up” lost turnover. She was also bullish on prospects for Metair, which was growing exports. The company supplies components to a number of other motor manufacturers.

Meanwhile, Toyota SA said yesterday it had lost almost R300m in turnover after about 6,000 workers went on strike at its plant two weeks ago. There were no major shortages of vehicles at dealerships yet, barring a shortage of the Conquest 1.3i model.

Toyota financial director Peter Robinson said the point had not yet been reached when earnings would be severely knocked by the strike, and there was still time to make-up lost revenues. He was hopeful that production would resume early next week.

The National Association of Automobile and Component Manufacturers said the strike had had a ripple effect on component manufacturers — Toyota has a share of about 24% in the local vehicle market — and in some instances component manufacturers had had to shorten production shifts.
board Work at the Prospecton plant outside Durban stopped after Numsa declared a dispute on March 4. Since then, Toyota's main marketing offices in Sandton have also been affected.

Muddying the waters is the fact that about 200 employees, including several shop stewards at the forefront of strike action, face disciplinary proceedings for invading the Prospecton administration building after Numsa declared its dispute and allegedly damaging office equipment and intimidating employees. Says human resources group director Harry Gazendam "These people will face disciplinary proceedings when this is all over. They know this and may feel they have nothing to lose."

Mediation efforts were continuing on Monday, the 11th day of the dispute, which has cost Toyota 340 vehicles and R24m in turnover each day it has lasted. The daily cost to hourly paid workers in wages is R1.2m.

Other manufacturers, while benefiting from stock shortages of Toyota vehicles, are watching the situation anxiously. They realise a prolonged stand-off could complicate the new round of annual bargaining, which has just begun. They also realise that as the industry becomes increasingly dependent on export earnings, a dispute such as this sends the wrong message to all potential overseas customers, not just Toyota's. A quick resolution is in everyone's interest.

The strike at Toyota, now in its third week, is proof that nothing can be taken for granted on the motor industry labour front.

When employers and unions signed a three-year agreement on pay and conditions in the middle of last year, it was hailed by both sides as signalling an end — at least temporarily — to the traditional round of strikes and bloody-mindedness that accompanies annual wage talks. By linking pay rises to inflation plus, and narrowing wage gaps between worker grades, the industry thought it had created a credible answer to long-standing disputes. The agreement was held up as a model for other industries.

So far, those central tenets have been upheld. But that hasn't stopped the two sides from finding other areas of conflict. Toyota's isn't the first to focus on annual bonuses. But it's certainly the bloodiest.

The argument is over incentive payouts of about R26m. The National Union of Metalworkers (Numsa) argues the money should be split equally between Toyota's 8,000 hourly paid and salaried employees. Toyota based its payouts on 10% of each employee's annual wage or salary. The company adds that the bonus scheme is not a condition of employment and is at the discretion of the Toyota
Toyota hopes to ride out rand’s volatility

Edward West

TOYOTA SA has ruled out its traditional first-quarter price hike, signalling another skirmish in the price war sweeping the industry.

Toyota SA marketing director Johan van Zyl said yesterday that the group had opted not to increase vehicle prices while the rand remained volatile, in an effort to do all it could to improve affordability of its vehicles.

"We will have to absorb an element of devaluation, but we hope the currency will stabilise at a level at which we will not need to raise prices."

If the rand did not stabilise at a reasonable level soon, price increases in the market were inevitable "Toyota is, however, confident that price increases for the year can be contained at a level below inflation," he said.

Toyota SA reported a 73.5% surge in attributable profit to R194.1m for the year to December 1995 following strong vehicle sales in all sectors of the industry last year, 12 months of relatively stable industrial relations and currency hedging in the second half.

Its share price has dropped steadily since a 12-month high of R36 on January 29 in spite of the strong results. The share was untraded at R29.50 yesterday, still well off its 12-month low of R25.60 on June 9 last year.

JSE analysts said that while the results, published in March, were well above expectations, vehicle sales were expected to slow this year and the price war among manufacturers was whittling away manufacturers' margins.

In addition, in terms of the motor industry development programme, Toyota needed to aggressively grow exports — currently at 3% of turnover — for shareholders to be able to take a long-term view of the company's prospects, one analyst commented.

The decision to maintain prices comes at a time when the company's vehicle stocks, although not critically low, have been depleted following an extended work stoppage last month which cost the company more than R300m in turnover.

Van Zyl said production "make up" programme would address the stock position over the next 10 weeks, with production targeted at more than 20 000 vehicles from start up in the last week of March until the end of the 10-week period. The target represented a production increase of up to 1 000 vehicles a month.

Toyota SA's 6% finance campaign on Corolla/Conquest/Sprinter 130 models would continue, as would other packages on other Corolla models. Toyota also recently launched a new finance package on the Camry 200i.
Toyota strike sees drop in car sales

Edward West

LOST production from the recent strike at Toyota SA drove March new car sales down 13.4% to 18 536 units against the same month a year ago, figures released yesterday by the National Association of Automobile Manufacturers of SA (Naamsa) showed.

Naamsa said the lower sales had confirmed indications of a slowdown in the economy, after allowing for the loss of production at Toyota SA.

Accordingly forecasts of 5% vehicle sales growth this year would have to be revised downwards.

Toyota SA said the strike in March, costing about R300m in sales, had resulted in a production shortfall which distorted the market. "The impact can be seen clearly in the sales of our two key products, the Corolla and the Hilux," said Toyota SA marketing director Johan van Zyl. In March 2 194 Corollas/Conquests were sold compared with 3 650 in February.

Overall, March total vehicle sales fell 11% to 30 885 against 34 708 in the corresponding period last year and 8% against the 32 454 units sold in February. Over the three month period from January total sales fell 2.4% to 91 719 units. March light commercial vehicle sales fell 8.7% to 11 176 units compared with a year ago. Medium sized truck sales increased 28.2% to 450 units over March last year. Heavy truck sales of 729 units were 6% up on February, but were virtually static against March last year.

For the second time in three months Samcor took number one spot in the market in terms of vehicle sales. Marketing MD Arthur Mutchow said the company had reached a record monthly production figure of 7 563 units in March.

He attributed the decline in industry sales also to a glut of used vehicles. Samcor yesterday cut the prices of its one ton bakkie between R3 371 and R7 849.

Naamsa said the new vehicle market remained extremely competitive and the industry was vulnerable to exchange rate depreciation resulting in upward cost pressures for both imported and locally produced vehicles.

Business confidence had come under pressure in recent months, and with real interest rates remaining high, there was a serious negative effect on private expenditure and disposable incomes.
The three-week Toyota strike ended on Tuesday — but no-one is betting that management or workers have heard the last of it.

About 200 employees, including several shop stewards, face disciplinary hearings in the next few days for allegedly running amok through offices at the Prospecton assembly plant near Durban.

They are accused of damaging equipment and intimidating other employees during the alleged rampage, which occurred after the National Union of Metalworkers (Numsa) had declared a dispute with the motor company on March 4.

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Other manufacturers, while benefiting from stock shortages of Toyota vehicles, are watching the situation anxiously. They realise a prolonged stand-off could complicate the new round of annual bargaining, which has just begun. They also realise that as the industry becomes increasingly dependent on export earnings, a dispute such as this sends the wrong message to all potential overseas customers, not just Toyota's. A quick resolution is in everyone's interest.

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SMOG BUSTERS

Government's decision to allow catalytic converter manufacturers to include the value of platinum group metals in export incentive claims has seen the sector making huge gains in foreign markets.

Platinum group metals (PGMs) make up 20% of the manufacturing cost of a catalytic converter (autocat).

Exports of autocats should increase by almost 70% — from 1995 levels of about 1.8m units/year to about 3m units/year — by the end of 1997.

The growth, say some industry spokesmen, should boost forex revenues for the sector from the current levels of almost R1bn/year to about R2.5bn/year.

In a bid to reduce noxious emissions, autocats — which can only be used with unleaded petrol — are compulsory in most industrial nations. And while unleaded petrol has now also been introduced to SA, autocats will not become standard equipment for at least two years, until the results of a study into the effects of vehicle pollution are known.

So why the sudden export boom? Industry spokesmen say it's due to government's decision to allow converter exporters to include the value of PGMs contained in the coated ceramic substrate — the essential "honeycomb" core of the converter — in their claims for export incentives.

And, they say, an export target of 5m units a year might not be out of reach.

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provided the incentive system remains in place. This volume could then entice one of the world's only two ceramic substrate manufacturers to open a local manufacturing plant, allowing converter exports to be fully SA-sourced.

"The PGM export incentive allowed in terms of the Motor Industries Development Plan has sparked off strong export growth. A number of overseas investors might now consider relocating here, as SA has become a globally competitive producer," says MD of Johnson Matthey SA Peter Emmel.

Apart from the ready availability of PGMs, Columbus Stainless also provides the stainless steel grades needed to manufacture the so-called "can" which contains the catalytic converter. And local exhaust manufacturers like Bosal also produces complete exhaust systems — from manifold to tailpipe, including the canned converter.

But, while ceramic "honeycomb" still have to be imported from US-based Corning and Japan-based NGK, the local industry already consists of numbers of coaters and cannerys — as well as exhaust system manufacturers.

MD of Degussa SA Frank Kluge says the MIDP has reduced the export incentive to 80% of the earlier level, with the target of reducing it still further over the next two years, "thereby jeopardising the export prospects despite strong European demand." Degussa is a 50% shareholder in Port Elizabeth-based coater Algorax.

Per-Olof Pehrsgard, MD of Algorax doubts if the local industry would go overboard to obtain a share of an eventual local market which would, at best, be a mere 120 000 units/year. "With current capacities for about 1m units/year each, I doubt if the three local cannerys would fall over themselves to get a share of such a small production run."
Motor industry import row on forum's agenda

Edward West (92) 60 2 4 9 1

A ROW in the motor industry about the continued preferential treatment granted to certain importers of semi knocked-down cars over local assemblers is to be discussed in the Motor Industry Forum's second meeting today.

The forum, consisting of vehicle assembly, component manufacture, government and trade union representatives, was established recently to monitor the Motor Industry Development Programme, address policy issues and help formulate supply-side measures to improve competitiveness.

Forum chairman Anthony Black said importers of semi knocked-down cars were allowed to import vehicles into SA at lower duties through Customs Union countries because the concessions were granted before the industry's development programme came into effect last September.

"We understand local motor manufacturers are upset, but it is a complicated issue which the SA government has to deal with politically," he said.

Hyundai has a two-year concession from the SA and Botswana governments allowing it to convert its Botswana facilities to comply with the new SA customs regulations.

National Association of Automobile Manufacturers of Southern Africa president John Newbury said the association would be pressing the authorities to take strong steps to address the "unacceptable problem" of continued semi-knocked-down vehicle operations. The discrimination had worked against the interests of local vehicle manufacturers and the component supplier industry, he said.
Toyota hopes to ride out rand’s volatility

Edward West

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"We will have to absorb an element of devaluation, but we hope the currency will stabilise at a level at which we will not need to raise prices," he said.

Toyota SA reported a 73.5% surge in attributable profit to R194.1m for the year to December 1995 following strong vehicle sales in all sectors of the industry last year, 12 months of relatively stable industrial relations and currency hedging in the second half.

Its share price has dropped steadily since a 12-month high of R36 on January 29 in spite of the strong results. The share was untraded at R29.50 yesterday, still well off its 12-month low of R25.60 on June 9 last year.

JSE analysts said that while the results, published in March, were well above expectations, vehicle sales were expected to slow this year and the price war among manufacturers was whittling away manufacturers’ margins.

In addition, in terms of the motor industry development programme, Toyota needed to aggressively grow exports — currently at 3% of turnover — for shareholders to be able to take a long-term view of the company’s prospects, one analyst commented.

The decision to maintain prices comes at a time when the company’s vehicle stocks, although not critically low, have been depleted following an extended work stoppage last month which cost the company more than R500m in turnover.

Van Zyl said a production “make-up” programme would address the stock position over the next 10 weeks, with production targeted at more than 20,000 vehicles from start up in the end of the last week of March until the end of the 10-week period. The target represented a production increase of up to 1,000 vehicles a month.

Toyota SA’s 0% finance campaign on Corolla/Conquest/Sprinter 130 models would continue, as would other packages on other Corollis models. Toyota also recently launched a new finance package on the Camry 200i.
Union marches, threatens to isolate factory

About 4 000 members of the National Union of Metalworkers of SA marched to the Rosco factory in Rosslyn, Pretoria, yesterday demanding the reinstatement of 193 employees dismissed in November during a labour dispute.

The union gave the spare-parts manufacturer seven days to comply with its demand or face a national strike. In a memorandum handed to factory representative Pero Ross, Numsa said it would call for isolation of the company by the country's labour force.

"We know that Nissan, BMW SA, Mercedes-Benz, Salmcor and other motor assembly plants use parts or components from Rosco," regional secretary Sam Tisane said. "We will launch a national action in which we will urge our members to refuse to handle anything from Rosco." - Sapa
Toyota strike sees drop in car sales

Edward West

LOST production from the recent strike at Toyota SA drove March new car sales down 13.4% to 18 536 units against the same month a year ago. Figures released yesterday by the National Association of Automobile Manufacturers of SA (Naamsa) showed Naamsa said the lower sales had confirmed indications of a slowdown in the economy, after allowing for the loss of production at Toyota SA.

Accordingly forecasts of 5% vehicle sales growth this year would have to be revised downwards.

Toyota SA said the strike in March, costing about R900m in sales, had resulted in a product shortfall which distorted the market. "The impact can be seen clearly in the sales of our two key products, the Corolla and the Hilux," said Toyota SA marketing director Johan van Zyl. In March 2 194 Corolla/Conquests were sold compared with 3 650 in February.

Overall, March total vehicle sales fell 11% to 30 885 against 34 706 in the corresponding period last year and 8% against the 32 454 units sold in February. Over the three month period from January total sales fell 2.4% to 91 718 units. March light commercial vehicle sales fell 8.7% to 11 176 units compared with a year ago. Medium sized truck sales increased 28.2% to 450 units over March last year. Heavy truck sales of 723 units were 6% up on February, but were virtually static against March last year.

For the second time in three months Samcor took number one spot in the market in terms of vehicle sales. Marketing MD Arthur Mutilow said the company had reached a record monthly production figure of 7 563 units in March.

He attributed the decline in industry sales also to a glut of used vehicles. Samcor yesterday cut the prices of its one ton bakkies between R2 371 and R7 849.

Naamsa said the new vehicle market remained extremely competitive and the industry was vulnerable to exchange rate depreciation resulting in upward cost pressures for both imported and locally produced vehicles.

Business confidence had come under pressure in recent months, and with real interest rates remaining high, there was a serious negative effect on private expenditure and disposable incomes.
No quick fix for SA labour relations

Renee Gwizdik

The Toyota strike was a crucial one, "very serious" about the industry relations. The industry is not in a shape where it can afford the plant closure, nor has it adjusted to the shop floor. The structure of the industry is not ready for the shop floor. There is a need for an urgent intervention by management. The strike was sparked by some industrial agreements that were not ready for the shop floor. The Toyota strike was a crucial one, "very serious" about the industry relations. The industry is not in a shape where it can afford the plant closure, nor has it adjusted to the shop floor. The structure of the industry is not ready for the shop floor. There is a need for an urgent intervention by management. The strike was sparked by some industrial agreements that were not ready for the shop floor.
Strong Toyota and Metair help boost Wesco’s income

Edward West

WESCO Investments lifted attributable income 42% to R72.9m in the year to December following strong performances from its investments in Toyota SA and component manufacturer Metair. Share earnings were 62% higher at R992c, but the dividend was maintained at 120c. Turnover for the holding company, which has a 50% stake in Toyota SA and a 43% investment in Metair, improved 23.7% to R6.3bn.

Interest paid was 9.8% higher at R92.7m, while pre-tax income rose 73.3% to R297.6m. A tax bill of R131.2m (R73.3m) left taxed profit 69% up at R166.4m.

Executive chairman Elizabeth Bradley said dividend income from group investments was expected to be higher in the current financial year, and an interim dividend was possible.

Wesco’s improved earnings had been achieved in spite of continuing losses at Camargue Transport Systems, she said.

Camargue had been plagued by poor industrial relations, an inability to achieve the right prices locally and internationally and a high rand exchange rate. All options were being considered to rectify the situation.

The group disposed of its minority shareholding in Gamma-gamma Holdings during the year, and a R104m extraordinary item related mainly to the difference between the selling price and Wesco Investments’ carrying value of the investment.

Bradley said the buoyant vehicle market had benefited group results the most, with vehicle sales having risen 24% compared with the year before. However, sales were unlikely to grow as fast this year and earnings growth was not expected to be at the same level as in 1995.

Toyota SA’s prospects had been blighted by the strike action at the group’s KwaZulu-Natal plant, but Bradley said she remained optimistic that the vehicle manufacturer would “catch up” lost turnover. She was also bullish on prospects for Metair, which was growing exports. The company supplies components to a number of other motor manufacturers.

Meanwhile, Toyota SA said yesterday it had lost almost R300m in turnover after about 6 000 workers went on strike at its plant two weeks ago. There were no major shortages of vehicles at dealerships yet, barring a shortage of the Conquest 3.3l model.

Toyota financial director Peter Robinson said the point had not yet been reached when earnings would be severely knocked by the strike, and there was still time to make-up lost revenues. He was hopeful that production would resume early next week.

The National Association of Automobile and Component Manufacturers said the strike had had a ripple effect on component manufacturers — Toyota has a share of about 24% in the local vehicle market — and in some instances, component manufacturers had had to shorten production shifts.
has been selling since December and hopes to sell 800 vehicles for the year.

Volvo, sold through Swedish Car Distributors, a subsidiary of Combined Motor Holdings, has sold 300 vehicles in a few months in 1994, in addition to 1,200 last year. It expects to sell at least a similar number this year.

Daewoo, launched this week, will sell the Cielo and the Espero. It expects sales of about 5,000 this year.

Renault will be distributed by Associated Motor Holdings, a subsidiary of Imperial Holdings. Its Laguna, Laguna Estate and Espace models re-introduced the marque on the SA market this year.

Sales of about 1,000 are expected this year, rising to 4% of the market within five years, or about 12,500 at current market levels.

Alfa Romeo, after an earlier failed attempt to re-enter the SA market, will now be imported by Nissan. Sales of the six new models to be introduced are forecast at about 1,200, while 450 Ulysse vehicles by Fiat are also expected to be sold.

Chrysler is entering the market this year and expects to sell about 3,000 cars and four-wheel drive vehicles.

It expects to have eight dedicated dealers in operation by the year end.

Smaller numbers will be brought in by distributors representing South Korean manufacturers Kia and Japan’s Ssang-Yong and Subaru, each of which plan to sell about 10 vehicles a month.
PRICE WAR INTENSIFIES WITH NEW IMPORTS

Protection walls tumble

Like underprivileged children released inside a giant toy store, SA motorists are suddenly faced with an overwhelming number of options. Instead of pressing their faces against the glass outside, they can now experience what the rest of the world has been enjoying for years.

Inevitably, the experience remains a "look-but-don't-touch" one for most South Africans but, for a growing number of lucky ones, they can not only touch but take their new toys away as well.

Not long ago, thanks to ridiculously protectionist policies, South Africans had the realistic choice of less than a dozen makes of vehicle. Today, courtesy of tumbling import tariffs, that number has doubled and continues to grow as global manufacturers enter the market.

This exposure to new products comes as the local motor industry continues to celebrate a year in which car sales improved by a quarter and commercial vehicle sales by even more. The imports are adding spice to a price war in which manufacturers are using price cuts, inventive financing deals and other forms of discounting to move stock.

If the customer isn’t quite king, he’s at least a member of the royal circle.

But there’s a need for perspective. Motor companies have made great strides in their quest to place their vehicles within the financial reach of more consumers. Some small-car prices have fallen in cash terms by 7,7% over the last year.

But it will require many more years of below-inflation increases to benefit the majority of SA’s population.

Average increases

Last year were below inflation, and predictions are for a similar picture this year. But previous price declines were not sustained. Industry forecasters, some of whom think light-vehicle prices in 1996 could go up less than 5%, against predicted inflation of 8%—9%, add that all bets are off if the rand wavers. On trucks, where real prices have steadily declined for a couple of years, there could be no price change in 1996.

Exchange rates aren’t the only price determinant. Duty and tax impositions, domestic cost pressures, and the mountain of problems associated with the previous Phase Six local content programme, all played an important part. Government is unlikely to forgo any of the taxes and duties. Local cost pressures, though easier, won’t go away. But the new Motor Industry Development Plan (MIDP) will make a difference.

Phase Six was an import-replacement programme so complicated it was in danger of disappearing up its own policy manual. It was the last in a series of protectionist measures designed to shield the industry from international competition. The result was an inefficient industry selling overpriced vehicles.

The MIDP, by contrast, is designed to stimulate international competitiveness by rewarding exports and slashing protective barriers, the aim is a smaller but more dynamic industry.

In September 1994, the import duty on fully built-up cars and light commercial vehicles, was 115%. By September 1 last year, when the MIDP arrived, this was down to 65%. Under the new timetable this will fall in stages to 40% on January 1, 2002. On components, it will be 30%.

On trucks and buses, the drop in protection will be even more drastic—20% for major components such as engines, transmissions, axles and tyres. Final protection will vary between 15% and zero.

Samcor MD Jim Miller, whose company builds Fords, Mazdas and Mistubishi, supports tariff reduction but worries about the rate at which it is imposed. He suspects planners have taken too much notice of experiences overseas without recognising SA’s particular circumstances, notably education levels. With so many illiterate and innumerate workers, is it fair to expect them to match US, European and Japanese workers so quickly? "I endorse the philosophy but I worry..."
about the rapidity of change."

Reduced tariffs will not only bring new motoring names to the SA market, but also encourage existing manufacturers to reduce local product lines. Several have announced they will concentrate on high-volume models. Low-volume ones now made here will be imported in future.

The success of this strategy, as with all else in the MIDP, will depend on exports of vehicles and components. Companies may claim a full tariff rebate on imports up to the value of their exports. Thus, a company exporting R1bn in vehicles and components, its first R1bn in imports will also be duty free.

Not surprisingly, manufacturers are desperate to increase export activity. Foreign-owned SA companies are trying to integrate themselves in parents' international supply networks. Those without such formal links find it more difficult.

The recent introduction of unleaded fuel is expected to help this export effort. With most of the developed world well into the unleaded era, SA engine technology was in danger of becoming outdated and therefore unexportable to major markets. Lesser developed countries, notably in Africa, still use leaded fuel, so for the foreseeable future the SA industry will be in the fortunate position of being able to service both leaded and unleaded markets. The domestic market alone does not offer the volumes necessary for cost-effective manufacture. Even with exports, production pales into insignificance alongside plants in Japan, Europe and the US. SA companies are having to cut costs to the bone to win orders.

Pricing is not the only determinant of export success. Quality and reliability are just as important. Considering how labour-intensive most SA vehicle plants are compared to overseas equivalents, the improvement in quality has been little short of miraculous. Productivity, too, has made giant steps. It's reliability that is the problem.

Overseas customers don't care about the right and wrongs of labour issues at suppliers. If goods aren't delivered on time, they will buy from elsewhere. Despite last year's signing by vehicle manufacturers and unions of a three-year agreement hailed as a lifesaver for the strike-wrecked industry, there's still no shortage of labour disputes.

As Toyota chairman Bert Wessels notes: "Labour could be the industry's Achilles heel. Our industry has a long way to go before it earns the confidence of foreign partners."

Wessels welcomes the flood of new names to the SA market - with reservations. Among the more recent foreign names to signal their arrival are US giants Chrysler and Chevrolet, and Korea's Daewoo. Wessels cautions: "Not all the new companies will be here to stay, nor will they all be able to offer the high levels of customer support expected by SA buyers." In other words, be sure you can get parts and service when you break down in the back of beyond.

Overall, he says, reaction to the MIDP is favourable - reflected in reports that manufacturers are ready to spend R1bn on new products and plant upgrades in the next few years.

Nico Vermeulen, director of the National Association of Automobile Manufacturers, says: "Conceptually and structurally, it's a good programme and will underpin the industry's growth prospects."

But on the other hand, "the administration is a bureaucratic nightmare. The requirements from the Department of Trade and from Customs and Excise are complex, burdensome and time-consuming."

In the six months since the plan came into effect, government oversights have complicated matters still further. The whole programme started three months late, and since then import tariffs haven't been reduced on time, and the small vehicle incentive was pegged at the wrong level. These and other inconsistencies are slowly being sorted out but they have been frustrating.

The small vehicle incentive issue is a particularly irritating one for manufacturers, who rely on the duty rebate it offers to reduce the price of small cars. A final decision is also awaited on the status of Hyundai, the Korean car company with a plant in Botswana. Under old industry rules that offered no distinction between vehicles built locally from scratch and those imported in semi-assembled form for completion here, Hyundai was able to avoid import tariffs intended for fully built imports.

Under new rules, semi-assembled imports attract the same tariffs as fully built Hyundai, which says it has submitted a plan to switch to full local assembly within four years, argues that, having been legitimate before, it shouldn't be penalised now.

Under the regional Customs Union agreement, goods produced in the region may enter SA duty-free if they meet local manufacturing regulations. One suggestion is that Hyundai, which has sold up to 1 000 cars a month in SA, should be allowed to avoid the full duty on the first 1 000, then pay in full above that.

Vermeulen argues that the MIDP is good for vehicle manufacturers and the SA components suppliers. Not all agree. Many in the components sector fear export-driven duty rebates will enable vehicle manufacturers to import more components than ever. They already complain that the MIDP's duty-free allowance on 27% of manufacturers' light-vehicle turnover encourages imports at the expense of local supplies. The end result, they say, will be thousands of jobs lost at components companies. Manufacturers respond they will buy locally if quality and price are competitive. Some components companies have already built up export track records.

What must happen is that suppliers are allowed to prove themselves. Just as vehicle manufacturers asked for an MIDP timeframe allowing them to adjust, they must offer suppliers the same courtesy.

Vermeulen says more than 1 600 new jobs were created in manufacturing last year. Despite demands for greater productivity, he expects more employment in manufacturing and components as production rises and companies invest.

He points to the experience of Brazil, where a similar programme of protection cuts created a major new investment which led, in turn, to employment, productivity and quality improvements.

Benefits for SA will also be considerable, he says. "The next few years will be challenging for the industry, and they will often be difficult. The only certainty is that the consumer will be the winner."
Motor exports set to break records

By DON ROBERTSON

THE motor industry is set to establish new records for exports this year with well over R4-billion worth of components and vehicles destined for markets outside the country.

These targets will make it the largest and fastest growing sector of the manufacturing industry to adopt a global interest and will also substantially beat last year’s volumes.

Making use of the Motor Industry Development Programme introduced last year, motor manufacturers are able to offset duties on imported components and fully built-up vehicles, based on the net value of the local content of exports — in many instances on a rand-for-rand basis.

But, as car makers continue to import large quantities of components and as many bring in complete cars, a foreign exchange “deficit” of about R1-billion has come about.

Industry sources believe that the continued growth in exports will help to reverse this deficit by 2002, when the MIDP’s import duty cuts reach their lowest level.

In 1995 exports of fully built-up vehicles amounted to about R1.900-million. This sector is expected to show the largest growth this year.

In the first five months of the year the seven major manufacturers exported 3 192 fully built-up vehicles. This is based on a reported export of 103,094 in 1995.

Forecast for the full year are for more than double this number.

In the pipeline is Nissan’s manufacturing agreement with Quest Motor Corporation of Zimbabwe for the initial manufacture of 2 000 completely knocked down CKD petrol and diesel one-ton pickups. The CKD assembly will involve single cab derivatives, but double cab models will be introduced later.

Nissan has sold 752 vehicles in the first five months of the year, and other Nissan passenger and commercial vehicles could be assembled in Zimbabwe.

Toyota is gearing up to export about 1 000 left-hand drive Ventures and Stallions for markets in Gabon, Cameroon and Nigeria and is also targeting countries such as Angola, Madagascar, the Ivory Coast, Algeria and Morocco.

Toyota sold 725 vehicles, mainly to Africa, in the five months to May. Top of the export charts, however, is BMW whose sales volumes for the first six months of the year reached R495-million. Hopes are that exports for the full year will top R1-billion.

Leather seats from the Babaleghi factory, which are fitted to about 80% of all BMW models worldwide, make up approximately 70% of total sales, followed by components and fully built-up vehicles.

The first delivery of 300 vehicles out of a total of 800 for Australia began last month and about 10 units have been delivered to Pakistan.

Mercedes-Benz has seen a 400% increase in export volumes in the past two years and has forecast R650-million for the current year.

Leather upholstery, alloy wheels, glass, catalytic converters and smaller components will be shipped to the car division in Germany.

Volkswagen is “well on target” with plans for about R560-million of component and accessory exports.

Delta expects to export between 2 100 and 2 500 vehicles as well as assorted components.

Samcor says it has increased export sales this year and is happy with its performance.

Dealerships such as McCarthy Motor Holdings have joined the export market and 200 000 catalytic converters will be airfreighted to Peugeot in the next year.
State scheme helps car firms cut costs

(192) ED 29/7/96

Edward West

MOTOR manufacturers have netted at least R150m this year from government's drive to promote smaller cars, enabling them to cut prices despite rising costs.

Customs and excise said at the weekend it was still calculating benefits that producers had received from the small vehicle incentive scheme—which cuts import duties on components for cars with wholesale prices of R40 000 and below.

But the scheme, and other benefits linked to the motor industry development programme, had enabled many producers to avoid paying any import duties for the first quarter of the year.

Price-cutting helped lift small car sales to 23 548 units in the first six months of the year—21,6% of the new sales market against 16,5% for the same period in 1995.

Manufacturers said the scheme had allowed price-cutting, despite the rand's fall which was supposed to have lifted retail prices an estimated 14%.

Consumer fears about rand-linked price hikes prompted a pre-emptive buying spree in May, which lifted new car sales to 24 986, up 26,4% on April.

Several producers have been forced to raise prices. But others, such as Nissan SA, whose cars include the Fiat Uno range, and Samcor, which produces the Ford Tracer and the Mazda Midge, have continued price-cutting.

The combined sales of Tracer, Midge and Uno cars accounted for nearly 17% of May's sales figures.

Automakers, Nissan SA's holding company, said the scheme gave substantial benefits at the lower end of the market. "We certainly wouldn't have vehicles at these prices without it," finance GM Andrew Cunningham said.

Samcor said the scheme was help-

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Cars

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Cars are being to contain retail prices and should be continued.

Samcor occupies second place in the new car sales market. Market leader Toyota SA said it did not benefit from the incentive scheme.

The motor industry development programme was implemented last September to improve the industry's competitiveness as tariff barriers were lifted. Import duties on fully imported cars have already fallen from 115% to 61%, with more cuts to come. Manufacturers' other benefits include a 27% duty allowance and import rebate credits on local content and automotive component and tooling exports.

The National Association of Automobile Manufacturers of SA said the incentive had succeeded in bringing more affordable vehicles to the market and in increasing sales. Motor retailers said other factors keeping prices down included lower vehicle specifications and the elimination of discounts.
Nissan recalls more than 1 million vehicles

By Roy Cokeym

Pretoria — Nissan Motor of Japan said yesterday that it had recalled more than 1 million cars with defective seatbelts and battery wires, but the move appeared unlikely to affect any models in South Africa.

The recall of 1.05 million cars was the largest since the Japanese transport ministry began a compulsory recall system in 1969. The previous record was set by Toyota when it recalled 770,000 cars in 1970.

Nissan's recall would cover 20 models, including the Cedric, Bluebird and Sunny.

Ministry officials said Nissan would replace faulty condensers between the battery and the engine that could cause fires.

The company would also change a high-pressure gas device to lock the seat belt in the event of an accident. The device is located close to a plastic cover, which could melt when the system was activated.

A spokesman for Nissan South Africa said the company had showed that the resistor-condensor specification were different in other countries.

The recall campaign for the faulty condensers was restricted to the Japanese domestic market.

The spokesman said that only certain vehicles exported to Hong Kong and Singapore were affected by the recall of the defective gas-operated seatbelt device.
Truck company to build new plant

CT (ER) 10/5/96 (192)

By Ray Colayne

Pretoria — Euro Holdings, the sole authorised distributors of Mack and Renault commercial vehicles in southern Africa, is to build a new completely knocked down assembly facility in Brakpan costing about R20 million.

Johan Dippenaar, the marketing manager of Euro Truck Manufacturers, a subsidiary of Euro Holdings, said the existing assembly facility at Ekundusta, near Bronkhorstpruit, would be moved to Brakpan over the next five years.

He said premises for the new facility had already been acquired.

The capacity of the new facility, which would include commercial vehicle and bus production activities, would be greater than that at Ekundusta.

Dippenaar said the increased capacity would only be brought on stream as demand increased, however.

"At this stage, we have developed a programme for the next three years to increase production to 350 commercial vehicles a year. Currently at Ekundusta, we are producing about 100 vehicles a year."

He also said Euro Holdings had established a separate bus bodybuilding and manufacturing division using a concept conceived by Hess of Switzerland.

The company has acquired sole rights to manufacture and distribute the Cobolt bus system in southern Africa. The system consists of aluminium profiles joined together with patented aluminium gussets and self-locking screws.

No welding is necessary and skilled specialists and expensive machinery are not needed to fix the body in case of accidents.

Dippenaar said the bus division could build bodies on any chassis according to the client's requirements.

"We have only just started production of bus chassis but will eventually produce about 120 a year. This is the first time bus chassis will be provided for Renault in South Africa. Production of these chassis started in August last year and the first four were recently delivered to a public transportation company in Zambia."

Euro Holdings is also the holding company for Fire Research and Development, which produces specialised vehicles such as fire engines and emergency vehicles.
ADE aims at local market

By Françose Botha

Cape Town — Atlantis diesel engines (ADE), the engine manufacturer, has restructured its operations after the fall in the rand to compete openly with regional suppliers who are paying higher prices for imports.

Ron Shires, the managing director, said yesterday that the restructuring was aimed at strengthening the company.

"Following the successful penetration of export markets, a perception grew that the company was concentrating more on its global ambitions than the local engine market," he said.

The company reported that last year 80 percent of turnover was derived from the local engine and parts market, with 20 percent from exports to Europe, the Americas and the Far East.

The steep escalation in demand for trucks on the local market last year helped the company invest R96 million in new production facilities.

"Last year, we withheld components from valued overseas clients and diverted them to engine manufacture so that we could serve local operators and truck manufacturers. While the market has stabilised, we are determined to counter the possibility of a recurrence. The current free fall of the rand enhances this prospect as it will inevitably lead to substantial price increases on imported engines and components," he said.
Vehicle manufacturers encouraged to specialise

By Stuart Rutherford

Durban — Local automotive components must specialise and produce for a world market if they are to survive, said Denzyl Vermeulen, the executive director of the National Association of Automotive Components and Allied Manufacturers.

"There is not a single model in South Africa that has sufficient volume to make us world competitive. Manufacturers need to cut down their ranges and go for exports," he said yesterday.

Vermeulen said local market opportunities would decline as duties were reduced further and more models arrived in the South African market.

Vermeulen said by transforming the sector's focus, they could counteract the declines in the local car manufacturing market.

"If you specialise, you increase the volume, which reduces the unit costs, which could well lead to an increase in employment," he said.

Johan Meyer, the president of the association, said it was involved in regional meetings and sending information to its 100 members to urge them to target niche markets.

He said component manufacturers could benefit from the motor industry development programme, which encouraged vehicle assemblers to buy local components, technology tie-ups and even labour.

Gavin Simpkins, the divisional managing director of the sealing products division at T & N Holdings, said a comparative advantage of the development programme could come from labour, provided it was properly trained and labour costs were not pushed out of proportion.

He said his company was involved in a rationalisation programme and it had adopted a strategy to increase exports, as the supply of components to was going to decline and exporting would counteract this most effectively.

He said T & N Holdings was partially shielded from the decline of the local manufacturing industry because it was part of a global network and could import parts it did not manufacture.
SA dealers want used car imports put into reverse

Johannesburg: The National Automobile Dealers' Association has called on the Department of Trade and Industry to immediately stop the import of used vehicles.

"More and more foreign used vehicles are being illegally imported into South Africa, with damaging effect to buyers and South Africa's motor industry," NADA chairman Derrick Dixon said in a statement.

"The Import and Export Control division of the Department of Trade and Industry is being urged to stop the used imports immediately."

Mr Dixon said importers were selling vehicles in South Africa without any service infrastructure to support the buyer.

He said some of the vehicles sold were not compatible with South African models and, therefore, could not be serviced through South African dealers as no back-up parts were available.

"Sometimes we (dealers) can assist, but not always, and already there are motorists out there sitting with cripples (vehicles stranded without service and parts support) for which they have paid good money."

NADA has called for an urgent meeting of the DTI's import and export control division, the SA Revenue Services' Customs and Excise authorities, the Department of Foreign Affairs, Naamsa, the Automobile Association, component manufacturers association, NAACAM, and the National Union of Metalworkers. - Sapa
LUXURY car companies BMW and Mercedes-Benz have become the first in SA to fit catalytic converters on certain of their models — even though the clean-air components have not yet been mandated through legislation.

A Mercedes-Benz SA spokesman yesterday that catalytic converters would be standard with the new E-Class range of vehicles launched last month, while a BMW SA spokesman said the components would be fitted to its 323 and 318is ranges, a new 5-series model to be launched in July and its 7-series models.

"In time catalytic converters will become the norm in SA. Our customers are environment conscious and installing the converters now will contribute to the resale value of the cars," the BMW spokesman said.

Unleaded fuel, without which the converter is inoperable, was introduced locally early this year. Worldwide, catalytic converters accounted for demand for 38.6% of 1.85-milion oz of platinum last year out of a total world demand of 4.79-milion oz.

The National Association of Automobile Manufacturers of SA said an eighteen-month vehicle emission project had been launched last month to determine whether additional emission controls, like the fitting of catalytic converters, were required.

The study, being undertaken by the Energy Research Institute in Cape Town, was being funded by the motor industry, oil industry and the departments of health and judiciary and energy affairs.

Engelhard Technologies MD Herman Fischer said the introduction of catalytic converters to the local market was inevitable as SA's motor industry and environmental regulations had to keep up with the rest of the world.

The Southern African Stainless Steel Development Association has estimated that producers of catalytic converters in SA, which manufacture 1.3-milion converters a year, could generate over R2.5bn annually in foreign exchange earnings, with the country becoming a manufacturing hub for the world supply of the converters.

Engelhard announced plans yesterday to expand its Port Elizabeth catalytic converter plant to a production rate of 1-milion converters from 600,000 a year.

Fischer said Engelhard, a 32% minority associate which is a leader in the provision of environmental technology worldwide, had opened its Port Elizabeth factory early last year after BMW indicated that it needed catalytic converters for its vehicles.

The plant — its sole investment in SA — now supplies converters for export to car manufacturers BMW, Mercedes-Benz, Audi, Ford as well as Volkswagen.

Engelhard's next investment in SA could involve the provision of catalysts for heavy-duty diesel engines using new technology.

Negotiations for this were still under way, he said.
Used car imports 'must be banned'

Business Day Reporter

The National Automobile Dealers' Association has called on government to ban the import of used vehicles, saying an increase in illegally imported vehicles was harmful to both local buyers and the SA motor industry.

Sapa reports that the association said imported used vehicles were usually sold without the necessary service infrastructure needed to support buyers and local suppliers were often unable to provide back-up spares.

Chairman Derrick Dixon said there were already a number of owners stranded with vehicles for which there was no service and parts support, for which they had paid "good money."

"Servicing these (imported) vehicles and providing back-up spares cannot be done by the sellers, and the customers naturally turn to our members for help," Dixon said.

"Sometimes we can assist, but not always."

He urged the trade and industry department to convene a meeting between business, government and labour on the problem, which had the potential to change the local vehicle market's profile and threaten jobs.

Dixon said the sanctioning of imported vehicles in New Zealand had led to a sharp drop in new vehicle sales, which in turn had led to wide-scale job losses.
MERCEDES-BENZ of SA (MBSA) had ruled out the possibility of becoming a producer of cars for the world market and would concentrate on becoming a serious player in the African market, chairman Christoph Kopke said yesterday.

He said the company had transformed its operations over the past six years in the wake of the liberalisation of SA's trade regime, which was forcing local car manufacturers to become more globally competitive.

Production had been pushed up to 40 000 units last year with less than 3 800 employees, a sharp improvement in productivity when compared with the 18 000 cars produced in 1989 with 5 400 employees.

Turnover had increased to R5,2bn last year from R2bn in 1990. He said the company had produced profits only slightly above break-even between 1986 and 1990, but there had been a steady improvement in profitability since 1991.

Kopke said SA's return to normal trading patterns and the reduction in tariff barriers had resulted in better lead times and lower input costs, with MBSA passing these benefits on to customers through parts price cuts.
Car price war could ‘dent industry’

BY MARC HASENTHUS

Cape Town — The price war being waged in the new car market could seriously dent the local motor industry, Charles Wiggill, the chief executive of Nissan South Africa, said yesterday.

"The industry’s never known the market to be as difficult as now. Today the Rand earned by dealerships are also (worth) far less than they’ve ever been," Wiggill said.

He said the price war had affected the industry far more quickly than expected after the lowering of import duties on new vehicles in line with the Gatt agreement.

Korean car manufacturers were already able to deliver inexpensive cars to South Africa. Hyundai could do so particularly easily from its semi-knocked-down plant in Botswana.

"This is a reality. We are not different to any other country that has gone through this process. We’ve got to stop being emotional and get on with the job," Wiggill said.

"What hurts, though, is that Korean products are coming into South Africa fast and furiously, even though Korea (has) not subscribed to Gatt. Surely we must deal with countries that play to the same rules as us."

He said in Australia, the fastest-growing sector in the new car market was small vehicles, most of which were imported.

Nissan is the main operating subsidiary of Automakers, which was recently listed on the JSE.

The company is scheduled to release the Sentra Debut next week. The Sentra Debut is Nissan’s latest low-priced entrant in the South African new car market.
Strikes at suppliers limit T&N's trading

BY JON BEVERLEY

Durban — Trading conditions for T&N Holdings' motor equipment supply companies in the first quarter were hampered by strikes at original equipment manufacturers, delaying factory deliveries, David Carruthers, the chairman, reported at the annual meeting yesterday.

He said domestic activity levels were not as buoyant as last year with business confidence damped by the deteriorating exchange rate. But the exchange rate would have a positive effect on T&N's export performance, he said.

The integration of the Connassieur business that was bought from Delta recently into the heat-transfer division had been successful and "the performance is in line with expectations."

Carruthers said the group remained committed to becoming globally competitive and "consequently technological enhancements have improved productivity and customer service levels are continually being addressed."

The importance of the export drive by motor manufacturers in response to the motor industry development programme had been stressed in the recent annual report, he said.

Carruthers said T&N was securing contracts indirectly with European manufacturers that would have a positive effect on future performance and cushion an expected softening of overseas markets.

David Carruthers, chairman of T&N Holdings, in Durban yesterday for the group's annual meeting.

Carruthers said after the meeting that he had been impressed by a visit to the Port Elizabeth plants, which had settled down and were doing well.

T&N's strategy for the South African and international groups was to have its factories produce parts without duplication, he said.

Each factory would have to be competitive and wage increases were linked to improvements in productivity, Carruthers said.
Fears grow that foreigners could harm trucking industry

Johannesburg - Recent entrants into the South African truck market have upset the balance between what is good for the industry and what is good for the country, Mike Whitfield, the director of Nissan Diesel South Africa, said last week.

Whitfield was speaking at the launch of Nissan Diesel's new generation four-ton Cabstar truck on Thursday.

"What is good for the industry normally emerges from the strong competition between manufacturers and what is good for the country comes from our job creation, our exports, our taxes and all the hidden benefits from the manufacturing infrastructure," he said.

He said local truck manufacturers had been supporting the Motor Industry Development Programme, which aimed at providing affordable vehicles.

He praised competition, saying it ensured the country kept up with advancements in technology, controlled costs and strove for quality service and improved efficiency.

However, he said, competition had to be fair. Some local manufacturers were concerned about unfair competition with recent entrants into the market and the government's inability to police infringements and enforce the law.

Whitfield said local manufacturers had invested billions of rands in their facilities but some newcomers had little invested in South Africa and could leave if conditions became difficult.
Motor sector to suffer from currency's fall

Edward West and Adrienne Gilliam

MOTOR assemblers are expected to be among the hardest hit in the manufacturing sector by the falling rand, which could see vehicle prices rising between 5% and 7% above budgeted levels.

SA Chamber of Business economist Keith Lockwood said yesterday the rand would have a varied effect on manufacturing sectors, where about 23% of total input costs were imported. SA's motor industry had a greater exposure to import prices.

A National Association of Automobile Manufacturers of SA (Naamas) spokesman said roughly 45% of SA's vehicle manufacturers' costs were exposed to currency fluctuations. However, importers of fully built vehicles would carry the brunt of the currency depreciation, which had averaged 15%-17% against the dollar this year.

Econometrician economist Tony Twane said vehicle manufacturers were caught in a price war at the lower end of the vehicle market. The industry had initially expected to raise prices on average 4,2% this year. 'If the currency depreciation continues at this level this forecast will have to be increased to about 6,5% this year."

Delta Motor Corporation said the rand's fall had affected margins. If the rand remained at current levels, Delta would have to review its pricing.

BMW SA financial director Peter Nelson said BMW SA had forward cover in place and was partly hedged against currency fluctuations through exports. "We are holding back on price increases as long as we can, but the effect of the currency depreciation will undoubtedly be felt throughout the industry in the next couple of months."

Continued on Page 2

Motor

Continued from Page 1

Toyota SA financial director Peter Robinson said the rand/yen exchange rate had depreciated about 10% this year, but Toyota SA had held back its traditional first quarter price increase.

Anglo American Industrial Corporation (Aamc) deputy chairman Tony Traher said the weaker rand would improve group earnings in the short term, as 35% of its turnover was either export related or foreign based. However, the inflationary effect on Aamc's operating input and capital replacement costs would be adverse in the long term if the rand stayed at current levels. He expected inflation to affect earnings in the next three to six months.

University of Stellenbosch Bureau for Economic Research economist Pieter Laubscher said inflationary movements could see unions bargaining for higher wage increases, further increasing unit costs.
Union Carriage loses key Taiwanese contract

BY JAMES EPSTEIN

Johannesburg — Union Carriage and Wagon Company (UCW), the South African locomotive and carriage manufacturer, has lost a key export contract to supply trains to the Taiwanese rapid transit system.

Murray & Roberts, the holding company, made the announcement in a notice to shareholders yesterday.

Siemens, the German engineering group, had questioned the workmanship and the ability of UCW to complete work on train sets to the Taiwanese rapid transport systems department's specification within a required period.

Siemens have informed UCW that they intend to manufacture these electrical multiple-unit train sets at the premises of SGP Verkehrstechnik in Austria," the notice to shareholders said.

UCW denies these allegations and has argued that it remains in compliance with its contractual obligations. It contends the technical drawings to which it was obliged to manufacture were defective.

Robert Bingham, the managing director of UCW, would not comment on the effect the loss of the contract would have on the company and its employees.

In mid-March UCW said it was benefiting an export renaissance to the tune of R1.4 billion in orders from Southeast Asian markets. A $500 million contract to supply 130 trains for Taipei's rapid transport system was one of those.

Murray & Roberts said UCW would oppose the liability claim. It would seek recompense of the amount of the performance bond plus interest, substantial damages and loss of profit under the rules of the International Chamber of Commerce.

The company said the short-term effect of the dispute was largely offset by UCW's other contracts and that it would not affect Murray & Roberts' earnings for the year to June.

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Train builder UWC loses R500m Taiwanese deal

By JAMES LAMONT

Johannesburg — Union Carriage and Wagon Company (UCW), the South African locomotive and carriage manufacturer, lost a R500 million contract to build trains for Taipei’s rapid-transit subway system because it was unable to meet the specifications for the stainless steel required by low weight train sets. Siemens, the German electric group, said yesterday.

Siemens had sub-contracted construction of the trains to UCW, but had recently withdrawn the order and placed it with an Austrian subsidiary of its own — SGP Verkehrstechnik.

Ernie Thompson, a spokesman for Siemens, said its client, the Taiwanese rapid transport systems department, was not satisfied with the stainless steel UCW planned to use.

He claimed the Taiwanese had wanted a higher grade. "They have not hit the quality level required," Thompson said in explanation of why Siemens had cancelled a R500 million contract with UCW.

Siemens had questioned UCW's workmanship and its ability to complete work on 130 trains to specification within a required period.

The German group has demanded repayment of R15.6 million worth of guarantees on a downpayment and a performance bond.

UCW has said it complied with its contractual obligations and intends to challenge Siemens' allegations in court under the rules of the International Chamber of Commerce.

Siemens said that the technical drawings UCW was obliged to use were defective.

Terry Davidson, the managing director of UCW's parent company, Standard Engineering, declined to comment beyond the notice issued to shareholders.

He said questions over UCW's ability to produce would be answered in arbitration.

Meanwhile, Columbus Steel, which supplied UCW with narrow gauge stainless steel, was not aware of any problems concerning the highness of their product with the Japanese.

As far as we are concerned we have met the specifications given to us by UCW," said John Rowe, Columbus' marketing manager.

The Siemens dispute comes at an unfortunate moment for Columbus, which is helping to drive to place South Africa among the premier suppliers of stainless steel worldwide.

At the end of last year, thousands of tons of stainless steel from Columbus' newly commissioned R3.5 billion plant in Middelburg was rejected by European clients because the quality was not up to standard.

The cancellation of the contract has led to speculation over what effect it might have on the UCW's bottom line.

Last month, UCW trumpeted an export order book to South East Asian markets to the tune of R1.4 billion, including a R470 million contract to produce mainline intercity locomotives for the Taiwan Railway Administration, and a R240 million contract to develop a commuter train for Malaysia.

I-Cheng Loh, Taiwan's ambassador to Pretoria, said the dealings with Siemens over the rapid transit system had "nothing to do with central government or with uncertainty over South Africa's relations with Beijing."

"I am as puzzled as everyone else," he said.

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Adcock lifts six-month earnings

By John Steyn

Johannesburg — The pharmaceutical group Adcock Ingram increased its headline earnings, those excluding items of a capital nature, by 14 percent in the six months to March. The interim dividend is up 14 percent to 12.6c.

Sales, 5 percent higher at R$914.4 million, were affected by reduced turnover in the wholesale division after a revised discount structure was introduced to protect margins. A slowdown in consumer spending also affected sales.

Turnover in the manufacturing division rose 9 percent.

Improved operating margins boosted profit before interest and tax by 9 percent to R$923.4 million, despite heightened spending on research and development.

A lower effective tax rate and higher interest earned helped to increase headline earnings from 41.5c to 47.2c a share. Improved management of working capital had resulted in strong cash generation of R$94 million, boosting cash available to R$154 million, it said.
Automakers launch SA Alfa range

CT(BR) 26/4/96

By Roy Cheyne

Johannesburg: Automakers, Nissan South Africa's holding company, officially launched the new Alfa Romeo range here last night with the aim of selling 4,000 to 5,000 cars a year by 2000.

The company has set up a nationwide network of 22 dealers to market and provide servicing and maintenance for the full range of Alfa Romeos.

More dealers will be added as demand justifies.

The range available in South Africa will be the 164 Super V6, 155 2.0 litre Twin Spark, 155 2.5 litre V6, the 145 hatch and 146 notchback, the GTV and the open-top Spider.

Automakers is importing the Alfa range into South Africa as completely built-up units.

John Jessup, the marketing services director of Automakers, said the priority in the next two years would be to rebuild Alfa Romeo with a solid and responsible foundation.

Jessup said the share of fully imported vehicles was expected to rise to an estimated 20 percent of the local passenger car market by the year 2000.

"This is a result of the terms of the recently announced Motor Industry Development Programme, which has removed much of the uncertainty which surrounded the industry's future planning," he said.

"The level of specification, engineering and safety features of the Alfa Romeos are more than competitive with those of the opposition models against which they are pitted, although the sportiness and individuality of the brand makes it unique," he said.

The Alfes will have a three-year or 120,000km warranty, whichever comes first, and a three-year warranty against corrosion.
Samcor in forward drive in industry with the brakes on
Edward West

LOCAL motor manufacturer Samcor's strategy to become a world-class assembler might still be a long way off, but early dividends have been sales growth which have outstripped that of the industry by a large margin over the past three months.

Heading the Ford/Anglo American controlled company as CE for the past 15 months is Jim Miller, who has been with Ford for 22 years and who was appointed to the local company after being export director for Ford Europe.

He was appointed after Ford returned to SA by repurchasing a 14% interest in Samcor from its employee trust and a 31% stake from Anglo American. The employee trust now holds 30% of Samcor, Anglo American 45% and Ford 45%.

In the first three months of the year Samcor's Mazda, Ford and Mitsubishi sales reached their highest level over the past 10 years, with volumes up 36% compared with a 3% industry decline. Market share increased to 20.1% from 14.9% over the same period last year.

The company has been a major protagonist in the industry price war raging at the lower end of the vehicle market and sales have been boosted by the slashing of prices four times since last July.

Average vehicle prices at Samcor have fallen 10% since July, while the cumulative increase in the 30 months prior to that was 35%. In addition, new models have been introduced. Ford Falcons and Fairmonts are soon to be imported to SA from Australia.

About R125m was invested in a new facility in Port Elizabeth to export engines to plants worldwide.

Miller said when Ford returned to SA Samcor was symptomatic of companies around the world which had been protected by high trade barriers. Productivity was low and investment in employees was lacking — evidenced by a high illiteracy rate on the shopfloor. The relationship between management and unions was adversarial — an impossible environment to improve productivity.

With trade barriers falling in terms of the Motor Industry Development Programme, Samcor was faced with a need to dramatically lift cost-efficiencies and productivity to remain competitive.

Employee efficiency

Miller says the internal strategy since Ford returned to SA has been focused on improving the efficiency of its employees. Externally, in the market, the target is to provide value for money vehicles of a high quality. The three key priorities on the development of its employees has been training and education, relationship building and productivity.

Miller says in 1994 Samcor produced on average about 14 hours of training for an employee. Last year this was lifted to 54 hours and the level will be higher this year. The bill for education and training is expected to be about 1%-8% of the payroll this year, five times the industry average, he says.

Operating costs have been cut and the average fixed cost a unit has been 30% lower this year. The number of hourly employees has increased slightly with the commissioning of the engine plant, but the number of salaried staff was reduced by 150 last year. "We've only just begun cutting costs. You have to look at everything you spend," he says.

In terms of productivity, the motor assembly industry produced, on average, nine vehicles an employee in 1994, while Samcor produced 10. Last year the company managed to lift the number to 15. However, says Miller, it still has a long way to go.

"If we improve our productivity by five vehicles a year, we would only reach the 1994 level of productivity of Ford's plant in Valencia, Spain, by the year 2006. It's a frightening statistic. If we do not focus on our people, our industry has no chance of surviving."
Parts prices slashed as car industry cuts the flab

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BY DON ROBERTSON

Because of the price war, dealers' margins on new car sales have been cut from 17%-18% to the 10%-12% range. Parts sales, a big source of income in the past, have now also been trimmed.

"Although dealers are not too happy with our decision, they understand the necessity of making car ownership more affordable. By the end of the year, we will be able to move spare parts every day all year round and we will also have to offer extended trading and service hours," says Mr. Gorle.

Last month, Mercedes-Benz chopped its price list by as much as 35% on all Mercedes cars, Hondas, Colts and by 30% for Mercedes trucks and the recently introduced Freightliner truck range.

Christoph Kopke, chairman of Mercedes-Benz, says the price cuts will result in real cost savings, particularly in vehicle maintenance.

The new pricing policy has been made possible by South Africa's return to normal trading patterns and by tariff reductions in terms of the Motor Industry Development Programme. This has resulted in better lead times and lower input costs which will be passed on to customers, says Mr. Kopke.
Heavies in truck business looking for the fast track

By DON ROBERTSON

Christopher Kopke, chief executive of Mercedes-Benz, says Freightliner enables the company to offer the best of both European and American transport concepts, "while also adding significant impetus to our challenge for the mantle of being number one in the southern African automotive industry."

The trucks will be imported in a completely knocked down kits and assembled on a dedicated production line at the company's East London plant.

Customers are, in effect, able to implement their own pricing policy during assembly and can tailor their component specifications to meet individual financial requirements.

Initially, the Freightliner range will be represented by dealers in Gauteng, Cape Town and Bloemfontein. Service and parts dealerships will be established on the main routes throughout southern Africa.

Conversion to right-hand drive trucks will take place throughout the production line, although some conventional models, built in America, will be available.

The confidence that Mercedes has in the new trucks is shown by the warranty offer on the vehicles.

A one-year warranty with unlimited kilometres and a component guarantee of two years or 400 000 kilometres is offered. In addition, engines are guaranteed for two years and component guarantees of five years or 500 000 kilometres.

Freightliner offers a wide range of trucks in the cab-over-engine or conventional models with engine configurations from 260hp to 460hp.

THE local truck industry is small by world standards, but it is perhaps the most hotly contested with 28 manufacturers producing or distributing vehicles in a market which will barely reach 14 000 units this year.

Established truck manufacturers have been supporting the Motor Industry Development Programme (MIDP) with the help of some protection from the revised tariff structures. They have been able to sell affordable vehicles, says Mike Whitfield, director of Nissan Heavy Vehicles.

Speaking at the launch of a new range of medium-sized trucks, Mr Whitfield said the recent entry of overseas distributors had upset the balance in the industry.

Established manufacturers were expressing concern about matters such as transfer pricing, dumping, circumvention of import legislation, the importation of second-hand trucks and the Government's inability to enforce the law, he said.

Nissan Diesel SA has a 10% share of the market and accounts for 10% of exports by Nissan Diesel of Japan. The Japanese source company has agreed to allow Nissan Diesel to enter the sub-Saharan truck market and supply vehicles, parts and services. It will buy components such as axles and brake drums locally.

Mercedes-Benz is also entering the market. It will take on Toyota in a market characterised by a preference for large American trucks.

Mercedes-Benz will launch the Freightliner range of trucks, a challenge to Toyota's Peterbilt range introduced last year.

Freightliner, a subsidiary of Mer-

cedes since its acquisition in 1981, has the major share of the large truck market in America, with 26.3% last year (77 300 units worth more than $5-billion).

Market research has shown substantial demand for American transport technology and it is expected that sales in the next three years will reflect a 40% tendency towards American marques.

"With its number one position in America, Freightliner is ideally positioned to establish itself as the leading US truck manufacturer in southern Africa by 1997," says Adolf Moosbauer, who is responsible for Freightliner in South Africa.
Automakers and Didata sign pact

BY ROY COKANNE

Pretoria — Automakers, the holding company of Nissan South Africa, has outsourced its information system function to the Dimension Data group in a deal that could be worth R100 million over 10 years.

In terms of the agreement, all Automakers’ information system staff will be transferred to EDS, a member of the Dimension Data group.

Dimension Data Networks will install a new computer network worth R54 million.

Its sister companies, SPT and Computer Associates, will provide a range of software services and products. Dimension Data will also supply network services to Automakers’ dealer network and the company’s regional offices.

The agreement has been based on the sharing of risk and reward, making it unique within the motor industry and probably within South African industry.

In terms of the risk and reward system, EDS will manage and develop Automakers’ information system function and be paid according to a formula based on its performance and effect on Nissan’s profitability.

Details of the added value payment formula will be worked out through negotiation between Automakers and the Dimension Data group.

Competition

EDS will concentrate on the technical implementation of the new SAP information system. It will also focus on the development of practice sales and service systems to help Automakers retain its competitive leadership in customer relations.

Though the value based agreement is a first for South Africa, it is the way EDS is handling in the 41 countries in which it operates internationally.

An Automakers spokesman said the agreement would provide Nissan with constant access to leading edge technology and the best information system personnel.

It will also allow the company to concentrate its efforts on manufacturing and marketing motor vehicles.

The main benefit to Automakers of outsourcing its information technology and information system requirements will be access to skills and technology.

An added benefit is that it will only pay for service and staff when they are needed, said the spokesman.

The new dealer and regional office network will be used for carrying data, but has been designed to support multimedia traffic, including voice and video. Automakers will eventually transmit images of its cars to be used as sales tools in its showrooms. The company will also adopt video conferencing to enhance communication with regional staff and dealers.
(Text from the image is not legible due to the quality of the image.)
VETERANS OF CONFLICT... "During wartime measures and agitation, 'support' became a very vague word."

THE PEACE

Blesses Of

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After The War!

Taking a new order at Mercers-Barnes.

PHOTOSE ASHVINE GIANTS WITH THE OFFICERS OF MANAGERS.

These were in front of the Industrial Union in the
Vehicle buyers may be forgiven for looking bemused. Almost immediately after most manufacturers increased prices, others are engaged in a frantic price war to offer the cheapest cars on the market. Some customers are even being offered cash paybacks.

The day after Nissan announced significant price cuts on its SA made cars and light commercial vehicles, Samcor on Tuesday responded by hacking prices on its bottom-end vehicles. Anxious to regain its reputation for the least expensive vehicles on offer, Samcor deliberately undercut Nissan's new prices — some by as little as R5.

In response to the new price of R34 990 for the entry-level Fiat Uno Fire, Samcor cut its Ford Tracer and Mazda Midge to R34 965. The same R5 advantage applies on small bakkies. Samcor also made its new prices retrospective to Monday last week. Anyone buying a vehicle during the intervening period is entitled to claim the cash difference.

Other companies may yet respond. But what this is doing to bottom lines, already damaged by hefty cost increases, hardly bears thinking about. Companies say increased factory volumes improve unit costs and therefore benefit profitability. But in the same breath, they admit margins are narrower, both in the factory and for dealers.

It's good news for consumers, of course, but one wonders how much more competitive manufacturers can become. The industry confirms widespread price increases at the start of June didn't come close to recouping mounting costs, many related to the weakening rand. Rainer Hagemann, chairman of BMW SA, says companies can't keep absorbing costs and further general price hikes this year are likely.

All this is happening at the same time as the motor industry celebrates some of its best sales for more than a decade. Car sales in May hit their highest monthly point since 1984. The markets for commercial vehicles were also considerably stronger.

Marketers in general are surprised at the level of last month's market, even allowing for a degree of pre-emptive buying before month-end price increases took effect. That, combined with an abundance of special offers available from many dealers, helped overcome obstacles, such as higher interest rates, rising petrol prices and general economic uncertainty.

Nissan marketing services director John Jessup describes last month's figures as "gratifying." However, Mercedes-Benz car marketing manager Eric Scoble says it won't last. "I believe we've seen the market peak and it should soften somewhat in the next few months." On the other hand, he doesn't expect the disruptive boom-bust cycle of a few years ago, when a good month was often followed by a disastrous one.

The danger of stop-go buying can't be ruled out completely. Car and commercial vehicle buyers have been spoiled by the virtual standstill in prices in recent months. Last month's flurry to avoid what, in previous years, would have been considered almost a marginal price increase, shows the market's growing price sensitivity. So the likelihood of further price increases this year may yet see more market distortion.

Naamsa director Nico Vermeulen confirms that manufacturers have come nowhere near recouping cost escalations with their latest price increases, and more pre-emptive buying can be expected.

BMW's Hagemann expects most manufacturers to increase prices on or around 9% for 1996 as a whole — on a par with predictions for year-end inflation. Those best able to beat this target will be companies with major export earnings, able to offset growing import bills.
Number of car part makers could drop

Edward West

THE number of automotive component manufacturers in SA could fall to just 30 dominant players from about 161, putting a large chunk of the sector's 50,000 jobs at risk, leading player Doby said at the weekend.

The fall would be driven by motor manufacturers veering toward contracting out subassemblies to major component players, rather than going to a string of suppliers.

Doby's automotive product division MD Albert Lynch said the trend to contract out subassemblies was a growing worldwide phenomenon.

Local exposure to such trends would increase through the easing trade regime under the Motor Industry Development Programme.

"Smaller suppliers will not be able to survive. There will be mergers, buyouts and closures."

In the US the trend had helped reduce labour costs as trade unions among parts manufacturers were not as powerful as among the vehicle assemblers.

"This might happen here, but the unions are doing their best to prevent it," said Metair chairman Elizabeth Bradley.

National Association of Automotive Component and Allied Manufacturing president Johan Meyer said the outcome of the programme was not yet clear.

The association was concerned about risks posed in the next three to five years. Local manufacturers would have to begin launching new models and would have to decide whether to import new models or more vehicle components.
SA's Bearing Man to tie-up with Nord

By Stuart Rutherford

Durban — Durban-based Bearing Man, Africa's largest distributor of bearings, seals and power transmissions, has announced a tie-up with the world's second largest manufacturer of geared motors, Nord.

"Nord of Germany is recognised as one of the top manufacturers in the world of precision engineered geared motors," said Greg Till, the managing director of Bearing Man.

He said the company imported 90 percent of its products and had exclusive rights to 20 brands and shared rights to another 12.

"For us it is an opportunity to get involved in a market worth in excess of R150 million a year in South Africa." said Till.

Nord geared motors, in combination with Nordac frequency inverters, offer a wide variety of applications in fields such as packaging, machine tools and printing.

"If every branch sells one gear box a day, we'll do R40 million a year in new business and we expect to do that within two years," said Till.

Till said the group had sent 50 sales staff to Germany to familiarise themselves with the products, which will be available through 60 outlets.
State denies growth plan tariff stand

By Christa Voelchenk and Nancy Myburgh

Cape Town — The government was forced to reassure the country's nervous textile, motor and clothing industries yesterday that they had not been specifically targeted for rapid tariff reductions in the new national economic policy framework.

A spokesman for the department of trade and industry denied that tariff reductions in these sectors would be accelerated. But Appendix 4 of the growth plan specifically refers to the sectors.

Point three in the appendix states "Accelerated tariff reform, bringing forward by two years the scheduled adjustments on clothing, textiles and vehicles, and reducing all other duties by 5 per cent points on average in 1997. This improves competitiveness and dampens inflation."

Presenting the plan in parliament last Friday, Trevor Manuel, the finance minister, trusted that "tariff reforms will be accelerated to help lower prices to industrial inputs and low-income households, thereby avoiding job losses in sensitive sectors and removing price distortions in domestic markets."

But faced with the ire of the three labour-intensive industries, the finance ministry said yesterday that the example in Appendix 4 was simply an illustration of policy goals.

"These concerns arise from a misunderstanding," said a spokesman. "Appendix 4 illustrates the possible macro-economic consequences of accelerated tariff reductions. The model was not sectorally specific, so those particular industries need not fear. It's not necessarily (needed) in those sectors, as long as it takes place in some sectors."

Manuel, who is now in Europe, used fiscal deficit figures from the same appendix and model, however, to demonstrate how simply and specifically, the government was committed to reducing its 6 percent growth target by 2000.

Alan Hirsch, a senior official in the trade and industry department co-responsible for the revision of tariffs, yesterday denied that the clothing, motor and textile industries would be targeted. He also said that too much emphasis should not be placed on the framework timetable for the reduction of tariffs.

Until Hirsch threw cold water on the issue, the textile and motor industries and textile industry unions were outraged by government's "unilateral decision."

Separate agreements, including a timetable for tariff reductions, were concluded about a year ago between the government, the three sectors and labour unions. These timetables are now implemented.

André Roux, an economist at the Development Bank and one of the co-ordinators of the technical team assisting in the drafting of the plan, said that while the government stood behind the policy of accelerated tariff reduction, "the level of protection for local producers will be greater than it was in January (even after the acceleration of tariff reduction)."

We'll stick to the plan, says Manuel

By Paul Harris

Cannes — The details of South Africa's new macro-economic plan have yet to be worked out, but the framework itself is not negotiable, Trevor Manuel, the finance minister, told an investment conference yesterday.

Manuel said the government would show that it could lead by sticking to the plan. The framework has been welcomed by business but drawn some criticism from labour unions for being "conservative."

One of the key planks of the plan is a commitment to the partial or complete privatisation of state-owned assets, starting with the telecommunications sector.

Parts of other areas like radio, leisure, forestry, minerals and transport would follow.

He said that the plan would not be affected by mobility to reach a free trade agreement with the European Union.

Earlier, Steffen Schmidt, the EU director-general of development, attacked South Africa for hesitating over the talks and asked if it really wanted such a deal.

"We have not really factored significant contributions from the prospective EU-South Africa trade agreement into our macro-economic framework," Manuel said.

The plan aims for annual growth of 6 percent by 2000 and to create 400,000 new jobs a year by the turn of the century. It is seen as vital for South Africa's future development.

Manuel said the free trade talks were taking time because South Africa had to consult its other trading partners on the implications thereof. — Reuters

See Business Watch Page 18

See Bifaz's reaction. Page 21
After a strong start to the financial year, major changes in the motor industry led to a final quarter slowdown as intense competition from imported motor vehicles erupted into a price war in the local market.

Chairman and MD Maldwyn Zimmerman clearly saw tougher trading conditions coming at the halfway stage when he warned that first-half results — turnover up 30%, EPS by 139% — would not be maintained.

Still, Combined Motor Holdings (CMH) completed the full year on a high note. Turnover gained 23.7%, EPS 50.2%.

With six franchises as well as used vehicle, parts and service activities, CMH is closely linked to activity in the motor industry. The most significant change was probably the ongoing reduction of customs duty from an effective 115% two years ago to 61%.

Apart from introducing a wide range of new imported vehicles, Zimmerman says the resultant price war saw prices for new vehicles in the popular R35 000 to R45 000 range cut. This led to a number of customers switching from used to new models.

The changing consumer pattern can be seen in CMH's breakdown of sources of income. Of the total R42.5m operating income, sales of new vehicles and parts made increased contributions of 71% and 21% respectively, while income from used vehicles dropped from 10% to 4%.

Zimmerman says margins here were severely depressed by the flood of rental vehicles which returned to the market, an over-optimistic response to the Rugby World Cup and tourism by some of the car rental firms.

"Prices and margins within the group have now been stabilised and it is believed that a more significant contribution can be expected from this area in the coming year," Zimmerman says.

Turnover was buoyed by the earlier deal to import Volvo passenger vehicles, for which CMH holds distribution rights. Volvo's contribution climbed from the previous year's 11% to 20%.

Despite the slowdown, which financial director Stuart Jackson says has continued into the new year with the ongoing price war and signs of a slowdown in volumes, CMH has kept important trends in place.

The pre-interest margin continues to widen, dividend cover has again been raised, and the balance sheet has strengthened further, with net cash hold...
Wheels fall off for dealers in car price war

THE motor industry price war has been a blessing for car buyers, but the R36-billion rand a year dealer network is suffering. Dealer margins have been slashed, the used car market has taken a tumble, fleet discounts have been trimmed and revenues from parts sales have fallen.

Price reductions of as much as R4 000 on a car previously costing R38 000 are now the norm, allowing first-time buyers the means to wheels.

The price war was started in July last year by Samcor, manufacturer of Ford and Mazda. Mercedes-Benz and Nissan followed suit this year when they chopped the price of spare parts by up to 25%.

Last week, Nissan joined the battle and reduced car and light commercial vehicle prices by about 10% on average — up to 18,5% on an Uno — to be followed the next day by Samcor which reversed a previous 3% price hike on some models.

But manufacturers' ability to trim prices has had to involve dealers who have been required to absorb some of the price cuts. The result is a fall in gross margins to as low as 7% on some models compared with about 17% only months ago.

Industry sources suggest this could impact on large fleet owners and rental companies.

Glen van Heerden, chief executive of Avis, says "discount" prices will have an impact on resale values of used cars and challenges the apparent manufacturer/dealer agreement that large buyers of cars such as fleet owners and rental companies do not get a reasonable discount.

In February Avis managing director Grenville Wilson said that lower resale values could cost the rental industry as much as R372-million this year and could prompt an increase in rental rates.

Many rental companies do, however, arrange buy-back agreements with dealers.

One Nissan dealer says it has been advised that a new fleet discount package will be adopted with immediate effect. The new scheme allows discounts of between 1% and 2% on Uno's for fleet owners compared with 7% previously and between 2% to 4% on Sentra's compared with up 13% previously.

While these lower margins impact mostly on Nissan and Samcor dealers, other manufacturers, to remain competitive, have had to keep normal price hikes to a minimum, in many instances well below those needed to recover higher component costs as a result of the devaluation of the rand. Gross margins for these dealers have, accordingly, fallen to between 10% and 14%.

Brand Pretorius, chairman and chief executive of McCarthy Motor Holdings, says the reduced margins have impacted on dealer flexibility with regard to fleet discounts and some fleet owners are now paying more for the same vehicle.

"We are all in favour of enhanced affordability, but to achieve this, we must take real costs out," says Mr Pretorius.

"We have to negotiate lower costs of imported and local components, increase exports and improve productivity. We must retain sufficient profits to maintain existing structures to be able to provide proper services.

The price cuts have, however, been extremely successful for Samcor which has seen its share of the total vehicle market grow from 15,2% in May last year to 28% in the same month this year."
Hudaco reports decline in attributable profit

Johannesburg — Hudaco, which manufactures and distributes motor parts, reported a 12 percent advance in headline earnings to 74c a share in the six months to May 31.

Attributable earnings were marginally down

Turnover for the period was 44 percent higher at R526 million, with sales generated by operations in progress rising 56 percent to R307 million.

Operating profit increased by 33 percent to R43 million, though the improvement in ongoing operations was higher at 43 percent.

The net loss on sale of operations was R4.4 million which, together with a R7 million rise in net finance costs and a R9 million increase in the tax burden, largely accounted for the decline in attributable profit to R17.4 million from R19 million.

The interim dividend was raised by 10 percent to 33c a share.

The directors said that the acquisition of Transportation Motor Spares (TMS) and the sale of Hudaco’s 50 percent stake in Abrasives Corporation had affected the income statement and balance sheet.

Automotive spares accounted for nearly a third of total sales, an increase from 10 percent last year.

Own manufactured products accounted for 13 percent of sales, compared with 24 percent last year.

Further, shareholders’ funds had been reduced by the write-off of R46 million goodwill arising from the TMS acquisition, and net borrowings were R100 million against the position where the company had had net cash on hand at the end of the last financial year.

The directors said sales levels, with the exception of TMS, had been below expectations and operating margins had suffered. They declined from 8.8 percent last year to 8.1 percent this year.

They expected the economy’s non-agricultural sectors to grow only marginally this year.

"Under these circumstances and taking into account a lower inflationary environment, we expect growth in headline earnings per share for the full year to be about the same as that achieved in the first half.”

See Business Watch
Motor imports will keep rising, says car industry

Edward West

Motor imports would continue making inroads into the local market, despite remaining protection mechanisms in the Motor Industry Development Programme, industry sources said yesterday.

The National Association of Automobile Manufacturers of SA (Naamsa) estimated that about 25 000-27 000 fully built cars and 3 000 light commercial vehicles would be imported this year. About 20 000 of these were expected to be sold by Hyundai, which assembled vehicles from semi-knocked-down form in Botswana.

Including the Hyundai sales, fully built imports were expected to attain a 10% share of sales this year — well up on last year's performance.

The lowering of import tariffs under the development programme has encouraged a host of new imported vehicles to SA's market.

Salmcor CEO Jim Miller believed about 40 000-50 000 vehicles would be imported this year. "You can bet that if they can bring in imports at the current high level of tariffs, the numbers can only increase when tariffs fall again," he said.

Mercedes-Benz SA marketing director Eric Scoble said local manufacturers also were expected to import greater numbers of vehicles as their export performances improved. Under the development programme, import duties could be offset by export credits.

SA was a relatively small motor market, but imports were flooding in because of poor customs controls and because of the overstocked vehicle situation worldwide, Scoble said.

The Naamsa spokesman said "Alarms over fully built imports will eventually comprise 40%-45% of annual vehicle sales, while more conservative estimates range from 15%-20%." The industry has forecast car sales of about 234 000 units this year.

Naamsa said the number of fully built imports was expected to fall substantially next year, when Hyundai began full assembly operations in Botswana, but the number would continue rising after that as the local market grew and tariffs continued falling.
M&R buys Canadian wheelmaker (192)

By Marc Hasenfuss

Cape Town – Murray & Roberts (M&R), which yesterday warned shareholders to expect lower earnings this year, is set to bolster its international operations by acquiring a Canadian-based alloy wheel manufacturer.

The Toronto-based manufacturer, which is said to be linked to an international automotive group, manufactures mainly for the cross-border United States market in Detroit.

Lionel Bird, the company’s financial director, said yesterday that the plant would complement M&R’s British-based Alloy Wheels International, a 2 million wheel-capacity operation bought two years ago. The company also recently commissioned a manufacturing plant in Port Elizabeth with a capacity of 1.2 million wheels that produces mainly for the export market.

Bird also confirmed that M&R was looking at automotive component ventures in Europe.

These overseas ventures would bolster the company’s fast-growing Manac (M&R Automotive Components) division.

Bird said M&R was negotiating further sales and that these would be detailed in the company’s annual report later this year. Earlier this year, M&R sold Trichamp division, which traded as Champion Spark Plugs, back to its US parent ITT for an undisclosed sum.

M&R dipped to below R17 briefly yesterday in the wake of the lower profit warning, but recovered to close at R17.10.

Nolan Menachemson, an industrial analyst at SMK Securities, noted that M&R’s profit warning had not convinced investors to bail out of the share. “Investors are still aware of how quickly this company can turn around,” he said.

See Business Watch, Page 19
Europe Avoids Jobless

PERSONAL VIEW

John Fraser

(1970/71)

Europe Avoids Jobless

PERSONAL VIEW

John Fraser

(1970/71)
Progress made in employment talks

Renee Grawitzky

LABOUR, government and business are said to be moving closer on four controversial sections of the green paper on employment standards — the phasing in of a 40-hour week, the scope of the proposed legislation, the variation of standards and maternity leave.

When the green paper was published, Business SA expressed concern as to whether it could achieve a balance between maintaining labour standards and ensuring that legislated costs of employment were not imposed to the detriment of job creation. In particular it opposed the introduction of a 40-hour week.

Negotiators have attempted to trade off between a 40-hour week and increased flexibility. Parties are exploring options around the phasing in of a 40-hour week over a number of years, achieved through a national framework agreement.

Within this context, various options could be explored relating to working a compressed week, where employees work up to 12 hours per day at normal rates of pay, to averaging working time over a cycle longer than one week.

Sources have indicated that disagreement could result over whether the legislation would make any reference to a 40-hour week.

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Inflation forces new wage talks

Renee Grawitzky

EMPLOYERS and trade unions which are party to the three-year vehicle manufacturing and tyre agreements entered into last year have had to revisit certain clauses of the agreement due to the decline in inflation.

National Union of Metalworkers of SA spokesman Tony Kgobe said yesterday that in terms of the three-year agreements signed in both industries, the parties would have to revisit the section relating to the wage model if inflation fell below 8.5% in the case of vehicles and below 8% for tyre or if it rose above 14%.

He said during discussions with the employers, the union had proposed a 14% increase for those workers on the minimum of each grade and 12% for remaining workers Kgobe said employers indicated that they could not go beyond the published inflation rate of 5.9% as it would impact on the wage model, but thereafter proposed a 6% across-the-board increase and an additional 2% to increase the minimum.

Auto Manufacturing Employers Organisation chairman George Stegman said that during discussions both parties had concurred with the need to uphold the intent and spirit of the agreement and in that vein would have to find agreement on the wage issue.

Spokesman for the tyre industry Juan Dewelser said the agreement only provided that parties should review the wage model which excluded negotiations of an across-the-board increase.

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Erwin denies claim of down-phasing

John Dludlu

TRADE and Industry Minister Alec Erwin has dismissed claims from business that government has accelerated its tariff reduction programme to levels far below SA's offer to the Uruguay round of GATT talks.

Erwin told the SA Labour Bulletin "the notion that there has been a dramatic down-phasing of tariffs is in general not true."

He is quoted as saying only 5% or 10% of SA's tariffs are above the binding offer made by government to GATT. Actual tariffs are in virtually all cases below the offer.

The exceptions were clothing and textile, motor vehicles and certain electronic goods.

Some labour sources have called for the tariff reduction programme to be slowed down, especially as it has not been accompanied by supply-side instruments to assist industries undergoing restructuring. However, Erwin says no one has made a conclusive case that the sole reason for job loss is tariff protection. "The reason is the industry is overprotected and will not sustain itself over time."

He points to the motor industry: "How are you going to compete in the car industry when you've got seven plants, the average throughput of those plants is 50 000 to 60 000 cars, and a Japanese plant produces 400 000? The longer you leave the delay, the worse your position is."

Erwin says training should have "high levels of generic training and portable skills. You can't have training that will equip you only for the chemical industry, because that industry will change."

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Motor Industry still positive in spite of June slump

COMPANY NEWS
Trading hour curbs go for motor firms

(192) April 6/7/96

JOHANNESBURG – The South African Motor Industry Employers' Association (Samsea) and three trade unions in the retail motor industry have reached agreement on revised working conditions, the association has announced.

The agreement includes the scrapping of restrictions on trading hours, Samsea executive director Vic Fourie said in a statement.

This would allow employers and employees to decide on how to supply services like the sale of new and used vehicles, the sale of spares and repairs to vehicles from Monday to Saturday up to 11pm and up to 6pm on public holidays.

The National Union of Metalworkers of South Africa and two other unions also agreed on minimum wages in the industry.

Mr Fourie said the agreement brought equality in social security measures for all employees in the industry.

The agreement is expected to be implemented by September 1 – Sapa.
Chrysler set to hit SA's roads again

CHRYSLER and its dealer network have invested almost R20-million for the motor company's return to South Africa after a 13-year absence.

The internationally renowned Jeep Cherokee, in four right-hand-drive derivatives, and two models of the Neon sedan will be on showroom floors by the middle of August.

They will be imported fully built-up from the US and Austria and come to the local market at competitive prices. By October it is expected that the open-top Jeep Wrangler and multipurpose Chrysler Voyager will be available.

Tom Ford, general manager of Chrysler International's SA office, says the intention is to sell about 2,500 vehicles in the first year, made up of 900 Neons and an equal number of Cherokees and Grand Cherokees sold through its four-dealer network.

"We deliberately chose Jeep vehicles to mark our return to South Africa because we believe they will find wide acceptance in a country that is renowned for its outdoor lifestyle and has a deeply ingrained 4x4 culture," he says.

The pricing of the Jeep and Neon models is competitive with locally manufactured vehicles says Ford.

The Neon will compete with the likes of the Toyota Camry, the Ford Telestar, the Mazda 626 and the Honda Ballade in price, with the base Neon model selling for R99 950 and the top of the range LE model for R99 950. The standard Cherokee will cost R169 950 and the Grand Cherokee R219 500.

There are about six component suppliers in South Africa which provide parts to Chrysler globally and it is intended eventually to encourage them to export to the various plants around the world, he says.

Once the domestic market has been penetrated, the company will investigate the sub-Saharan market and will become involved in community and environmental affairs in South Africa.

"Our experience in various markets has shown us that the driver of a Jeep Grand Cherokee uses the vehicle as a replacement for a luxury sedan. This means it will likely spend more than 90% of its life in city streets where four-wheel drive is an advantage in times of inclement weather and in other circumstances that affect road surface," says Ford.
several segments. Adapting a 10-seater bus to officially take 16 (and usually many more) became big business. Though VW's buses remained in demand with traditional family buyers, executives were tempted to broaden the vehicles' appeal. That they didn't is now a source of some relief. The taxi-buying market has failed to come even close to marketers' expectations. With a number of manufacturers out of the market, VW outsells its nearest rival nearly two to one.

Reasons for the lack of demand for taxis are many. They include outrageous financing demands, ongoing violence and a hugely oversubscribed vehicle pool that contains tens of thousands of unregistered vehicles. The traditional, mainly white, VW market faces no such problems.

Ironically, having refused to adapt its production lines to meet past taxi needs, VW now finds its vehicles in demand for the used market. Private engineering companies are fitting extra rows of seats— with all the problems of added weight and lack of braking power that entails. Company officials admit to being nervous about the safety of re-engineered vehicles but say there's nothing they can do.

In June, VW sold 416 minibuses, compared with the 210 of its nearest competitor, the Toyota HiAce. Other remaining options were some way back. In terms of the light commercial vehicle market as a whole, however, Toyota remains well ahead of the pack. Its Hilux bakkes continue to lead the way, with considerable help from its Venture and Stallion ranges.

Industry marketers were predictably sanguine about last month's disappointing vehicle sales performance. Having prospered in May on a wave of pre-emptive buying ahead of price and interest-rate increases, a rebound was to be expected.

At the halfway point in 1996, with overall vehicle sales barely 3% ahead of last year, the earlier buoyant mood has given way to one of nervous caution. Heavier commercials continue to perform much better, but overall once-confident talk of a 5% increase in the SA total vehicle market this year has evaporated.

The National Association of Automobile Manufacturers (Naamsa) best sums up the new mood. It says, sombrely, that in the face of "extremely high" financing costs and reduced disposable income, 3% growth is merely "attainable."
NEC bristles at Johnnic-Toyota talks

JOHNNIC is negotiating to sell its 21.4% stake in Toyota SA to the multinational vehicle manufacturer, leading sources within the National Empowerment Consortium (NEC) to accuse the group and owner Anglo American of negotiating in bad faith.

Johnnic chairman Vaughan Bray declined to comment, but other sources within the company confirmed that talks were taking place with Toyota to buy Johnnic’s stake in Toyota SA.

The sources said confidentiality documents had been signed between Johnnic and Toyota. No price had been agreed to for the stake, which was valued at R230.6m on the JSE on Friday.

Johnnic’s holding in Toyota SA is one of the investments on the table in negotiations between Johnnic parent Anglo American and the NEC. NEC sources said at the weekend it was not particularly interested in the Toyota stake because the group “was performing abysmally” and constituted a small percentage of Johnnic assets.

Toyota reported a 73.5% increase in attributable income to R194.1m in the year to December.

An NEC source said, however, that the deal had to be done “at a good price” and added that while the NEC had been advised about the Toyota talks, its approval had not been sought.

Although the Toyota interests represented only a small element of the Johnnic assets, NEC sources said the latest negotiations, combined with talks to merge Premier Pharmaceuticals with Adcock Ingram and the proposed Times Media Limited editorial charter, indicated Anglo was negotiating in bad faith with the NEC on the sale of its 48% stake in Johnnic.

“For years, nothing was done with Johnnic. Now that black shareholders are interested in its assets, they are being spun off before any deal can be done,” the source said.
Delta stops its Isuzu line

PORT ELIZABETH — A week-old strike at Uitenhage motor component plant Gearmax has forced the Delta Motor Corporation to shut down its Isuzu bakke production line.

Delta's manufacturing and assembly director Willem du Plessis called yesterday for the urgent resolution of what is the region's first politically motivated strike this year.

A week ago 250 Numsa members at Gearmax downed tools, demanding that the company's head of security be fired or appear before the truth commission.

Numsa said Ivan Erasmus, allegedly a former unit policeman, boasted to workers of how the unit tortured political activists during the Eighties.

Gearmax said it would not give in to the workers' demands. The company could not compel anyone to appear before the commission. It would not fire Erasmus.

Workers are gearing up for a week of protest after the union shop steward's committee voted to back their members' demands. — Ecna.
Sale could boost Toyota SA long-term prospects

Edward West

TOYOTA SA would need the expertise, technology and capital of a multinational parent firm to ensure long-term survival, analysts said yesterday.

They were responding to speculation that Johmnix was negotiating to sell its 21.4% interest in Toyota SA to international group Toyota Motor Corporation — ahead of JCI’s possible sale of Johmnix to the black empowerment group, the National Empowerment Consortium (NEC).

Toyota SA’s share price fell 50c to R26.50c yesterday — which was well off its 12-month high of R36 in January, but off its 12-month low of R21 last month.

Analysts were surprised by the share’s move yesterday.

“Any news, even speculation that the Japanese parent might be taking a stake in the local company should have sent the share price up,” said one.

Toyota SA vice-chairman Elizabeth Bradley declined comment, and so too did Johnnie MD Vaughan Bray and NEC spokesman Irene Charnley.

Asked for comment, a Toyota Motor Corporation spokesman in Japan said: “We cannot confirm anything. Nothing has been decided yet.”

Analysts said despite the strong profit growth Toyota SA had recorded last year in a buoyant vehicle sales market, its long-term outlook was less promising.

Factors inhibiting the local company’s growth included restricted export markets to southern Africa in terms of licensing agreements, the fact that Toyota had no vested interest in Toyota SA, and the lack of an entry-level model in the rapidly expanding lower end of the local market.

Toyota SA would need to expand exports urgently to stay competitive in the face of rising imported competition resulting from the liberalising of the trade regime, and the growing use of export credits by local competitors to offset import duties.

One analyst said that if Johnnie’s 21.4% stake was acquired by the Japanese multinational, it could be a precursor to acquiring close to full control of Toyota SA via the purchase of more shares from its controlling shareholders, the Wessels family.

The NEC was understood to have been displeased at a possible sale of the Toyota SA interest. A source said yesterday, however, that a “fire sale” of any other of Johnnie’s assets was not on the cards.

Comment: Page 12
Cooper clinches export deals

By Marc Hasenfuss

Cape Town — Cooper Automotive South Africa, which was formed after US-based Cooper Industries acquired Truchamp Components from Murray & Roberts Holdings late last year, bolstered its offshore income by clinching three key export contracts.

The company's brand line-up includes Champion spark plugs, wiper blades, and ignition leads, Texo wiper blades, National automotive lighting, Rino lighting accessories, Truchamp commercial vehicle wiper blades, and Wagner sealed beams. It recently secured supply agreements with Chrysler and General Motors in the US and with Champion in Europe.

Ernst Nel, Cooper Automotive's managing director, would not reveal the value of the agreements but indicated that expected export revenue could see Cooper Automotive's turnover increase by between 15 and 20 percent this year. Nel said South African-made Champion spark plugs would be exported to Europe for distribution to mainly French-speaking African countries. "This development was a direct result of our being part of the automotive segment of a multi-billion dollar US parent."

He explained that previously the company was limited by licence agreements to exporting only into sub-Saharan Africa. "Now we are able to be in with the international distribution network of Cooper Automotive and be an integral part of Cooper Industries' African strategy on a larger scale."

Nel said the company would start supplying windscreen wiper blades and arms to General Motors in Brazil this month, a contract which follows hard on the heels of an agreement to supply Wiper Linkages to Chrysler for their Prowler model. "These relationships give Cooper Automotive valuable leverage with European and other foreign OEMs (own equipment manufacturers)," he said. Nel indicated that negotiations were also under way for Cooper Automotive to break into the Australian car market. He said that while the company was exporting components to Europe and the US before the acquisition by Cooper Industries, global sales through the distribution arm of the holding company would ensure future growth.
Stormy debate over Toyota stake

Tebello Radebe

EXTENSIVE new capital investments in South Africa have been part of lengthy discussions between the Japanese giant, Toyota Motor Corporation (TMC) and its local affiliate, Toyota South Africa (TSA), which has become embroiled in a controversy over the National Empowerment Consortium (NEC) bid for Anglo’s stake in Johamic.

Although this week to shed more light on TMC’s possible investment plans in South Africa, Tokyo representative Keith Truelove told the Mail & Guardian that “we [TMC] cannot make any comments now; we are looking into the matter”.

But, according to confidential minutes of meetings held in Japan in May, the car giant has been considering major investments in South Africa for some time. However, it may not have been able to do so because of the possible negative repercussions for local investors and the reputation of local management.

TMC first indicated more than a year ago that it was interested in buying up about 12% in TSA as well as exploring the possible establishment of a major plastics plant, including extensive improvements to the Toyota plant in Prospecton, Durban. Since then, TMC has expressed its desire for no less than 23% of TSA.

But among the fears over TMC’s investment plans is that it would have cut the 50% stake held by the family of the late founder, Albert Wesels, in TSA’s holding company, Wesco. This would have led to a delisting of Wesco on the Johannesburg Stock Exchange, which in turn would have led to institutional investors selling their shares.

Another option that was ruled out was a possible 25% rights issue. It was given the thumbs down because the funding requirements of TSA do not justify such an investment “which must show tangible growth expectations. If merely normal business is carried on, such an investment would also give a negative signal that management cannot manage their business profitably and needs capital injections to keep going,” states the confidential document.

In the wake of plans by Anglo American to sell Johamic to the NEC, the Japanese group has been urged to invest in TSA via the 21.7% stake in TSA held by Johamic, worth more than R230-million.

This has unleashed a stormy debate, with Dr Nhato Motlana, head of New Africa Investments Limited, part of the NEC, saying “it will be interesting to see whether Anglo will sell off TSA separately since they have offered Johamic to us as a package”.


R400m Mercedes plan to produce small trucks

Ronny Tshabalala

MERCEDES-Benz SA is to invest up to R400m in producing a new range of small trucks at the company’s East London plant.

MBSA chairman Christopher Kopke said yesterday his company was willing to invest more in SA in future, but this hinged on government’s economic policies, which had not yet satisfied the world community.

The SA government was running the economy along the same principles as the previous government, he said.

Kopke said he expected the Sprinter 3,5-4,6 ton diesel truck, which could be sold as a passenger vehicle or panel van, to become a leader in the small truck market.

MBSA expected to sell about 5,000 in the first year of production.

Annual production volumes were expected to reach 7,800 units by 1999, with the company aiming for a 20% stake of the small truck market.

The vehicles, priced between R94 500-R116 800, would be sold with a 100% maintenance scheme, a scheme new to SA’s commercial vehicle market. MBSA hoped, also, to export the vehicles to southern Africa.

Over the past two years MBSA’s exports had grown 400% and its expected products worth R650m to be sold across SA’s borders this year.

The export sales were mainly to the passenger car division of Mercedes-Benz in Germany, and included leather, alloy wheels, catalytic converters, glass and some smaller components, reports said.

MBSA produced up to 40,000 units last year. Sales totalled about R5.2bn.
Price war and cheaper cars halve motor trade’s profit

Edward West

BD 22/9/96

PROFITABILITY in the motor retail trade has more than halved over the past year — a casualty of the price war raging in the motor industry and the market’s move towards cheaper cars.

Latest figures from the Central Statistical Service show the industry’s profitability ratio — net income as a percentage of turnover — fell to 0.6% in the first three months of the year compared with 1.5% in the same period last year. The rate was 0.9% in the final quarter of last year.

Retail market leader McCarthy Motor Holdings said at the weekend that the trade had been hit by rapid growth in the market for lower-priced cars, as well as price cuts. The market for cars priced below R40 000 had grown to 21.5% of total sales in the first half of 1996 compared with 10.6% last year and 13.8% in 1994.

By the end of the year the lower end of the market was expected to account for up to 30% of the total market, chairman and CEO Brand Pretorius said.

Growth of the new entry-level car market had virtually eliminated the R30 000-R40 000 used car market.

Car manufacturers such as Samcor and Nissan have also continued cutting prices, despite the rand’s fall. Currency problems have forced some manufacturers, such as Daewoo, to lift retail prices.

Pretorius said trade-in values had dropped because of discounting.

Motor retailers were having to deal with lower margins because of the price cuts, higher rents, the cost of standards and systems upgrading, training and development and rising pay expectations.

In addition, there had been a negative change in motor retailers’ sales mix with a higher level of slower-moving stock. Excess inventory was exacerbated by manufacturers’ production.

Continued on Page 2

Motor trade

Continued from Page 1

BD 22/9/96

Retailers were caught in a “double whammy” of lower margins on new cars and a depressed used car market.

The ideal way to manage a retail motor business out of such a situation was by absorption costing — covering overheads with parts and repair service profits. However, costs associated with a large new and used car lot could not be covered in such a manner.

However, lower car prices were long overdue, as the price of cars in relation to disposable incomes had become “extremely high”, he said.

Continued on Page 2
Car makers to lift prices by about 3%

Edward West

The rand’s fall caught up with the motor industry yesterday as a string of manufacturers warned that their prices would rise an average 3%.

Industry sources said the rises, a respite in the face of a price war that has ravaged the sector, were likely to be repeated later this year, even if the rand stabilised. Economists said prices would have to rise about 14% to fully reflect the rand’s fall, but that many manufacturers were attempting to soak up much of the increase to maintain market share.

Sascor, one of the main aggressors in the entry level of the car market, said prices on certain Ford and Mazda models would rise 3.5% immediately.

Volkswagen-SA, which lifted prices on some Golf, Jetta and Audi models last month, announced a 3% hike yesterday for CitiGolf.

BMW-SA and Nissan-SA have both lifted prices, with the latter going for an average 3.5% hike.

Toyota-SA said it was maintaining prices on locally produced vehicles but some price adjustment was inevitable.

“Exchange rates have put enormous pressure on prices and some movement is inevitable, we just have not decided which way to move yet,” Toyota marketing director Francois Loubaer said.

Prices for imported cars, such as the Lexus, RAV4 and Previa, had been increased 4%-5%.

The increases follow months of intensifying competition in the industry, which has led to price cuts, special offers and new entry vehicles.

The National Association of Automobile Manufacturers of SA warned last month that prices would have to rise following the rand’s fall, which has knocked input costs. About 60% of SA vehicles have imported components.

Continued on Page 2

Car prices

Continued from Page 1

But industry sources said many players had chosen to suffer thinner margins rather than cede market share. Sascor’s aggressive pricing has enabled it to grab nearly 20% of the market against 14% early last year.

Econometrix economist Tony Twine and the rises were far below the actual effect of the rand’s deterioration. In dollar terms, the weaker rand would have increased the cost of an imported car by 25%. The increase for a locally made car should have been about 14%, as the imported component of locally produced vehicles averaged 45%.

Twine said manufacturers were offsetting higher costs with export credits, as the rand value of the credits under the motor industry development programme would have increased with the devaluation.

Many manufacturers had a high level of stock at last year’s prices and much of the industry would have benefited from forward cover.
NF Die Casting to export cylinder heads to Ford

By Jonathan Rosenthal

Johannesburg — NF Die Casting, which is 51 percent owned by Anglo American, said yesterday that from January it would produce 450 sets of cast aluminum cylinder heads and inlet manifolds a day for export to the Ford Motor Company. The contract is part of Samcor's 30-month, worldwide sole-supply contract to the company for Ford Escort 1.4 PTE engines. NF should begin the new venture with limited production of 50 sets at Samcor's Port Elizabeth engine plant by mid-July, said Barry Halliet, the managing director.

Samcor is expected to supply about 200,000 engines to Ford over the next two years, generating export earnings of more than R400 million. NF has bought tooling and equipment for the contract from Ford's present supplier for R6 million. About 80 new jobs will be created, Halliet said.

Cylinder heads are cast at NF's plant and machined by Samcor in Port Elizabeth. NF casts and manufactures the inlet manifolds.
Bearing Man sets its seal on expansion

By Stuart Rutherford

Durban — Bearing Man, a Durban-based distributor of bearings, seals and power transmission products, continues to follow its impressive growth path with large expansions and a tie-up with a German company.

Bearing Man will report its year-end results on July 26 and analysts expect the company to push its turnover to R500 million and lift its earnings a share by 15 percent.

Bearing Man is 55 percent owned by Anglovaal. In January it reported an interim turnover of R141 million and an operating profit of R19.7 million.

Greg Till, the managing director, confirmed that shareholders could expect superior returns for the year. He would not comment on speculation about a share split.

Till said the group had increased the number of its outlets around the country by 10 percent to 60 in the past year.

Last week it obtained an 11,000m² site adjoining its premises in Drosite Park, Johannesburg. He said the group intended to construct a 3,000m² warehouse and distribution facility on this site. It would be completed by December.

“We have also secured exclusive rights to distribute products made by a large German principal and have sent 50 sales staff to Germany for training,” he said.

An announcement detailing the identity of the German company would follow next week. He said the deal would provide Bearing Man with a good range of products.

“For us it is an opportunity to get involved in a market that is worth in excess of R150 million a year in South Africa,” he said.

Till said that during the year the company had defended its market share in the bearings division and had continued to expand in the seals, power transmissions, specialised conveyor belting and gearbox divisions.

He said the business had provided an excellent rand hedge in the short term because it had a large stock and had no real local competitors.

“We are a one-stop shop. There is no other company in the industry that has the spread of products that we have,” Till said.

The company imported 90 percent of its products. It had exclusive rights to 20 brands and shared rights to another 12.

He acknowledged there was a limit to the number of products that Bearing Man would carry, but he expected growth to continue to the end of the century, with outlets planned for Botswana and Zimbabwe next year.
Motor industry to create extra jobs

AN AGREEMENT aimed at creating additional jobs in the motor industry was hammered out on Thursday during talks between unions and employers, the National Union of Metalworkers of South Africa said at the weekend.

Numsa spokesman Tony Ehrenreich said the unions and employers agreed that trading hours in the industry be extended from 97 to 119 hours a week.

They further agreed that the working week of employees be compressed into four days. The three remaining days would be covered by new employees in the industry, leading to the creation of more jobs, Ehrenreich said.

"We think that this is fundamental because as labour we are accused of only looking after our members' interests who are presently employed... we think this now takes account the needs of the society as a whole, especially the creation of more jobs.

Ehrenreich added the agreement was reached during talks between Numsa, the Motor Industry Employees Union, and the SA Motor Industry Employers Association (SAMIEA) in Kompton Park.

Numsa said it was agreed that employees' working hours should be 46 hours a week, but with a maximum of a 12-hour shift over four days. Motor industry workers could also win wage increases of 12% for the lower grades and 8% for the higher grades when the agreement was promulgated, Numsa said.

Promulgation of the agreement could be delayed because the Motor Industry Staff Association, which represents white clerical staff, rejected other trade unions and employers' proposal that managers fall outside the scope of the application of the agreement, Numsa said.

SAMIEA representative Vic Fourns confirmed the agreement but said certain issues were still outstanding. They hoped to resolve the issues before the middle of next week, he said.

He refused to elaborate, saying the issues were sub judice. The participants also hoped to confirm the agreement at a special general meeting of the Industrial Council on Thursday.

The meeting also agreed to end discrimination based on race with regard to the provident/pension fund. Numsa said black workers had in the past received from and made minimal contributions to, the fund compared to their white counterparts. It was also agreed to guarantee continuation of service for a woman on maternity leave who had 12 months' service with the same employer — Sapa
Nissan reignites price war with big cuts

NISSAN SA, owned by the recently listed Automakers group, is to slash its prices by up to 18.5%, reigniting the car price war which was dampened by rand-lashed price hikes.

The group — one of the largest market players — said prices across its Nissan and Uno range would fall in a bid to undercut competitors. The entry Uno 120X drops more than 10.1% to R84 990, while the 160GXi drops 18.5% to R78 900. Other manufacturers lifted prices at least 3% after the rand’s fall, which is expected to trigger a 14% retail price hike this year.

But Nissan said its cut had been driven by “intense competition” in the sector. These reductions are the culmination of a long process and result from reduced component and manufacturing costs,” marketing services director John Jessup said. The company denied it had cut a special supply deal with its Japanese supplier.

Automakers’ shares gained 25c or 8.2% on the JSE yesterday, closing at a new high of 330c. But analysts dubbed the move “desperate” from a company fast losing market share. The cut was likely to bite deeply into its earnings.

The group said in March its proutting forecast for earnings growth for the year to June was unlikely to be met, given the competition in the sector.

One analyst said, “Unicliar’s market share is just not big enough to support all the players. Someone’s going to have to go.”
THF gloves have come off as the motor industry heavyweights square up for sales supremacy.

Samcor, the South African maker of Ford and Mazda products, has reversed a recent price increase announcement and announced instead a sharp drop in prices.

The announcement comes in the wake of a 10 percent average price cut by Nissan South Africa.

Nissan's cut, announced by marketing services director John Jessup late yesterday, sweeps across all locally made models.

"New vehicle buyers, hammered recently by the rising petrol price, higher interest rates and effects of the rand, will be forgiven if they cannot believe their ears when they hear that Nissan is reducing the prices of all its locally produced Nissan and Uno vehicles," Mr Jessup said.

"While the average price reduction is around 10 percent, each model variant has been looked at independently with regards to positioning, specification levels and potential demand."

"As a result, reductions vary widely, and in some cases exceed 15 percent. Nissan passenger car prices decline 9.4% on average. Nissan light commercial vehicles by 10.6% and Uno vehicles by 7.8%.

Mr Jessup admitted the move came against the background of intense competition. "These reductions are the culmination of a long process and result from reduced component and manufacturing costs," he said.

As an example, the Fiat Uno Fire/three-door will now cost R34 900 instead of R38 540, a drop of 10.1 percent.

Samcor hit back by not only dropping prices to levels prior to the recent increase, but also said anybody who bought one of the affected vehicles after the price increase would be in line for a refund to match the new prices.

The Samcor products in line for the reduction are the Ford Laser and Mazda Midge models and the Ford Bantam and Mazda Rustler half-ton pick-ups.

Volkswagen South Africa would have to follow suit soon if it wanted to stay in competition, said a prominent motoring journalist, Robin Emseley, past president of the South African Guild of Motoring Journalists.

Some industry sources suggested the price drops were the actions of companies in trouble, but Mr Emseley disputed this.

"I don't think we will have cripples in the near future. If you consider the struggle the motor industry has had to face the last decade, you will see they have been quite resilient.

The motor industry war is not only being fought on the sales price battlefield. After-sales costs were also under the spotlight recently when Mercedes Benz announced its plan to cut spares prices by 30 percent and before that BMW announced that maintenance contracts were included in the price of its cars.

Apart from facing competition from each other, the South African motor industry has increasingly had to face competition from importers following reductions in protective levies."
**Nissan fires first salvo in new price war**

By Roy Cokayne

Pretoria — A new motor industry price war is on the cards after Nissan's surprise decision yesterday to reduce the price of its locally produced Nissan and Uno vehicles by an average of 10 percent.

The price cuts were unexpected and follow a recent spate of price increases averaging 3 to 3.5 percent by the majority of motor manufacturers because of the depreciation of the rand.

John Jessup, Nissan South Africa's marketing services director, said the price cuts were "the culmination of a long process and resulted from reduced component and manufacturing costs."

Nissan passenger car prices have been reduced by an average of 9.4 percent, Nissan light commercial vehicles by 10.6 percent and Uno cars by 7.8 percent. In some cases, the reduction has been more than 15 percent.

The move is all the more surprising because the motor industry was bracing for further price increases.

Neo Vermeulen, the executive director of the National Association of Automobile Manufacturers South Africa, said last week the association expected further preemptive purchases by consumers, who expected adjustments in the prices of new vehicles to underpin the new vehicle market for the rest of the month.

He said the recent price increases did not fully reflect the cost-rising effect of the rand's weakness.

Tony Twine, a motor industry analyst and a director of Econometrix, pointed out that the rand had fallen 20 percent since the beginning of the February but the increases had stayed within a 3 to 3.5 percent range.

This means motor manufacturers have not solved their problems with the price rise.

Most manufacturers have increased the price of their vehicles but some have cut the price of selected models sharply.

Nissan cut the price of the Sentra 160GX with air conditioning and power steering by 16.3 percent, from R77 700 to R66 800.

The price of a Nissan Hardbody 2.0 litre short wheelbase Custom has been reduced by 16.8 percent, from R70 092 to R59 990.

In the Uno range, the base model 1100 Fire three-door has taken the biggest cut, the price has fallen 10.1 percent, from R58 540 to R54 990. These cuts mean the Uno base model is cheaper than both Samcor's Mazda Midge, which sells for R55 495, and Volkswagen's Golf Cico, which costs R55 070.

Last week, Samcor raised the price of some of its Ford and Mazda models by 3.5 percent and Volkswagen increased the price of its Citi Golf range by 3 percent. 
Nissan answers fraud claim

Edward West

NISSAN SA has launched a R12.7m counter-claim to government's R20.1m claim, ahead of moves to gather evidence in Scotland next month as part of an investigation into motor industry export incentive fraud.

The department of trade and industry's R20.1m claim on Nissan is one of five made against various vehicle manufacturers including Toyota SA, Delta, Samcor and Associated Automotive Distributors, valued in total at about R120m, following export incentive fraud allegations against certain motor parts manufacturers in terms of the defunct Phase VI local content programme.

A Nissan SA spokesman said yesterday that once evidence was heard on commission in Scotland, the soonest the issue was likely to be heard was January 1997.

Court papers lodged in the Pretoria Supreme Court showed that the state had paid Nissan SA R30.1m as excess rebate payments based on export incentive concessions by Bolts Trading and Manufacturing (BTM) and Johan le Roux, of the company Nonferrous Refiners. The department was claiming the money back on the basis of "unjustified enrichment," or alternatively, "misrepresentation."

The R12.7m counter-claim represented Nissan SA's view that it complied with Phase VI and that the money was in fact, still owed to it in terms of the programme. "Whatever false information was given by BTM and Le Roux, if in fact this occurred, is irrelevant to the respondent's claims and counter claims and the applicant's claims. The respondent is not party to any fraud," Nissan SA said in its submissions to the court.

The state intended to gather more evidence in Scotland from former BTM director Karen Boyle, who left SA in 1992 when the Office of Serious Economic Offences wanted to interview her.

Evidence to be gathered related to correspondence between Nissan SA and its trading company Motoware, and BTM, and invoices from European companies Contrax AG and Euroholt GMBH.

In an earlier affidavit, Boyle claimed that some of the nuts and bolts that were exported by BTM under the phase VI local content programme were "just too large to fit into a motor vehicle."

"In some cases the products were absolutely obsolete and he (BTM MD Jurgen Rohde) literally went about buying scrap products simply to inflate his exports, in my view," Boyle said.

Boyle was also a director of CET Trading, a company which allegedly exported nuts and bolts at inflated prices and had ceded its foreign currency earnings to Toyota SA. Government had claimed R56.7m from Toyota SA, court papers showed.
New car price war is not viable, says McCarthy

Lukanyo Mnyanda

LOCAL motor manufacturers’ resurgent price war stepped up yesterday as Samcor announced a new round of price reductions — barely two weeks after announcing price increases of about 5.6% for selected Ford and Mazda models.

Samcor said the cuts — the second this year — would apply to its Ford Laser Tracer and Mazda Midge small car ranges, as well as its Ford Bantam and Mazda Rustler half-ton pickups.

Samcor’s announcement comes only a day after competitor Nissan SA announced similar cuts, when consumers were bracing for higher prices as the rand’s fall was expected to trigger a 14% hike later this year.

Like Nissan, Samcor said the reductions were a culmination of long-term strategy aimed at reducing costs and passing savings to customers.

Econometrix director Tony Twine said the rest of the industry would be forced to react to the latest round in the price war. The latest reductions could also knock the residual value of previous customers’ vehicles, he said.

However, SA’s largest motor vehicle retailer, McCarthy Motor Holdings, warned yesterday that price increases were inevitable, as the local industry could not afford to enter into another price war.

McCarthy chairman and CEO Brand Pretorius said “the motor industry has already fought its price war. Significant gains have been made in affordability in the past 18 months, but with the depreciation of the rand, prices will now increase.”
Nissan takes industry by surprise
By Roy Cokayne (192)

Pretoria — Nissan South Africa's decision on Monday to reduce the price of all its locally produced Nissan and Uno vehicles by an average of 10 percent caught other motor manufacturers and motor industry analysts napping.

What made Nissan South Africa's price reductions more surprising was the fact that in the middle of last month, it became the first manufacturer to increase its prices after the rand's decline.

The price increases were expected and most motor manufacturers had increased the price of their vehicles by the end of last month on average between 3 and 5 percent, as a result of the slump in the value of the rand.

Johan Kleynhans, the general manager of public relations for Nissan South Africa, yesterday described the company's price rise last month as "a tactical decision." ECONOMETRIX, said the price reductions were "an extremely well-conceived strategic move by Nissan that pretty much took the market by surprise."

Kleynhans said Nissan South Africa was moving towards net pricing for its vehicles.

"As is the trend in Europe and the United States, the price you see is the price you pay," he said.

Eric Scoble, the passenger cars marketing manager for Mercedes-Benz of South Africa, said the reductions were being achieved by cutting dealer margins and moving towards net pricing.

He said there was more product and choice on the South African market and "the fight is on this year between the motor manufacturers."

Scoble said South Africa was an attractive market and the increased competition would result in the market share of the individual manufacturers moving more into line with the 12 to 14 percent range held by leading brands in other competitive markets such as Britain and Germany.

Another unexpected aspect of Nissan's reductions was the wide range of vehicles in its product range affected. Eight Uno models, 18 Sentra derivatives and 27 light delivery vehicles were reduced.

Other manufacturers have reduced the price of selected vehicles in their model ranges — before and after Nissan's initiative. They mostly compensated for the reductions by increasing the price of other models.

Before Nissan's price war, motor industry analysts were adamant that further vehicle price increases were certain.

Twayne said Nissan's price reductions were not unforeseen because everybody was working on the assumption that the industry would continue operating as it had done for the past 15 years.

Nissan's price reduction had broken the mould, he said.

Twayne said Nissan had been able to reduce the price of its vehicles through intense negotiations with its overseas and local suppliers, its labour force and internal restructuring. Its entire cost structure had come under very intense scrutiny.

Twayne said this had enabled Nissan to reduce its entire cost structure rather than reduce the price of selected models.

Twayne described the price moves as "very aggressive stuff" and believed the motivation for the move was an attempt to increase market share.

He said the market was not getting bigger in volume terms and if manufacturers needed increased unit sales, they had to have a bigger market share.

Kleynhans rejected suggestions that Nissan's price reductions had been prompted by high stock levels.

The price reductions have evoked criticism in some quarters. Brand Pretorius, the chairman and chief executive of McCarthy Motor Holdings, said motor vehicle price increases remained inevitable because the industry was unable to enter into another price war.

Pretorius described Nissan's price cuts as a defensive strategy "reflecting Nissan's specific situation rather than the industry's position as a whole."

"The motor industry has already bought its price war. Significant gains have been made in affordability over the past 18 months but with the depreciation of the rand, prices will now increase," he said.

Samcor enters the fray as it cuts prices on new cars
By Roy Cokayne

Pretoria — The motor industry price war escalated yesterday, with Samcor announcing reductions in the price of certain vehicles in its range in response to Nissan South Africa's surprise price cuts on Monday.

The price cuts were announced by Jim Miller, Samcor's chief executive officer.

Miller said the new prices were retroactive to June 3 and any customers who purchased one of these vehicles since then would be refunded.

Samcor announced on Monday a reduction in the price of all its locally produced Nissans and Unos by an average of 10 percent.

None of the other motor manufacturers appeared to be listening.

The two Volkswagen SA and Toyota SA said they would not be reducing the price of any of the vehicles in their product ranges.

Roger Houghton, the general manager of public affairs at Toyota SA, said that it would not be adjusting any of its prices.

Graham Hardy, Volkswagen South Africa's marketing director, said they did not plan to change its pricing structure in reaction to the announced price reductions of Nissan and Samcor.

"We view these actions with concern as price reductions of this magnitude could negatively impact on consumer confidence and resale values and serve to threaten the viability of the manufacturer," he said.

He said at Volkswagen, their intention was to endeavour to continue providing value for money and affordability to customers without jeopardising the resale value of the product range.

Samcor price re-alignments involve its Ford Laser TRACER and Mazda 500 small-car ranges and its Ford Bantam and Mazda Rutherford ranges of half-ton bakkies.

The price reductions make Samcor's entry-level base model passenger cars marginally cheaper than Nissan's after the price cuts. In the Uno range, Nissan's 1.2 litre from R38 540 now costs R34 900.

Miller said it was the company's intention to provide the best value for money in the markets in which it competed.

"The success of this long-term strategy, which was announced in mid-1995, is borne out by the fact that Samcor's share of the passenger car market has improved from 10.8 percent in 19.2 percent and of the total market from 14.1 percent to 19.8 percent over this period."


SA and Germany sign agreement

Melanie Sergeant

MUNICH — SA could become a “virtual factory” for product manufacture, and discussions are under way to take this concept into the manufacture of car parts.

At the signing of a science and technology partnership with Germany yesterday, Arts, Culture, Science and Technology Minister Ben Ngubane said that with German technology and SA’s labour and raw material resources, SA could become a dominant supplier of various products — including automotive parts for many of Germany’s vehicle manufacturers.

Talks have begun, with the Council for Scientific and Industrial Research having signed a co-operation agreement with the Fraunhofer Society, which works with industry to commercialise German research and development projects.

Ngubane has called a meeting with a number of top SA industrialists for July 1 to discuss the technology partnership, and to move quickly with initiatives in the areas of manufacturing; renewable energy resources; environmental projects focusing on remediation of heavily polluted areas; and integrated medical programmes linked to rural upliftment.

He signed a co-operation agreement with German Education, Science, Research and Technology Minister Juergen Ruettgers. This covers information and resource sharing, the exchange of scientists, and joint research and development projects with the exchange of results.

The two countries will appoint a joint commission to define fields of co-operation, and both will assist in commercialisation of results.

Ngubane said SA was working on an integrated medical/social programme which could be exported if successful.

This is based on developing centres in rural areas, which provide basic medical services and educational, recreational, business and research activities.

President Nelson Mandela launched the German-South African Initiative during his recent visit to Germany, and said the new technology partnership could be the necessary catalyst to boost German investment in SA.

Ngubane said the agreement with Germany would have a different nuance from others in place, because while SA was a small player in international science and technology, it was in a good geographical location and had a number of resources which Germany could harness.

Earlier, Ngubane had said that from a 1985 level of 3.48% of GDP, spending on research and development in SA had fallen to 0.75%.

While he would “love to provide some incentives”, SA’s tax collection system could not handle incentives common in many countries, as it had pressures with debt levels and other priorities.
MANUFACTURING - MOTOR INDUSTRY

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JANUARY - JULY
Higher duties to raise luxury car prices

BY ROY COKAYNE

Pretoria—The government is proposing a fresh tax on new cars and light delivery vehicles that is likely to lead to an increase in the duties on higher-priced vehicles.

Fanie Basson, acting deputy commissioner of customs and excise, confirmed this week that the so-called “fiscal duty formula tax” would be introduced. He said the government was still considering the formula and how to tax cars according to their price.

Basson said the proposal would then be submitted to the deputy finance minister, Alec Erwin, for his signature.

He said he did not know when the tax would take effect.

The tax is intended to compensate the government for the revenue lost because the ad valorem excise duty on vehicles fell away with the termination of Phase VI of the local content programme.

Basson said earlier the rate of the fiscal duty formula tax would depend on the cutoff price.

Nico Vermeulen, the executive director of the National Association of Automobile Manufacturers of South Africa (Naama), stressed the fiscal duty formula was not a new tax. It replaced the fiscal non-reimburseable excise duty, which had fallen away.

“It will look quite at a low rate. There will be a benefit for lower priced vehicles compared to Phase VI but it will be two or more times the rate previously paid on higher priced vehicles.”

Vermeulen believed it was intended to tax luxury goods and generate revenue for the state.

He said the fiscal duty formula would apply only to passenger and light commercial vehicles. He welcomed the exclusion of medium and heavy commercial vehicles because this recognised the need to reduce the cost of essential capital items in the economy.

“It will apply to locally produced and imported vehicles. Previously imported vehicles were not subject to fiscal duty which is an important change.”

Vermeulen stressed a reasonable balance was needed between the revenue needs of the state, the interests of the motor industry and consumer affordability. However, the tax burden on the motor industry was still excessively high.

“If the government is serious about promoting affordable vehicles, there is a lot it can do on the tax side.”

“There is consensus among vehicle manufacturers about the need to make vehicles more affordable for consumers.”
VW stays on top

VOLKSWAGEN SA, the country’s passenger vehicle market leader, is set to post its best ever production and profit figures this year, the company said in a statement this week.

With retail sales up by 40 per cent from last year the company said it had reached the three goals it set itself when new managing director Heinrich Holtmann took charge of the Uitenhage plant at the beginning of the year. VWSA’s goals for 1995 were to achieve a 24 per cent passenger market share, production of 70,000 vehicles and to attain world class quality standards.

“Our projected total production for 1995 of 70,000 vehicles is a 60 per cent increase over total production for last year and this was achieved despite a two-week closure of our plant because of the fire in our paint shop in March,” Holtmann said.

In August workers at the Uitenhage factory produced an all-time factory record of 7075 vehicles and shipped more than 7000 vehicles to dealers nationwide while for the month of October the company captured a record 27 per cent of national sales.

Holtmann said that total turnover for 1995 will be about R450 million, including large exports of pressed parts.

He also said the VW Group’s world-wide quality audits indicated VWSA was achieving quality standards comparable to the best plants “anywhere in the world.”

– Econ

13/12/95
Volkswagen to post record production and profit figures

By Roy Cooke

Pretoria – Volkswagen SA will post its best production and profit figures in its history this year, in addition to having achieved a leadership position in the passenger car market.

The managing director, Heinrich Holtmann, said this year looked to be a year of records and that the company had set three major goals for the year: the achievement of a market share of 24 percent, the production of 70,000 vehicles, and attaining world-class quality standards.

“We have boosted our retail sales more than 40 percent from 1994 to 1995, which includes a record 27 percent of national sales for October. Our projected total production for 1995 of 70,000 vehicles is a 62 percent increase over total production for last year.

“Over the past few years, the company has been working hard at improving productivity to allow us to compete against international competitors as the South African vehicle market opens up.

“In August, we produced 7,075 vehicles at our Uitenhage plant, an all-time record for the facility in any month. In the same month, we shipped a record 7,270 vehicles to our dealer network around the country, compared with the monthly average for 1994 of 3,914 cars. In July, we successfully completed the three-year Jetta export programme to China. This project has given us valuable experience in supplying large numbers of vehicles to international markets, which we hope to be able to use in future,” he said.

Holtmann said total export turnover for this year would be about R450 million, which included large exports of pressed parts.

He said that based on the Volkswagen group’s worldwide quality audits, the South African subsidiary was achieving quality standards comparable to the best plants in the world.

“Volkswagen SA is one of the most profitable subsidiaries in the group. Despite securing a 10 percent reduction in the price of the Citi Golf Chico, we have been able to show a profit to our shareholders, with a turnover yield of 8 percent before tax.

“Our achievements this year have come largely through the acceptance of our products in the market and, in particular, the launch of the Citi Golf Chico, the most affordable locally produced passenger car, which has secured up to 12 percent of all new car sales in South Africa.

Holtmann said the record figures reflected a commitment to become a world-class manufacturer.”
Strike ends as Toyota suspends employee

Renee Grawitzky
P.O. Box 60078

A STRIKE by 800 workers at Toyota’s Prospecton automotive component plant in Durban over the promotion of an employee without advertising the post internally had been resolved after the employee was suspended pending an investigation, the National Union of Metalworkers of SA said yesterday.

Union spokesman Tony Ngobe said workers had embarked on strike action after an employee with a bad track record in his relationships with workers had been transferred to the plant and promoted to superintendent.

Numsa organiser at the plant have claimed that the employee resigned from Toyota in 1993 after the long 1992 strike and said that he would not live “under a black-run government”.

Toyota said the employee concerned had resigned to take up a position in a family business and had reapplied for employment at Toyota after this venture had not been fruitful.
Samcor wins Ford engine export deal

SAMCOR had secured a contract worth R400m a year to become the sole world supplier of Ford's 1.4 PTE engines, the company said yesterday.

The local motor manufacturer, jointly owned by Ford and Anglo American, would invest R126m to install a new line at its Port Elizabeth engine plant, and would employ an additional 350 people to handle the order.

The contract called for the supply of 200,000 engines, would last for two-and-a-half years and could be renewed at the end of that period. The total value of the contract was R1bn.

The first engines, to be used in the new Ford Escort, would be shipped to various Ford plants overseas from February next year.

Ford Motor Company chairman and CE Alex Trotman said his group was looking at other components besides engines to be sourced from SA. Samcor already supplied catalytic converters and leather trim to Ford in Europe.

"The engine plant has the capacity of producing numerous other components," he said. "We are looking at SA to expand as an export base for Ford products to other countries. In fact, we are looking at SA as a supply base for the rest of Africa."

Trotman said Samcor, through its quality and improving productivity, was a good example of the type of manufacturing operation SA needed to be successful in world markets.

Samcor group MD Jim Miller said the company was looking at a range of Ford products from around the world for introduction to SA.

Our Port Elizabeth correspondent reports the contract will create at least 350 jobs at the Struandale plant.

"Ford pulled out of Port Elizabeth 10 years ago."
Samcor to become world’s only supplier of Escort 1.4 engines

By Roy Cooke

Pretona — Samcor’s engine plant in Port Elizabeth has decided a major contract to supply the Ford Motor Company that will make it the sole supplier of Ford Escort 1.4 PTE engines worldwide and earn $400 million a year in revenue.

The export deal was announced in Pretoria yesterday by Ford’s chairman and chief executive, Alex Trotman. He said the deal would require a $126 million investment in the engine plant.

Trotman said the deal would also result in an additional 350 people being employed at the Port Elizabeth factory, apart from any jobs created among its component suppliers.

Trotman made the announcement shortly after meeting President Nelson Mandela and Executive Deputy President FW de Klerk. He said they gave him “a lot more confidence in the success that is ahead of this country.”

Leslie Boyd, deputy chairman of Anglo American, which has a 45 percent shareholding in Samcor, said the investment in the engine plant would be split between the equity partners in Samcor.

Ford also has a 45 percent shareholding in Samcor and management control of the company. The remaining 10 percent shareholding is held by Samcor Employees Trust.

Samcor’s managing director, John Millar, said the Ford contract called for 200,000 of the PTE engines to be delivered over 30 months.

Trotman said this translated into about 400 engines a day “which is very serious business.”

The first engines would be shipped to Ford assembly plants starting next February. He said Ford was also looking past engines as an export opportunity for its joint operation with Anglo American in South Africa.

“Five engines have the capability of producing numerous other components, which are also looking at us as an opportunity for Samcor to expand as an export base for Ford products to other countries in Africa and elsewhere. In fact, we are looking at South Africa as the supply base for the rest of Africa,” he said.

Trotman said Ford believed that Samcor, through its quality and improving productivity, was a good example of the type of manufacturing operation South Africa needed to be successful in world markets.

Millar said there were plans to expand Samcor’s export business and rejuvenate the Ford range of vehicles. “We are looking at a range of Ford products from around the world for introduction into South Africa.”

Ford 2000 — the company’s worldwide restructuring — would ensure a global opportunity to serve individual markets. For South Africa this means that the needs of our markets would be met from Ford’s product development plans for vehicles to be built and sold by Samcor.”

POWER DEAL President Mandela with Ford chief Alex Trotman

Boland scores major international loan

By Maggie Bowley

Cape Town — Boland Bank has scored a major breakthrough in obtaining a syndicated general purpose loan of $60 million (about R220 million) on the international capital market at very favourable rates.

The loan is the first of its nature and magnitude to be granted to the youngest of the country’s five clearing banks. Until now only the top four commercial banks have been able to access loans of this nature and size.

Boland Bank chairman Christo Wiese said the loan was equal to almost a quarter of the bank’s capital of about R900 million and signalled a strong vote of confidence on the part of foreign investors.

The loan was arranged by a consortium of four international banks including Rabo Bank and ING Bank, both of The Netherlands, which acted as the arrangers while the Baden-Wurttembergische Bank of Germany and the Dresdner Bank (southeast Asia) acted as co-arrangers.

Wiese said altogether 13 banks had participated in the syndication and the loan had been fully subscribed. “I see this as the beginning of a new development phase for the bank,” he said.

“With this transaction we got a foothold in the door of the international capital markets and we intend to open that door further and make increasing use of this market for additional growth in our operations.”

The loan, he said, was a general purpose facility with no restrictions in terms of how the money could be used. “With these additional funds we can enter the corporate financing market in South Africa more strongly than in the past and we are now negotiating with several large corporate clients for putting the money out to loan.”

Boland Bank managing director Michel Roux said the loan was obtained at a favourable finance rate of 50 basis points above the London interbank offered rate.

“Since the beginning of the year rates have improved considerably and our clients will enjoy the full benefit of these lower rates,” he said.

The loan was for 12 months with the option of extending it for a further 12 months.
BUSINESS

Ford revs up

While not insignificant, Ford's announcement that it is to invest R125m in Samcor's Port Elizabeth engine plant would normally not have caused that much of a ripple given the rand/dollar exchange rate.

But what is inherent in the deal is that Ford will use SA to source all its 1.4l high-torque, low emission engines for the Escort model. This is nothing to be sneezed at considering Ford plants worldwide will call for 200,000 engine units over a 30-month period — a forex bonanza of over R500m.

And that the news was announced by chairman and CE of the Ford Motor Co Alex Trotman adds weight to the statement that the company is committed to the long-term future of SA.

Trotman, who is on his first visit, says he is impressed with the way in which the political transformation has evolved in SA, and the significant efforts that are being made in the economy of the country. He believe that SA industry has the capability of making an important contribution on a world scale.

What is even more encouraging is that Trotman says the Samcor engine plant has complied with all the standards set by Ford when looking where to place its business. "They have been given this contract on the merits of their performance."

Significantly, he adds that Ford is also looking further than just engines as an export opportunity for its joint operation with Anglo American in SA.

"The engine plant has the capability of producing numerous other components which we are looking at. We are investigating opportunities for Samcor to expand as an export base for Ford products to other countries in Africa and elsewhere. In fact, we are looking at SA as a supply base for the rest of Africa."

He says Samcor, through its quality and improving productivity, is a good example of the type of manufacturing operation SA needs to be successful in world markets.

Samcor group MD Jim Miller says the first engines will be shipped to various Ford assembly plants starting in February next year. The contract is valued at an additional 350 people being employed.

Miller says there are plans afoot to expand Samcor's export business and rejuvenate the Ford range of vehicles. "We are looking at a range of Ford products from around the world for introduction into SA," Miller says.

"Ford 2000 gives us a global opportunity to serve individual markets. For SA this means the needs of our market are now part of Ford's product development plans for vehicles to be built and sold by Samcor."

Releasing sales figures for November, the National Association of Automobile Manufacturers of SA (Naamsa) says that, following the impressive performance of new vehicle sales in all sectors over the past six months, November's sales reflected signs of a slowdown. The year-on-year growth momentum, in the four sectors, declined fairly sharply in the last month — giving the first indication of a mild brake being applied.

In aggregate terms, however, total industry sales during November — at 51,482 units — were 2.7% (or 838 units) ahead of the 50,644 units sold in November 1994.

The month's new car sales, at 19,943 units, were up 7.7% (1,417 units) relative to the 18,526 unit sales in November 1994. Year-to-date sales of 53,042 units represented 24% ahead of similar units produced during the corresponding 11 months last year.

Sales of new light commercial vehicles, bakkies and minibuses (at 10,491 units) during November declined by 5.5% (604 units) compared with the 11,095 units achieved during November 1994. Year-to-date sales of light commercial vehicles remained 26% ahead of corresponding sales achieved in the first 11 months of last year.

Naamsa executive director Nico Vermeulen says the outlook for 1996 appears good, with growth expected in all sectors. "If the economy can grow at 3.5% — and I don't see why not — we'll see further growth."

MOTOR INDUSTRY — 2

Slowing down?

Despite the first signs of a possible slowdown, the vehicle manufacturing and associated industries remain on target for an above-average 1995.

The new car market is expected to surpass the 230,000-unit mark, light commercial vehicle sales should reach about 129,000 units and the combined medium and heavy commercial vehicle sales are expected to reach 12,000 units.

This will give a total industry aggregate figure of 370,000 units — an increase of more than 22% above last year's industry total of 303,166.
COACH INDUSTRY

On the road again

The revival of tourism has given a much needed boost to the coach manufacturing industry. Chairman of the Coach Owners' Association Christo Bester, says combined fleets have increased from 200 to 300 vehicles in the past two years. And almost all coach operators report solid bookings to the end of March next year.

Matthysen Bus Transport, recently bought by Untrans, is to spend R40m on 30 new coaches — a third of the nearly 90 coaches association members have on order.

Neulux Coaches MD Nick Rust says now that components can be imported duty-free there is little difference between the cost of an imported coach and one built locally — at most R100 000-R150 000 for coaches with similar specifications. But coaches built in Germany cost nearly twice as much because of the strength of the Deutschemark and the high cost of labour. Local units cost around R1,1m each excluding Vat.

Neulux and Mercedes-Benz of SA have already started importing coaches made in Spain and Brazil.

Mercedes commercial vehicle marketing manager Fritz van Olst says sales growth of rear-engined buses encouraged his company to bring in the Dekade chassis from Brazil. This is converted into a four- or five-star coach and supplied to body builders in 3 m wheelbase buggy form. Body builders can configure to seat 40-45 people in comfort.

During sanctions, operators neglected fleet expansion. But, with the advent of democracy and the influx of tourists, demand has soared.

BUSHLAND GAME

Rob Deane, MD of Bushland Game Lodge in northern KwaZulu-Natal, says he is losing business because there aren't enough coaches to transport visitors.

Vehicle manufacturers, until now reluctant to produce more, will cash in on the burgeoning demand.

Bester says the industry produced only 288 buses of more than 7.5 t in 1993, 348 in 1994 and should manufacture about 400 this year.
Corruption rife in panelbeating

Staff Reporter

CORRUPTION in the tow-in and panelbeating industries is allegedly so widespread it involves law-enforcement agencies and insurance companies.

Jan Prinsloo, National Association of Panelbeaters (NAP) general manager, said it was common knowledge among panelbeaters, insurance companies, law-enforcement agencies and vehicle tow-in providers that corruption in these industries had reached epidemic levels.

We are going for the throat of corruption and nobody is going to stop us, he said.

Mr Prinsloo warned that some well-known panelbeaters and tow-in services have been investigated for their involvement in alleged corruption scams. A report exposing them would be released soon.

He said the association was working closely with the police.

Some of panelbeaters and tow-in services were granted contracts by government departments in spite of having records for crimes related to their industry, including the theft of parts from towed-in vehicles.

There was also a no-bribe, no-contract scam being run by senior government officials, law-enforcement officers and insurance workers, Mr Prinsloo said.

He said charges would be brought against them as soon as all investigations had been completed.

The National Association of Panelbeaters is going for the throat in an attempt to end fraud, bribery and theft in the panelbeating and tow-in industries.

"We have come across some 'harry stuff,' which involves the removal of engines and steering of parts. High-ranking officials are going to be exposed in this on-going scam."

His association was also investigating the monopolistic allocation of towing contracts by government departments to certain concerns and individuals at the expense of others.

"We are in a new South Africa, but most, if not all, government vehicles are still being sent only to white panelbeaters. There should be an equal or proportional distribution of vehicles to panelbeaters across the colour-line."

Mr Prinsloo said as a result of the association's attitude towards stamping out corruption in the industry, some city panelbeaters have been advised by influential individuals in the motor industry not to support the association's initiative.

If they did, they would not be given lucrative contracts.

This was a true reflection of somebody who had something and did not want what they were doing to be exposed, Mr Prinsloo said.

In discussions he had brought certain matters to the attention of the Vehicle Recovery Committee, the Consumer Council and affected government departments.

The association had received complaints from members of the public who said their vehicles had been towed away without their knowledge. They were then charged exorbitant fees to get the vehicles back.

Some people found that by the time they traced their vehicles, they had already been partially stripped of parts.

"We recently received a complaint about a vehicle that was removed from an accident scene without the knowledge of the owner and was later found completely stripped — before insurance assessors could even inspect it."

Mr Prinsloo said the situation was so serious that the association had approached the Harmful Business Practices Committee for advice, and proposals for the introduction of regulatory measures for the motor body repairs industry were being formulated.
Used and abused

Illegal imports of used commercial vehicles are distorting the local market, says motor industry officials. Nissan SA commercial vehicle operations head Mike Whitfield says the vehicles are arriving in increasing numbers.

Toyota chairman Bert Wessels says that though government doesn't issue permits for significant import volumes, it can't stop neighbouring Customs Union countries from doing so. "Inevitably, these vehicles have SA as their ultimate destination."

"The main problem with the imports is that it is hard to ascertain the value of the vehicles. A typical value given is between R1 000 and R3 000. We have heard stories of values as low as R600 being declared."

By paying virtually no duty, importers are able to offer trucks at prices far below those on offer from established companies, says industry officials. The danger, says Wessels, is that many are imported "without any commitment to continuing parts and service support. Though at first glance they may be attractive options, they could be expensive and frustrating options in the long run."

He says the used truck issue is an example of an apparent reluctance by government to impose the rules. The motor industry development plan, which came into effect late this year after years of preparation, gives government the teeth to act.

SA vehicle manufacturers are frustrated by the failure to clamp down on imports from neighbouring countries of partially built — or semiknocked-down (SKD) — vehicles. Under the new rules, such vehicles should be subject to full import duties, instead, they usually enjoy the preferential status given to locally built vehicles.

Says Wessels, "It is obvious to all that, in some instances, government is unable or unwilling, perhaps because of underlying diplomatic pressures, to deal with the flow of SKD units that violate the spirit of the development plan."
Jeeps on comeback trail
THE Chrysler Corporation will be making its return to South Africa in April with the launch of the fully imported Jeep Cherokee and Grand Cherokee.

The introduction of these vehicles to the SA market follows an investment of $150 million by Chrysler in America and Europe for the development of right-hand-drive cars, particularly for Japan.

Jonathan B Holcomb, general manager of Chrysler's Latin America, Middle East and Africa operations, says the right-hand-drive models have been developed to enable Chrysler to take the lead among American car makers attempting to grow their market share in Japan, the world's third-largest car market.

"The spin-off is that smaller right-hand-drive markets such as South Africa, other African countries, Australia and New Zealand will now also benefit from American-designed and developed vehicles," he says.

The Cherokee range will be fitted with 4-litre, in-line six cylinder engines.
Importers find short cut into SA car market

MOTOR industry executives are fuming over the flood of imports of used cars and commercial vehicles. Although sales of new cars are heading for their best year since 1984, imports, mainly through Namibia, are causing concern for manufacturers and dealers.

The sharp increase in cheap used vehicles reaching the market has prompted manufacturers to warn that spare parts and service might not be available for them.

Ray Nethercott, chairman of the National Automobile Dealers’ Association, says the imported vehicles are devaluing existing used-car stock.

"A similar situation decimated the used-car market in New Zealand in a matter of months. We don’t want that to happen in South Africa."

Nada has made representations to the authorities, who have said they will discuss the matter with relevant ministers in neighbouring countries.

The Department of Trade and Industry has a standing policy on permits for importing used vehicles. In a recent review of its policy, the department advised that, "in view of the importance of this sector, strict control is applied to the importation of used vehicles and import permits are issued only in very specific and defined circumstances."

Import duty is not suitable for protecting local manufacturers against the disruptive importation of used vehicles, says the department. Stringent import control measures are maintained and permits are not issued for importing used vehicles other than those for disabled people.

Bert Wessels, chief executive of Toyota, says that although the government does not issue permits for large-scale importation of used vehicles, it cannot stop other SA Customs Union countries from doing so and inevitably these vehicles end up in South Africa.

He says the imports pose a considerable threat to the industry.

Chris Lasa, managing director of Vehicle Import Namibia, has shipped 300 used vehicles into Namibia in the past few months and has applied for permits for bigger numbers next year.

The cars, imported mainly from Japan, are eight- to 16-year-old Toyota Cressidas, Corollias and Nissan Skylines retailing at R20 000 to R30 000 each.

He insists, however, that his company acts as a wholesaler to the Namibian motor trade only, but concedes that the cars could find their way to South Africa.

Mr Lasa pays import duties of 75% plus an additional 5.5% sales duty, but denies import values for customs purposes are kept as low as possible to reduce duty payments.

Another problem is the importation of relatively low-cost, unsophisticated vehicles from eastern Europe and Asia for which there are often no commitments for parts and service.

Wilie van Wyk, managing director of Delta Motor Corporation, says in the short term there will be a proliferation of imported makes and models, some of which will fail to become a permanent part of the motor industry scene because parts and services will not be available.
Automakers acquires 51% stake in Engineparts

Pretoria — Automakers, Nissan South Africa’s holding company, has expanded into the lucrative R2.2 billion-a-year engine parts market via the acquisition of a 51 percent stake in Engineparts.

“The investment in Engineparts represents the first stepping stone by Automakers towards a planned widening of our interests into the broader parts market,” said John Newbury, the chief executive officer of Automakers.

Newbury said the decision to invest in the engine parts market through Engineparts followed an Automakers board decision to expand its presence in the overall South African parts market, worth R12 billion a year at retail level.

Although the acquisition gave Automakers a strategic foothold in this large sector of the parts and accessories market, Newbury said it was not expected to have a material effect on Automakers’ present earnings a share or net asset value in the current financial year.

Engineparts are the distributors of a wide range of engine and related parts to engine reconditioners and parts wholesalers and retailers throughout South Africa and Namibia.

Newbury said in taking Engineparts as a partner, the company believed that its management and long-term planning was complementary to Automakers’ assessment of this market.

“Engineparts will continue to trade autonomously but will benefit from the capital injection,” he said — Staff Writer
COMPANIES

Industry fights tariff cuts by increasing its exports

CAPE TOWN — SA's automotive components industry is reacting to the latest round of tariff cuts by increasing investment and exports, although there are mixed signals on job creation, according to a University of Cape Town survey.

Researcher Anthony Black said sustainable growth in the industry would depend on the degree to which firms could improve production efficiencies and continue market growth.

In an article in Trade Monitor, Black said government's ability to implement its programme of supply and support for training, technology upgrading and investment would also be important.

The survey was undertaken in July, but the industry appeared to be more positive about the cuts due in September than about past tariff reductions and was preparing to meet the competition of increased imports.

"The industry is also experiencing a boom with vehicle sales growing rapidly and this may have produced more upbeat expectations regarding investment and employment," Black said.

The new programme has removed the protection provided to manufacturers through a local content scheme and will see the gradual phasing down of import duties from the present 49% to 30% by 2002.

Although 42% of the firms surveyed expected employment levels to fall over the next five years because of increased competition, 44% expected employment to rise.

"The overall impression is of a fairly stable employment scenario although some dislocation will result from the fact that there will be winners and losers and some closures are likely," Black said.

Several new investment projects were also in the pipeline, which should boost employment — Reuters
T&N India deal may have SA spinoff

By Shirley Jones

Durban — Britain's T&N, the international automotive components and engineering group, which is the majority shareholder in South African based T&N Holdings, has announced a joint venture in India.

This move further enhances opportunities for the South African company, which is exploring a number of deals in India.

The recently announced joint venture, which will be named Broet Goetze, is a plant near New Delhi for the manufacture of powder metal components. The partner in the joint venture is Goetze India in which T&N of Britain already holds a 25 percent shareholding.

Production, which is scheduled to begin in the second half of next year, is intended primarily for the Indian automotive industry. However, from 1997, about 15 percent of the output will be exported.

"The establishment of a manufacturing base in the Asia-Pacific region is a key to T&N's strategy of being able to supply its customers from a local source," says John Chatwin, chief executive of T&N's powder metal products group.
New car buyers to benefit as industry prospects look up

Prenton — South Africa’s major motor manufacturers were bullish about prospects for the industry next year, although compared with this year a slowdown in sales growth was expected.

New vehicle buyers should benefit from increased competition among manufacturers, which is expected to intensify further during next year, and which should result in minimal price increases, or even decreases, in real terms.

Nissan SA’s marketing managing director, Stephanus Louber, said the 24 percent growth in vehicle sales this year would not be sustained next year.

He expected the new vehicle market to stabilise with a possible increase of 5 percent next year compared with this year.

He said a substantial increase in light-commercial vehicle sales was unlikely, as more and more black entrepreneurs would enter the market looking for more practical and versatile modes of transport.

He predicted the light-commercial vehicle market would grow by 8 percent compared with 3 percent for passenger cars and 13 percent for the heavy truck segment.

“The demand for new cars is still strong but I don’t think that the market is ready to sustain this rapid growth — and won’t be ready for two to three years to come, mainly because the fundamental growth in the economy is not yet stable.”

But Louber said the potential for a booming vehicle market existed, mainly because the average age of vehicles in the country was about 13 years.

“We’ll soon reach a point where, particularly fleet owners — who are responsible for 80 percent of sales — will be forced to start replacing ageing vehicles.

“The ratio of 100 vehicles per 1,000 population in South Africa, compared with 400 in Europe, provides scope for tremendous growth potential, even if it only rises to 110 vehicles per 1,000 population.”

Car prices were not expected to rise more than 6 percent next year because of the competitive nature of the motor industry.

Delta Motor Corporation’s marketing manager, Willie van Wyk, forecast a reduction in the real prices of motor vehicles next year, because of increased pressure from fully importe vehicles and declining protective barriers.

Delta’s director of sales and marketing, John Cummings, expected new vehicle sales in all sectors to slow down in the next few months, but not to alarming levels.

“To anticipate similar growth of over 20 percent next year is overly optimistic,” he said. Delta’s forecast for next year was 240,000 new cars and 130,000 commercial vehicles, which would represent growth of about 3.4 percent and 4.2 percent respectively.

Volkswagen SA’s marketing director, Graham Handv, said this year had been a buyer’s market, with lower price increases, larger volumes of stock, increased choice and additional stimulation through aggressive pricing packages.

“These conditions should continue into next year. Ongoing economic growth augurs well for a passenger market of 250,000 units.”

Toyota’s group marketing director, Johan van Zyl, expected growth of 5 percent for the year.

“It is probable that December sales — only due out in early January — will support a final growth figure for the year close to 25 percent, to deliver total sales that could exceed 375,000 vehicles.”

The good news for the buyer was that the Motor Industry Development Programme, together with a reduced rate of inflation and stability in the value of the rand, had enabled manufacturers to contain prices.

Mercedes Benz SA’s marketing manager for passenger cars, Eric Scoile, said the passenger vehicle market was heading for 230,000 units this year.

Prospects for next year were for 230,000 to 240,000 units.

Although the light-commercial vehicle segment seemed set for sales of 128,000 this year, the prognosis for next year was slightly better at between 130,000 to 135,000.

Scoile was confident that RDP expenditure on housing and construction would start to filter through next year and boost growth predicted in the light-commercial vehicle market.

McCarthy Motor Holdings’ chairman and chief executive, Brand Pretonus, expected new cars to be cheaper in real terms next year and the choice to be much greater.

“Intense competition will restrict price increases, especially as the number of different makes and models available will increase greatly,” he expects to see the number of makes increase from 13 to 17 and the number of models from 64 to 75 within three years.”

Pretonus forecast 5 percent growth in total vehicle sales for next year to 387,420, compared with the estimated 22 percent growth to 370,680 units for this year.

He forecast the passenger vehicle market growing by 3 percent to 246,000, the light-commercial sector by 6 percent to 135,000, the medium-commercial segment by 10 percent to 4,420, and the heavy commercials by 5 percent to 8,000.
Car manufacturers expect 3.2% rise in sales for 1995

John Diudlu

THE National Association of Automobile Manufacturers of SA (Naamsha) predicted total vehicle sales this year would reach 376 200 units, representing a 3.2% rise over 1994, with SA car manufacturers expecting the robust growth trend of the past months to continue well into the new year.

Naamsha president and Automakers CEO John Newbury said 1996 sales should show an improvement of about 5%.

"Naamsha member car sales should reach 320 000 units for 1995, but sales which are not reported to Naamsha should be added to this, which would add about 15 000 units to 1995's figures and even more in 1996."

Light commercial vehicles were expected to hit the 134 000 mark this year (128 000) while the heavy commercial sector was expected to rise to 8 000 compared with last year's 7 500.

Leading car maker Toyota SA said the 5% increase for next year was a realistic estimate.

"We go into 1996 on a base that exceeds the long-range 1997 industry volume forecast and against a background of worldwide industry growth forecasts of just 2% a year for the industry," said Toyota group marketing director Johan van Zyl.

He expected the commercial vehicle sector to be more active than the passenger sector. "The potential exists for a good year in agriculture and this will feed existing demand for commercial vehicles."

Van Zyl expressed concern at what he termed an almost undiscovered growth in the number of imported vehicles in 1995 and predicted failures in the imported sector. "The reality is that the SA vehicle market is simply not large enough to sustain the huge diversity of vehicles on offer."

Newbury said the new year would be characterised by a "supply push" increasing competition, and a further proliferation of models available competing for the market.

However, Newbury expected a possible slowdown in 1997 in the growth trend. "In 1996 manufacturers will need to offer increased innovative financial packages to ensure that motoring remains affordable to all South Africans."

(192) BD27/12/95
Strike hits VW

PORT ELIZABETH — Thousands of workers went on strike at the VW plant here to protest the dismissal on Wednesday of a worker.

The strike by members of the National Union of Metalworkers of South Africa (Numsa) started after a worker was dismissed for being found guilty of allegedly assaulting his foreman.

Work stoppage hits Volkswagen

Renee Grawitzky

VOLKSWAGEN workers who embarked on a work stoppage this week after the dismissal of a worker were in breach of the industry-wide agreement reached at the National Bargaining Forum in July, the company said in Uitenhage yesterday. It said they were also in breach of an agreement reached at plant level last year.

Volkswagen's Uitenhage plant employing more than 5,000 people has been closed since Wednesday when workers downed tools after a worker was fired for assaulting a foreman.

The company said workers were expected to return to the plant today for a report-back meeting by the National Union of Metalworkers of SA and would assess whether they would return to work today.

The company said lengthy discussions had taken place yesterday with the union to find ways of resolving the dispute.

Company spokesman Riaan Heymond said:

Continued on Page 2

Volkswagen

Continued from Page 1

Hartle said the union had been informed that the stoppage was in breach of two agreements.

Workers were in breach of a company level agreement signed in November last year which stipulated that jobs would be guaranteed until the end of this year in the absence of any unprocedural action.

The "ground-breaking" motor industry-wide agreement signed this year provides procedures for resolving grievances and disputes.

Company MD Heinrich Holtmann said the stoppage was "totally unnecessary" as there were well-established procedures which had not been used by the union to resolve the dispute.

The union was not available for comment and would respond today.

Reuter reports that during last year's strike Volkswagen suffered production losses of R13m a day.
Volkswagen workers strike

UITENHAGE: Thousands of employees at Volkswagen's plant here went on strike yesterday.

The strike was called when a union member was dismissed on Wednesday after being found guilty of assaulting his foreman.

The National Union of Metal-workers said talks were under way.

Volkswagen managing director Mr Heinrich Hoffmann said the strike was extremely disturbing.

CT 6/10/95
MOTOR INDUSTRY — 1

Juggernauts jostle

The heavy truck industry is in for a major realignment as tariff barriers fall and a spate of ultra-heavy newcomers enter the already competitive market.

Traditional players — Toyota, Mercedes-Benz, MAN, Delta and Nissan — are being challenged by foreign manufacturers, including Volvo and Scania. There are also new contenders in the shape of the US-built Mack, which will be marketed by Mack Truck & Sales, a subsidiary of Euro Holdings' Euro Holdings' other subsidiary, Eurotruck, will handle the French-built Renaults. The US-manufactured International is being marketed by Tyco.

Other US manufacturers joining the melee are Peterbilt, assembled and marketed by Toyota, and Freightliner, which will be sold by Mercedes-Benz. Western Star is being marketed by Mammoth Truck. Nearly all the newcomers weigh 50 tons or more.

Mercedes' Adolf Moosbauer and Toyota's Des Gush are positive about the introduction of US trucks to the SA market. Moosbauer believes that, in three years, they will have captured 40% of the heavy commercial vehicle market, classified locally as those weighing more than 7.5 t.

That will be from small beginnings: Gush estimates 1 000 units will be sold this year, which will give the extra-heavy sector nearly 8% of the 13 000 trucks expected to be sold. He also estimates they will have 70% of what he terms "the above-400 hp market" — vehicles with a combined mass of 50 t-60 t. MAN and Mercedes-Benz are already selling trucks in this classification.

But Mercedes has established a separate division to market the Freightliner Chari

Significant events in sub-Saharan Africa over the past two years include the demise of apartheid, the end of one-party rule in Malawi and Zambia, and reconciliation in Mozambique and Angola. Now there is a need to analyse what these events mean for business and trade in the region.

Zimbabwe's Financial Gazette and stockmarket analyst Dataworld will co-sponsor a two-day conference titled "Towards 2000: Southern Africa" on November 6-7.

Speakers from Britain, the US, SA, Australia, Zimbabwe and Zambia will address the conference in Harare on November 6-7.

For more information, telephone the Financial Gazette in Harare on 738-722 (fax 752-383).

African manufacturers are fitting their own engines and those that aren't will start soon.

"We are enjoying partial protection on only one engine, a four-cylinder engine, and that would have ended soon. We'll obviously lose some tractor engine business and will have to make up elsewhere, probably in the sale of engine components," says Roland Trautman, director of the National Association of Automotive Manufacturers (Naacam).

The trend in the global vehicle market towards "world cars" means that manufacturers are using identical components for the same type of car, worldwide.

SA, being a right-hand-drive country, manufactures more than 40% of German and Japanese designed cars.

Germany's Volkswagen, BMW and Mercedes-Benz buy large quantities of components from their local subsidiaries for use in German-built cars which, in turn, end up in other countries.

Virtually all the leather trim found in BMW cars worldwide comes from SA, while Delta Motor Corp recently announced a five-year, R500m joint venture with Delphi Interior & Lighting Systems for the manufacture and export of leather seat covers to Opel.

Components industry officials say their sector is showing stronger growth than the vehicle sector. Though the auto sector has responded well to SA's new international

FM 6/10/95

TIME TO REFLECT

TRACEY SMITH

TRACTORS

Hay-ride over

Government has ended 15 years of protection for the manufacture of tractor engines by accepting a recommendation by the Board on Tariffs and Trade.

The board says the protection for engine manufacturers' Atlas Diesel Engines (ADE) "results in a cost premium on low-cost imported tractors and on technologically advanced imported tractors." It notes that most of the tractor industry "has suspended or intends to suspend the purchase of ADE engines in 1995."

The reason is that despite ADE's efforts to contain costs and prices, new imported engines are technologically more advanced and cheaper. "The declining number of tractor engines manufactured by ADE does not justify any further protection," the board concludes.

Jim Rankin, editor of Agfacts, which speaks for the agricultural machinery industry, says removal of protection won't result in an immediate reduction in the price of tractors. Existing stocks will have to be sold separately from new Peterbolts.
cannot afford to repeat these mistakes,”

say’s Van Rensburg

A director axed in the reshuffle,

Lawrence McCrystal, says the IDC’s ability

to attract offshore funds for major industrial

projects must be jealously guarded. All the

IDC’s major projects were largely co-fi-

nanced through offshore export credit facil-

ities, which minimised the capex impact on

the balance of payments.

Whether it be sour grapes or genuine

concern, McCrystal warns there’s a real
danger that, if government tries to change

its focus, the IDC could be effectively de-

stroyed.

The new directors include Department of

Trade & Industry director-general Zav Rust-
tomjee, the DTI’s chief director for tech-

nology strategy Alan Hirsch, Labour Min-

istry special adviser David Lewis, and
deputy President Thabo Mbeki’s economic

adviser, Moss Nqokoshe.

But IDC MD Carel van der Merwe, who

says he sees no problem with the new

board, is quick to add that the corporation’s
record already meets RDP needs. Its em-
phasis has been on financing industry, ex-

port promotion, beneficiation of minerals

and agricultural projects.

Not all in government would agree. Some

of the more hard-core labour and socialist

elements view the IDC as one of the last

symbols of capitalism, even though govern-

ment-owned, and view its riches as “be-

longing to the people.” They point to its
limited, and costly record of job creation.

But Van der Merwe says critics of cap-

ital-intensive IDC-funded projects — such

as Alusaf’s Hillside project at Richards Bay

— miss the point. “About 6 000 people

were employed during construction, while

major projects like the Mondi plant, fol-

lowed the original Alusaf Bayside plant.

Today, about 180 000 people work and live

at Richards Bay — proving the point that

major lead projects are often the catalyst to

attract further quality development.”

The same argument, he says, applies to

the Columbus stainless steel project at Mid-

delburg and the Namakwa Sands project.

Van der Merwe also points to the IDC’s

agricultural projects (seven major projects

will create 7 700 jobs and generate exports

of about R333m) as further examples of the

corporation’s “RDP focus.”

Gencor financial director Mick Davis

finds it disappointing that no clear public

policy on the future role of the IDC exists.

And while the “preposterous” plan to merge

the IDC with the Development Bank of

Southern Africa has now been abandoned,

Davis says it needs to be reiterated that the

IDC’s major role is to finance industrial

development — not infrastructure.

Davis adds that it’s only right that the

new board reflects the country’s demo-

graphics, but notes that the board still in-
cludes top businessmen like Pepkor chair-
man Clivesto Wiese, Derek Cooper of CG
Smith, G T Ferreira of Rand Merchant
Bank, Meyer Kahn of SA Breweries and
Sankorp CE David Brink.

“But one needs to warn against screwy

ideas, such as limiting future financing to

labour-intensive or small, medium and mi-

cro enterprises,” says Davis. “The IDC

needs to continue financing industrial en-

trepreneurs, as in the past.”

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PUTTING YOU FIRST.
Components and motor exports, which have risen consistently in recent years, are expected to increase substantially in 1995, this time by an estimated 23% to R3.2bn.

Naacam president John Brandtner says exports will continue to grow and will eventually make up more than 50% of the output of the components manufacturing industry.

"We have proved our industry's ability to address productivity, and to achieve global quality standards. This has helped us survive a lengthy economic recession and has strengthened us to be more prepared and confident about our ability to face future challenges and to explore export opportunities," he says.

Naacam executive director Denzyl Ver- mooten says the real impact on exports of the new motor industry development programme will become visible only next year. Much depends on the success of the programme in achieving a balance between vehicle and components imports and exports.

The original weight-based local content programme gave SA the world's heaviest vehicles. The now-redundant Phase Six helped create the most expensive.

Ted Waldburger, CE of JSE-listed T&N Holdings, says "I hope the import-export complementation component of the industry programme will, at last, assist SA manufacturers to produce to economies of scale and export competitively."

By dint of it being 50% owned by the UK's T&N, the local company has access to source design either directly or through joint ventures with international players such as Japan's Sumitomo.

**High import bill**

He says the effects of the industry's high import bill are exacerbated by the continuing deterioration in the value of the rand, emphasising the need for vehicle assemblers to step up exports considerably.

As existing niche markets for SA vehicles are not extensive enough to absorb an additional R5bn-plus of vehicles a year, the industry should concentrate on components if it is to increase exports substantially, says Waldburger.

He adds "For the motor industry development programme to succeed, a cooperative effort by government, labour and the motor industry is vital. I have no doubt that the components industry is going to surge ahead with exports, thus contributing to sustained economic growth and job creation."

Naacam says SA exports to the US, Europe (UK, Belgium, Germany, Austria), Middle East (Israel, various Arab countries), Far East (Pakistan, South Korea, Taiwan, Japan), South America (Brazil, Argentina), Australia and Southern Africa
Motor group's sales soar 30%

Nicola Jenvey

DURBAN — Industrial motor group Combined Motor Holdings has lifted attributable income by 144% to R4,3m for the six months to August.

The increase was spurred by healthier economic and operating conditions.

The group, which operates in the new and used vehicles markets, pushed sales ahead 30% to R584,2m as volumes rose, particularly at the lower end of the consumer market.

Operating income before interest increased to R12,5m from R5,7m.

The group paid R5,3m (R3m) in net interest and another R2,8m (R866 000) in tax.

Although coming off a low base as a result of last year's strikes and post-election uncertainty, share earnings jumped 139% to 22,7c and the group declared a 6c (3c) interim dividend.

Chairman and MD Maldwyn Zimmerman said he was "well satisfied" with the results, despite election-related disruption last year.

"While it is expected the group will enjoy continued success during the second half, the level of improvement to date will not be maintained," he said.

The group looked for results which reflected an inflation adjustment plus a real rate of return.

He also said a more balanced mix between the sale of lower-priced and more luxury cars was essential.

During the six months, the group bought a 76% stake in a Cape Town-based Nissan dealership, and set up two new Volvo dealerships in Gauteng.

Zimmerman said the group would also consider other opportunities enabling it to expand sales and income.
Motor group’s sales soar 30%

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Gold Fields directors deflect queries
MONEY TO BE SPENT ON TOWNSHIP SERVICES

R52m RDP funds for Western Cape

THE GOVERNMENT has announced details of the amounts allocated to the provinces for projects that will improve township infrastructure. BARRY STREEK reports

The government is to spend R51,7 million of its Reconstruction and Development Programme fund on projects to improve services in townships. Of this amount, R52,8m is to be given to the Western Cape for 149 projects. In all nine provinces, 614 projects are to be undertaken.

Announcing this yesterday, the Minister in charge of the RDP, Mr Jay Naidoo, said the money would be spent on services — including their administrative support — that had collapsed or were crumbling.

Contractors

It was intended that the funds would be spent during the current financial year, he said.

Contractors would be on site for about 100 of the projects by the end of the month.

In some areas, contractors had already begun moving on to sites.

About 3,000 people per municipality would be affected by the upgrading of services. Although the money spent could improve conditions in townships, it would not address the backlog in development.

A recent government survey of 62 metropolitan areas and 22 large towns — that is, 10% of the population — had found that 20% of the population needed to provide basic services alone, Mr Naidoo said.

Among the amounts allocated to the Western Cape are R2,6m for roads, stormwater, water and sewerage in Kapo, R3,1m for sewage in Rhulhala and water in Zweltemba, Worcester, R3,2m for bulk water and bulk sewerage in Knysna, R3,2m for services and water at Slangkop, R2,8m for water in Stellenbosch, and R3,8m for sewerage and water in Bishopton.

Adding up

RDP Minister Mr Jay Naidoo says work is to begin on many projects by the end of October.

Sir Lowry’s Pass, R3,8m for sewerage, road repairs, water pipes, refuse removal, detention ponds and sewerage repairs in Khayelitsha, R2,2m for water supply, sewerage and roads in Elim; R3,1m for services, water and sewerage in Oudtshoorn, and R3,1m for sewerage and water in Murraysburg.

Mr Naidoo said at a press conference that the projects would have a positive impact on the lives of people and would be funded from the RDP fund.

“This announcement is the culmination of months of planning, consultation and hard work,” he said.

Three communities were required to submit projects for funding, accompanied by comprehensive business plans which met RDP funding criteria.

The result is that communities are now in a position where they are informed about the work being carried out and is about to start in their neighborhoods, as well as about the flow of funding line of accountability.

Mr Naidoo said the projects were in line with Masakhane campaign whereby the government in conjunction with other stakeholders, was seen to improve municipal services while requiring communities to take responsibility by paying for the services.

The projects also exemplify the government’s integrated development planning strategy central to the RDP vision and which brings all government departments together in planning and delivering.

Liaison

“The key criteria for the provincial allocation of funds for the various projects were size and location and employment levels,” said Mr Naidoo.

An immediate spin-off of the programme job creation and skills training for local people,” Mr Naidoo said.

The Minister of Provincial Affairs and Co-ordination Development, Mr Roel Meyer, said there was close liaison with the provinces in deciding the allocation of funds for the projects.

The management of the projects would ensure that basic norms and standards were adhered to, Mr Meyer said.

Mr Naidoo said R54m had been allocated for projects in the Northern Cape; R283,2m for 106 projects in the Eastern Cape; R51,3m for 12 projects in Free State; R149,9m for 85 projects in KwaZulu-Natal; R49,8m for 48 projects in Mpumalanga; R111,7m for 50 projects in Northern Province; R86,4m for 58 projects in Western Cape; R71,8m for 47 projects in Limpopo; R67,1m for 61 projects in Gauteng; and R61,1m for 68 projects in Eastern Cape.

See Page 4
"Land Act hits business\(^{b} 03\)10\(^{45}\)S

Nicola Jenvey

DURBAN — The controversial Ingonyama Trust Act, which appoints King Goodwill Zwelithini trustee over KwaZulu-Natal tribal land, hindered small, medium and microenterprise (SMME) development in rural areas and must be revoked in its entirety, an SMME workshop heard yesterday.

The SMME's legal and regulatory environment group said the Act prevented SMME business owners from accessing finance as they could not use their land as collateral.

"KwaZulu-Natal is one province, but has two separate legislations governing its land. The communities of the province must be treated equally," one delegate said.

Since the Act removed land ownership from the people and placed it in the king's hands, banks had withdrawn their support for mortgage lending to tribal regions. This had affected low-cost housing development in the province.

Another proposal for SMME development in KwaZulu-Natal was a rehabilitation fund to help businesses devastated by the violence.

Find a middle road, car makers tell customs

Michael Urquhart

THE National Association of Automobile Manufacturers (Naama) has appealed to the customs and excise department to find a balance between the needs of the fiscus and those of the motor industry and consumers, in the imposition of an ad valorem duty on motor vehicles.

The Department and the Board on Tariffs and Trade are looking at a possible new duty to replace the revenue lost when a 2.5% excise duty fell away at the beginning of September with the scraping of phase VI of the local content programme. This duty had earned the department R265m in 1994. The replacement of phase VI by the motor industry development programme had also cost the department the unrebated portion of a rebatable excise duty on local content, from which it had earned R325m last year.

Naama director Nico Vermaulen and government had become used to the revenue earned from phase VI, despite the fact that the original reason for the 2.5% duty — introduced in 1991 to make up the difference between VAT and GST — had fallen away.

However, if an excessive duty was imposed it would make it impossible for the industry to make affordable cars. The industry was often accused of not making affordable vehicles, but 19%-20% of the cost of a new car was made up of direct taxation.

He said he expected some form of fixed percentage ad valorem duty on cars and light commercial vehicles, although medium and heavy commercial vehicles would be excluded as they were seen as being items of an essentially capital nature. He also expected the duty — which could be imposed by November 1 — to be more onerous on luxury vehicles.

Vermaulenk said the nature of customs and excise was to raise as much revenue as possible. The board wanted to see a strong motor industry. "Hopefully in the course of their interaction a reasonable balance will evolve."

Customs and excise commissioner Daan Cokesky said his department was in discussions with the board on a new duty, but no final decision had been made.

McCarthy Motor Holdings CE Brand Pretorius warned that the levy plan could undermine "the industry's fragile recovery from recession. The consumer would inevitably end up footing the bill."
Renaults set to return to SA roads

The once-popular Renault range will again be seen on SA roads following an agreement signed between Imperial Motors and the French manufacturer, writes DON ROBERTSON.

Bill Lynch, chairman of Imperial Holdings, was reluctant to disclose details of the deal, but confirmed that the cars would be imported early next year.

The vehicles will be sold and serviced through a number of Imperial dealerships.

Taking advantage of the lower import duties announced in the Motor Industry Development Programme, the McCarthy group began importing Peugeot’s earlier this year. Last year Durban-based Combined Motor Holdings reintroduced the Volvo range to motorists.

Last week Venture Imports, a large Opel dealer, announced that it would bring in a range of Chevrolet vehicles, while Chrysler is expected to reveal details of a similar scheme soon. There is also talk that Daewoo will soon be exporting cars to South Africa.

Local manufacturers believe that by 2000 imported cars will make up about 25% of sales.
Delta making inroads north

By ROY COHANE
Pretoria Business Editor

Delta Motor Corporation is making major inroads into the light commercial and passenger vehicle market in sub-Saharan Africa. Excluding the Southern African Customs Union territories of Namibia, Botswana, Swaziland and Lesotho and South Africa, 25 percent of the vehicles — 5,784 units — sold in sub-Saharan countries in the first eight months of this year were either Opel or Isuzu.

André van Ruyven, Delta Motor Corporation director of industrial and commercial holdings, said this was "an impressive" three percentage point growth over last year. The Port Elizabeth-based motor manufacturer has also established itself as the leading exporter of one-ton light commercial vehicles into sub-Saharan Africa.

Van Ruyven said the Isuzu KB bakkie one-ton line-up had captured 37 percent of the market — four percentage points ahead of its nearest rival in this market sector.

The Opel Astra and Kadett were in second place with a 22 percent market share behind front runner Toyota.
Volkswagen SA's China contract ends

By Reuters

Nov 17, 1995

The 27,720th and last South African Volkswagen rolled off a north China production line yesterday, completing a contract that paved the way for more domestic input into a new line of cars.

Under the three-and-a-half year contract signed in 1991, Volkswagen South Africa shipped basic model Jetta sedans as semi-completed knock-downs, or SKDs, to Volkswagen's huge joint venture with China's First Automobile Works in Changchun.

The end of contract and the production of the last SKD Jetta marks a new stage in Volkswagen's cooperation with China, under which First Automobile Works will have more technical input, Chinese officials said.
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Manuel warns of crisis looming in motor sector

PORT ELIZABETH — Trade and Industry Minister Trevor Manuel said a serious crisis was looming for the motor industry as tariff barriers fell.

Manuel told the Sacob annual convention’s economic debate yesterday that as import tariffs fell to the critical 40% mark, local manufacturers faced the threat of being “shaken out.”

It would be the same in other industries which had no option other than to become more competitive quickly.

Although his speech on prices, wages and competition hammered home the need for SA business to change to compete in the “tough global neighbourhood”, it skirted the issue of competition policy, dashing hopes that he would spell out more clearly what government intended.

On Monday, former Sacob president Les Wel said he hoped Manuel would give details.

Manuel said afterwards the next draft of the new competition Bill should be ready in a few weeks — perhaps two — and that it would be made public. He said talks on a new competition policy with Anglo America’s Nicky Oppenheimer and Sanlam’s Mannus Daling had been constructive, and that there would be more.

Anglo American chairman Lesip Boyd told the debate the first draft’s concentration on market dominance as a proxy for a sector’s competitiveness was inappropriate.

Changes to competition policy should take into account that the SA economy was small and that in many industries, such as steel and pulp, there would be room for only one or two players.

“It cannot be appropriate to impede the efforts of domestic producers, generally small, by international standards, to generate globally comparable economies of scale.”

Manuel said efforts to restructure to prepare for the surge in competition had to be executed as soon as possible.

“We need to get in early and share the pain. It is better to deal with restructuring at 65% than to wait until 40%.”

National Association of Automobile Manufacturers of SA president Nick Vermeulen said the industry was up to the challenge of being competitive.
Chrysler clarifies plans for its return

US CAR maker Chrysler yesterday announced scaled-back plans to return to SA next year after a 13-year absence, ending months of speculation about its intentions.

The company said it would start selling the Jeep Cherokee and Jeep Grand Cherokees in SA in the second quarter of next year.

"The Cherokee will be sourced out of the plant in Toledo, Ohio, and the Grand Cherokee will come out of the Graz, Austria plant.

The firm's product line would be completed in two years with the introduction of the Neon compact car, the Wrangler sport utility vehicle and Chrysler's industry leading minivan. A direct dealer network supported by a regional sales office would be established.

Chrysler Latin America and Africa operations GM Jonathan Holcomb said SA was the dominant market in Africa. "We believe that it will have greater potential for larger volume growth in excess of 300 000 units annually."

At launch the firm would have dealers in Bloemfontein, Cape Town, Durban, East London, Johannesburg and Port Elizabeth.

Initially the company hoped to sell about 3 000 units a year, growing to 10 000 by 2000.

Company spokesman Jodi Armstrong said the investment would be minimal — an office of seven people.

While the company recognised the importance placed by the SA government on black economic empowerment, this would not feature in initial plans. "We'll be dealing with established motor groups," she said.

Earlier reports said it hoped to re-enter SA through a joint venture with a local manufacturer and a black business group.

Armstrong said importing completely built-up cars fitted in well with the corporation's strategy. It was cost-effective and efficient.

Before its pullout the company assembled vehicles in SA.

On SA's tariff structure, she said Chrysler considered the market liberal under the new motor industry development plan. "We hope we'll be price competitive," she said.

(192) 80 11/10/95
Manufacturers, labour welcome
IDC's R150m loans boost plan

SA's vehicle and clothing industries yesterday welcomed plans by the Industrial Development Corporation for a new scheme to assist the country's manufacturers become more competitive.

Sandton-based parastatal IDC said this week it would provide low interest rate loans worth R150m to help industrialists modernise their plants and machinery, reorganise their work methods and boost their productive capacity. The scheme forms part of government's package of supply-side measures.

Pretoria-based SA National Association of Automobile Manufacturers welcomed the measures, as did the National Clothing Federation.

The IDC plan has already been welcomed by labour, represented by the SA Clothing and Textile Workers' Union.

Labour said it should not be seen as a replacement for a more comprehensive plan of supply-side measures by the state on restructured industries.
Duty loophole hands car makers a bonanza

John Dludlu

CAR manufacturers have exploited a loophole in the industry's duties shake-up to net a one-off bottom-line bonanza estimated to be worth more than R1bn.

Industry sources said yesterday the sudden switch from Phase Six of the local content programme to the motor industry development plan had allowed manufacturers to escape paying duties on imported parts under either regime.

The National Association of Automobile Manufacturers of SA dismissed the figure yesterday, but the Board on Tariffs and Trade said that there had been a windfall, though less than the R1bn estimate.

Under the Phase Six system, car manufacturers could import completely knock-down (CKD) kits without paying a duty, but the vehicles assembled from the kits attracted an excise duty.

Since the development plan came into force last month, the excise duty on assembled kits has been removed, but customs duty must be paid on CKD kits imported after September 1.

Sources claimed manufacturers stockpiled CKD kits under the old regime, and assembled them under the new system. Estimates put the windfall at R1.3bn.

Board spokesman Ruel Heyns said government was aware of the windfall, but stressed the R1bn figure was exaggerated.

Heyns — a member of the board which was one of the state agencies that helped formulate the development plan — said government had known of the potential for the windfall. "We had an option of allowing the bonanza or to have Phase Six and the development plan running parallel," he said. "The latter would have been complicated. Manufacturers would not allow it."

Naamsa dismissed the figures as speculative and "vastly overstated".

Executive director Neo Vermeulen said the adjustment benefit was not new in SA. It was characteristic of all industries moving from an excise duty-based system to a custom duty-driven dispensation.

He dismissed claims that manufacturers had stockpiled before September 1. "Stockpiling would have been difficult due to the uncertainty about the implementation date of the development plan and because of the higher interest costs involved. Manufacturers operate on long lead times, they have very little flexibility in changing CKD sourcing patterns in the short-term."

Acting commissioner of duties Fanie Basson said government was considering an excise duty...
Ford Australia gears up for a South African comeback

BY ALEXANDER CORNE

Melbourne — Ford Motor Company of Australia is planning to supply fully built-up Falcon motor cars to Samcor.

Two six-cylinder saloons have been under evaluation by Ford engineers in Pretoria for the past few months.

While no dates for the start-up of sales have been finalised, the cars are unlikely to arrive before early next year. They will have to be slightly re-engineered to run on leaded fuel.

According to a Ford Australia executive, the supply deal will be signed within one month, with both base and high-specification cars coming to South Africa.

The Falcon is the only true Australian car still designed and manufactured in Australia. It uses rear-wheel drive, a straight-six, 167kW 4.0-litre engine and seats up to six in comfort.

Equipped with a driver airbag as standard and a passenger airbag as a relatively inexpensive option, the Falcon has been Australia’s top-selling car for several years.

In the past two months, Falcon has notched up more than 15,000 sales in Australia.

The car is sold in a variety of guises, and according to Ford Australia and Samcor, it is selling at all derivatives.

These start with the basic FLi, aimed at the fleet market and include a better-equipped Futura model, a more up-market Fairmont and Fairmont Ghia parring while a stretched-wheelbase pair called Fairlane and LTD offer limousine accommodation at a modest price.

Sporty drivers can opt for the XR5 version which has a race-tuned 164kW engine and sports suspension. All Falcon models are also available with an American-sourced 169kW V8 5.0-litre engine.

Samcor executives will not comment officially on the project, but sources within Ford Australia indicate the cars are well suited to South African climate and road conditions.

The impressive towing capacity afforded by the rear-wheel drive layout will also appeal to caravan and trailer owners left without a suitable towing car since the demise of the Opel Rekord and Ford Sierra.

In Australia, the Falcon sells from about R29 000 (R75 400) including local taxes.

It could sell for around R80-90 000 in South Africa, depending on what export credits Samcor might use to offset the 65 percent import duty levied on fully built-up imports.

Ford Australia supplied Falcon, Fairmont and Fairlane motor cars to South Africa until the late 1970s, before they were killed off by successive fuel crises.

Ford Australia seems confident that sufficient demand for powerful rear-wheel-drive cars still exists in South Africa.
Work resumes at VW plant

UITENHAGE. Full production resumed at the Volkswagen plant here yesterday after a strike which paralysed the vehicle manufacturer for three days (142/192).

Several hundred National Union of Metal Workers of South Africa members went on strike to support demands for the reinstatement of a colleague fired for hitting a supervisor on the production line. C/T 11/10/95

Sopa
Volkswagen SA pioneers
new car paint

BY ROY COLATINE

Volkswagen South Africa has taken the lead in the use of lead-free paint technology on locally manufactured vehicles.

The technology is used to apply a cathodic electropaint undercoat to all vehicles built at the company's Uitenhage plant.

The low-toxic electropaint, Aqua EC 3000, replaces the lead and tin compounds previously used in the undercoating process. The technology has been introduced in collaboration with Plascon South Africa.

The company is the first local manufacturer to introduce this process.

"This development not only keeps us abreast of environment-driven initiatives within Volkswagen and the global motor industry, but will result in savings for all vehicles passing through our paint shop," said Hans-Jurgen Wiegand, the company's technical director.

Wiegand said Volkswagen was a leader in the field of environmentally friendly technologies and processes.

Roger Dransfield, the director of automotive operations at Plascon, said the new process had positive implications for customers and employees and complied with laws on toxicity in Germany.
Volkswagen strikers' position 'unclear'

Renee Grawitzky

IT IS unclear whether Volkswagen workers would return to work today as an urgent interdict granted to the company ordering the illegal strikers back to work has not yet been served.

Shop steward Colin Hardt said it was not clear whether the company would serve the interdict today.

The plant has been closed since October 4 when workers embarked on an unprocedural strike after a colleague was dismissed for assaulting a foreman. The company said it had no choice in applying for the interdict as workers continued with unprocedural action.
Chrysler to return to South Africa

By Roy Creane

CT(08) 9/10/1995

Chrysler Corporation, which disinvested from South Africa in 1983, will return to the country in the second quarter of next year through the establishment of a direct dealer network supported by a regional sales office.

Jonathan Holcomb, the general manager of Chrysler's Latin American, Middle Eastern and African operations, said Chrysler initially planned to sell about 3,000 units a year but that this could grow to almost 10,000 vehicles.

Holcomb said Chrysler believed the South African market had the potential for volume growth well in excess of 300,000 units annually.

The Jeep Cherokee and Jeep Grand Cherokee will be the first vehicles available.

The Cherokee will be sourced from Toledo, Ohio, while the Grand Cherokee will come from Graz, Austria.

Over the next two years Chrysler will introduce the Neon compact car, the Wrangler sport utility vehicle and Chrysler's industry-leading minivan.

Chrysler previously assembled vehicles here it withdrew from South Africa and other international markets because of financial difficulties caused by a declining American car market and in support of the American government's actions against apartheid.

When Chrysler is relaunched, it will have dealers in Johannesburg, Cape Town, Durban, Bloemfontein, East London and Port Elizabeth.

This does not mean Chrysler will only have six dealerships — it is expected to have more than one dealership in some of these centres.

Motor industry sources said they were surprised that Chrysler, like Hyundai, had opted for a direct dealer network, which is costly to establish, instead of linking up with one of the retail groups in South Africa.
Ford Australia gears up for SA comeback

By Alexander Corn

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Modest

These start with the basic FLi aimed at the fleet market and include a better-equipped Futura model, a more up-market Fairmont and Fairmont Ghia, while a stretched-wheelbase pair called Fairlane and LTD offer limousine accommodation at a modest price.

There is also a voluminous Falcon wagon.

Sporty drivers can opt for the XR6 version, which has a race-tuned 164kW engine and sports suspension.

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Duty

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Ford Australia seems confident that sufficient demand for powerful rear-wheel-drive cars still exists in South Africa.

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Ugandan banks to axe staff after pay rise order

Nairobi — Foreign banks in Uganda are restructuring their operations following a hefty industrial court award to employees which threaten the sector's future.

The industrial court awarded bank employees salary increases of up to 80 percent, but the banks protested. They described the awards as "too high and unrealistic" and refused to comply.

The workers responded with a four-day strike that paralysed the entire sector.

Normality returned only after successful negotiations were held between the Uganda Bankers' Association and the Bankers' union.

But now the sector is feeling the pinch and foreign banks are hitting back. Three of them have started restructuring programmes that will see a cut-back in branch numbers and a substantial reduction of staff.

Another way the banks hope to recoup the extra outlay is to increase the minimum balances for savings account holders. But the increase could scare away customers. The current level of savings has been dwindling since the government imposed a 30 percent tax on deposits in 1987.

— Independent Foreign Service
surge in sales

Mercedes-Benz

expected

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its

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in

the

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of

2023.
Motor parts industry "under threat" from policy changes

BY JON BEVERLEY SPECIAL WRITER

While the motor industry is expected to export products worth more than R3.2 billion this year (equivalent to R2.6 billion last year), of which components represent two-thirds, storm clouds are gathering for the component-making industry.

John Brandtner, the outgoing president of the National Association of Automotive Component and Allied Manufacturers, told the annual meeting in Durban yesterday that as a result of government policy moves, manufacturers and workers were under pressure.

It appeared, he said, that vehicle manufacturers were being favoured. One of the developments which troubled the association was the way in which duties had been altered, and as a result of a customs duty loophole the manufacturers were being given an estimated bonus of R1 billion.

Brandtner said manufacturers and parts makers were emerging from a heavily protected system. Such changes in government policy, and approach, he said, were too sudden and threatening.

He added that although the new government deal did allow them substantial opportunities to export parts, the bureaucracy surrounding the move was "user-unfriendly."

Exporters were being burdened with costly, cumbersome, restrictive export reporting mechanisms.

He said there was a need for a body to monitor the industry, adding that the three-year review process on the progress of the industry was too long and that businesses could collapse long before that.

"We have been aware of this country's vehicle affordability crisis and the industry's drain on the country's foreign exchange reserves," he said.

"If South Africa is to develop an appropriate motor industry that produces affordable vehicles, and compete successfully on international markets, the government should attend urgently to our continued concerns about the implementation of the motor industry development programme," he said.
M-B sees increased demand for trucks

JOHN VILJOEN
Business Reporter

THE next three years will see a strong demand for heavy trucks to replace ageing South African fleets, according to Mercedes-Benz South Africa (MBSA) chairman Christoph Köpke.

"The average age of heavy trucks in South Africa is 15 years and that is not viable," he told a media briefing at MBSA's East London plant this week.

In the 1980s, South Africa's truck industry saw sales of 29,000 units a year, which dropped to 6,400 at its worst point.

MBSA planned to produce 3,600 heavy trucks this year, up 47 percent from last year's 2,442.

With 11 new truck models entering the South African market in the past 18 months, bringing the total to 15, it is a particularly competitive market sector.

To protect its market share, MBSA has cut its heavy truck prices over the past two years. Mr Köpke this week hinted at further price cuts.

Another area with growth potential is the production of buses. MBSA had a lion's share of a 3,000-unit market in the 1980s. Production has since dropped closer to 400, but he is optimistic that this will now show growth.

MBSA expects total turnover to grow to R8.6 billion for the year — by September it had reached R4.4 billion. By year-end this will mean an improvement on 1994's R3.5 billion, 56 percent in rand terms and 30 percent in Deutsche Mark terms.

MBSA ranks third of Mercedes-Benz plants outside Germany behind the United States and Brazil and ahead of Spain.

After-tax profit has grown from DM8 million (R26 million) in 1985 terms, to DM53.3 million (R133 million) last year. A similar bottom line is expected this year, in spite of stronger sales.

Mr Köpke attributed this to production line changes to accommodate new models, pressure on margins in the heavy truck market and excise tax on built-up units.

Earnings from exports were showing strong growth. Mr Köpke said MBSA aimed to increase exports of R650 million this year to R1 billion within three years.

South African-made cars exported to the rest of Africa would account for R95 million of this year's figure.

Other typical exports were aluminium components — car jacks were produced in South Africa and supplied to the mother company in Germany, alloy wheels, leather upholstery (80 percent of the leather trimmings in Mercedes-Benz S and E class cars produced in Germany is made here), and catalytic converters.

Turning to production, Mr Köpke said MBSA planned to produce a total of 41,900 units this year, up from 23,300 last year.

This includes 29,500 passenger cars (20,229), 8,700 one-ton vehicles (626) and 3,600 trucks (2,442).

This represents a 70 percent increase in volume. Last year's passenger car figures included 5,580 Mercedes-Benz C-class vehicles MBSA will have stepped this up to 10,900 by the year-end.

Sales in the South African vehicle market had dropped from 450,000 in the 1980s to present levels of around 350,000, which was shared between 50 different models.

"By any world standards, there is no way that can work," Mr Köpke said.

South African prices were between 15 and 30 percent higher than those in the United States, which, with 12 million units sold a year, was the world's most competitive market.
Automakers shares 'hot'

CT(BR)23/10/95 (192)

BY ROY COKAIN

The R25 million public share offer by Automakers, the holding company of Nissan South Africa which will be listed on the JSE tomorrow, was 37 times oversubscribed and attracted subscriptions of more than R935 million.

John Newbury, the chief executive of Automakers, said the unprecedented demand for shares was a major vote of confidence by the man in the street in Automakers and its brands Nissan, Nissan Diesel and Alfa Romeo.

Newbury said that in order to be as fair as possible in the allocation of shares and to give every subscriber an opportunity of becoming an investor in Automakers, all subscriptions will receive a minimum of 100 shares.

"Thereafter, subscriptions will be allocated on a pro-rata basis," Newbury said.

The oversubscription makes it the most sought-after public offer this year. It follows strong institutional demand for the private placing of 35 million shares in the company.

The public offer was for 5 million shares at 500c each and there was a preferential offer of 5.66 million shares at the same price, which was fully subscribed.

"Following our listing tomorrow, we will have a very broad and well balanced share register. This will be made up of extensive public, staff and institutional participation, including our majority shareholder Sankorp, together with Mitsui & Company and Nissan Diesel of Japan," Newbury said.

The listing of Automakers follows a decision by Sankorp to reduce its shareholding from absolute to effective control. Sankorp will retain a shareholding of more than 50 percent, while Mitsui & Company and Nissan Diesel will hold a total of 12.9 percent.

See Page 18
Automakers takes Japanese on board

The investment by the Japanese in South Africa is a major step forward for the industry. Since 1976, when Nissan South Africa was established, the Japanese have been a significant force in the local market. The latest development is the announcement of a new investment by Toyota, which will see the construction of a new plant in the Western Cape province.

The investment by Toyota is significant for several reasons. Firstly, it will create new jobs and boost the local economy. Secondly, it will help to reduce the country's dependence on imported vehicles. Finally, it will improve the country's standing in the global automotive industry.

However, the investment by Toyota also raises some concerns. There are concerns about the impact on the local suppliers and the potential for job losses in the local automotive industry. There are also concerns about the potential for a trade war with other countries that may see their exports to South Africa decline.

Despite these concerns, the investment by Toyota is a positive development for the country. It shows that the automotive industry is still a priority for the Japanese companies and that they are committed to the South African market.

The investment by Toyota is also a sign of the changing dynamics in the global automotive industry. As the industry becomes more globalized, companies are looking for new opportunities to expand their operations. Toyota's investment in South Africa is a clear example of this trend.

In conclusion, the investment by Toyota is a significant development for the South African automotive industry. It shows that the industry is still a priority for the Japanese companies and that they are committed to the South African market. It also shows that the industry is becoming more globalized, with companies looking for new opportunities to expand their operations.

John Newbury, taking Automakers to the JSE

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Automakers disappoints on JSE debut

John Diudlu and Adrienne Gillomee

AUTOMAKERS, holding company of car manufacturer Nissan SA, made its debut on the JSE yesterday, hitting the R5.70 mark within the first few minutes. This was below market expectations of between R6 and R6.50, but still above the R5 issue price. The share hit a high of R6 and a low of R5.40, closing at R5.68 after 443 deals.

But dealers said the listing was disappointing because the massive oversubscription had depressed the share price. "One had many little transactions involving small shareholders and this could not lift the share price to higher levels," a dealer said.

Dealers said some investors had borrowed money to subscribe for the counter, but this had backfired when the issue was oversubscribed and shareholders were allocated only a portion of their application. "Investors who took an overdraft were really hammered. Their interest on the basis of allocation came to R1,30 a share. If you consider the share price rose only to R5 above the listing price, they lost 65c a share.

Automakers group financial manager Alan Cunningham said the company had expected the share to trade at a premium to the offer price.

Judging by the demand for the share offer, which was 37 times oversubscribed, the company saw great upside potential in the price.

The company offered 5-million shares to the public at R5 a share, and 5,48-million preferential shares were taken up in a private placing.

Sanlam chairman Marthinus Daling said the offer had generated much interest among institutional investors, prompting Sankorp to reduce its shareholding in Automakers to just above 50% Sankorp previously held 100% in Automakers.
VW strike ends with court order

Port Elizabeth - Volkswagen workers return to work today, having lost more than R2.2-million in wages and their employer at least R39-million in lost turnover since an unprocedural strike at the Uitenhage plant began last Wednesday.

The National Union of Metalworkers of South Africa (Numsa) convinced its VWSA membership at a mass meeting at the plant yesterday to return to work, after the company was granted a Supreme Court interdict against the workers on Friday.

Numsa regional secretary Bimba Mangqabashama said workers had initially wanted to defy the "apartheid" interdict, but agreed that it was equally vital to consider the consequences of their action.

Mangqabashama said interdicts to which a union could not immediately respond unnecessarily "soured relations" between the company and workforce.

The strike began after the company dismissed a black worker for assaulting a coloured supervisor.

Numsa claims the worker hit the supervisor after being hit himself. - Own Correspondent
PORT ELIZABETH

Workers and management at Volkswagen South Africa’s Uitenhage plant have agreed that work will resume today after a wild-cat strike which began last Wednesday, company and union officials said.

The workers, members of the National Union of Metalworkers of South Africa (NUMSA), downed tools after the dismissal of a colleague who allegedly assaulted a supervisor.

"The company and the union have requested all employees to report for duty at the start of their respective shifts and to continue to work normally," Volkswagen SA spokesman, Raymond Hartle said.

"NUMSA's undertaking to return to work and to follow the established procedures ends the three-day closure of VWSA's Uitenhage plant, following an illegal strike," he said.

The union's Eastern Cape regional secretary, Bumba Mangqabashana, earlier said that workers would go back to their jobs and talks would continue.

"We have managed to persuade workers to go back to work while negotiations continue with management that both the dismissed employee and the supervisor be suspended with full pay," he said.

VWSA, a subsidiary of Volkswagen AG, produces 300 cars a day.

The striking workers met yesterday to decide whether to comply with a Supreme Court order, obtained by the company on Friday, compelling them to resume work.

At the weekend VW SA ran radio and newspaper advertisements explaining why it was important for workers to resume work.

Every day the strike continued, workers were losing R750 000 in wages and the company between R13 and R18 million in lost turnover.

The regional economy would be negatively affected, suppliers, dealers and their workers could be adversely affected, and the relationship between VWSA and its workers could suffer.

During the strike workers lost a total of R2 million in wages and the company R64 million in turnover.

Own Correspondent and Reuter
BMW to invest R1 billion in Rosslyn plant

BY ROY COMAINE

Cape Town — BMW SA will invest about R1 billion in its manufacturing facilities at Rosslyn near Pretoria and could create between 3,000 and 7,000 jobs among its local suppliers over the next four years.

The announcement was made by BMW SA managing director Rainer Hagemann at the BMW pavilion at the V&A waterfront yesterday, when he conveyed a message from Bernd Pischetsrieder, BMW’s management board chairman. Pischetsrieder’s message said the investment would be primarily to upgrade and increase the capacity of the local manufacturing facilities to meet increased domestic and export demand.

BMW’s German board remained committed to South Africa, he said.

The company was encouraged by the improved market conditions and was pleased with the government’s professional approach to economic management, he said.

Hagemann said the investment would be evenly spread over the next three years, with a lesser amount invested in 1999.

The plant’s production capacity would be increased from 16,000 vehicles to about 25,000 vehicles.

Hagemann said the financing had not been completed but would come from within BMW.

He said the investment would create jobs, but because of the sharp productivity drive at BMW, these would be limited to local suppliers and dealers.

“We have 3,000 people in our own organisation and our suppliers and retailers have about 10 times that number. If we look at the whole network, we are looking at between 10 percent and 20 percent more jobs being created,” he said.

He said local BMW exports this year would amount to between R800 million and R900 million and imports to R1.3 billion. BMW expected to sell 25,000 cars in 1999, of which between 15,000 and 16,000 would be for the local market. However, the volumes for the export market had not been determined, he said.

“We will move slowly with meeting the market demand in South Africa and for exports in the next two to three years,” he said.

“It is a process of building capacity at the plant and bringing it up to world competitive standards with the increased production only kicking in in the fourth year,” Hagemann said.

The investment announcement follows Pischetsrieder’s visit to South Africa in 1994 when he challenged the local firm to qualify as a member of BMW’s global manufacturing network.

He said it would be a daunting task to improve quality, productivity and delivery efficiency to globally competitive standards.

Pischetsrieder said BMW’s board was satisfied with the progress the local firm had made and it would become a fully fledged member of the global network.

He said, however, that the head office remained deeply concerned with the level of crime in South Africa, particularly vehicle theft and hijacking.

Background: Page 19
Mercedes-Benz SA reports 400% increase in export market

BY ROY COTYNE

Pretoria — Mercedes-Benz of SA's exports have grown 400 percent in the past two years and it anticipates exporting products worth R650 million this year.

The company's marketing manager for passenger cars, Eric Scoble, said the group's exports were mainly to the passenger car division of Mercedes-Benz in Germany and included leather, alloy wheels, catalytic converters, glass and some smaller components.

The company was supplying leather and catalytic converters for the original equipment market and the remainder of the products to the after market.

However, he said the strength of the rand was making it increasingly difficult for motor manufacturers to export, although it was good news for the pricing of vehicles.

Scoble doubted completely built-up vehicles would be exported from South Africa. He said there was not one manufacturer in South Africa that could produce vehicles cheaper than its parent company.

However, he said that any company that wanted to be a major player in the vehicle market would have to be an exporter.

Scoble said the company's passenger car market share grew for the fifth consecutive year, reaching 11.3 percent at the end of last year from 10.9 percent in 1994.

In the light commercial vehicle sector, the company achieved a 5.5 percent market share with the Colt range after only a year in this market. The bakkies range captured 8.1 percent of the one-ton pickup segment, he said.

Scoble said the company foresaw a marginal increase in its market share this year, and hoped to attain 12 percent of the market after the launch of the new E-class and Honda Ballade. The company did not expect growth in the industry this year to match that of last year, but Scoble said that total vehicle sales could grow between 5 to 10 percent if the economy grew 4 percent as predicted.

Scoble said two factors could make the market do better this year than forecast — a drop in interest rates, which were expected to be reduced by 2 percentage points during the year, and pricing, which was dependent on the rand exchange rate "holding up".

Scoble predicted the "cheaper segment of the car market would be the biggest sector by 1998 — with the two bottom segments accounting for 80 percent of sales".
CASH WITH STRINGS

German car giant BMW is ready to invest R1bn in its SA subsidiary — but only if government gets a grip on soaring crime

Group chairman Bernd Pischetsrieder

says BMW plans to spend the R1bn between now and 1999. But he adds that “crime continues to escalate as it has in the past years, this will force us to reassess the investment.”

He singles out vehicle theft and hijacking as particular worries and says authorities must give urgent attention to issues such as central vehicle registration, border control and police-pound management.

The R1bn is intended to raise capacity at BMW’s Rosslyn, Pretoria, plant to 25 000 cars/year on a single shift — or up to 50 000 potential full-capacity. Last year the local company built 18 000 cars.

Pischetsrieder says the investment will enable BMW SA to become a fully fledged member of the BMW global manufacturing network. He says it is a reward for the company meeting its parent’s challenge to become a world-competitive manufacturer and supplier.

Pischetsrieder, who has criticised government in the past for lack of clear investment guidelines, says he is now encouraged by local market conditions and government’s “professional approach” to managing the economy.

By becoming part of the global network, BMW SA will have increased access to export markets. Last year the company exported 3-Series cars to Australia and Pakistan; Southeast Asia and the southern hemisphere remains prime target markets, but others are also in the sights. In the medium to long term, it is hoped that exports will account for a third or more of total production.

Suggestions that BMW SA will become the sole supplier of right-hand-drive cars are, however, off the mark. Britain is the biggest single market for right-hand-drive BMWs and its closeness to the main German car plants means it will continue to be supplied from there.

All depends, though, on SA’s crime rate. BMW SA MD Rainer Hagemann accepts it is unrealistic for crime figures to drop immediately. At the least, government must show commitment to tackling the problem and take suitable action. Hagemann says “if it takes the right decisions, this investment will be in no danger. But if the situation deteriorates seriously and it becomes impossible to conduct business in normal cir-
Shape up or we'll ship out, warns BMW

Lynda Loxton

In September 1994, Munich-based BMW chairman Bernd Pischetsrieder caused a stir when he warned the luxury automaker's South African subsidiary that it either had to shape up to international standards or BMW would pull out.

This week, a long process of painful adjustments to become more competitive, meet international standards in quality, productivity and delivery bore fruit when Pischetsrieder announced that BMW had decided that enough improvements had been made to qualify the local company as a "member of the BMW global manufacturing network."

As a result, it has decided to invest R1.1-billion in South Africa over the next four years to increase capacity in the South African plant to meet increased domestic and export demand.

BMW South Africa managing director Rainer Hagemann told a media briefing in Cape Town this week that the challenge had been "daunting" but that it had been tackled with determination.

But Pischetsrieder's good news had another caveat — the investment could be reconsidered if progress was not made in curbing the escalating levels of crime in South Africa, particularly of vehicle theft and hijackings.

BMW, which recently donated 100 new cars to the South African Police Services highway patrol in Gauteng, was, however, "optimistic that crime levels will be suitably addressed."

The R1.1-billion would be invested evenly over the next four years, but mainly in 1996 to 1998 and would help increase production from the present 16 000 cars to about 25 000.

Hageman said the investment would create more jobs downstream rather than in BMW itself.

"The drive for more productivity means that productivity will go up steeply so that the additional jobs that we can have on our own plant will be limited," he said.

"But if you look at the whole network, at our suppliers, our retail organisations, we are basically responsible for more than 20 000 people and there will be a lot of extra activity."

Hageman said exports were expected to pick up slowly. BMW SA had already started exporting to Australia and Pakistan and would also look to South East Asia.

"The effect of the process of building the capacity of our plant and bringing it up to world competitive standards will only effectively kick in in the fourth year and only then will we be able to move towards a different level of capacity," he said.

It was, however, important to export as much as possible as this enables BMW to import cars and components without paying duty. This would enable it to price its cars competitively and keep pace with export companies that did not produce for the local market.

BMW has 8% of the local market share and Hageman said it accepted the fact that this could shrink somewhat because of the increasing competition in the domestic market.
Car makers geared up
for Rubn export drive

COMPANIES

STAIMUSH, 28/11/69

4 SUNDAY TIMES, BUSINESS TIMES, January 29, 1970.
R&D essential for SA success, says Manuel

BY THAOS LEIBED

Johannesburg — South African companies must invest vigorously in the development of their employees or risk failure in the harsh global economy, the minister of trade and industry, Trevor Manuel, warned at the weekend.

"As you invest in technology upgrade and in research and development, you need to invest, continguously, in the people who actually work on the shop floor. Unless we get that dimension right, becoming global players will remain a pipe dream," said Manuel.

He was speaking at the 25th anniversary celebration of Tente Castors in South Africa. The minister also turned the first sod for the Boksburg-based company's R3.5 million warehouse and assembly complex.

CT (BOK) 29/1/96

Tente Castors is the leading manufacturer of wheels and castors in the country. It is a wholly owned subsidiary of Tente Rollen GmbH & Company of Germany, with a turnover of R250 million.

Manuel congratulated the company for its innovation and investment in the development of new products, particularly its research into anti-theft castors.

He committed the government to helping create an environment conducive to competitiveness and efficiency. That, he said, was vital to enabling firms to create jobs, upgrade the skills of workers, innovate and seize opportunities in the world economy.

"We have the vision of an economy with an industrial base that is focused on quality and excellence and that will bear its seal proudly," Manuel said.

Dieter Eickel, the president of Tente Rollen, said the investment in the new warehouse reflected the parent company's confidence in South Africa.
INTERNATIONAL NEWS

MARK OF APPROVAL

Internationally recognised quality control systems were essential if South African companies were to compete in the international trade and service sectors, the chairman of Tornado, Neil Ironell, said at an award ceremony at the weekend.

Independent Express, a courier company in the Tornado group, was accredited with top quality achievement. The picture shows Andreu Leveall, the managing director of Independent Express, with the award.

The company, which is the only South African courier firm to achieve the accreditation, provides express and courier document, parcel and airfreight services nationally and to more than 100 countries internationally — Francine Botna

Strike at BMW over bonus tax

Johannesburg — A wildcat strike at BMW's Rosslyn assembly plant near Pretoria halted production on Friday and yesterday as workers expressed anger at the amount of taxes on holiday bonuses.

About 2,500 production workers, who received a special bonus on Friday because the company had an unusually good year last year, walked off the job when they got their pay cheques.

"This is an extraordinary and unusual situation. The reason for the strike is, to put it mildly, great disappointment over the amount of tax withheld," said Chris Moerdyk, the head of public affairs for BMW SA.

"It’s ironic that usually strikes are related to not enough pay, not too much," he said.

The company frequently pays a quarterly bonus based on profit.

Because of especially good production and exports last year, the company included an extra bonus in pay cheques distributed to workers on Friday.

The company normally communicates with workers about bonus calculations through shop stewards, but the system apparently failed, focusing attention on the significant negative costs of failing to communicate.

Management and shop stewards were taken by surprise by bitter complaints from workers over the size of the tax bite.

Workers continued to negotiate with management late yesterday and sent a delegation to complain to the receiver of revenue.

Moerdyk said the strike would last through today, but that if workers returned to work tomorrow, the plant could make up lost production without major cost.
Samcor announces large cut in prices

Edward West

SAMCOR yesterday announced price cuts of between 1% and 9.5% on several of its models after benefiting from reduced import tariffs, improved efficiencies and a favourable exchange rate.

The cuts came at a time when other manufacturers have forecast vehicle price increases equal to at least the inflation rate this year.

With the introduction of the motor industry development programme, designed to make the industry more competitive, vehicle manufacturers have begun responding by aggressive pricing to grow market share and to enable them to become more cost effective in the future, an industry source said.

He said the first signs of this trend was last year's introduction of new entry level models such as Volkswagen's Citi Golf Chico and Samcor's Midge and Tracer. Vehicle manufacturers received an incentive in terms of development programmes for low cost cars.

There had been some antagonism to the programme by the unions and motor component manufacturers who did not believe it would lead to greater affordability. However, Samcor and a number of other manufacturers were setting the pace in proving them wrong, the source said.

Samcor MD Jim Miller said the pricing actions had been made possible through greater efficiencies within the company, the benefits of a more favourable exchange, as well as reduced government tariffs and taxes.

"Since we announced the first major price reductions in July last year with the introduction of the successful Ford Tracer 1,3 and the Mazda Midge 130 models, we have become the first SA motor manufacturer to be presented with the ISO 9002 quality award by the SA Bureau of Standards."

In the latest cuts, the prices of the 1.6L Tracer and Midge models were reduced by nearly 5%, while Ford Bantam and Mazda Rustler bakkie prices fell between 7.5% and 9.5%.

The price of the flagship of the recently relaunched Ford Escort 1.6L Gh fell from R3 200 to R79 950, with prices of the Ford Telstar and Mazda 626 ranging falling between 6.5% and 9.5%.
Chaos as VW workers seek apology

Port Elizabeth - A mass meeting of Volkswagen workers broke up in chaos yesterday with union officials demanding an apology from managing director Henrich Holtmann for a perceived "derogatory" remark about President Nelson Mandela.

According to the National Union of Metalworkers, about 4500 of its members walked out of their quarterly meeting with management after Holtmann "failed to apologise" for his comments.

Last night Volkswagen executives were trying to defuse the potentially explosive situation.

The confrontation between Holtmann and the mass gathering of workers was disclosed by Numsa last night.

The union blamed Holtmann, responding to dissatisfaction from employees over tax levels, "unstruck the employees to go to Mandela and ask him to appoint the previous managing director, Peter Searle, as the finance minister to curb the tax problem".
Motor traders warn of unleaded fuel 'disaster'

The Argus Correspondent

THE Motor Traders' Association today warned that unleaded fuel could create untold disaster in South Africa when it becomes available from tomorrow, February 1.

Chairman Roy Close said that while the reasons for using lead-free fuel were sound, serious problems could arise in vehicles that had had engines and cylinder heads repaired, especially minibus taxis.

"Just wait until the first minibus taxi blows a cylinder-head gasket because of unleaded fuel," he said.

"It will cost between R3 000 and R4 000 to repair, and all hell will break loose."

He said there was "hardly a minibus taxi around" that had not had its engine overhauled.

"Those who can least afford it will be the hardest hit."

The latest list of cars which can be expected to run safely on unleaded fuel did not even state that this applied only to engines in original condition.

Some would need only minor adjustments, but those that should not use unleaded fuel at all included models older than 15 years and some high performance cars.

Many motorists will simply buy unleaded fuel because of the lower price and will pay a frightful penalty.

Lawnmowers, industrial and outboard motors could also be at risk with the new unleaded fuel.

The major manufacturers have set up helplines on the following numbers: BMW 011-313 2422; Delta 0800-422 777; NAAMSA 012-323 298; Nissan 0800-112 448; SAMCOR 0800-110 221; Toyota 0800-139 111, Volkswagen 0800-434 737; and Zenex 0800-117 707.
MANUFACTURING — MOTOR INDUSTRY

1996 — 1997
Rivals put the brakes on Automaker's profits

MOTOR INDUSTRY
By DON ROBERTSON

The previous policy of quarterly retail price increases was abandoned and Automakers and other manufacturers had to forego upward price adjustments of at least 5%. This would have represented additional annual sales of more than the R170-million and would have taken the group a lot closer to the prospectus forecasts.

"Automakers resisted the pressure to enter the price war for a considerable period, resulting in a consequent reduction in market share and a build-up of inventory."

DEREGULATION in the motor industry – and the resulting increase in competition – prevented Nissan SA holding company Automakers from achieving its prospectus forecast of R156,8-million attributable profit for the year to June.

This disappointed chief executive John Newbury, but the achieved profit of R127,8-million was better than forecast at the interim stage and 12% higher than the 1995 pro forma figure of R112,5-million.

Earnings of 72,4c a share have been produced against the pro forma 78,6c, out of which a total dividend of 13,3c has been declared. The balance sheet remains strong: net asset value has risen to 465c a share from 463c and the net debt/equity ratio has improved to 38,6% from 39,8%.

Newbury says despite rising input costs, aggravated by the retreating rand, motor manufacturers were precluded from increasing retail prices while trying to remain competitive as the low-priced, entry-
Car manufacturers forced to lift prices

Edward West

A VIRTUAL hiatus in new car price increases appears to have ended as a number of manufacturers bow to rand depreciation cost pressures and lift prices today.

Manufacturers due to increase prices today are Nissan SA, Samcor (Mazda and Ford) and Audi.

The average increase in new vehicle prices in the first six months this year was only 1.5% — well below that of previous years. Over the past 13 years the compound new car price inflation rate has averaged 15.6%.

Economists economist Tony Twine said a number of “small rolling price changes” were expected before the end of the year as the depreciated rand pushed up costs and forward cover began “running out.”

“We would have to see a price increase of at least 15% by the end of the year if production costs and retail pricing structures were to remain in balance,” he said. “Not pricing to dealers — effectively wiping out discount structures — was one way manufacturers were whittling away at the 15% without increasing prices.

Automakers CEO John Newbury said last week that despite the competitive market, it was unlikely local manufacturers could afford to cut margins any further, because of the weak rand.

Nissan SA said at the weekend it would increase prices today, but by late in the year the extent of the rise had not yet been determined. A spokesman for Samcor, which assembles Ford and Mazda vehicles, said the same.

Audi planned to lift its prices 1.5%-3% today, but parent Volkswagen SA said it would hold prices at this stage, after increases of 2%-3% in July with the launch of a new Jetta range.

Toyota SA did not intend increasing prices today as it had lifted prices 2%-3% at the beginning of last month — the first increases in a year.

Mercedes-Benz SA (MBSA) and BMW SA also increased prices 1.5%-3% at the beginning of August, and Delta Motor Corporation put up prices 2.5%-3% in June last year.

However, MBSA spokesman Ben van Rensburg said the manufacturer would lower the prices of its Colt bakkies this week, effectively pushing the price war raging at the entry level segment of the vehicle market into the light commercial vehicle market.
Motor manufacturers reap devaluation
Mercedes distances itself from Ground-breaking wage...
Employers' body, Mercedes at odds

Employers Organisation (Amco) yesterday denied claims by Mercedes-Benz SA that its final pay offer contravened the principles of the industry's three-year wage agreement.

Mercedes' 3 000-strong workforce is to decide today whether to take industrial action against the company's refusal to endorse the agreement.

Last week Mercedes distanced itself from a final employer offer, claiming it did not comply with the intention of the agreement. Mercedes said the agreement was intended to ensure that increases would be linked to the inflation rate and that parties could negotiate at company level "on all key aspects affecting the future viability of the company and job security".

The employer body said its settlement offer was in accordance with the wage principle. An informal arbitration ruling by mediators Charles Nuppen and Clive Thompson early in the process indicated that the relevant clauses relating to wage adjustments if inflation fell below 8.5%, or rose above 14%, implied the agreement could be adjusted only by the (May) inflation rate plus 2%. However, the unions were not bound to the inflation rate as a basis for across-the-board pay increases they wished to table.

Amco said a subsequent formal mediation opinion indicated that the only appropriate settlement range consistent with the agreement would be between 5.9% (May inflation) and 8.5%.

A plenary meeting of the national bargaining forum today will try to finalise the wage agreement. The National Union of Metalworkers of SA said last week it would accept the final employer offer of 8.5% across the board and a 2% increase on the minimum if all employers were bound by the offer.

An Amco source said that, despite the withdrawal, it represented six of seven main employers and most workers. Numsa spokesman Tony Kgohe said Mercedes workers had shown dissatisfaction by boycotting a broadcast by MD Christoph Kopke on Friday.
Confusion over auto workers’ pay deal

René Grawitzky

THE Automobile Manufacturers Employers’ Organisation (Amco), the National Union of Metalworkers of SA (Numsa) and the SA Workers’ Union yesterday signed an agreement for an 8.6% increase — while Mercedes-Benz SA declared that a separate plant-level agreement of 5.9% had been reached.

Confusion reigned last night as union sources said that no agreement had been signed with Mercedes.

‘Shop stewards at the plant said they were awaiting feedback from shop stewards who attended the plenary meeting of the National Bargaining Forum yesterday.

Mercedes, however, said Numsa members had accepted a proposal linking actual wage increases to the inflation rate for May, which was 5.9%. This agreement, Mercedes said, would form part of a comprehensive framework which would be concluded at plant level within three months.

The move by Mercedes to negotiate a separate deal followed its withdrawal from the employer body and claims that Amco’s final wage offer contravened the spirit of the three-year agreement signed last year.

Mercedes stressed that it continued to abide by the National Bargaining Forum agreement.

Industry sources said Mercedes’ position could cause difficulties as the three-year agreement was signed between unions and the employer body, not individual employers.

At the plenary meeting yesterday, Mercedes advised the parties that it was at odds with Amco and the unions over interpretation of the agreement. It believed the agreement restricted parties to inflation-related increases.

A Numsa spokesman said inflation-related increases applied only if inflation fell between 8.5% and 14%. Once inflation fell outside these parameters, the parties were obliged to negotiate across-the-board increases in a settlement range between the actual inflation rate for May (5.9%) and the applicable cut off parameter of 8.5%. This had been confirmed by two mediators.

Mercedes said that it was considering applying for exemption from the section in the agreement relating to across-the-board increases, and was prepared to go to arbitration on the interpretation of the deal.

Numsa said it would respond once it had received notification of the application for exemption. Amco said the parties were not in dispute and were happy with the agreement. Therefore there was no mechanism in the agreement for arbitration.

Prosecution of Sol Kerzner questioned
Wage agreement has
Mercedes up in arms

By Roy Cokoyne

Pretoria — Mercedes-Benz South
Africa would challenge the Auto-
mobile Manufacturers Employers'
Association (Ameo) and two labour
unions in court if necessary, after
this week’s signing of an 8.5 per-
cent wage agreement.

The indignation expressed by
Mercedes yesterday has led to con-
fusion, given that George Steg-
mann, the chairman of Ameo, said
the agreement applied to all Ameo
members with the exception of
Mercedes, which had withdrawn
from Ameo last month

“If the future of Mercedes is
prejudiced by the conduct of the
parties at the National Bargaining
Forum, it will take whatever steps
are necessary to protect itself,” said
Ian Russell, a management board
member for manufacturing and
human resources at Mercedes.

Russell said the National Union
of Metal Workers of South Africa
(Numsa) had proposed two mo-
tions at the bargaining forum on
Tuesday. The first involved accep-
tance of the 8.5 percent wage gain
by Ameo and the other that the sig-
natories to the offer were the same
as those to the original forum
agreement signed last year.

“Ameo went along with Num-
sa’s motion, knowing full well
that Mercedes was no longer a
member of the association. Ameo
had no right to sign on behalf of
Mercedes and acted improperly.

“The signing of the offer was
technically wrong and a deliberate
misrepresentation of the status quo
Ameo has undermined the letter
and spirit of the agreement to the
prejudice of Mercedes,” he said.

Russell said Mercedes was pre-
pared to disclose in court why
some motor industry employers
moved above the consumer price
index, adding that the agreement
would only have credibility “if
these issues are answered.”

Russell said Mercedes had
informed the National Association
of Automobile Manufacturers of
South Africa that it was quite pre-
pared to go to arbitration or to the
courts.

Russell said there was an easy
solution to the dispute, which was
to grant Mercedes exemption from
the agreement and allow it to
review its position in two years’
time when the agreement expired.

Russell said there was an
unequivocal acceptance at plant
level of a proposal by Mercedes to
link actual wage increases to the
CPI.

However, Numsa said it had
not yet been officially informed
about Mercedes’ intention to apply
for exemption from the bargain-
ning forum.

Enoch Godongwana, Numsa’s
general secretary, said yesterday
that there was “no agreement” with
its plant-level members at Merce-
des and only a “draft proposal was
submitted.”

Godongwana said Numsa had
not received anything from Merce-
des indicating it was applying for
exemption from the agreement.

Godongwana said an incorrect
perception was being created of a
difference of opinion between
Numsa officials and shop stewards
at the Mercedes plant in East
London.

“There is no difference of op-
inion at all. Mercedes is trying to
discredit and publicly undermine
the agreement,” he said.
Renée Grawitzky

THE National Union of Metalworkers and yesterday it would be prepared to back Mercedes-Benz SA's exemption from the automobile agreement if it provided proof that above-inflation pay rises would threaten its survival and viability in SA.

This followed claims by Mercedes that its future in SA could be prejudiced by the conduct of the bargaining forum and the approach of the employer body, the Automobile Manufacturers Employers' Organisation, to pay talks.

Numsa general secretary Enoch Godongwana said that other employers in the bargaining forum had misinterpreted a three-year agreement. However, management had told workers at the plant that above-inflation increases would threaten the future of the SA operation.

Godongwana said the union would not support an exemption based on Mercedes' public stance, but would support it if the company's future depended on it.

In Pretoria yesterday, Mercedes SA MD Christoph Kopke indicated that future investment strategies relied heavily on the company's ability to show that increases would not be granted above the inflation rate for May (5.9%) unless they were linked to performance.
SA car sales hit flat spot, but the
industry is not running on empty

Edward West

NEW car sales fell moderately in August compared with the same month last year after above-average growth in the previous few months, the National Association of Automobile Manufacturers (Naamsa) said yesterday.

Sales totalled 20 433 units, 3.7% down on August 1995 and 5.4% lower than July's figure. Light commercial vehicle sales fell 2.6% to 11 038 units year-on-year and 3.9% compared with July.

The medium and heavy commercial vehicle market turned in a mixed performance, with sales rising 47% to 644 units in the case of medium-sized vehicles and heavy truck and bus sales virtually unchanged at 639 units.

Naamsa said total year-to-date vehicle sales were 3.6% up on the same period last year at 257 591 units. Sales for the rest of the year would be supported by new model introductions and expected purchases by the car rental sector.

Overall new vehicle sales were expected to exceed last year's levels by about 3%. The association said the cost-raising effect of the weak rand had resulted in various manufacturers increasing prices in recent months, while further increases could be expected as vehicle price inflation should remain below the forecast 1996 consumer price index increase.

The top-selling passenger car seller by a long margin was Volkswagen, which sold 5 279 cars in August, followed by Samcor with 4 212 sales and Toyota SA with 3 125 cars sold.

McCarthy Motor Holdings chairman and CEO Brand Pretorius said from a vehicle retail perspective, the motor industry appeared to be stable, and trading conditions relatively healthy.

The market for new vehicles was being inhibited by a logjam in the used vehicle market, but this was unlikely to be a long-term problem. "Once this blockage is cleared there is potential for the new vehicle market to enter a more positive phase," he said.

Nissan SA marketing services director John Jesup said August's sales decline was expected "after two months of demand bolstered by purchases ahead of anticipated price increases."

Naamsa said a positive development was the wage agreement between the industry's major employers — with the exception of Mercedes-Benz — and the industry's trade unions.
Survival of the Fittest

One in three new-vehicle dealers in SA must go if the rest are to survive, says McCarthy Motor Holdings director Ray Nethercott.

Most of the casualties have to be in metropolitan areas, where there are too many dealers chasing too few sales, says Nethercott, who is also immediate past president of the National Automobile Dealers' Association.

He says there are about 1 500 franchise dealers scattered around SA. “My prediction is that we need to cut that by a third to 1 000 if we are to remain viable.”

On average, local dealers sell fewer vehicles than their overseas counterparts — 19 a month compared with 30 in Australia, 47 in Britain and 50 in the US.

Despite suggestions by vehicle manufacturers that SA dealers are greedy for profits compared with those overseas, he says independent research proves otherwise. In the US, dealers’ average return is 1%-1.5% on sales before tax, SA dealers ask for 3%

An investigation by Deloitte & Touche showed that, with SA’s higher interest rates and costs of doing business, real returns would work out much the same. “Due to the high cost of borrowing funds to risk trading in the SA market, automotive dealers here require double the return that our colleagues in the US are getting.”

In any case, he says, the 3% is a target. The actual average rate of return for SA dealers is 1.9% “At that level, you simply are not profitable.” Manufacturers aren’t making life easier by expecting dealers to bear the brunt of sacrifice involved in the continuing price war at the entry-level end of the market, where profit margins have become wafer-thin.

With the overall car market showing limited actual growth, the real shift is in the market profile as small cars take an ever-growing share of the overall cake. For dealers, that means more sales of the lowest-margin products.

That is not a recipe for survival, says Nethercott, who points out that the same manufacturers who criticise dealers for wanting “unrealistic” returns are them-
AUTOMAKERS (1996)

LOWERING EXPECTATIONS

Future historians seeking to illustrate the story of the SA motor industry at the end of the 20th Century may one day choose Automakers as their case study.

Listed in October 1995, weeks after implementation of government’s motor industry development programme (MIDP), Automakers is the holding company for Nissan SA and is also responsible for Nissan Diesel, Fiat and Alfa Romeo. It not only serves the local market but also has a growing export business.

Before the listing, chairman John Newbury offered bullish performance forecasts. They were based on (with hindsight) highly optimistic visions of the MIDP’s effects. Automakers’ first interim results, announced in February, were a severe disappointment, causing Newbury to play down expectations for the rest of the year. Year-end results are much more in line with revised forecasts.

Turnover for the year to end-June was R3.43bn, up 7% on the previous year’s R3.21bn. Pre-tax profit rose at the same rate, from R236m to R251m. EPS were down 8% from 76,6c to 72,4c, in part because of a loss from the property valuation, which raised the group’s 1995 dividend of 5c, the highest in the group. A dividend of 5c per share is included in the results, which exclude statutory claims.

Automakers has been hit hard by the sharp rise in the rand. Its SA division is loss-making, but this is expected to improve with the implementation of MIDP. Automakers also faces competition from foreign manufacturers, who are expected to increase prices to make up for the higher costs of local production.

The company’s pro forma figures show the impact of these changes. Pre-tax profit, at R195m, is down 4% from R209m in 1995. The group’s operating profit on a pro forma basis is up 2% to R128m.

The board expects operating profit to fall by 11% against the year, with the group’s operating profit down 8.5% on turnover. The company’s share of Toyota SA’s results have been lower than expected, and it is the only listed automaker to see its share of Toyota’s profit fall.

Automakers has appealed to shareholders for more cuts in margins and a return on investment. Even with many overseas assets, there is little room for more cuts in margins. Still, market share by Automakers’ products is made up of new and existing products, and the auto industry is expected to grow by 11.4% against the year, with the two main competitors producing more than the company’s output.

The collapse in the rand has dealt another serious body blow to Automakers’ share price, but the company’s management is optimistic about the future. They expect Automakers to recover its losses in the coming year, and are optimistic about the company’s future growth.

Once Automakers shows some signs of improvement, investors are likely to improve their holdings.
**50 CURRENT AFFAIRS**

May-on-May inflation was 5.9%.

"It would have been a tragedy had we faltered at this stage of the three-year agreement," says Stegmann, who confirmed that MBUSA resigned from Amec on August 22. He said this was "regrettable" since it was a founder member of the national bargaining forum. Other members are BMW, Delta, Nissan, Samcor, Toyota and Volkswagen.

Stegmann acknowledges that "all the parties to the three-year agreement recognise that there are still some warts in it. Negotiations have been protracted this year, so there is a degree of different interpretation of it" — which is at the heart of MBUSA's divergence.

For example, Stegmann says employers are not comfortable with the agreement's provisions on productivity and efficiency. There appear to be problems over plant-based incentive schemes which led to a strike at Toyota earlier this year, adherence to industrial action procedures, delivery on education and training, and interpretation of inflation-linked wage increases when the consumer price index moves out of the set range.

Amec and the unions this week agreed to meet to iron out these problems. Meanwhile, MBUSA has announced that Numsa has accepted "a proposal at company level which links the actual wage increase to the consumer price index as part of a comprehensive framework for conclusion of the MBUSA plant negotiations within three months."

According to the company, management and the union have worked for the past 18 months "on strategies and plans which have the best chance of securing the company's profitability and employment security."

Some of the key issues are internationally competitive performance targets, human resource development plans, new product strategies and "a performance-based compensation model which ensures employees are not financially prejudiced."

MBUSA confirms it will abide by the national bargaining forum's three-year agreement but "does not agree that Amec and Numsa can adopt a position which is contrary to the fundamental principles of the agreement and not in MBUSA's or its employees' best interests."

It has formally applied for an exemption from the Amec offer at the forum and believes the agreement "has sufficient flexibility to cater for the proposal." It is prepared to have arbitration on the issue as the dispute relates to interpretation of the agreement and the "conduct of certain parties during negotiations."
Exports may reduce deficit
Remy Jeshabalile

EXPORT growth was expected to reduce the motor industry trade deficit over the next five years, in spite of rapid growth in imports, sources said on Friday.

Imports, including fully built and completely knocked down vehicles and components and accessories, increased 15% to R13.5bn last year from R10bn in 1994. Over the same period exports more than doubled to R2.1bn from R1bn.

Imports had exceeded exports by more than R10bn last year, figures supplied by the customs and excise department showed. But exports, aided by the ability of motor manufacturers to offset import duties with export credits, were expected to grow by about 25% to R4bn this year, making it the largest and fastest growing sector.

The trade balance would narrow over the medium term because the growth rate of exports was outstripping that of imports, albeit at a lower rate.

Motor Industry Forum chairman Anthony Black said, "As the rand weakens export values will increase and imports are expected to decrease." The weak rand would also discourage imports to an extent.
Mercedes and workers agree

By Roy Kekoyne

Pretoria — Mercedes-Benz of South Africa's agreement with its workers on base rate increases linked to the consumer price index is regarded by industry analysts as a trade-off to ensure the company's continued viability and for the retention rather than retrenchment of workers.

The agreement was signed last week after lengthy discussions between the company management and the National Union of Metalworkers of South Africa (Numsa). This will result in an increase of 5.9 percent for Mercedes's workers compared with the 8.5 percent increase signed earlier last week between Numsa and the Automobile Manufacturers Employers Association.

Ian Russell, a Mercedes management board member for manufacturing and human resources, said the agreement was a framework covering strategic aspects which would ensure the future viability of the company and employment security.

"Important issues covered are product strategies and employment security as well as a performance-based compensation model to ensure that employees are not financially prejudiced"
Mercedes workers are 'not worse off'  

Renee Grawitzky

THE National Union of Metalworkers of SA (Numsa) said yesterday the plant level agreement reached last week with Mercedes Benz SA would ensure workers would not be worse off than workers in the rest of the industry.

Numsa spokesman Tony Kgobe said that workers would in reality ultimately receive a 5.8% increase as provided for in the agreement reached between the union and employers within the national bargaining forum (NBF).

The agreement signed with Mercedes provided for an inflation-linked increase on the actual rate while hourly paid workers would receive the difference between the inflation increase (6%) and the increase granted at the NBF (8.5%) on a weekly basis.

Numsa indicated that workers would not be prejudiced in terms of the calculation of benefits which would be based on an 8.5% increase.

Mercedes said the differential for hourly paid workers would form part of an overall compensation model to be negotiated within three months. Mercedes said in effect the 2.5% difference between its increase and that of the industry would be given in return for accepting new and higher standards leading to improved productivity.

Mercedes backed a number of regional job creation initiatives and economic regional structures, a commitment at a time when the company says it is carrying excess staff.
Car industry faces the future  

The local motor manufacturing industry will never be the same again. The introduction of the Motor Industry Development Programme (MIDP) last September will change forever the way local motor manufacturers do business, if it has not already done so.

Judging by the recent financial results of the two listed motor manufacturers, Toyota South Africa and Automakers, the effect of the MIDP varies thus far from one manufacturer to another.

For the year to June, Automakers' attributable profit rose a pedestrian 2 percent to R127.8 million, R29 million lower than the R156.8 million attributable profit forecast before Automakers' listing last October.

Automakers blamed the opening up of the South African vehicle market, particularly the MIDP, which "resulted in a period of intense competition in the market place."

Automakers was also not able to recover inflationary increases, particularly as a result of the depreciation of the rand, through vehicle prices. Tougher competition resulted in prices remaining stable or falling.

Contrast Automakers' performance with Toyota, which, despite a 11.4 percent drop in its interim turnover, still managed to lift operating income by 6.4 percent.

Directors attributed this to, among others, benefits of the MIDP.

John Newbury, the chief executive of Automakers, said yesterday that the programme resulted in the opening of the local market too suddenly for the local manufacturers to adjust to the new environment. Within a year, tariffs on imported vehicles fell from 115 percent to 65 percent.

The South African motor industry problems stem largely from the wide range of low-volume models produced.

Tony Towns, a motor industry analyst at Econometrics consultants, noted that the programme was designed to encourage local manufacturers to rationalise their product lines, produce whatever makes economic sense to make locally and import the rest of what the local market needs.

He said that, including imported vehicles, passenger car sales for this year should be about 265,000. But there are no fewer than 330 derivatives of passenger cars available on the market, meaning that each derivative, on average, is chasing about 800 potential sales.

Within the Toyota Corolla model range, for instance, there are about six derivatives (sub-models) ranging from a Corolla 130 to a Corolla 150 NSX. A Nissan Sentra has about nine derivatives.

Because of this high number of derivatives chasing fewer potential sales, the profit contribution that each derivative has to make towards the manufacturer's cost is very steep.

So, any pressure on profit margins affects the company's profit severely.
Tiger Wheels turns good profits

By Jonathan Rosenthal

Johannesburg — Tiger Wheels, the automobile wheel manufacturer and
tyre distributor, lifted turnover
51 percent to R360 million and attrib-
tutable income by 49 percent to
R21 million for the year to June 30,
the company said yesterday.

During the year the company
issued 4 million new shares which
slightly diluted earnings a share.
Earnings a share rose 44 percent
to 52c, while total dividends for the
year were increased by 50 percent to
21c a share.

Eddie Kezan, a joint chairman,
said sales and profits at the
Blacksfontein aluminium wheel
manufacturing plant increased in
line with expectations. But the move

at Bebelegi did not achieve budgeted
volumes and profit.

More than 60 percent of wheels
were exported in the year under
review. "Retail sales showed a
healthy increase with margins under
pressure in a competitive market,"
Kezan said. By year-end, there were
20 Tiger Wheel and Tyre stores, of
which three were franchised.

Tiger Wheel's associates in
Britain and the US showed signifi-
cant growth, resulting in a 67 percent
increase in the share of associates'
profits to R862,000.

The R54 million in capital raised
through the rights issue in May
would be used to fund new retail
stores and ongoing capital expendi-
ture in the group's two manufactur-
ing plants.
Edward West

Tiger Wheels revs up its revenue

Tiger Wheels lifted bottom line profit 49% to R21,7m in the year to June after the strong interim performance was maintained in the second half.

Earnings for the year were equivalent to 52c (38c) The annual dividend was increased 50% to 21c (14c). The dividend was declared in scrip with an option to convert to cash.

CE and joint chairman Eddie Kuzan said the company planned another year of sustained growth, but expectations were tempered by the possibility of more competitive markets, at home and abroad, and mounting consumer pressure for price containment.

With nearly R57m in the bank, Tiger Wheels was poised to embark on a new phase of expansion.

Turnover increased 51% to R369,6m Pre-interest income was 45% higher at R30,5m, with the interest bill increasing 17% to R3,2m.

Pre-tax profit was 50% higher at R27,4m — out of which the tax charge was R6,6m (R4,3m). Debt was low due to the R54m raised in May’s cash issue.

The funds raised would be used for new retail stores, an enlarged holding in US associate Just Wheel and Tyres, and continued capital expenditure for the group’s two manufacturing plants and other still to be announced projects.

Tiger Wheels’ associates in the UK and US both showed significant growth in the year, reflected in an increase in income to R662,000 from R516,000 by associates.

Sales and profits at the Elandsfontein aluminum wheel manufacturing plant increased during the year in line with expectations.

The output from the Babelegi plant was higher, but budgeted volumes and profits were not achieved due to the move to continuous production.
Competition may pound stamping industry

By Jonathan Rosenthal

Johannesburg — South Africa's R1.9 billion-a-year automotive stamping industry could be destroyed by increased competition, high raw material input costs and the effects of the motor industry development programme, an industry spokesman said yesterday.

"South Africa is in danger of being without an automotive stamping industry within a few years if it is not transformed fundamentally," said Joe Panzer, the chairman of the automotive stamping platform, an industry body representing employers, labour and the government.

The automotive stamping industry, which employs about 5,000 people, comprises a handful of large companies that produce body panels for assembly into built-up motor cars. The industry is largely tied to domestic motor manufacturers, but obtains about 20 percent of its turnover from exports for the after-sales market.

A report released last month by the Industrial Development Corporation found that the industry was hobbled by high raw material prices, low productivity and quality problems on its inputs and products.

Panzer said that the industry was highly capital-intensive, with tooling for a new car model costing between R150 million and R200 million. The average production run was about 1,200 stampings before the presses were reset for another stamping, compared with runs of about 5,000 by stampers in the US or Europe. The domestic vehicle industry, with about 39 different models of passenger vehicles, produces an average of 8,000 cars for each model yearly.

Though the motor industry development programme was intended to reduce the proliferation of models produced and increase production runs, it has not benefitted the stamping industry.

Companies often exported batteries and similar mass-produced items to earn development programme credits to offset tariffs on the import of semi-knocked down stampings for car bodies. Panzer said the industry's survival depended on its ability to win export orders from large foreign motor vehicle assemblers, he said.

Wages in the industry were 66 percent lower than in the US, and productivity and lower production runs resulted in a labour cost per unit which was 71 percent higher than in US, he said.

Cost competitiveness was also hindered by the higher price paid by domestic manufacturers for Iscor steel compared with the steel producer's export steel price. The disparity between domestic and US steel prices has fallen from about 22 percent to about 3 percent because of the rand's devaluation.

John Barnard, an Iscor divisional marketing manager, said the difference between the local steel prices and the price allowed for secondary exports was about equal.

"Domestic manufacturers could qualify for secondary export prices if they exported their final product, provided certain conditions are met," Barnard said.

"Iscor has also committed itself to working with the industry to rationalise product lines and to improve its delivery performance, which could result in savings in the industry."

The domestic vehicle industry consumes 200,000 tons of Iscor steel a year, including 140,000 tons of sheet metal for the pressing industry. It uses 580 different steel products, many of which vary only slightly in terms of surface coatings, width or thickness. The range of products results in stockpiles of about two months' worth of raw materials being maintained, costing the industry about 2 percent a month on its raw material inputs.
BRONCO-BUSTING

Following months of intense price competition among entry-level car manufacturers, are we about to see the same in the bakkie market? Mercedes-Benz of SA (MBSA) this week hacked 15% off prices of several Mitsubishi Colt bakkie models. However, MBSA chairman Christoph Köpke thinks a price war in this sector is unlikely. For one thing, he says, buyers of commercial vehicles are far more brand loyal than car buyers. For another, the Colt price reductions are not permanent and will probably start to rise again in about two months — though not to the same level as before Köpke thinks they will go up 3%-4%.

"There's an element of promotion, of pushing sales of certain models," says Köpke. He adds that the price reductions are possible now because the company has lifted local content in the Colt range to its most economic level and is also feeling the benefits of highly advantageous forward cover in Japanese yen.

Köpke hopes that the cuts will improve Colt sales by 20%-25%. Even then, it will fall well short of the main players in this market — Delta, Samcor, Nissan and the runaway market leader, Toyota. Still, one rival marketer says his company would be "looking very closely" at the effects of the MBSA move.

One effect will be to edge the company even further into the (by SA standards) high-volume league. It's only a couple of years since MBSA was setting well down the overall sales table. Honda Ballade was the main car seller, with luxury Mercedes feeling the pinch of a sustained buying-down process into less expensive models. Its heavy trucks continued to perform well in a stagnant market. Since the launch of the more affordable C-Class and, more recently, the Mitsubishi Colt range, MBSA's volumes and market opportunities have risen sharply.

Köpke suggests that the chief victim of any Colt sales advance in the next few weeks could be Samcor's Ford and Mazda bakkies. If that happens, it will be particularly ironic — Mitsubishi approached MBSA to build the Colts after Samcor, which assembles other Mitsubishi products, turned down the chance. It argued that there would be a conflict of interests with existing Ford and Mazda bakkies.
into a mix of residential, retail, commercial and leisure — came in December.

The rezoning has redefined Ilcos business. The ambitious Century City (CC) development on the site will largely dominate its future activities.

In the nine months ended March 31 (now the company's financial year-end), Ilico made a R2.9m operating loss (year to June 30 1995: R10.7m). This follows a programme of cost and asset reduction to liquidate debt. It includes restructuring costs and initial expenditure relating to the CC project.

The change in year-end and in the nature of the business makes comparison of income and balance sheet figures meaningless. In any event, Ilico's future activities differ so fundamentally from its past that its financial structure will change greatly.

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A portion of the CC site has been sold to Tsogo Sun, a consortium of Tsogo Investments and Southern Sun (SA Breweries). Tsogo Sun has advanced R30m to Ilico pending transfer. If transfer is not effected, the loan must be repaid.

Monex Development Co (MDC) was one of Wragge's companies. It has sold its business to Ilico's holding company, Holdem Holdem, has changed its name to MDC and has been recapitalised through an injection of funds by shareholders to enable it to repay an Ilico loan of R20.4m. Ilico's R20m of preference shares will be repaid with the proceeds. With the Tsogo Sun loan in place, Ilico's debt equity ratio remains more than 2:1.

Sceptics should recall that it was Wragge who promoted and developed Tyger Valley — Cape Town's most successful and still growing shopping centre from a derelict urban area and that it has attracted huge infrastructural and nodal development around it.

Wragge is set on doing it even bigger with Monex — with or without the Olympics — and there are many reasons why CC should succeed. But it will require vast funds and there's no telling yet how these are to be raised.

Wragge is an entrepreneur. The undertaking is fraught with risk. But if CC succeeds, it's likely to be highly rewarding for shareholders. — Gerald Hirshon

**BEARING MAN**

**UNDULY BEARISH RATING**

Fears as to what the disintegration of the rand might do to Bearing Man are clearly reflected in its share price, which has dropped about 20% since last year. R32 now — this after an...}

**DATES TO REMEMBER**

**Last day to register for dividends:**
Friday Sep 27: AV130c, Automakers 10c, BTR Dunlop 15c, Concor 45c, Gentyre 67c, GSHold 13c, Goldstream 13c, Group 613c, Harvest 14c, JCI 153c, Micor 15c, RL Props 5,48c, Sasfin 18,5c, Tiger Wheels 21c, Tshok 16,8c, WBH-Ovcon 8,5c

**Meetings:**
Monday Sep 23: Genbel, Gensec
Wednesday Sep 25: Managed Care, Samancor

**Thursday Sep 26:** Advent Prop (Sandton), Barplats, Gentech (S) (Sandton), Kiplon, Ilico (Strand), Messana, Sowits, Transpaco (Sandton)

**Friday Sep 27:** Bloch (Kuils River), Cemenco, Educor, Implats, Publico, Publico Hold, Sub Nigel (Nigel), Toco (Jep Park)

All meetings are in Johannesburg unless otherwise stated.

S = Special meeting  *P* = Per combined unit  *C* = Cap award option

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What remains to be seen is whether these higher costs can be passed on without a disproportionate effect on turnover volumes or if they are going to crush margins. Also, Bearing Man has traditionally concentrated on a premium-quality product line — there are cheaper alternatives in many instances. And the question arises: will customers buy down?

However, it's also necessary to ask whether the market has not overreacted. This is not the first crisis that the group has faced.

The four-year track record cited by chairman David Royston of a 42% compounded growth rate in earnings off a 25% average turnover increase is testimony to the success of the 1992 merger of AVI's bearing interests with those of Bearing...
Man and management’s proven ability to grow the business without sacrificing the underlying quality of its earnings

The group itself is confident that, despite the currency, it can continue to generate real growth provided the economy hangs together — a view at total variance with the scenario implicit in the market’s assessment.

So far, evidence supports management’s view. The second half of the financial year to June 30, 1996 showed little evidence of a slowdown. Turnover growth increased from 16% in the first six months to 20%, while earnings accelerated from a 12% increase to 38%, to give 27% growth for the full year.

While it can be argued that the full impact of the weaker rand will be felt only in the current year, effects will be countered at least partly by the further expansion of the group’s distribution network (including acquisitions) and new products — among them the German Nord range of geared motors, launched in June, for which Bearing Man has the exclusive SA franchise.

The financial report at June 30 also showed little evidence of strain from the weaker rand, except perhaps for the upturn in the ratio of net working capital to turnover from 30,7% in 1995 to 32,8% — largely because of a 20% increase in year-end stock.

In rand terms, this ratio increase represented an additional investment in working capital of about R6.5m, helping push debt to R38.5m (1995: R9.5m). The more important reason, however, was the R33.9m spent on capex, including a new R20.3m Johannesburg distribution and warehousing facility, also reflected in a further hefty increase in total assets employed from R178m to almost R230m.

Borrowings, now 34.6% of shareholders’ funds, are higher than management would like but, as Rosston says, future cash generation should correct this in the near term. However, gearing is hardly more than moderate. Existing debt is amply supported by an interest cover of more than seven times and a cash flow which could repay all outside borrowings within 14 months. So the real downside is that management would probably prefer to have greater flexibility in considering future expansion opportunities.

Though the group has more than doubled its asset base since 1993, the gross profit return has remained fairly constant at around 21%. Similarly, net return on equity has remained within 22%-24%, with the 1996 figure of 24.5%, establishing a new record — again bucking the market’s expected profit collapse.

Fortunately, since June indications of reasonable support at current levels suggest that, firstly, further downside potential is limited and, secondly, that the share is probably a buy after its decline.

However, to repeat the FM’s assessment of a year ago, limited marketability remains a negative and the share’s investment attractions would be enhanced by a share split. Brian Thompson.

SUPER GROUP (MOTOLINK)

LONG ON IDEAS

This company, which began life rather modestly, is now paraded as an embryo imperial-in-the-making. That’s quite a claim which CE Larry Lipschitz modestly — and rightly — eschews. “It’s always nice to be compared with a group which has the kind of track record imperial can demonstrate, but it’s not a comparison we make — it’s others who say they can see the similarities.”

Motolink started life as a collection of auto dealerships, a short-term insurer focused exclusively on the motor industry and an automotive wholesaler.

At least one brokering analyst is less than complimentary about this assortment. “They (founders Larry Nestadt and Errol Grolman) were right to identify the sector...”
Corolla launch is first phase of R1,4-bn plan

THE launch of the new Toyota Corolla is the first phase in the Toyota South Africa's five-year R1,4 billion investment plan.

The programme provides for investment in several new models together with tooling and manufacturing facilities that will continue to raise standards and include the highest level of support possible for local content.

"Our objective is to achieve world class manufacturing standards together with a real reduction in the cost of our vehicles in line with the expectations of the Motor Industry Development Plan," says executive chairman Bert Wessels.

"Our new Corolla, which comes to South Africa within 12 months of its launch in Japan and ahead of its launch in major Western markets, boasts the highest quality standard ever achieved by Toyota South Africa."

The company initially invested R305 million in tooling and facilities for the new Corolla. "Of this amount R99 million was spent on facilities – the buildings and support infrastructure for the manufacture of the new model – and R206 million on tooling."

"This is substantially more than we have spent on any previous new model. By way of example, the Camry – the last major new model introduced by Toyota, required an investment of R234 million in 1992 and the Corolla that we are replacing now was the subject of a R96.3 million investment, but that was back in 1998."

Wessels says Toyota SA has chosen to continue its commitment to local content at a time when the MIDP offers flexibility to move away from local component sourcing.
Axe may fall on 900 workers at Nissan

René Grawitzky

NISSAN SA plans to retrench close to 20% of its workforce within the next two months if negotiations with the National Union of Metalworkers of SA (Numsa) fail to produce alternative ways to cut costs.

Numsa general secretary Enoch Godongwana told the union’s congress in Johannesburg yesterday that Nissan was planning to retrench 900 workers, while a few months’ breathing space had been negotiated at Mercedes-Benz Sankor, which manufactures Ford and Mazda vehicles, was also considering retrenchments.

The union said although talks were continuing with Nissan on proposed lay-offs the company had turned down several alternatives. It was also refusing to disclose information on executive pay. Numsa said one of the reasons for job losses could be that the Nissan Sentra was not selling well.

Nissan said a re-engineering process, started six months ago to ensure it stayed competitive and to protect market share, had shown that certain activities were not part of the company’s core business. Although some production workers would be retrenched, most job losses would come from jobs not directly related to production or from “indirect labour.” Such areas included security, cleaning and catering.

Numsa said the parties met in mediation last week to ascertain whether the information the union was demanding was relevant to the process.

The union proposed a number of cost-cutting mechanisms and asked for a review of executive and management packages and levels of management to see where cuts could be made.

The firm had focused on the workforce instead of looking at other areas to cut costs, the union said. The union was also challenging the re-engineering as it had not been involved in the initial stages, representatives said.

Nissan had given 200 to 300 salaried staff notice of their impending retrenchment, while 600 hourly paid workers would be notified in October.

See Pages 3 and 6
Toyota SA is ‘happy with
Johnnic as shareholder’

TOYOTA SA has diplomatically
snubbed a proposed tie-up with the
Japanese Toyota group, claiming it is sati-
sfied with Johnnic as its shareholder.
Edward West reports that the
group — unveiling its results for the
six months to June — said yesterday

that more direct involvement by Toy-
ota Motor Corporation had “value-
adding potential”.

But Toyota SA executive chairman
Bert Wessels, whose company, Wesco
Investments, holds just more than 56% of
Toyota SA, said management was
happy with Johnnic retaining its
stake, “either under its present control
or, in the event of the proposed transfer
of control, black business interests”.

Johnnic’s and parent Anglo American
have been negotiating to sell Johnnic’s
21.4% stake — worth R221.8m yesterday
— to Toyota Motor Corporation.

The National Empowerment
Consortium, which is negotiating to buy
Anglo’s 48% Johnnic stake, has also
been drawn into the discussions.

Wessels, who said last month Toy-
ota SA was not involved in the nego-
tiations nor had any influence over the
outcome, declined to comment further.

Toyota SA lifted attributable in-

Turnover fell 11.4% to R23.8bn
Sales volumes were lower due to a 22-
day strike which resulted in a loss of
production of 7 000 units. Sales vol-
umes were also lower due to an in-
crease in the comparative turnover
from rugby World Cup-related higher
car rentals in the first six months of
last year. Sales amounted to 42 147
units, 9.9% lower than the 48 093 units
sold in the first six months of last year,

Operating income increased 6.4% to
R141.6m. Margins improved due to
cost-containment measures, improved
efficiency and benefits from the Motor
Industry Development Programme.

These included lower import tariffs
and import duty rebate incentives.

Total debt to total assets was 47.3% at
the interim stage, but was expected
to be lower by the end of the year.
Toyota SA income rises despite strikes
by James Cameron

Johannesburg — Toyota South Africa boosted its operating income by 64 percent in the six months to June 30 from the same period last year despite a fall in turnover due to strike action, the company's interim results, released yesterday, showed.

Despite an 11.4 percent decrease in turnover in the period, the carmaker pushed up its operating income before interest and tax from R133 million to R142 million.

Turnover fell from R3.1 billion to R2.8 billion.

The company was hit by 22 strike days during the period and lost 7,000 units of its planned production.

Sales also fell because of a drop in rentals from last year, when they were stimulated by the many visitors for the Rugby World Cup.

As a consequence, the company's share of the local market fell from 25.2 percent to 22.1 percent.

Sales were 42,147 units, a decline of 9.5 percent from the 46,603 units sold last year.

However, net attributable income rose to R57 million from R33.6 million.

Earnings per share also rose, from 132c to 140c.

The company declared an interim dividend of 24c a share. This is unchanged from last year's dividend.

The company's gearing fell slightly, with the debt-to-assets ratio dropping from 49.7 percent to 47.3 percent.

According to the company's directors, margins rose because of controlled costs, improved efficiency and the introduction of government's motor industry development programme.

They said they expected profitability this year to be similar to last year's, provided there were no big industrial relations disturbances in the rest of the year. They also hoped to maintain a retail market share of 25 percent.
Japanese talks on SA Toyota set to succeed

Edward West

TOYOTA Motor Corporation (TMC) of Japan's negotiations for Johnnie's 21,4% stake in Toyota SA were expected to succeed, although the local motor firm backed the National Empowerment Consortium's (NEC's) bid, JSE analysts said yesterday.

The development followed Anglo American's plans to dispose of its 48% controlling stake in Johnnie, with the NEC as a potential buyer. Toyota SA said at the release of its results yesterday that although a deal with TMC would add value to the company, it was satisfied with Johnnie, or a potential black business, as a major shareholder.

Toyota's share price moved up 80c or 2% to close at R25 yesterday on the release of the half-year results which showed a 6,5% increase in attributable income to R57,1m off lower sales volumes and turnover.

An analyst said he believed the firm would report a 10% earnings increase by the end of the second half, with market share expected to be boosted by the launch of a new range of Corollas and Conquests. The lack of an entry level model, slow export growth and exposure to the rand were mentioned as possible factors which could have a negative effect on earnings growth.

Possible benefits to Toyota SA from a deal with TMC included a possible international manufacturing sourcing set-up, such as by BMW SA via local manufacture of the BMW 3-series for the global market.
New price hikes in sight for motorists

Edward West

SA MOTORISTS must brace themselves for rising transport costs — in spite of this week’s cut in petrol prices — as vehicle insurance and spare parts prices are likely to rise in coming months because of the rand’s recent dechaces, industry sources said.

Spokesmen from short-term insurance companies said on Friday there was a real possibility that insurance premiums would have to increase later this year due to the effect of the rand’s depreciation — 20% against the dollar this year — on the price of spares.

The relative stability in premiums over the past 18 months was likely to come to an end, they said.

Santam said it had prevented a general premium increase on its personal insurance business for the past 20 months — mainly through stepped up security measures such as requiring the installation of anti-theft devices in vehicles, but selective premium increases existed in areas where branches became unprofitable.

Mutual and Federal said it had not increased rates over the past 18 months on some insurance portfolios, though there were instances where some portfolio rates were increased. The level of crime was still high, though the level of escalation had stabilised.

Two thirds of all vehicle claims related to accidents, for which spare parts were bought.

Rolf Gudegast, director of leading automotive and accessories retailer Midas, said only a substantial improvement in the rand’s value over the next month could prevent the prices of imported vehicle parts from rising sharply.

Federal Mogul finance director Mark Levy said the only reason spare parts prices had not yet increased substantially was because most companies had excess stock at the beginning of the year and had been feeding it to the consumer at lower prices.

A number of crucial vehicle parts are imported from the Far East and Europe. These include many engine parts, water and fuel pumps, CV joints and various valves, while many of the locally manufactured parts contain imported components.

Reinie Booyzen reports that petrol prices will fall by 6c/l on Wednesday, while diesel will be 4c/l cheaper.

The falls would have been even greater if government had not decided to increase tax on petrol by 1,5c/l, and the Multilateral Motor Vehicle Fund (MMF) levies by 1,5c/l on petrol and 1c/l on diesel.

The hikes lift total tax on 91 octane unleaded petrol to 65,4c/l, on 98 octane leaded to 71,6c. The MMF levy now totals 10,5c for petrol and 6,8c for diesel.
Vehicle manufacturers start talks on wages with unions

By Roy Colloyne

Pretoria — The vehicle manufacturing industry is discussing wage increases with unions despite a three-year agreement signed last year.

Among other things, last year’s agreement laid down wage rates and policy.

Harry Gazendam, the deputy chairman of the Automobile Manufacturers Employers’ Organisation, said yesterday that the talks were triggered by May’s consumer price index (CPI) of 5.9 percent.

The agreement set wage rates by a formula that would apply for as long as inflation measured by the CPI was within a range of 8.5 and 14 percent.

Gazendam said the discussions between employers, the National Union of Metalworkers of South Africa (Numsa) and the South African Workers’ Union were to determine to what extent the formula now applied.

He said meetings had taken place over the past six weeks, including a full meeting of the Auto National Bargaining Forum earlier this week. “But no solution is imminent.”

The labour unions are believed to be demanding sharply higher wage increases because the CPI is not within the agreement’s parameters. These demands are apparently being resisted by the motor manufacturers.

Gazendam said Charles Nupin and Clive Thompson of the University of Cape Town, who had helped negotiate the original agreement, were appointed the facilitators and “they are attempting to facilitate a solution.”

Numsa spokesmen were unavailable for comment.
Truck prices set to climb — industry

Romy Tahabala

TRUCK prices, kept stable for the past months through tough competition from foreign manufacturers, were likely to increase soon following the devaluation of the rand, industry sources said yesterday.

Delta Motor Corporation product communications manager Craig von Essen said new entrants from abroad had forced the industry to become more competitive.

The deterioration of the rand may necessitate price increases, but the industry had become so competitive that it is not easy to increase prices anymore,” Toyota SA marketing manager Johan van Zyl said. Toyota was closely monitoring the situation.

Iveco International marketing manager Mark Warner said the company had lost market share in the medium-sized truck sector after price rises in May. It had no intention of increasing prices at this stage.

Although the rand devaluation had put pressure on all truck manufacturers, it was not possible to pass the full cost on to customers, Nissan Diesel SA sales GM Peter Ackerman said.

Nissan was implementing cost savings. “This process is continuing with the full involvement of Nissan Japan who have an investment in Automobile makers, our holding company,” he said.

The truck industry is not large by world standards. About 28 firms produce or distribute vehicles in a market not expected to reach 14,000 unit sales this year.
Motor groups in wage talks

By Roy Cokayne

Pretoria — Negotiations between South African vehicle manufacturing and labour unions over wage increases are “delicately poised”, industry sources said yesterday.

The negotiations are taking place despite a historic three-year agreement signed last year that laid down wage policies and wage rates.

“The benchmark agreement is being severely tested. It remains to be seen if the parties to the agreement can get their constituents to abide by the conditions and processes of the agreement,” an industry spokesman said.

The CPI figure for May fell outside the parameters laid down in the agreement, so the labour unions are believed to be using the fact to demand wage increases sharply higher than the CPI. These demands are being resisted by the car manufacturers.

Industry sources said a meeting of the Auto National Bargaining Forum (NBF) had taken place on Monday. Another meeting was scheduled for later this week.

Labour analysts said an extremely bad signal about the state of the country’s labour relations would be sent out if the discussions failed and the agreement was not kept intact.
Automakers wins export deal

By Roy Cooke

Automakers, the licensed manufacturer and distributor of Fiat Uno in South Africa, has won a contract worth more than R50 million to supply the Fiat distributor in Singapore with more than 2,000 Unos over two years. Singapore is one of several new export markets, where the demand for the Uno is strong, to which Automakers has gained access. Dave Manly, the director responsible for the Automakers group's export activities, said the contract might be extended. Automakers had also been asked to supply semi-knocked-down Unos to India. Exports of Unos were also being negotiated for Sri Lanka, Bangladesh and other right-hand drive territories, he said.
Unions appear to have shifted position

Car industry talks may be settled soon

By Roy Colley

Pretoria — Negotiations between South Africa's motor manufacturing employers and its labour unions over wage increases are still unresolved. But it appears that the parties have moved closer to one another.

The employers and unions have agreed not to make any official statements to the media about the status of the negotiations at present.

An industry source, however, said the labour unions had changed their position after two meetings of the Auto National Bargaining Forum last week.

The source said the position of the unions would be presented to the employer bargaining body, the National Association of Automobile Manufacturers of South Africa, this week.

He said there was still no consensus between the employers and the unions, but the difference between them was "very small and with common sense they should be able to make it (an agreement) fly.”

Another source suggested that an agreement between the employers and unions could be achieved before the end of this week.

The source said the seven chief executive officers in the South African motor industry had to meet to determine whether the position of the unions was "acceptable to the employers.”

He said if the union’s position was unacceptable, there was a possibility that the unions could call a legal strike ballot or change their position again.

The negotiations between South Africa’s motor manufacturing employers and its labour unions were described last week as being “very delicately poised.”

The negotiations are taking place despite the existence of a three-year agreement signed last year which laid down wage policy and wage rates.

The labour unions are using the fact that the consumer price index in May this year was not within the parameters laid down in the agreement to demand wage increases sharply higher than the index, the source said.

The motor manufacturers are resisting the demands made by the unions.
Toyota enters market for entry-level owners

By Roy Cokoyne

Pretoria — Competition in the entry-level segment of South Africa's passenger vehicle market is heating up with Toyota South Africa's announcement last night of its entry into this market.

Toyota announced the launch of its repositioned and revamped Conquest 5-door hatch line-up, the most significant element of which was the Conquest Tazz, which had a retail selling price of R35 905, including VAT.

It would compete head-on with Samcor's Ford Laser 1.3 Tracer hatch and the Mazda 323 130, both of which retail for R34 985, the Fiat Uno Fire selling for R34 990, manufactured and marketed by Auto-makers, the holding company of Nissan South Africa, and Volkswagen South Africa's Citi Golf Chico at R33 070.

Johan van Zyl, Toyota's managing director for marketing, said the entry-level market now represented close to 25 percent of all new car sales.

"Further interest could drive that interest up as high as 30 percent in the not too distant future. At this magnitude, the entry-level segment becomes an essential element of a balanced marketing strategy which Toyota cannot ignore."

"The Tazz will be pivotal to our passenger vehicle sales performance in the coming months, when we fully expect to regain our position of leadership in the passenger vehicle market, once again have full representation in the key market segments," Van Zyl said.

Francois Loubsar, Toyota's director of marketing, planning and communication, said the low price of the Conquest Tazz had been achieved by improving manufacturing and marketing efficiencies.

Loubsar said the company had achieved further cost reductions by excluding specification items which added significant costs but did not feature highly in customer expectations of an entry level vehicle."
Busaf first with safer bus bodies for Translux

By Roy Cokayne

Pretoria — Busaf has become the first South African manufacturer of bus and coach bodies to produce a coach that fully complies with European regulations governing rollover protection.

A series of Panorama 2000 coaches has been produced for Translux Express and all future Translux coaches will be built to this specification.

"Translux follows an ongoing programme to promote passenger safety in its fleet," Ted Stanton, Translux's chief engineer, said recently.

"Together with Busaf, we have examined the requirements for seatbelt, seat anchorage and rollover safety compliance, motivated their development locally and implemented them."

Compliance with the rollover regulation is not a statutory requirement, but the Coach Operators Association has recommended that all coaches, irrespective of their star grading, should comply with this specification from January 1 next year.

The European standards are accepted worldwide and monitored by the United Nations.

The South African Bureau of Standards specification, which incorporates the requirements of the European regulations, requires a passenger vehicle to be rolled over under specific, controlled test conditions.

Strict limits are laid down for the resultant deformation of the structure and intrusion into the passenger survival space.
to-back performance bond for due completion of work.

The $55.6m comprised a $27.8m advance payment by Siemens and an equal sum in performance guarantees by UCW. These were provided in letters of credit issued by Nedcor (Business April 26).

Siemens then pulled down the entire sum, as it believed UCW did not have the "workmanship and ability" to deliver, even within a 19-month extended delivery period. It cited failure by UCW to meet certain criteria in drawings supplied to it. UCW then sought to interdict Siemens, but Mr Justice R van Schalkwyk ruled in the Rand Supreme Court in April that the special nature of a performance guarantee meant that a breach did not have to be proved for payment to be made.

Last week's ruling by the Appeal Court in Bloemfontein does not necessarily mean an end to M&R's options. A spokesman says that negotiations with Siemens have already started in a bid to "amicably" settle the matter. "We are now investigating the full history of the contract. We can either go to arbitration or, alternatively, negotiate a settlement," he said.

But the spokesman ruled out any restoration of the contract to UCW due to "time constraints".

If the matter goes to arbitration, proceedings will be held in Geneva under the International Chamber of Commerce. The hearings, which are expected to start in June next year, could last up to a year.

Siemens says that the units will now be manufactured in Austria by SGP Verkehrstechnik, which designed the 140km/h hi-tech trains.

TRAIN BOGY

Any hopes that Nigel-based Union Carriage & Wagon (UCW) has of recovering US$55,6m from Siemens AG of Germany appear tenuous at best. Last week, the Murray & Roberts (M&R) subsidiary was refused leave to appeal in a dispute on payments for the supply of electrical train units to Taiwan.

The case arose after UCW had been awarded a multimillion-dollar subcontract from Siemens to build 72 body shells and assemble 36, three-carriage electric trains for Taiwan's rapid transport department. The total contract was for $352m.

UCW paid the German company $55.6m in equal proportions against a down payment by Siemens and a back-
Costs simply can’t be passed on to consumers, says Holtmann. Even so, at 5% the company’s return is among the top three in the VW world — and above the German parent’s figure of less than 1%.

One area where VW SA is under-performing — at least by its own standards — is exports. The end of the contract to supply Jetta to mainland China has not been replaced with orders of a similar magnitude. Over-calculations have also forced the company to re-think targets. This year’s export goal, formerly R500m, has been revised to R400m. Next year’s has come down from R1bn to R650m.

By retaining the CitiGolf as its staple seller, VW is able to hold down capital spending. In the four years from 1996 to 1999, total plant capex will be R600m — small by modern standards. With current annual production of 80 000, the plant is well within its 120 000 limit. But in 2000, with the possibility of a replacement for the CitiGolf, plus will rise. “There will be a major increase in our spending from that point onwards,” says Holtmann.

PRIDE OF PLACE

Heinrich Holtmann is becoming accustomed to looking down from his sales pinnacle on the rest of the SA motor industry. Since May last year, when it launched the budget CitiGolf Chico, Volkswagen SA has enjoyed almost unbroken leadership of the monthly new-car sales table.

Holtmann’s predecessor as chairman, Peter Searle, once declared he had no interest in the No 1 slot. What mattered to him was profitability and customer satisfaction. But then, most said that at the time. With no sign of Toyota’s long-term domination being eroded, there was no point in saying anything else.

Now the situation has changed and, having tasted the high life, Holtmann is anxious to retain it. There’s no instant financial bonus to be gained from being No 1, he admits. “The big advantage is motivation of the people who work for you, and a stronger relationship with your dealer network. And of course pride. So we want to remain there.”

VW’s share of the car market has gone as high as 25% recently. Holtmann would like to see it reach 27% before year-end. That may be difficult. Toyota, whose market dip has been hastened by lack of an entry-level car and the elderly status of its Corolla range, is about to remedy both problems. A new Corolla range is due next month, and the company is this week announcing details of a no-frills, budget-priced Conquest in addition. Delta is on the point of launching its new Opel Corsa small-car range, and at least one other major manufacturer has plans to introduce a significant new face in the same market segment.

Holtmann, though, says VW must not over-react to these moves. Despite challenges from other manufacturers in the last year or so, VW’s own market share has not suffered. On that basis, he suggests the new Corolla/Conquest combination will hurt other mass manufacturers — Nissan, Samcor and Delta — more than VW. Still, given the fact that VW’s growth has owed more than a little to Toyota’s own shrinking market share, there is no doubt that the renewed Toyota push will have a significant impact.

VW’s own immediate product plans are designed to minimise the peril. Having just announced an upgraded Chico at no extra cost, VW is about to introduce a new product to fill the market gap between the CitiGolf and Jetta. Holtmann won’t identify the product, beyond saying “we are entering an area we have not been in before.”

He adds that VW’s improved sales performance has done wonders for the company’s profitability. With manpower 10% down and production 40% up since early last year, VW SA enjoyed an 8% return on sales before tax in 1995. This year the figure is expected to be below that — the result of intense price competition and a depreciating rand.
BMW keeps R1bn growth drive on the road, for now

By Sven Lünsche

BMW chairman Bernd Pschetsreider arrives in South Africa this week to detail the German luxury car maker's R11-billion, four-year expansion programme.

But his announcement will be accompanied by warnings that a further increase in crime will force the group to review its investments in this country.

BMW's programme was first unveiled in January as an effort to improve productivity and the export orientation of the local operation.

Even then, Pschetsreider warned that soaring crime would endanger the plans. This time, however, it is believed that the warnings will be accompanied by contingency plans to switch production to other plants should the local subsidiary fail to meet export targets. Industry sources say that if that happens South Africa is unlikely to regain the investments.

On the other hand, a successful implementation of the investment programme could eventually result in BMW SA becoming the sole global manufacturer of right-hand drive BMWs.

Pschetsreider's visit, ostensibly to introduce new local managing director Peter Forster, will temporarily calm the waters after both BMW and rival Mercedes-Benz warned that the increase in violent crime was forcing them to reassess their local operations.

It is also the only bright light in an investment climate that has darkened considerably since the murder of ARG executive Erich Ellener by car hijackers last week.

The government's tame response to the increasing crime wave has angered local and overseas businessmen who view crime as the major threat to new investments and economic confidence.

"Car hijackings and other violent crimes are seen as a more significant deterrent to investment than government's passivity on the economic front," BMW spokesman Chris Moedryk says.

The success of the company's expansion programme will depend on whether suppliers of car components can be persuaded to set up shop in South Africa. "Unless crime can be controlled it is difficult to see how this will happen," he says.

"BMW is the country's top exporter of cars and components. Export earnings of about R1-billion are expected this year. However, only 10% of this income comes from the exporting of cars. The bulk — 78% — is derived from the production of leather upholstery."

Within a few years we want to sell 50% of our cars overseas, a target we can meet only if component suppliers are manufacturing locally," says Moedryk.

"Soaring crime was also adversely affecting BMW's local market as well as its ability to attract key technical staff to the country," he said.

So, Africa's big trading partners warned this week that the government's failure to deal with crime would seriously threaten new offshore investments.

Fritz Keller, president of the German Chamber in South Africa and senior partner at law firm, fears that the enormous publicity surrounding the Ellener murder will negatively affect investment plans by German companies.

A questionnaire by the chamber earlier this year revealed that 18 out of 30 German executives surveyed had experienced violent attack. The findings were conveyed to the SA government.

Charles Cullimore, director of the London-based Southern Africa Business Association, is more cautious, arguing that it is impossible to say whether anyone considering direct investment in South Africa has been put off by the high crime level.

"But the crime level is potentially damaging for newcomers to the region. The attractions of South Africa for direct investment remain strong, however. Other things being equal, people will be attracted to a more peaceful environment"," he says.

"The government has said it intends to clamp down but investors want to see evidence that it is getting crime down."

CRIME WARNING: Bernd Pschetsreider may be forced to switch countries
Mercedes opts to bargain alone

Renée Grawitzky

CENTRALISED bargaining in the automobile manufacturing industry could be in jeopardy after Mercedes-Benz of SA (MBSA) pulled out of the employer association representing the seven main manufacturers within the industry’s national bargaining forum.

The move last week, which comes during wage talks with the National Union of Metalworkers of SA (Numsa) and two other unions within the bargaining forum, was precipitated by an attempt by MBSA to table a wage offer separate from the other employers in the earlier stages of the negotiations.

Automobile Manufacturers Employers’ Association sources were quick to dispel claims that this would have an impact on the current negotiations and the future of the industry’s centralised bargaining.

The association said the move by MBSA would be resolved through internal employer association/National Association of Automobile Manufacturers of SA (Naamsa) structures.

Industry sources said although MBSA had been the main employer pushing for the establishment of the forum in 1992, it became evident during the 1994 national strike that the company wanted to withdraw from the centralised bargaining structure.

Sources indicate that this could partly be attributed to the fact that in recent years MBSA entrenched strong plant level arrangements which it feared could be undermined by industry regulation. However, other sources said the three-year agreement was an attempt to devolve more and more issues to plant level.

Numsa’s automobile negotiator Tony Kgobe said MBSA’s decision to pull out of the employers’ association could put a strain on collective bargaining and the national bargaining forum.

Kgobe said MBSA’s move did not mean it was withdrawing from the forum, but rather that it would negotiate separately to the employers’ association.

However, the move would be discussed by a national shop stewards’ council tomorrow which would also consider “the way forward for the wage dispute, where strike action could not be ruled out”, Kgobe said.

Negotiations resume on Thursday with the parties effectively 1.5% apart in terms of across-the-board increases and 2% apart on increases on the minimum rate.

Kgobe said employers were offering 3.5% across the board and 10% on minimum rates while Numsa was demanding 10% across the board and 12% on the minimum rate.

Industry sources have warned that Numsa’s threat of strike action could well play into the hands of those companies who had excess stock and needed to get rid of it before their new products were released on the market.

However, those companies whose products are currently in high demand and have to meet international contracts or face direct foreign competition from companies such as Hyundai, could be severely affected.

MBSA had failed to respond by the time of going to press.
Mercedes SA walks out of motor body

By Roy Colin

Pretoria — Wage negotiations within the Auto National Bargaining Forum will continue despite the resignation of Mercedes-Benz of South Africa from the Automobile Manufacturers Employers Organisation (Ameo).

Ameo, a body within the National Association of Automobile Manufacturers of South Africa, represents seven major manufacturers on the forum.

A spokesman for Mercedes-Benz confirmed the company had resigned from Ameo. The spokesman refused to comment further until after a meeting of the manufacturers' body later this week, at which the company's departure would be discussed.

An industry source said it was Mercedes-Benz's right to resign or remain a member of Ameo. The source said the company's resignation should have "little effect" on the wage negotiations.

The source said the negotiations would continue according to the existing mandate of the manufacturer. He said Ameo's position, as tabled, was still valid.

The source admitted that Ameo's offer was higher than Mercedes-Benz was prepared to go in this wage round.

"If Mercedes-Benz was prepared to give more than Ameo tabled, it would make little sense for them to resign," he said.

"Obviously Mercedes-Benz believes it can negotiate a more acceptable position from a financial viewpoint from outside the forum.

"If MBASA succeeds in negotiating a better deal, it will be significant for the whole country," the source said.

Industry sources have suggested that Mercedes-Benz's resignation was prompted by its insistence that Ameo's wage offer must be in line with the parameters laid down in the historic three-year agreement struck by the industry last year.

In terms of that agreement, wages and wage policy were laid down for the next three years in relation to the annualised rate of inflation in May of each year, as measured by the consumer price index (CPI). Provided inflation was not higher than 14 percent and not lower than 8.5 percent.

The annualised rate of inflation in May this year was 5.9 percent, which prompted the motor industry labour unions to initiate negotiations for wage increases sharply higher than May's CPI.

Though confirmation of the figures was not available, it is believed the employers are offering 8.5 percent across the board and 10 percent on minimum rates.

The labour union is demanding 10 percent across the board and 12 percent on minimum rates.
BMW plans to invest $220m in Rosslyn plant

GERMAN luxury car maker BMW planned to more than double the capacity of its SA plant by 1999 with an investment of about $220m, company chairman Bernd Pschetsrieder said in Pretoria yesterday.

The billion-rand investment over four years at the Rosslyn plant near Pretoria is aimed primarily at the export market in right-hand drive vehicles.

BMW was confident that enough progress had been made "to convince us our SA subsidiary would be capable of matching German quality and delivery standards", Pschetsrieder said.

In a warning to organised labour, Pschetsrieder said contingency measures would remain in place in Germany to enable BMW to make good any lost production in SA.

"We are hearing a lot of militant rhetoric from South African labour leaders. What we at BMW would like to start hearing now are some assurances, some guarantees that our export programme will be supported by organised labour and not torpedoed by them," he said.

Pschetsrieder repeated his warning, made from Germany in January when the planned expansion was first unveiled, that the company would be forced to review its SA investment if crime continued to escalate. Attacks on German company executives in SA, some fatal, have received extensive coverage in Germany.

BMW's investment is aimed at increasing production 230% by 1999 and will result in an increase in employment at BMW of 25%.

Employment at local suppliers to the company would increase 100%, Pschetsrieder said.

Local media have speculated that BMW might source all its right-hand drive models from SA if the expansion proceeds according to plan. — Sapa-DPA.
Automakers overtakes its forecast at interim

Edward West

NISSAN SA holding company Automakers lifted attributable profit a modest 2% to R127,5m in the year to June, well below its R150,8m listing forecast but slightly up on the revised R125,8m forecast made at the interim stage.

Share earnings fell 8% to 72,4c against a pro-forma 78,6c — earnings were diluted by a 16% increase in the number of shares in issue following the October listing. A final dividend of 10c was declared, bringing the total for the year to 15,8c.

CEO John Newbury said the new financial year would be tough, but the group would compete aggressively in the months ahead and total sales volume for the new financial year was expected to be about 7% ahead of the past year.

He said given the current status of the vehicle market and the weakening of the rand exchange rate, earnings for the 1997 year were expected to be lower than those reported for the 1996 year.

Turnover increased 7% to R3,43bn, mainly as a result of increased exports and parts sales. Operating profit before depreciation increased 5% to R315,5m. After depreciation operating profit increased 7% to R251,4m. The overall margin was maintained at 7,3% against pro-forma 1995, but was lower than the 7,8% forecast.

A near doubling in the interest bill to R22,8m from R7,1m from higher interest rates and cash utilisation lowered pre-tax profit 4% to R188,6m. Tax was 13% lower at R70,6m, which left taxed profit 1% higher at R128m. Gearings fell to 29% from 34%.

Newbury said one of the reasons why the group had not achieved its forecast was the inability to increase prices in the competitive market. Prior to listing the motor industry increased prices once a quarter, but the average industry increase since October was only 1,5%.

The rand depreciation had added to cost pressures; the influx of imported models had been greater than expected and legislation to prevent a tariff loophole in the import of vehicles from the custom union countries had not materialised, he said.

The group's retail sales fell 14,8% in 1996 from 17,2% in 1995.

EXECUTIVE SUITE

50 YEARS LOOKING FOR A JOB
BAD SIDE EFFECTS

One year into its existence, the Motor Industry Development Programme (MIDP) shows signs of costing the industry hundreds of millions of rand more than intended. It has also turned the industry into a net user of forex and threatens to put half SA’s components manufacturers out of business.

The programme, which came into effect on September 1 last year and is scheduled to run until January 1 2002, was designed to encourage exports, allow more affordable vehicles, stabilise employment and create a world-competitive industry.

It has gone some way to achieving these goals but, according to two men involved in its implementation, it is also having less welcome effects. Roger Potot and John Brandtner were both members of the government-appointed task group that made recommendations for long-term industry policy.

Potot is group treasurer at Samcor and a member of the National Association of Automobile Manufacturers’ MIDP committee. Brandtner is past president of the National Association of Automotive Components and Allied Manufacturers, and chairman of the Alfred Teves automotive components group.

According to Potot, preliminary figures suggest vehicle manufacturers are paying a combined R200m a quarter more in customs duties than envisaged. There are several potential reasons for this. One is that manufacturers still aren’t exporting enough. The programme allows companies to claim import duty rebates equal to the full value of exports. Despite busy export programmes, it’s possible they are not growing fast enough to offset import duties.

A second possible reason, which Brandtner endorses, is that companies are using too many imports and not enough local components. A third is that the initial 27% duty-free allowance—which allows manufacturers to claim rebates on that proportion of their business—is too low.

Brandtner isn’t surprised at the skewed nature of the figures. He says the programme, far from government’s original intention of reducing model complexity and improving unit costs, has achieved the opposite. “Two years ago the SA market offered 270 model variants, including 60 imports. “This year we have on offer 369 model variants of which 140 are imported.” Local components producers struggle to cope, so vehicle companies buy more from overseas. Lower-volume models once made here, are now more often imported.

Put all this together, says Brandtner, and it “hikes the industry’s net usage of foreign exchange to a forecast of just under R12bn for 1996. That means we are spending R12bn more on imports than we are earning on exports.”

Part of the problem, says Brandtner, is that there has been little or no monitoring of the programme. Despite repeated requests, only recently was a monitoring committee put in place.

“They’re only beginning to compile statistics that will be able to tell us if the industry is getting healthier or sicker,” says Brandtner. “Right now we are looking at data that is woefully out of date, or is too new for us to be able to set any trends for proper decision making. That means we are running blindly.”

That’s not quite fair, says government sources. Vehicle manufacturers have all responded to detailed questionnaires from the monitoring committee and conclusions are already being drawn. Component companies have proved far slower in responding. The fact that there are many more components manufacturers than vehicle manufacturers is a contributing factor.

An added problem, in terms of calculating duty tariffs, says Potot, has been that many customs staff, who monitor figures, accepted government packages to take early retirement last August, just before the programme came into being. After-effects of that are still being felt. As a manufacturer, Potot believes the programme has gone a long way to achieving its stated objectives. Consumers, in particular, are feeling the benefits of lower prices and the industry is working hard to meet the MIDP’s requirements, particularly stemming from progressively declining import duties.

But he admits that life is much tougher for the component sector. “I can foresee half SA’s components manufacturers going out of business in the next five to 10 years. Those that survive will either be producing high-volume components for high-volume local vehicles, or they’ll be exporting. Those that can form alliances with local vehicle manufacturers and overseas component companies are the ones that will thrive.”
BMW warns that unions could scuttle its investment plans

Big business and labour have welcomed a R1-billion export programme for BMW's Rosslyn, Pretoria, plant.

However, the car manufacturer has warned that any labour unrest could scuttle the project.

BMW AG in Munich warned that contingency measures would remain in place to allow the company to fill any gap created by any breakdown in production and export supply from the South African plant.

On arriving for a two-day visit to South Africa this week, BMW AG chairman Bernd Pischetsrieder expressed the need for a more co-operative labour environment and the necessity of dealing with escalating crime in South Africa.

However, fears about crime and union action did little to put a damper on enthusiasm from local unions and commerce.

Mahlonoma Sithosana, deputy secretary-general of the National Council of Trade Unions - the second-biggest labour federation in the country - welcomed the announcement.

Of the Germans' concern about militant union rhetoric, Sithosana said the company would have to do the right thing to avoid conflict.

Germany was a highly unionised country and all BMW was expected to do in South Africa was to maintain acceptable standards, he said.

South African Chamber of Business economic policy director Ben van Rensburg said the programme was an important contribution to Government's macro-economic policy, intended to improve exports, investment and job creation.

It was encouraging that the German business community was still prepared to invest in South Africa following concern about crimes committed against visitors and businessmen.

Pischetsrieder's announcement quelled speculation that BMW AG's investment in its South African subsidiary, announced in January, was in jeopardy because the firm was considering withdrawing.

Pischetsrieder said the export programme would see an employment increase of about 25% within BMW South Africa and about 100% among local BMW suppliers.

It was expected to create between 3,000 and 7,000 jobs among its local suppliers.

Pischetsrieder said the export programme would in place by 1999 and would necessitate the introduction of a full second shift at BMW's Rosslyn plant.

Despite putting contingency measures in place to back up BMW SA, Pischetsrieder said BMW AG was confident that enough progress had been made to convince it that our South African subsidiary would be capable of meeting German quality and delivery standards.

"We are encouraged by the South African Government's macro-economic plan and trust that it will be determined to put this to work, as this is a prerequisite for our future extended operation in South Africa."

"To make our export programme work, we need to encourage many more of our suppliers to set up operations in South Africa."

"We also need to assure our export customers that the supply of BMW cars from South Africa will be reliable. Right now we are finding this difficult because of the attitude of organised labour."

"We are hearing a lot of militant rhetoric from South African labour leaders. What we at BMW would like to start hearing now are some assurances, some guarantees that our export programme will be supported by organised labour, not torpedoed by it," Pischetsrieder said.

The current level of crime added to the difficulty of enticing foreign suppliers into the country, he said, reiterating his warning issued in January that if crime continued to escalate, BMW would be forced to review its investment in South Africa.
The development plan for motor manufacturing in SA is now a year old, and the
industry is still only for the wealthy

New cars are still only for the wealthy
Meaning of car figures disputed

ROY COKAYNE

Protona — The 18.4 percent improvement in new-car sales last month, though encouraging for the future of the local motor industry, might not represent an accurate picture of what was happening in the economy, economists said yesterday.

The sustained sound performance of the passenger car market could herald the start of an upswing in the economy rather than being just a temporary phenomenon, said Graham Hardy, the marketing director of Volkswagen of South Africa.

But Tony Twane, the motor industry analyst and a director of Econometrix, did not believe these numbers provided an accurate picture of the state of the economy.

Hardy said the motor industry had always been a key barometer of the wellbeing of the South African economy, and the recent high sales volumes could not only be explained by the introduction of new products and pricing strategies.

"It is possible we are seeing in the motor industry the first indicators of an upswing in the economy. There are very definitely positive factors at work on a macroeconomic level, which are impacting favourably on our industry."

Hardy said the sustained strong sales of new vehicles had confounded critics who believed the higher-than-normal sales would taper off.

Twane said sales last month were in line with expectations but passenger vehicle sales figures were "flying".

He said there were a number of reasons for this: there had been several new model launches, some customers had held back sales for the new models, some of the new models were volume sellers, and car hire companies were apparently buying slightly more vehicles than a year ago.

Some pre-emptive buying had been sparked by the slump in the rand and fears of price increases. Twane said marketing efforts with cut-price financial packages were buoying the figures.

But Twane said some warning signals were evident from commercial vehicle sales, and a genuine loss of momentum was visible among light commercial vehicles (LCV).

Sales in this segment were heading for 130 000 this year "but the going rate is pointing to a lower figure for next year," Twane said.

"LCV sales are possibly providing a more truthful picture than passenger vehicle sales."

Twane said medium commercial vehicles were doing well, which could indicate that the retail trade and distribution sector in the economy was still buoyant. However, heavy-truck sales, which had so far followed fixed investment trends closely during this upswing in the economy, were "getting down to zero growth year on year."

Jim Miller, the managing director of Samcor, said this year would be remembered as the year when a lot of the changes that were expected by some in the industry because of the motor industry development programme started to happen "big time."

"The winner this year has been the consumer, and consumers will continue to be the winner next year. That is what tariff reductions are all about," he said.

Gary Jackson, Samcor’s executive director for marketing and sales, said entry-level vehicles continued their domination of the market last month and the introduction of a number of new models over the past two months had again influenced the total market positively.

But he said this month’s sales were expected to show a decrease compared with last month.
DEFYING THE ODDS

Despite being a bellwether barometer, new vehicle sales are tending to obfuscate rather than clarify economic trends. New car sales rose 5.9% in the first 11 months but this has been attributed to seasonal purchases in the car rental sector and competitive finance packages from manufacturers.

Nevertheless, the industry continues to maintain its growth momentum. New passenger car sales were up 18% in November compared with the same month last year.

But economists' predictions vary. Some see warning lights as sales of commercial vehicles consolidate in line with the slowdown in most sectors of the economy. Yet others point to the industry's buoyancy having confounded critics who believed the higher-than-normal sales would taper off.

National Association of Automobile Manufacturers (Naamsa) executive director Nico Vermeulen says small passenger cars again benefited the most, which tended to cloak the pressures in the larger, more luxurious segments.

With the prime borrowing rate at the main commercial banks raised one percentage point to 20.25% in November, Vermeulen warns, "The new vehicle market is expected to come under greater pressure in coming months as a result of high interest rates and the slowdown in economic activity."

But he says the car market continues to benefit from recent new model introductions, attractive incentive packages and competitive pricing. November sales were much higher than in 1996, though down on the record sales in October.

Delta Motor Corp sales and marketing director John Cuming says October sales were inflated by rental purchases and last month's sales should rather be compared with November last year.

Exchange rate pressures are also expected to translate into price increases next year, though industry pundits say every effort will be made to keep the price moves below inflation.

Import duties will fall further in January but buyers are not likely to see prices slide because of the negative impact of the exchange rate.

In November, Toyota SA recaptured its top spot in passenger vehicle sales at 5 351. VW SA was runner-up at 5 035.■
Motor industry set for bumpy ride

Max Gebhardt

difficult year report is seen as success story for new vehicle sales face a tough run. In addition, the industry is facing a number of challenges, including increasing competition from foreign producers and a weak economy.
Transport Market for local component makers starting to shrink

Fuel levy needed to fund costs of road infrastructure

Roy Connaire (192) CT (62) 811 996

Will lower SA's Forex reserves

Import of more built up cars

The combination of lower duties and added insurance help contain the cost of road infrastructure.
WAITING IN THE WINGS?

Delta Motor Corp, the Port Elizabeth-based manufacturer of Opel and Isuzu vehicles, could soon rejoin the General Motors fold it left nearly a decade ago.

Delta was created in 1987 by a local management buy-out of GM's failed SA operation. Executives of both companies admit there are now talks about GM re-entering the SA market, but claiming a share in the business David Herman, MD of GM subsidiary Opel, which is based in Germany, confirms: "We are discussing the future."

He says the need for SA motor companies to increase exports is likely to generate considerable investment needs Delta and Opel, for instance, will have to double their countertrade by the year 2000 if Delta is to avoid punitive duty payments. A formal link, rather than a purely supplier-customer one, will make it easier for Opel, or GM, to offer Delta the necessary support.

"Whether that will lead to an acquisition in Delta, is what we are talking about," says Herman. "Whether it will be through Opel or GM, I don't know. But I don't believe it is inevitable and it is too early to prejudge the outcome."

Delta MD Willie van Wyk says: "We see some form of integration with GM as having attractive possibilities."

He says there are several areas in which Delta could benefit from direct GM input, such as motor company management, which is generally inexperienced in the global auto industry in which they must now operate GM, with its operations all over the world, can clearly provide guidance.

SA companies also need help with exports and several have already found that an investment link with a foreign multinational can ease the way. SA managers are also beginning in transforming operations into lean businesses, he says.

Van Wyk says the question of whether GM will invest in Delta is still "conceptual" but adds: "We have not actively gone out to seek an investment from GM."

And on the question of whether GM would prefer a minority shareholding or overall control, he believes the US corporation would prefer the former.

"The success of this business is solely due to the efforts of the local management and work force GM has tremendous respect for that and I would be surprised if it wants to disturb the situation."

"If it does want to come in, I think it would like to position itself initially with a minority shareholding. My bet is that it doesn't have plans to take over Delta in a majority role or as a whole."

Delta is the only SA motor manufacturer still wholly owned locally. Mercedes-Benz, BMW and Volkswagen are all controlled from Germany. Ford US is a major shareholder in Sascor and wields management control, a minority Japanese stake in Nissan could increase substantially if, as expected, Sankorp reduces its controlling interest, and Toyota Motor Co of Japan recently bought Johnnic's 24% share of Toyota SA.

COLOUR BLIND

Whites still operate most of SA's franchise outlets but other groups are catching up, says Bendeta Gordon of consultancy Parker Gordon Associates.

The company's second national survey on franchising shows that, at the start of 1995, whites owned 91% of 7 019 franchised outlets, compared with Indians' 3%, coloureds' 1% and blacks' 5%. By this year, whites owned 86.2% of the 10 063 outlets, blacks 6.5%, coloureds 2.1% and Indians 5.2%.

Franchise turnover has risen from R12.6bn at retail level in 1995 to R21bn in 1996. The number of franchise chains has risen from eight in the Sixties to 236 this year but only 17 are international.

Gordon reasons: "The franchises most likely to succeed are those that provide basic commodities and services at an affordable, reasonable price. This means the swing is towards satisfying the requirements of the black market."

"Internationally based franchise operators are designed to satisfy needs in a developed market."

Their upfront fees, which vary from US$200 000 upward, make the capital required too high to establish a feasible
Automakers lifts exports by 250% 

Pretoria: Automakers, the holding company of Nissan South Africa, has achieved record levels of vehicle exports through its specialist export company, Nissan Africa, the company said yesterday.

Volumes in the first five months of its financial year — from the end of June — already exceed that achieved in the previous 12 months. Export sales for the present financial year to date were 250 percent higher than the same period last year.

Dave Manly, the managing director of Nissan Africa, said Automakers would have exported 2,600 units to right-hand drive countries by the end of this month, 65 percent higher than the same period last year.

He said that exports of vehicles this month alone would exceed 600 units.

"The majority of our African export business currently centres around our successful one-tonner Hardbody pickups, but exports of passenger vehicles and other commercial vehicles is also growing," Manly said.

He said Automakers' export drive had gathered momentum this year after the signing of an agreement with the Nissan Motor Company of Japan, in terms of which, Nissan Africa became responsible for sub-Saharan Africa.

Automakers' export performance was further enhanced by their export of completely knocked down kits to Zimbabwe, he said. "We expect our export activities into Africa and elsewhere to continue to expand in the future," he said.
RISING EXPORT SALES

Much of SA's manufacturing industry may battle to survive into the next century. But Tiger Wheels continues to improve productivity, international competitiveness and profitability.

It now exports about two-thirds of its aluminium alloy wheels to 40 countries from plants in the former Bophuthatswana and Elandsfontein.

Tiger Sports Wheels (TSW) is a globally known brand, sold to original equipment producers including Toyota and Opel and the aftermarket.

In SA, the group retails wheels and tyres through 21 stores nationwide. Internationally, though, its market share is small. Joint chairman Eddie Keizan reckons that though organic growth through local customers will continue, the export market will account for most of the company's medium-term growth. Tyres are a significant part of the local retail market and are exported to the UK in particular.

While the order book grows, local and international competition increases.

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FINANCIAL MAIL - NOVEMBER 22 1996

118 COMPANIES

ACTIVITIES Manufactures aluminium wheels and distributes aluminium and steel wheels, car tyres and body parts

CONTROL Tiger Wheels Holdings

CHAIRMAN E.J. Keizan and M. B. Gatt

CAPITAL STRUCTURE 36,6m ordin Market capitalisation R563,6m

SHARE MARKET Price 1,540c Yields 1,4% on dividend, 3,4% on earnings, p/e ratio 29,6, cover 2,5. 12-month high, 1,770c, low, 780c. Trading volume last quarter, 390,016 shares

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This says Keizan, accounts partly for a slightly narrower pre-interest margin on sales which increased by 51% to R360,6m during financial 1996. "We are working on reducing operating costs and improving productivity," he says. "But we will sacrifice margins to expand the order book if necessary."

Last year, margins were under pressure from the cost of increasing capacity. This process — moving from shift production to continuous manufacture — proved tougher than expected.

"The transition required a change of culture from labour and management," he says. "And the plant gave problems because we had no time for preventive maintenance." Production has now improved and labour and operations management are adapting to the change.

Keizan expects the benefits to show in the 1997 accounts.

The group owes much of its edge to technology — hi-tech design and manufacture and comprehensive quality control. During financial 1997 the CAD/CAM computer design equipment will be moved to the Elandsfontein factory. Capital expenditure on modernising equipment will decrease the R57m cash pile.

The balance sheet has strengthened. A rights issue of 4m ords just before year end pushed shareholders' funds from R85m in 1996 to about R130m last year. Earnings are effectively nil. Stock was relatively high at year-end. Keizan contends this is inevitable as exports grow — "Now we are continuously building large orders to ship overseas."

Cash flow is also healthier, with cash generated from operating activities up tenfold to more than R10m in 1996.

The counter has rand hedge advantages. Tiger's historical p/e ratio is 1,4 which seems expensive. The motor sector average p/e of 6,6 is indicative of problems in the industry.

But Keizan is "cautiously optimistic" about 1997. The share has rewarded investors and there is no apparent reason to assume profitability improvements will not be sustainable in the medium term.

Michelle Joubert
ministrative foul-up — or dirty tricks?

The EIB, whose experts had been assessing the impact of the loan for months, had decided it was justified and wanted it to go ahead. So did all but two or three of the EIB's 24 directors who sat to make the final decision in Luxembourg on November 12.

The board, however, was faced with a ‘negative opinion’ — a “no” — which it had received from the European Commission (EC) at the end of October. Negative opinions are extremely rare, and to overrule it would have needed a unanimous decision by the EIB board.

There were 25 directors present on November 12, one was also an EC director, who did not vote. But two or three of the remaining directors, clearly lending, gave it the thumbs down. And that was enough to seal the loan’s fate.

It had been known that a faction within the EC was opposed to the loan, ostensibly to protect the European steel industry as it sinks into ever-deeper decline. “People are being sent home, jobless and they’re closing down plants. It would be quite difficult for the EC to say yes to financing a project of the same kind outside the European Union,” says an EIB spokesman.

However, he adds, “There can be occasions when we may have a slightly different view from that of the EC.” The EIB considered Saldanha Steel a good project, which it still does. There’s nothing that would say no to it. It’s more an opportunity decision by the EC.

The EIB spokesman denied that the EC’s negative opinion was a slap on the wrist for SA for its handling of the Sarsina 2 debacle, when European Union (EU) funds earmarked for an AIDS awareness programme were diverted by SA Health Minister Nkosazana Zuma into the controversial musical without EU approval.

In Brussels, EC officials were in meetings and not available for comment.

Saldanha Steel seemed to be expecting the bad news. Executive chairman Bernard Smith pointed out that the loan...
Bearing Man always on call to keep the country’s wheels turning

The largest bearings distributor in South Africa has built up a reputation as a one-stop, same-day replacement part supplier, writes ZILLA EFRAT

BEARING MEN... David Rayston, Richard Savage, Christopher Garety, Greg Till and Reg Sherrell sealed exclusive distribution rights to 20 brands
BEARING MAN has often been viewed as an upstart. "It came from the back, and has taken everyone," says assistant managing director Christopher Garvey.

In just over 21 years, it has grown from a single store into the country’s largest bearing distributor. Today it has more than 60 outlets and annual sales top R30-million.

Since Bearing Man’s listing on the JSE in 1984, its share has surged to a peak of R41 in January this year, from a low of 2.46c in December 1986. It is currently trading around R28.50.

The company entered the Top 10 for the first time last year when it was placed ninth. This year it is eighth.

A new investment of R18 000 five years ago would now be worth R1 500, an annual compound average rate of 16.5%.

While selling parts to farmers, Bearing Man founder and managing director Greg Yull realised bearings would always be needed. They are used wherever there is a moving part, and are required by just about every industry.

He and his wife, Belle, opened their first bearing shop in Durban in 1974. Within three years, they had outlets in Cape Town, Johannesburg and Pinetown, all targeting the replacement or after-market.

The turning point came in 1977 when Japanese bearings manufacturer Nippon Thompson awarded it exclusive distribution rights for the IKO range in South Africa. Other exclusive agreements followed with some of the world’s major manufacturers.

Today, Bearing Man has exclusive rights to 20 brands and shared rights to another 12.

Bearing Man also grew by starting its own retail and wholesale outlets and by taking over independent local distributors. Many of its appointments are still run by the original owners.

Over time it diversified into seals, geared motors, belting and power transmission products. Developments which gave it vast synergies as these products are all sold to the same customer base.

In 1991, Bearing Man took over the bearings division of Angloveld’s Steelmetals, which had the sole SA rights to distribute the products of NSK of Japan, the second-largest bearings manufacturer in the world.

To pay for the acquisition, Bearing Man issued shares to Angloveld, which became its largest shareholder, with a 15% stake.

Garvey attributes Bearing Man’s success to its philosophy of selling only quality branded products and being able to supply them from stock.

In a market where the products are mature and the number of suppliers endless, Bearing Man has sought to differentiate itself through its service.

It has positioned itself as a one-stop shop, which is available 24 hours a day, seven days a week and on public holidays.

It has an after-hours toll-free number and staff home numbers are widely distributed.

Garvey says, “When it comes to staff, customers and suppliers, our concern is to have only long-term relationships.”

Bearing Man has an “employ for life” philosophy and it allows its staff to grow as it grows.

“We expect our 700 employees to work hard and in return they are well rewarded,” Garvey says.

In June this year, Bearing Man announced a tie-up with German group Nord, one of the world’s top manufacturers of precision-engineered geared motors. It has been appointed Nord’s exclusive suppliers in South Africa and will assemble Nord products at its new R39-million warehouse and distribution centre at Drury Park, east of Johannesburg.

Ahead of this move, which paves its entry into a market worth more than R150-million a year, Bearing Man has sent nearly 60 staff members to Germany for training.

It is also adding space at Drury Park, once the site of the Meyer and Charlot Gold Mine Building. This will be completed this month but the benefits of the Nord deal are expected to kick in only in the longer term, Garvey says.

Although most Bearing Man products are imported, sales do not fall when the rand weakens because they are products industries cannot do without, says Garvey, adding that a falling currency has an advantage.

"Customers may postpone replacement and keep old machinery and equipment going longer than they would in other countries," he says.

Bearing Man’s shares are tightly held, but it has decided to go ahead with a share split — a move which is likely to improve its tradability and, possibly, its rating.

In the year to June, attributable earnings before exceptional items grew 38% to R27.6-million on the back of an improvement in operating margins from 14.8% to 15.8% — the result of economies of scale and managerial cost controls.

A final dividend of 7c was paid, bringing the total for the year to 16c (7c) per share.

Borrowings, 34.6% of shareholders’ funds at June, are a little higher than the board would like, but are expected to come down seen with the help of future cash generation.

Looking at the current year, Garvey says Bearing Man is expecting a real rise in earnings.

However, sustaining the rapid pace of growth seen in the past will be difficult.

The group will open five new branches in the next six months and is looking at expanding into Zimbabwe, Botswana and Swaziland. It already has two branches in Namibia.

However, Garvey says, “Our focus is on South Africa. The further away one goes, the harder it is to keep management control.”

“In the meanwhile, we try to do what we do a little better and work a little smarter.”
Manufacturers and car dealers need to share the profit drive

Dealers have been the casualties of manufacturers' race in the entry-level car market, writes DON ROBERTSON

But in the US, the number of dealers is being trimmed

Bill Lynch, chairman of Imperial Holdings, says dealers' margins have been halved in the past year, but manufacturers continue to make good profits.

"Dealers have taken the brunt of the competitive market conditions and it will be necessary for manufacturers to look after them or there will be casualties," he says.

The solution is to reduce the number of dealers so that volumes through outlets increase. The problem will worsen each year as import duties come down and by the year 2002, when the import duty will fall to 40%, imported vehicles will grab an even bigger share of the market.

Brand Pretorius, chief executive of McCarthy Motor Holdings, agrees, saying dealer viability is being threatened by the lower margins. He also suggests dealers rationalise and multi-franchising might be the answer, particularly in rural areas.

Pretorius believes manufacturers should make a real effort of take costs out of the manufacturing process. This would allow dealers' margins to be restored with quality service maintained.

Mercedes-Benz, Volkswagen and Sameor have been fairly successful in achieving this, he says.

Apart from increasing competition, the low-priced entry-level car has created a substantial increase in the level of second-hand stock. In the past year, motorists have tended to buy new entry-level cars, rather than used vehicles. It can cost a dealer as much as R500 a month to finance these vehicles.

It has also had an impact on the value of used car stock.

Nico Vermeulen, executive director of the National Association of Automobile Manufacturers of SA, says that 15 months ago, the price of a 1.3 litre car was about R41 000. Today the price has been reduced to R32 000, which affects...
Ruboct helps Bearing Man expand

STUART RUTHERFORD

Durban — Bearing Man, an importer of a wide range of engineering consumables, is set to enter the lucrative Gauteng belting market following its R115 million acquisition of liquidated Johannesburg company Ruboct, trading as EMS Belting.

Mark Wilson, the divisional head for belting at Bearing Man, said the move was significant for the company as Gauteng represented up to 60 percent of the total belt volume in the South African market. Before its liquidation, Ruboct had a turnover of about R8 million.

Wilson said the company had already set targets for market share and hoped to take a “fair percentage” of the light-to-medium belting markets.

William Fordham, the financial director of Bearing Man, said the company already had belting operations in Port Elizabeth, East London, George, Durban and Richards Bay. Another operation in Cape Town is planned for early next year.

Fordham said the equipment and stock from the purchase of Ruboct would be used to supply the new belting plant at Bearing Man Park in Johannesburg.

“For some time we have been acquiring relatively small operations because we have a well-established base. So in terms of acquisitions it is about average,” he said.

The Johannesburg operation will stock a complete range of belting and accessories and offer on-site back-up and an advisory service.
Bought from Citybus in Hong Kong — are rusting in a Table Bay pound, the other 13 are somewhere in Durban's port. The original deal involved 98 buses, costing R160 000 each, which are second-hand but have been upgraded. New, local buses — which Golden Arrow says are unavailable until 1998 — would cost R900 000 each.

Golden Arrow, which says its current fleet is seriously overstretched, was refused an import permit for the Hong Kong buses last year. However, another company, CED Marketing, had a permit to import second-hand buses from the UK when the purchase option expired. CED still held a permit, and it was on this that the Citybus vehicles were imported.

The first 20 arrived on July 23. Customs duty was paid and the buses released. A week later, following complaints by local bus builders, the vehicles were impounded by the DTI.

At the time, Port Elizabeth bus builder Busaf MD Rob Duff complained: "We are amazed that the buses have been allowed into SA when current legislation forbids such imports. The fact that the buses are in SA suggests one of two possibilities — either they are here illegally or some irregularity in the issuing of permits has occurred. We're concerned this situation may be setting a precedent."

Golden Arrow claims that there has been no violation of the principle of the permit issued to CED. On the other hand, it appears that Golden Arrow and CED may have taken a calculated risk in importing a make of bus different from that specified on the permit.

The matter may yet reach court — but meanwhile the Hong Kong buses, which Golden Arrow says it needs to maintain its fleet as inexpensively as possible, are quietly rotting away. And if there are no equivalent local vehicles, what are Golden Arrow, and other SA bus companies, supposed to do?
Cape firm to be taken over

Harvey’s Curnow in R150-m deal after loss

LLEWELLYN JONES
Business Reporter

Struggling Cape Town-based car refinish supply group Harvey’s Curnow is to be taken over by the Johannesburg-based Klifridge Investments group in a R150 million deal after a R3.9 million loss by Harvey’s in the seven months to August.

Klifridge Investments Holdings owns Rand Stadium Toyota, Maroons Auto-Paint Centre, The Spares Shoppe and Marjon Manufacturing, the largest remaining independent manufacturer and distributor of auto-electrical components.

Harvey’s major shareholders, Elzet Automotive and AEGI, were no doubt spurred to look for new partners as the company struggled.

In a statement to shareholders, Harvey’s directors said the company should be “refocused with broadened product lines to serve the needs of body shop customers”.

To bring effect to this “refocusing’, Harvey’s has set aside R3.7 million in write-offs for restructuring.

According to Anthony Karuz, managing director of Klifridge, this “inevitable restructuring” with the strength of the Klifridge Group, would culminate in the long-awaited turnaround for the Harvey’s business.

Mr Karuz expected the combined group to make a R20 million profit within the first year.

The reverse takeover of Harvey’s was orchestrated by Ventures and Acquisitions, a Johannesburg-based investment bank, which will also hold a strategic stake in the restructured group.

David Hilewitz of Ventures and Acquisitions said the management skills, technical ability and product mix of the Maroons Group would be closed into the underperforming Harvey’s Curnow outlets.

This, with rationalisation and elimination of common overhead, should see the combined group yielding a return of 56 percent on assets.

“Klifridge is pregnant with acquisitive opportunities for all of its divisions and the strength of its debt-free balance sheet, with its cash generation capabilities would facilitate these opportunities,” Mr Hilewitz said.
Harveys Cunow moves into red after reverse takeover
Chrysler fares well in return to SA

Edward West

THE first Chrysler dealerships have opened in Durban, Sandton and Cape Town and more are expected to be set up in Port Elizabeth, Germiston and Pretoria, as the US-based motor group expands into the local 4x4 and car market segments.

Chrysler franchise executive Neville Frost said the first three distributorships had been licensed.

Wheels of Africa, a firm distributing Hyundai cars and Volvo trucks

A Chrysler spokesman said the group was happy with SA sales so far.

About 50 of its top-of-the-range Grand Cherokee jeeps sold in the first month.

The group returned to SA in July.

Sales of the Neon sedan had been slower, but were expected to improve.

The Chrysler spokesman said that local sales of up to 3 000 vehicles were expected next year.
Precision Exhaust buys new presses to boost exports

Delta Motor Corporation's Andre van Rooyen said the expansion was planned to meet the demands of a R120 million export contract signed last year for the supply of stainless steel stampings to Europe.

"Our ability to establish strong counterto trade links with trading partners in Europe and elsewhere forms an integral part of our forward planning, as evidenced by the signing of the stampings contract with Delphi Energy and Engine Management Systems in France. It involved an initial investment of R16 million for the purchase and relocation of two presses from France."

The enlarged press shop had created spare capacity of three million parts a year, some of which had already been sold to Delphi in Brazil.

"Now contracts have also been entered into with Delphi in France and a local competitor, with the remaining capacity expected to be sold in the next 18 months," Van Rooyen said.
Motor development programme ‘inefficient’

Edward West

THE one-year-old Motor Industry Development Programme has drawn fire from motor component manufacturers who say the industrial structural adjustment plan is not meeting its objectives.

Car component manufacturer T&E Holdings has called on government to put the programme under public scrutiny so that deficiencies and problems can be addressed in its early stages. The programme is to end in 2002.

T&E said there was little evidence to suggest the programme would result in an improved contribution to economic growth and enhanced human resource development. In fact, some vehicle assemblers were retrenching staff.

National Association of Component and Allied Manufacturers president Johan Meyer said the programme’s objectives could not be met in its current form.

“We have been warning against the uneventful proliferation of models for years,” he said.

Component manufacturers had effectively been left with no protection in the programme, as assemblers were reaching the point where incentives, duty rebates and the rebates of duties offset by exports had nearly eliminated import duties.

T&E chief executive Ted Waalburger said the “goal posts” had been shifted.

He questioned whether the actual intention of the programme was to have a doubling of the small vehicle incentive, which ultimately came from the taxpayer’s pocket.

Another problem was the export of low value-added products such as seat covers, catalytic converters and wheels.

Waalburger and exports had grown as a result of the programme, but in areas of high raw material content and low value addition, with the result that the skills and technological base of the industry was being denuded.

Vehicles were also being imported as semi-knocked down units to avoid duties.

There was little assistance to allow component manufacturers to become competitive, and the only option to smaller companies with no international links or capital for upgrading was to merge with larger concerns or “simply be swallowed”. Some form of supply-side measures were necessary.

Waalburger said the Motor Industry Development Council had been meeting several times a month to oversee progress on the programme “Getting data capturing processes has been slow and is still incomplete,” National Association of Component and Allied Manufacturers executive director Chive Williams said.

T&E divisional executive Gavin Simkins said it was unthinkable that more than one year down the line the feedback mechanism to gauge the progress of the programme was still being designed.
Public ‘should scrutinise objectives of MIDP’

ROY COHAYNE

Pretoria — The objectives of the motor industry development programme (MIDP) should be subjected to detailed public scrutiny so that problems can be addressed before the rest of the programme is implemented, Ted Waldburger, the chief executive of T&N Holdings, has said.

Waldburger made the call in anticipation of the upcoming mid-term review of the development programme in a T&N Holdings publication, Auto Africa Review, just released.

The MIDP is an eight-year programme and is scheduled to be completed in 2002.

Waldburger said an objective was to enable the vehicle and components sector to contribute more to economic growth and ultimately outperform gross domestic product and start to reduce foreign exchange drains.

Another objective was to develop the human resource base of the industry so it could provide stable employment.

But Gavin Simpkins, a divisional executive of T&N Holdings, said that a year into the programme there was little evidence the measures would result in growth.

Simpkins said there were also indications that the industry was heading for a reduction in human resource development with the recently announced retrenchment programmes of some large vehicle assemblers and component manufacturers.

He said the programme had been designed to transform the vehicle and components manufacturing sectors, but more than a year down the line the mechanisms to gauge its success were still being designed.

He cautioned against drawing ad hoc conclusions about the effect of the programme, particularly at this early stage.

“‘What is required is a holistic approach to monitoring the programme if the industry is to have a reasonable chance of success against global competition.’

“Failure to correctly assess the cause and effect of measures implemented to achieve the programme’s objectives is likely to result in increasing job losses, a drain on balance of payments and loss of valuable technology from South Africa,” he said.

Waldburger said another problem was vehicles being imported as semi knocked down units to avoid import duties.

He said these vehicles contained no parts supplied by local companies and should thus be classified as completely built up units.

Simpkins said the programme could be distilled into the simple concept that vehicle manufacturers could import components duty free for assembly in South Africa, which meant that the local content requirement had been eliminated in a single stroke.

“‘This is because the programme encourages greater imports of components for vehicle assembly while the small vehicle incentive has supported a shift to low-priced small vehicles,' he said.

“A holistic means of monitoring the MIDP is needed for the industry to succeed against global competition.”
Car makers ‘still under pressure’

ROY COKAYNE

Pretoria — The “surprisingly robust” 28.8 percent increase in the volume of new car sales last month compared with October last year tended to disguise the continuing pressure in other segments of the new car market, Nico Vermeulen, the executive director of the National Association of Automobile Manufacturers of South Africa (Naamsa) said yesterday.

Vermeulen said trading conditions continued to be extremely difficult in the medium, large and luxury segments of the market.

“Naamsa expects that there will be some consolidation in the market. Trading conditions remained extremely competitive and exchange rate-related cost pressures could result in price increases in the months ahead.

“However, vehicle price inflation for 1996 as a whole is expected to remain below the increase in the consumer price index.”

Total new vehicle sales so far this year were up 3.8 percent compared with the first 10 months of last year, Vermeulen said.

Virtually all the major manufacturers attributed the strong sales performance last month to the introduction of new models, extraordinary sales to the rental industry, attractive pricing and financial packages and pre-emptive buying by consumers in anticipation of price increases.

John Jessup, the marketing services director of Nissan SA Marketing, said sales last month were driven by strong purchasing ahead of expected price and interest rate increases following the decline of the rand.

As a result, the increase in sales could continue into November. However, Jessup said this would be at the expense of sales in the new year as the market was pulled forward in anticipation of increases in prices and interest rates.

Graham Hardy, the marketing director of Volkswagen of South Africa, said strong demand for the new Volkswagen Polo Classic pushed total sales of its passenger vehicles to a record high of 6755 vehicles last month.

Hardy attributed the month-on-month sales growth to relentless competitor activity.

Gary Jackson, the executive director of marketing and sales at Samcor, said although the extraordinarily high deliveries to rental companies last month had not significantly affected Samcor, the company showed substantial growth with total sales up 30.4 percent compared with September. Jackson said Samcor’s total sales of 7519 were a record for the company.

Bert Wessels, the executive chairman of Toyota South Africa, said Toyota had the best production month it had ever had last month. Wessels said the company achieved a new record of 12,027 vehicles dispatched in one month.
Number of local car makers ‘unlikely to change’

Edward West (192) 8D 7/11/96

THE Motor Industry Development Programme is unlikely to result in any changes in the number of local vehicle manufacturers over the next decade, says Toyota SA executive chairman Bert Weissels.

He told a motor industry conference yesterday that model rationalisation was turning out to be a slow, but inevitable process. Toyota intended reducing the number of its passenger car models to two from three, cutting the number of light commercial vehicles on offer to two or three from four, and replacing all six heavy commercial vehicles manufactured by Toyota with semi-knocked-down assembly.

Vehicle manufacturers would have to reduce prices at least 20% in real terms by 2002 — the year the development programme was scheduled to end — if they wished to prosper. Prices were expected to increase only 2.5% this year, but real price reductions were unlikely next year because of the rand’s decline. Price cuts averaging 3% in real terms were expected from 1998 until 2002, he said.

Of concern was that about 10% of the 33 000 vehicles imported into SA last year were used imports from customs union countries. Government allowed the import of used cars by customs union countries and these vehicles were finding their way into the SA market. Discussions were under way to disallow local registration of these vehicles, he said.

Motor Industry Development Council chairman Anthony Black said the increase in imported vehicles — up to just more than 30 000 units last year from about 15 000 the year before — was not unexpected.

He said motor manufacturers were expected to invest about R1.6bn in capital expenditure this year, compared with more than R800m last year.
Motor industry 'needs foreign equity'

ROY COKAYNE

Pretoria — South Africa's motor manufacturing industry could forget about prospering in the longer term unless principal suppliers had equity in local companies, Bert Wessels, the executive chairman of Toyota South Africa, said yesterday at the Auto Africa conference in Johannesburg.

Local competitiveness had to be increased and, while the principal suppliers did much in this regard, they would do much more if they had equity in local motor manufacturing companies. Technology transfer would also take place more quickly, Wessels said.

Prospering meant growth of 4 percent a year, a 24 percent return on net assets and 6 percent earnings on turnover, he said.

However, Wessels said his expectation was that South Africa's motor manufacturing industry would survive in an open market if it did most things right and "almost prosper" if it did all things right.

Wessels emphasised that, for the vehicle manufacturing industry to survive in South Africa, it would have to achieve at least a 20 percent cost reduction during Phase VII of the motor industry development programme and produce world-class products, quality and services.

Increased vehicle and part exports were mandatory, while lean vehicle and part distribution and delivery reliability were essential, he said.

Jim Miller, the managing director of Samcor, said South Africa's motor manufacturing industry may survive in the future but this depended on how the industry and government responded to the challenges they faced.

Miller said that the government had to create a level playing field and its policies and the investment environment had to be predictable.

Tony Twome, a motor industry analyst and a director of Econometrics, said the challenge for the South African motor industry was to produce 2 million vehicles a year within the next 10 years.

Twome said if the industry achieved this, it could claim to be a "truly adult motor industry" and would be able to play in the global market. But he said this volume would only give the South African motor industry a 4 percent global market share.

Speaking at the same conference, Leo Kettlebras, a deputy director-general in the labour ministry, said South Africa's new labour law revolutionised dispute resolution and could be expected to lead to more disputes being resolved through mediation or arbitration.

"Strikes, lockouts and court cases will not disappear. But hopefully they should become the exception rather than the rule," Kettlebras said he expected the Commission for Conciliation, Mediation and Arbitration to set a new pattern in South Africa, avoiding unnecessary disputes.

He said the new labour law introduced a new labour court with supreme-court status and with greater expertise in the adjudication of labour disputes.

"So many strikes could have been easily resolved if the right people were there at the right time. Figures or statistics overseas show a high rate of settlement. If we can cut down on the number of production days lost, we will have created a changed perception," he said.
UK's Peter Hain to bat for SA on trade pledges

Ian Hobbs

LONDON — Shadow cabinet member Peter Hain will open a sustained assault on Britain's and Europe's failed strategies to back SA with major new long-term trade, aid and investment when he meets government leaders in Cape Town today.

The former activist leader and prime target of Bureau of State Security dirty tricks and death squads, who will have special responsibilities for SA if, as predicted, a Labour government comes to power next year, said the United Kingdom and Europe owed an "enormous debt" to SA.

Hain will guarantee unprecedented support to extract this debt when he is met in Cape Town by ANC chief whip the Rev Arnold Stoffel and other government officials.

"Britain and western Europe, with the exception of Scandinavia, profited massively and indirectly from prop-up apartheid. They have an enormous debt to redeem, but their reluctance now that democracy has come to South Africa is sickening," Hain, a graduate political scientist, told that short-sighted British and European self-interest and the slack support of international capital, currency and financial markets are partially responsible for the new SA's economic malaise.

But he predicted that Far Eastern "sugar economies" were waking up to the potential of investing in a subcontinent which he believed would be stabilised by SA.

"I have no doubt whatsoever that SA is the most exciting investment opportunity in the world," he said.

While in Cape Town, Hain will also ask the truth commission to investigate new evidence of attempts by the Bureau of State Security in the 1970s to murder him.

Hain, who presented British parliamentarian motions that resulted in moves for former spymaster Craig Williamsmson's extradition to face terrorism allegations in London, will also present the truth commission with confidential "new evidence that would help solve the Hain clone bank robbery" — the most bizarre dirty trick ever tried by the bureau.

Former bureau agents have admitted knowledge of the operation in 1976 when a Hain lookalike was used to rob a branch of Barclays Bank near his London home, at a time when he was leading protests against Barclays' involvement in SA. The cash grab was carried out while Hain was shopping near the bank, and anonymous calls to the police identified him. He was taken to trial but won the case convincingly.

Sharp decline in number of SA car dealerships is foreseen

Edward West

LOCAL vehicle component manufacturers and motor dealership margins were being squeezed while the margins of motor vehicle assemblers were improving, a situation which could see a sharp decline in dealerships in the next few years, industry organisations said yesterday.

National Association of Automobile Manufacturers' president John Muir said component manufacturers had been forced by the development programme to curtail price increases over the past year, in spite of raw material and wage cost increases.

Vermeulen said some job losses could have occurred through the programme in the first year of existence, but the job losses would have been made up through increased capacity in other areas of the industry.

The score card for the programme looked positive, he said.
BOOMERANG EFFECT

Suggestions that Australia should slash tariff protection for its car industry to almost nothing could open up a major export market for SA — whose own development plan, ironically, is based on Australia’s experience.

Some SA manufacturers have already begun exporting to Australia, or made plans to do so. Others are certain to follow if, as an Australian government commission has recommended, import tariff protection drops to 5%.

Under a government plan that began in 1988, Australia is on course to reduce protection against imported cars to 15% by the year 2000. SA has opted for 40% by 2002.

Once cushioned by duty tariffs of 115%, SA’s seven major vehicle companies all say it will still be worth their while to continue manufacturing locally at 40% if they can develop export markets.

Australia, by contrast, has already seen companies quit as protection has diminished, and only four remain: Ford, General Motors Holden, Toyota and Mitsubishi. At 15%, they say it will be too tough to continue local manufacturing. At 5%, without structural adjustments to domestic and regional trade agreements, it certainly won’t.

The Productivity Commission has recommended that tariffs drop to 5% by 2004, regardless of import restrictions by Australia’s trading partners. It also suggests scrapping export incentives in 2000, Holden, in a private submission to government, says 5% is not unreasonable — but not so soon and only after other countries have reduced their protection.

Wayne Booker, vice-chairman of Ford Motor Co in the US, says his company will certainly reassess its presence in Australia if duties drop to 5%. He adds there is no danger of abandoning current investment plans, which include a new version of the best-selling Ford Falcon range. But thereafter, probably from about 2005, investments could dry up and Ford might become solely an importer of cars into Australia.

If other companies follow suit, SA is an obvious source. Motorists in both countries drive on the left, and SA plants have plenty of capacity to meet the extra load. BMW SA is already the sole supplier of certain 3-Series models to Australia; Mercedes-Benz SA chairman Christoph Kopke says his company has a programme to export C-Class cars to that country, and may eventually also supply Honda. Another company says it has an agreement in principle from its Japanese supplier to build thousands of bakkies each year for the Australian market.

Jim Miller, MD of the SA Motor Corp (Samcor), which builds Ford and Mazda cars and is part-owned by Ford US, says Australia is one of several potential markets eyed by his company. Miller, who previously ran Ford New Zealand and knows the Australian market well, says: “It is certainly a market we must consider.”

Australia already imports nearly half its cars. Last year, the industry built about 310,000 vehicles. Most of those were in the upper-medium segment, mainly the Ford Falcon and Holden Commodore. Unlike SA, where soaring fuel prices and other costs have pushed local consumers towards small cars, the relative cheapness of petrol in Australia has sustained that country’s preference for larger cars. Thus, however, may change.

According to Holden, the Falcon and Commodore are the only two car lines to approach world-class manufacturing volumes. Toyota and Mitsubishi have concentrated their efforts on other sectors, but analysts say they may switch their interest to the high-volume upper-medium sector. If they do, what was a two-car sector will become a four-car one, average volumes of each car will fall and none will be viable.

Like SA, the Australian motor industry depends on exports for long-term survival. Nearly all its markets are in Asia. Under a regional trade agreement, developed economies like Australia’s are due to reduce duties to zero by 2010, developing nations should follow suit by 2020. At this stage, Australia is almost alone in setting out a timetable for its industry, and there are fears that trading partners will take advantage.

According to Holden: “There should be no move towards reduction of Australia’s year-2000 automotive assistance arrangements until the full elimination of the various assistance regimes in the region is not just agreed, but legally committed by the nations involved.”

David Furlonger
Car makers see slow sales

Vehicle manufacturers are taking a cautious view of sales prospects for the year, with most predicting unchanged or reduced volumes.

December's sales figures will be released by the National Association of Automobile Manufacturers of SA early this week and should push the 1996 figure to a total of about 390,000 units, roughly 3.5% above the 375,784 sold in 1995.

A snap survey conducted among major manufacturers shows total sales forecasts ranging from 367,000 to 391,000, but all agree that stiff competition, and the switch to smaller cars, will limit price rises to between 8% and 10% this year.

The industry will be hard-pressed to hold price rises to these levels, as the decline in the value of the rand effectively means an increase in production costs of about 19%.

All manufacturers have or will be increasing prices this month by between 2.5% and 4%.

The Motor Industry Development Programme has been in operation for just over a year. It has resulted in an increase in exports and a general reduction in prices.

Exports of vehicles and components are expected to top the R5-billion mark, substantially higher than the R2.2-billion of three years ago.

One intention of the MIDP was to reduce the number of models available in the country. It has failed miserably in this respect.

Two years ago motorists had a choice of 179 models. Of these, 60 were imports. There are now 369 models, 149 of them imports.

But while the current year's forecasts are tempered with caution, largely because of high interest rates and a reduction in disposable income, the longer-term outlook is promising.

Bert Wessels, chief executive of Toyota, says the total vehicle market, including semi-knocked down (SKD) and completely built up (CBU) imports, will grow by 15.8% from the 1996 base of 410,000 to 475,000 by 2002, when import tariffs will be only 40%.

CBU imports are expected to increase from the current 25,000 to 75,000 during that period, while CBU exports will reach 50,000 from the current 10,000.

Top-seller Toyota forecasts car sales for this year of 234,000, 134,000 light commercials, 6,000 medium commercials and 8,000 heavy trucks and buses.

Toyota has been restricted in exports because of its franchise agreement with Toyota Japan. The purchase of an interest in Toyota SA by the Japanese group late last year has opened up new avenues for exports and plans are for the sale of 3,000 vehicles to the rest of Africa.

The company now exports left-hand-drive Stallions and Ventures to Cameroon, Nigeria and Gabon, and later this year will sell to Zaire, Madagascar, Angola, Algeria and Morocco.

It also exports alloy wheels to Europe.

Mercedes-Benz has taken a different view on prospects, predicting car sales of only 215,500.

The company says the war in passenger cars and light commercials cannot be sustained.

Mercedes expects light commercial sales of 130,000 units, medium commercial volume of 6,000 and truck and bus sales — a

Manufacturers are taking a cautious view of prospects for 1997, writes DON ROBERTSON.

BMW is looking for car sales of 242,000 this year. The German manufacturer has been the most successful SA exporter and hopes to export 4,000 Three Series cars overseas worth R160-million.

BMW SA is also the major supplier of leather upholstery for the world market and these sales should take totals exports to about R1-billion this year. Export forecasts for 2000 are R2.5-billion.

Nissan is less optimistic with a forecast of 367,000, made up of car volumes of 227,000, light commercials of 125,650, medium and heavy trucks of 8,350.

Volkswagen predicts car sales of 242,000 and light commercials of 135,000. The export target for the year is R900-million compared with R300-million last year.

Exports of about 200 CBUs worth R160-million are forecast.

Delta comes in at the top of the forecast stakes with car sales of 245,000, light commercials at 133,000, mediums at 5,400 and heavy trucks at 8,200. Exports forecast at R500-million.
Automakers shares rocket in hectic trading
Automakers stock soars on rumours

Josie Ballenger

MOTOR manufacturer Automakers' share price shot up more than 37% yesterday on rumours that Japan's Nissan Motor Company and Italy's Fiat would acquire Sankorp's majority stake in the company.

The share traded between 206c and 290c on the Johannesburg Stock Exchange (JSE) yesterday, before closing at 280c, 78c up on the previous day's 12-month low. The price was at 650c a year ago. Its market capitalisation is currently R515m.

More than 3.35-million shares, of 185-million shares in issue, changed hands in 419 deals worth R8.6m.

A cautionary announcement was issued in the early afternoon — after the share price had already moved substantially — confirming that Automakers was involved in negotiations, but no further details were provided.

Stockbroker Irish & Menell Rosenberg declined to comment on talk of insider trading in the shares, but one of its dealers confirmed the Securities Regulation Panel had phoned to find out why they were buying, and then selling, the counter in such volumes.

He said Irish & Menell had bought 1.3-million of the 3.5-million shares traded yesterday, both before and after the cautionary had been issued. "We were active, but we were also big traders of other shares, and they didn't ask about those. We decided to take a market position, and we were aggressive in it."

Market sources said Irish & Menell would probably have to present written documentation to the panel today.

Rumours flew through the JSE yesterday that Nissan Motor Company of Japan — from which Nissan SA, Automakers' main subsidiary, has licensed its name — and Fiat, whose Uno are

Continued on Page 2
Automakers minorities to get big payout

Shareen Singh

LOCAL Nissan assembler Automakers' minority shareholders are to be paid up to R274m in a scheme to delist the company ahead of bringing it into an international group as the controlling shareholder.

Automakers controlling shareholder, Sankorp, will pay R41c a share for 66.6 million shares—a whopping 76% premium over the average closing share price in the past 20 days.

On Friday the share price surged 17.9% to R3.0c amid rumours that Automakers was involved in talks with Nissan Japan — making it one of the top gainers on the Johannesburg Stock Exchange for the second day in row following the 12-month low of 304c reached last Wednesday.

Sankorp, which holds 50.7% of Automakers, proposed the delisting because Automakers had performed below projections since its listing in October 1996.

Market speculation was that Sankorp planned to sell the purchased shares to Nissan Japan — a deal which would give Automakers access to markets previously restricted by a franchise agreement with the Japanese motor manufacturer.

The company was involved in negotiations which would make the foreign partner a major shareholder, but Automakers CEO John Newbury said nothing had been confirmed yet. "Obviously we would like Nissan Japan to invest in Nissan SA, but we have not concluded any deal," Newbury said.

Mitsui and Nissan Diesel, which held 8.7% and 4.3% respectively of Automakers' share capital, would retain their shares in the proposed scheme.

Nissan Japan already had a stake in both Mitsui and Nissan Diesel.

Market sources believed the scheme would result in Nissan SA, which also markets the Fiat Uno locally, splitting its marketing operations into two separate companies, one to market Nissan vehicles and another to market Fiat.

The vehicle assembly operations were expected to remain in Automakers.

Automakers and its board had approached Sankorp to make an offer to minority shareholders other than Mitsui and Nissan Diesel as a result of a range of factors which had affected performance since listing in October 1996.

These factors included the 28% deterioration of the rand against the dollar and 25% against the lira, competition from a growing number of imported models, the increased interest rates and the increased competitiveness of the motor industry owing to the introduction of the motor-industry development programme, an industrial structural adjustment programme.

Despite dropping the price of some locally produced models by 10% six months ago, Automakers had lost significant market share which had affected profitability.

Group retail sales declined 3.3% to 56 522 in the year to June 1996 against the previous year — representing a 14.8% reduction in market share in the calendar year to December market share fell to 18.1%.

Attributable earnings at the June 1996 year-end were R128m — significantly lower than the company's R157m prospectus forecast.
Tariff reduction ‘will not affect car imports’

Ingrid Salgado

Further tariff reductions this year on light motor vehicles would have a
minimal effect on imports and would not go far in offsetting the rand’s
depreciation, the National Association of
Automobile Manufacturers (Naamsa) said yesterday.

The tariff reduction — from 61% last year to 57.5% at the beginning of
this year — forms part of the motor industry development programme, an
initiative to lessen the effect of a lower
tariff regime under the general agreement on tariffs and trade. The pro-
gramme is scheduled to end in 2002.

Other tariff reductions this year in-
clude cuts on light vehicle components
from 46% to 43%, heavy motor vehicles
from 36% to 32% and heavy vehicle
components from 27.5% to 25%.

Naamsa said the cuts on light ve-
hicles were “modest” and not likely to
lead to a rise in imported vehicles. The
largest cuts had already been made in
1994/95, when the tariff was 115%.

The National Association of Auto-
motive Components and Allied Man-
facturers said tariff reductions on ve-
hicle components would not lead to a
surge in imports in the short term.

There would be a shift towards im-
ports, but this was likely to be delayed,

However, association executive di-
rector Clive Williams warned that the
local component industry, which was
working under “minimal real protec-
tion”, would have to move rapidly to
become world competitors because of
duty-free allowances to importers. He
expected several businesses to merge
or fold this year as a result.

Naamsa placed doubt yesterday on
whether the reductions would be effec-
tive from January 1. A customs and ex-
cise spokesman confirmed that the re-
ductions had not yet taken effect, say-
ing the notices had yet to be signed.

A trade and industry spokesman
said the ministry expected the current
phase to start retroactively from Jan-
uary 1. “There is no need for the min-
ister to authorise each phase,” he said.
DECEMBER VEHICLE SALES

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Source: NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SA
Toyota starts black empowerment plan

By Isaac Moledi

In a bid to increase its contribution to black economic empowerment, the country's leading motor manufacturer, Toyota South Africa, intends enlisting the services of more black-owned businesses in Gauteng and KwaZulu-Natal.

The company says more than R3 million had been spent over the past two years and will be substantially increased this year.

According to the company's marketing and accessories purchasing manager, Brian Hunter, the reason for the small business development at Toyota SA is two-fold.

"From a social responsibility point of view, Toyota recognises the need to contribute to the upgrading of local industry and to create employment for disadvantaged groups," he says.

Adding that from a business point of view the support affords an opportunity to create a broader supplier base which will in the long term benefit Toyota, its dealer network and supplier base, as well as users of such goods and services.

"Black dealerships have been an integral part of Toyota's marketing strategy for many years. Small business development is encouraged and promoted within our marketing strategy," says Hunter.
MINORITIES LEFT IN THE MUD

(192) fm 24/1/97

To say MD John Newbury is depressed would be an understatement. After 12 years of toting to turn Nissan SA into a successful motor company, he described the October 1995 JSE listing of holding company Automakers as the pinnacle of his career. Amid much fanfare, Newbury and controlling shareholder Sankorp secured confidence in the future.

Fifteen months on, that confidence has turned to despair. With the announcement that Automakers is to be delisted after failing to meet forecasts, Newbury admits he is "disappointed and saddened."

He is not the only one. Despite Sankorp's offer to buy out minority shareholders at a premium to the market price, investors may rightly feel they are also hard done by.

Investors who bought at higher prices are losing the opportunity to participate in any recovery in profits and share price in the future. The buyout price offered by Sanlam for 66.6m shares is 411c each, a 76% premium on recent average closing prices — but that's still well short of the R5 issue price.

And if minorities have been appalled at the share's trend since the listing, they have had salt rubbed into their wounds by the unusually active trading in the share during the hours before the company issued a cautionary announcement last Thursday (see next story). On Tuesday this week the share closed at 385c, having shot up from a 12-month low of 204c last Wednesday before Sankorp's offer.

Given the bold forecasts made at the time, not just by Automakers and Sankorp but also by the sponsoring brokers Fleming Martin and SMK Securities, investors would be justified in questioning the offer. Equally questionable now, of course, are the optimistic scenarios offered at the listing.

This will be the second time Sanlam has delisted Nissan. In 1986 it was taken out of Messina, which the assurer had acquired a year earlier, and placed as an unlisted company under Sankorp. Nissan was making large losses then, too, but became far more profitable later. None of this does anything for the confidence of minority shareholders.

Automakers and Sankorp director Attie du Plessis acknowledges that the delisting would run against Sankorp's current strategy of withdrawing from controlling industrial companies. "At the time (of the listing) we thought the new motor industry plan augured well for the industry," he says. "But now it's apparent that regaining market share in this cut-throat environment will necessitate changes difficult to implement in a listed group."

Though Newbury says no formal proposal has yet been made, the intention is to offer the repossessed shares to Nissan Motor Co of Japan. Sankorp now holds 50.7% of Automakers, two Japanese corporations, Nissan Diesel and Mitsu, hold 4.3% and 8.7% respectively. The remaining 36.3% is in the hands of minorities.

If Sankorp's offer is accepted, it would then hold 87% Newbury says the initial aim is to persuade Nissan Japan to take at least half of that. "In the long term, I would hope they will take equity control of Automakers."

Newbury and Sankorp believe Nissan Japan may not bite if Automakers remains quoted. Though the Japanese company owns full-scale subsidiaries in the US and the UK, they are not listed. The only Nissan that is listed is the parent company on the Tokyo exchange.

If the Japanese company doesn't come in, Newbury now believes Automakers' prospects are bleak. "Without them, I don't know how successful we can be.

With equity control, Nissan Japan is likely to open more export markets to the SA company and offer favourable trading deals. It's no secret that major foreign shareholders of other SA motor companies are being supportive of their offspring, to the extent of subsidising retail prices.

Newbury argues the 411c offer to minorities is "most attractive. To get the price up to 411c, you would have to get returns which we don't anticipate in the near future. We've not had a good year and there will be no dividends this year."

"I don't see any early improvement in that situation. A lot of institutions have moved out. Those that remain will find a lot more attractive stocks on the market. Minorities will be crazy if they don't accept. In my view, the price is going to go back towards the R2 area where it was before this offer.

An analyst reckons that without new entry-level vehicles, Nissan is not well placed to cope with current conditions, particularly high interest rates and intense competition. "We can't predict when the cycle will turn," he says. "In the short term, Sankorp's offer is generous. But if Nissan Japan comes in and busi-
Atlantis Diesel coup could offend US

JONATHAN ROSENTHAL

Johannesburg — A R400 million contract to supply Cuba with 10,000 truck engines will boost Cape-based Atlantis Diesel Engines’ turnover by 35 percent to about R1 billion a year, but could lead to a further deterioration in US-South African relations, international affairs commentators said yesterday.

Ron Shires, the managing director of the state-owned engine manufacturer, said yesterday that the Atlantis Diesel contract was to supply the diesel engines to Unicarimo, which provides transport to Cuba’s struggling sugar industry, in a project to modernise Cuba’s decaying trucks.

The contract would create 180 jobs and offset Atlantis Diesel’s loss of domestic market share, which has been hard hit by tariff reductions.

“Possibilities of supplying the Cuban market with additional products and parts can be expected in the future,” Shires said.

But the deal could run foul of US foreign policy, Bruce Wharton, a US embassy spokesman, said he did not wish to speculat on any possible responses.

He said “The fundamental policy line is that any transaction with Cuba, that supports the government of Fidel Castro, shows down Cuba’s transformation to a democratic country.”

But he acknowledged that many of the US’s allies maintained trade relations with Cuba.

He said Cuba was seen, along with Syria, Iraq and Libya, as a “terrorist supporting nation” by the US state department.

Cuba, although it could not be linked to any acts of terror in 1985, provided refuge to members of the ETA, the Basque separatist movement.

Greg Mills, the national director at the South African Institute of International Affairs, said the deal could “cast further doubts on our reliability in certain circles (in the US) coming so closely after the Syrian affair.”

Antoinette Handley, the director of studies at the institute, said the US was likely not to favour the deal, but would probably be unable to act.

Opposition was likely to stem from politicians like Jesse Helms, a conservative Republican senator, who condemned Canada last month for maintaining ties with Cuba.

Helms said the Canadian foreign minister’s visit compared with British Prime Minister Neville Chamberlain’s appeasement of Adolf Hitler in 1933.

The US is coming under increasing criticism for its attempts to impose economic isolation on Cuba.
New twist in Automakers saga

1994: "The clock stops on the doomsday clock of automaker survival."
Automakers leads legal car export list

ROY COKAYNE

Pretoria — Automakers, the holding company of Nissan South Africa, was the leading exporter of vehicles from South Africa, with almost 25 percent of total exports, according to last year’s Export Report for manufacturers released yesterday.

The report, published by the National Association of Automobile Manufacturers of South Africa (Naamsa), revealed that Automakers accounted for 2,880 of the 11,553 fully built-up vehicles exported by the South African motor industry last year.

Most of the exports were to African countries.

Toyota South Africa was next at 21.7 percent, with 2,504 vehicle exports, it was followed by Delta at 20.5 percent with 2,300, Samcor at 15 percent with 1,771, Mercedes-Benz South Africa at 9.6 percent and 1,109, BMW South Africa at 4.5 percent with 515, and Volkswagen South Africa at almost 2 percent with 324.

David Manly, the managing director of Automakers’ special export company, Nissan South Africa, said export sales figures of fully built-up vehicles by Automakers excluded the completely knocked-down vehicle kits exported to Zimbabwe.

"We are pleased with the success that our strategies for vehicle exports are starting to deliver. In 1996 we embarked on several new initiatives in partnership with our principals, which saw the establishment of Nissan South Africa and the expansion of our export efforts. Among our successes, which have markedly contributed to our results, was the establishment of a new Nissan distributorship in Zimbabwe, Nissan Zimbabwe, as a wholly owned subsidiary of Nissan South Africa."

"This has served as a platform for us to commence the assembly of a range of Nissan Hardbody one-ton pickups in that country. This project is proving to be very successful," he said.

Manly said the Automakers Group had also boosted exports through shipments of Pat Uno to Singapore and Nissan pickups to destinations such as Australasia.
Tiger Wheels boosts income 56%.

Ingrid Salgado 13/2/97

TYRE and wheel manufacturer and retailer Tiger Wheels boosted attributable income 56% to R13.1m for the half-year to end-December, helped by healthy sales as well as growth in all its divisions.

Share earnings rose 39% to 28.6c on an increase in the number of shares in issue to 45.7-million. No interim dividend was declared in line with company policy.

Turnover increased 25% to R208m (R166m), helped by good export volumes. Operating profit rose 29% to R16.7m (R12.9m). The group maintained operating margins despite pressure. Tiger Wheels joint chairman Ed-anne Kezian said.

The group earned net interest for the first time since its listing, receiving R782 000 following last May's rights issue which raised R54m. Kezian said the funds would contribute towards organic growth in all divisions.
Rolls-Royce subsidiary's boss positive about firm's prospects

Ingrid Salgado

ROLLS-ROYCE subsidiary Northern Engineering Industries (NEI) lifted attributable earnings 61% to R26,4m for the year to end-December as focus on productivity and customer-driven management helped the bottom line.

Share earnings soared to R3,2c (12c) per share.

The board has decided to award a 50c a share dividend on shares in R5.4bn, up to 28% on last year.

Group finance director Terry Rensen said yesterday the company was likely to expand this year and would make acquisitions to improve its business.

NEI was unprofitable at year-end with a cash balance of R49,5m, up to 28% on last year.

Rensen would not disclose details about acquisitions, but said that options ranged from "pretty big to modest".

Turnover rose 19% to R669m (R78,5m) as NEI increased market share. Rensen said this was attributed through a "customer-driven" management approach.

Operating profit increased 37% to R31,3m (R28,8m), helped by attention to cost containment and the group's focus on customers. This was reflected in improved margins to 5,5% from 4,8% last year.

NEI parent Northern Engineering Industries Africa Holdings lifted attributable income to R14,1m (R8,7m). Share earnings increased to 100,2c (62,3c).

"Industry, however, is beginning to commit itself to significant expenditure which is a positive signal for the future, Rensen said.

The firm was looking at the public sector, especially at local government level, to begin augmenting NEI's work in the private sector in the next year.

The group was confident about prospects.

NEI, which reported a 41% increase in profit before tax to R33,3m, said its second half profits were historically higher. It posted a R21,8m profit in the last six months compared with R11,7m in the first half.

NEI parent Northern Engineering Industries Africa Holdings lifted attributable income to R14,1m (R8,7m). Share earnings increased to 100,2c (62,3c).
**HEAVY WEATHER**

Truck marketers are making light of the sales slump for heavy vehicles. Sales in January were down nearly one-third on last year, but marketers lay the blame on lack of stock rather than falling demand.

Brand Pretorus, chairman of SA's biggest motor retail chain, McCarthy Motor Holdings, says it's the fault of "a logjam in the body-building sector." Nico Vermeulen, director of the National Association of Automobile Manufacturers, puts it down to "the relatively late resumption of industrial activity in the new year compared to earlier years.

Annual start-up labour problems may have contributed to the problem, for the rest, such a shortage of supplies would suggest bad planning by some manufacturers.

Just as likely, the drop in sales was also early confirmation of predictions that the heavy truck market will decline this year. After enjoying strong sales during 1996, slowdown in economic growth and a drop in business confidence, and a shift towards smaller vehicles, is affecting the market's make-up.

Sales of medium trucks, which offer many customers more flexibility, rose 20% in January, compared with 1996. Des Gush, head of Toyota's truck division, says many users are buying down to save costs. Client preference is also pushing buyers into the smaller ranges as the retail trade dictates an increase in daily deliveries.

Mercedes-Benz truck GM Geoff du Plessis thinks the sector could grow 11% over this year. Du Plessis is optimistic about the bus market. By the end of 1998, he predicts, this market will have grown by 33% over 1996 because of increased tourism, export opportunities and new mass transport policy due this year.

Within the shrinking heavy truck market, though, there are still winners — and many of them are American Toyota's Peterbilt and Mercedes' Freightliner products are both picking up sales from a general drift towards US trucks.

According to Freightliner GM Adolf Moosbauer, US trucks already account for 30% of SA's heavy-duty truck market. This will rise to 40% this year and could possibly hit the 50% mark by the following year. David Pincus

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**JANUARY VEHICLE SALES**

<table>
<thead>
<tr>
<th>Manufacturer</th>
<th>Cars of Sales</th>
<th>Number</th>
<th>Total</th>
<th>% of total sales</th>
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<td>Polo</td>
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<td></td>
<td>Golf/Jetta</td>
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<td></td>
<td>Audi A4</td>
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<td>A6</td>
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<td>Landcruiser</td>
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<td>Suzuki</td>
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<td>E-Class</td>
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<td>S-Class</td>
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<td>Maxima</td>
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<td></td>
<td>5-Series</td>
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<td>7-Series</td>
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<td>Discovery</td>
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<td>Defender</td>
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<td>Range Rover</td>
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<td>Voyager</td>
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<td>Legacy</td>
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<tr>
<th>Month</th>
<th>1996</th>
<th>1995</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>19,831</td>
<td>17,477</td>
<td>+13,5</td>
</tr>
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Dec (17,661) to Jan +12,2

Source: NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SA

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**MEDIUM COMMERCIALS**

<table>
<thead>
<tr>
<th>Manufacturer</th>
<th>Number of Sales</th>
<th>% of market</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Toyota</strong></td>
<td>115</td>
<td>30,1</td>
</tr>
<tr>
<td><strong>Nissan</strong></td>
<td>82</td>
<td>23,1</td>
</tr>
<tr>
<td><strong>Delta</strong></td>
<td>62</td>
<td>16,2</td>
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<td><strong>M-Benz</strong></td>
<td>50</td>
<td>13,1</td>
</tr>
<tr>
<td><strong>Iveco</strong></td>
<td>49</td>
<td>13,8</td>
</tr>
<tr>
<td><strong>AAD</strong></td>
<td>14</td>
<td>4,7</td>
</tr>
<tr>
<td><strong>Samcor</strong></td>
<td>10</td>
<td>2,6</td>
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</table>

January 1996 / 1995 change +4,8

Dec (345) to Jan +39,4

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**HEAVY COMMERCIALS**

<table>
<thead>
<tr>
<th>Manufacturer</th>
<th>Number of Sales</th>
<th>% of market</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>M-Benz</strong></td>
<td>97</td>
<td>23,9</td>
</tr>
<tr>
<td><strong>Toyota</strong></td>
<td>85</td>
<td>23,4</td>
</tr>
<tr>
<td><strong>Tyco</strong></td>
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<td>13,2</td>
</tr>
<tr>
<td><strong>Nissan</strong></td>
<td>49</td>
<td>11,8</td>
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<td><strong>MAN</strong></td>
<td>43</td>
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<td><strong>Delta</strong></td>
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<td><strong>Iveco</strong></td>
<td>19</td>
<td>4,6</td>
</tr>
<tr>
<td><strong>Freightliner</strong></td>
<td>15</td>
<td>3,6</td>
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<tr>
<td><strong>ERF</strong></td>
<td>8</td>
<td>1,9</td>
</tr>
<tr>
<td><strong>Scania</strong></td>
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<td>1,4</td>
</tr>
<tr>
<td><strong>AAD</strong></td>
<td>5</td>
<td>1,2</td>
</tr>
</tbody>
</table>

January 1996 / 1995 change +17,1

Dec (522) to Jan -5,2

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**TOTAL VEHICLE SALES**

<table>
<thead>
<tr>
<th>Manufacturer</th>
<th>Number of Sales</th>
<th>% of market</th>
</tr>
</thead>
<tbody>
<tr>
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<td><strong>VW</strong></td>
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<td><strong>Delta</strong></td>
<td>4,840</td>
<td>16,9</td>
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<tr>
<td><strong>Samcor</strong></td>
<td>4,479</td>
<td>15,7</td>
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<td>9,5</td>
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<td><strong>Nissan</strong></td>
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<td>9,1</td>
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<tr>
<td><strong>BMW</strong></td>
<td>1,019</td>
<td>3,6</td>
</tr>
<tr>
<td><strong>Other</strong></td>
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January 1996 / 1995 change +27,4

Dec (25,865) to Jan +6,3
Car makers buy their own products

SALES FIGURES

By DON ROBERTSON

MORE than 6% of new cars sold last year were bought by the manufacturers themselves, while 80% went to the public.

Figures from the National Association of Automobile Manufacturers of SA show that single-unit sales of new cars to manufacturers totalled 15 586 from production of 249 838 units.

Single-unit sales are purchases by the manufacturers for their own staff. They eventually find their way back into the market as used cars.

A similar percentage of commercial vehicles were also bought by manufacturers. Motor groups bought 5 656 out of 143 121 vehicles produced for own use.

BMW, for instance, bought 2 385 of their own cars from a total production of 15 959. Delta absorbed 2 303 from an output of 22 554. Mercedes-Benz 2 194 from 25 182. Nissan 1 925 from 26 588, Samcor 1 779 from 46 985, Toyota 2 034 from 48 800 and Volkswagen 2 853 from 57 691.

In the light commercial segment, Mercedes-Benz kept 451 vehicles for its own use. Delta 289, Toyota 318, Nissan 186, Samcor 152 and Volkswagen 94 from total production of 129 575.

In all, 11 553 fully built up vehicles were exported last year.

Toyota topped the list in the car stakes with exports of 765 cars, followed by Nissan with 722, Mercedes-Benz with 709, Delta with 529 and BMW with 515.

In the light commercial vehicle sector a total of 7 125 units were sold abroad, headed by Delta with 1 687, Samcor with 879, Nissan with 744 and Toyota with 594.

Government departments accounted for the largest individual sales category with purchases of 26 713 units.

Toyota was the favoured car in government sales with 3 964, ahead of Volkswagen, Samcor, Nissan and Delta.

Delta led the light commercial sector followed by Toyota and Samcor.

Toyota was also the preferred supplier to the rental industry with sales of 4 977 (Volkswagen 2 544, Mercedes-Benz 2 911, Samcor 2 323, and Nissan 1 712).
SECOND-HAND MENACE

Thousands of potentially dangerous used vehicles are flooding on to the market. Import agents are using forged permits to smuggle in the vehicles, mainly from Japan.

Unhindered, local businessmen say, the imports could seriously damage the motor industry. They point to New Zealand, where Japanese used vehicle exports have all but wrecked the motor sector.

The imports here have also led to a stand-off between Customs and the Department of Trade & Industry (DTI) over the legality of allowing in some vehicles.

Imports include cars and commercial vehicles. By avoiding duties, they are sold for much less than equivalent SA vehicles. Most of the vehicles are three to four years old, with limited distances on the clock — often as low as 40,000 km. In Japan, new vehicles are affordable but government regulations dictate that their value depreciates quickly. After four years, they undergo tests described as “punitive expensive” to stay licensed.

As a result, Japanese get rid of their vehicles fairly young and there’s not much of a second-hand market. Most used vehicles are exported.

Police say shipments arrive in Durban every month. Under the law, used vehicles may enter only with a special permit — either from the DTI or from the other states in the Southern African Customs Union Lesotho, Swaziland, Namibia and Botswana. SA issues permits only in special cases, such as returning residents, immigrants and diplomats. It also levies an import duty on these vehicles — now 57.5%.

Where another Customs Union country issues a permit, local customs officials must release the vehicle for direct transport to that country. It is then that nearly all the smuggled vehicles find their way illegally into SA.

These other countries are also supposed to levy the 57.5% duty and pay it into a Customs Union pool. But because of the lack of controls, few of the permits are recorded. What money is collected is often destined for back pockets.

The most popular destinations for the Durban shipments are Lesotho and Namibia. Police say clearing agents show up at Customs with permits and the vehicles are released on condition they are driven straight to the border. But most disappear into the used vehicle market.

Customs requires documentary proof within 30 days that the vehicles have left SA. That’s easily overcome. Roger Pitot, a trade consultant specialising in the motor industry, says: “On paper, most of the vehicles will go to other countries. But police know they don’t. Bribery and falsification of documents is rife.”

The situation has led to a dispute between Customs and the DTI. After seizing 42 illegal imports, Customs sold them at an auction in Durban on January 16. The DTI says it must issue import permits before Customs is allowed to do so and it has refused to grant them. A spokesman says: “We have given Customs two options. Either it re-exports the vehicles or takes them under supervision to be compacted at a scrapyard.”

Customs says it doesn’t need permits. Says an official: “Where a government department is involved, permits aren’t required.” In this case, he says Customs applied for clarification. All 42 vehicles were sold but the deals are on hold until the matter is decided. “I’m sure we will sell them at the end of the day,” he says.

Pitot says all kinds of used vehicles are arriving, with bakkies and minibuses particularly popular. The latter, especially Toyota Hiaces, are in demand from taxi operators. Pitot says vehicles may land here for as little as R10,000. Even after bnomes and other costs, retail prices are much less than for local equivalents.

Brand Pretorius, who chairs retail giant McCarthy Motor Holdings, says: “It’s impossible for dealers to compete on price.”

In theory, that’s great news for buyers. The prospect of low-priced, low-distance vehicles should be welcomed. But it’s not that easy. Nearly all these vehicles don’t meet our safety standards. Foreign-designed new vehicles built here or imported must undergo extensive modifications to suit driving conditions.

Suspensions, cooling systems and brakes are among items that need adapting. So do seats. SA drivers need much bigger seats than those originally designed for Japanese.

The biggest danger says Pitot, comes from minibuses. Built for Japanese family use, they become potential high-speed bombs when packed with extra seats and sixteen or more adults. Braking and roadholding could easily give way under pressure. A major accident “is a highly likely consequence,” says Pretorius.

There’s another, less deadly, problem. Some spare parts may be almost impossible to find. Breakdowns could result in long waits while parts are sent from Japan. Says Pitot: “I passed a 1500cc Toyota Corolla the other day. That engine isn’t available here. If the owner has a problem, he’s really in trouble.”

Unhindered, imports of cheap used cars could hammer the motor industry. Jim Miller, MD of SA Motor Corp (Samcor), was head of Ford New Zealand in the late 1980s when used car exports...
TRADE JARGON

- **Starburst**: A single sum of money is deposited in a bank, divided into dozens of fragmentary pieces and credited to multiple pre-existing dummy accounts.
- **Hopscotch**: Money is hopscotched around the world, from 10 to 20 banks, coming to rest in places like Swiss holding accounts.
- **Ricochet**: Money ricochets at lightning speed through electronic transfers to an end deposit point offshore.
- **Boomerang**: Money is transferred electronically across the world, before ending up where it started.

Act and the International Co-operation & Criminal Matters Bill were passed through parliament in the last session. They come as a package and Proceedings of Crime is the key Act, making money laundering a crime and enabling the courts to confiscate the proceeds of crime. Its regulations are now in place and the Acts will become law any day.

A fourth — and controversial — piece of legislation, the Money Laundering Control Act, has been inexplicably held up. This creates “accountable institutions” who will have to report all foreign transactions over a rumoured R50 000, as well as all “suspicious” transactions, to a new body to be called the Financial Intelligence Centre. This is scheduled to pass through parliament this session.

The new legislation is not so much a reflection of government’s concern at the mushrooming of commercial crime, as a bowing to international threat. It’s been made clear that unless SA steps into line with the developed nations over combating money laundering, it will be frozen out on foreign trade.

Last year, the US passed a law that any foreign country wanting to do business in the US — have a dollar account there — must have acceptable money laundering legislation in place and must be seen to enforce it. “What Big Brother is doing is bringing everybody into line,” says a senior consultant with KPMG’s forensic investigation unit, Herman de Beer.

“That’s the reason why this legislation is rushed. It also deals with our international relationships, specifically with Europe. If we want preferential trade treatment, the Europeans are insisting that we adhere to their recommendations. They don’t want to deal with money launderers.”

The key question in the financial world is: Who will administer the Financial Intelligence Centre?

Candidates in the running include the Department of Finance (highly unlikely), the Financial Services Board (a big question mark), the police (remote, insufficient man and computer power), the Reserve Bank, or a completely new state entity (impractical).

The Reserve Bank is favoured As one top source puts it “it is the most suitable body. They’ve got the computer systems, the expertise and the staff at hand. And they’ve got links with the banks All they need to establish is links with other affected people” The decision will be taken at Cabinet level.

If the Reserve Bank is selected as the administrator, the job will go to the assistant GM at the Bank, Charles van Staden. He has been responsible for enforcing Exchange Control Regulations.

The SAPS estimates there are about 500 sophisticated crime syndicates operating in and from SA — about half are based in Johannesburg. The country is perfect for the money launderer Geographically distant from the rest of the world, it has banks of international repute with hi-tech electronic transfer systems.

Says one investigator “The person we’re trying to catch is the man who will never be involved in car hijacking or weapons himself. He’s a financier, a businessman. He washes money through layers of legitimate business It’s not a one-off thing.

FINANCIAL MAIL  FEBRUARY 21 1997
Volkswagen SA, Numsa discuss restructuring plan

PORT ELIZABETH — Volkswagen SA (VW) and the Nation Union of Metal Workers of SA (Numsa) were to have another round of talks yesterday about the company's restructuring plans.

The Uitenhage-based company confirmed earlier this month that it was considering major restructuring at the plant, sparking fears of massive job losses. The company said its restructuring programme would aim to contain costs while meeting the demands of an increasingly competitive industry.

VW spokesman Raymond Hartle confirmed that bilateral meetings were held this week. Numsa regional secretary Shibuko Nondwangu said the union would meet the company to hear presentations from division heads on their proposals for cost cuts.

He said the union's role in shaping the company's restructuring programme flowed from agreements made in the industry's National Bargaining Forum.

"It is a new role we have fought for. In the event that the viability of a company is under threat (and where it would affect members directly) the agreement outlines the process that must be followed. There has to be a thorough process of negotiations. The National Bargaining Forum agreement gives life to that process," he said. — Ecnas
Atlantis Diesel Engines' exports up

By Samantha Sherpa

CAPE TOWN: Atlantis Diesel Engines (ADE) expected to bounce into the black in 1996/97 on an anticipated increase in export-driven turnover to about R800m, MD Ron Shires said at the weekend.

While an increase in imported engines and built-up vehicles into SA had led to falling local demand for the group's products, ADE's successful foray into foreign markets meant it would source about half of its 1996/7 turnover through exports.

Major export contracts for diesel components had been secured in Germany, the UK, South Korea and the US, Shires said. ADE had also secured substantial export orders for fully assembled diesel engines from other third world markets.

"The export of assembled ADE engines could also mean the ongoing supply of spare parts to those markets. Much has been said since our new government took office about the importance of developing SA's exports. I am confident that ADE can take a meaningful lead in this regard," he said.

While slowing demand for ADE's engines had forced serious restructuring over the past 18 months, new export business meant it could increase its labour force by 200. ADE had also invested R96m in plant equipment.
Good sales to boost
Toyota’s earnings

TOYOTA SA would post a rise in earnings for the
year ending December 31 last year boosted by its grip
on vehicle sales, analysts said at the weekend.

They said the results could even surprise with bet-
ter results than anticipated and would continue its
grip on vehicle sales despite an expected slowdown in
sales this year.

“There may be a surprise in the result. Toyota is
doing quite well with sales. It is a strong player. Sales
(overall) may go down for 1997/98 but Toyota is doing
better than the market,” an industry analyst said.

Analysts polled forecast earnings a share ranging to
between 490c and 530c with consensus at 515c — an
improvement of 7.92% from 477.2c reported for the
year ending December 31 1995.

They expected a dividend range of 83c to 90c, with
consensus at 86.6c.

New car sales rose 5.62% to 249,884 units last
year compared to 236,564 in 1995.

Toyota topped individual manufacturers’ sales for
most months last year. In January this year Toyota
led the field with sales of 6,483, with its nearest rival
Volkswagen netting 5,482 sales.

Analysts said its share price lagged behind its earn-
ings potential.

“It is extremely undervalued. The share price does
not reflect the quality of the company it is,” SMK’s
Franca DiSilvestro said.

“I think they are going to have a better share than
people expect them to.”

Toyota Motor Corporation’s relationship with the
local manufacturer, following its purchase of a 25%
share valued at R144m in October last year, was a
positive factor boosting confidence in the company,
analysts said.

Toyota SA chairman Bert Wessels said at the time
of the announcement the deal would help the com-
pany accelerate its production technology to world
standards.

A 15-day strike by Toyota workers in KwaZulu-
Natal last March, which dented vehicle output by
6,450 vehicles and saw workers losing R1,200 a day,
would not have a major effect on the results, analysts
said — Reuter.
Vehicle sector capex to total R1,8bn

Pretoria — South Africa's new vehicle assembly industry's capital expenditure was projected to total R1,8 billion this year. Nico Vermeulen, the executive director of the National Association of Automobile Manufacturers of South Africa (Naamsa), said last week Vermeulen said the projected R1,8 billion capital expenditure this year comprised R1,1 billion on product, local content and export investments, R35,6 million on plant, machinery and production facilities, R35,9 million on land and buildings and R155,9 million on original equipment manufacturers support infrastructure, including research and development, engineering and technical. He said it was estimated that sales of semi-knocked-down and built-up imports not reported through Naamsa totalled about 22 000 new cars and 5 000 light, medium and heavy commercial vehicles last year compared to a combined total of 18 600 units in 1995 — Roy Colkayne
Compulsory use of catalytic converters 'will boost industry'

Janet Parker

GOVERNMENT's investigation into a national policy on vehicle exhaust emissions could boost the local emissions control industry if the use of catalytic converters is made compulsory.

Use of the pollution-reducing converters is voluntary in SA, and only a few luxury class vehicles have the part fitted as standard.

Catalytic converters can be used only with unleaded petrol as the platinum used as the catalyst is deactivated by leaded petrol.

The converter controls the emission of noxious gases such as nitrogen oxides, carbon monoxide and unburned hydrocarbons.

A spokesman for producer-importer Autocat said the SA converter market would be relatively small and have little impact on global supplies. Johnson Matthey sales and marketing director John Smith said the SA catalytic converter industry was already exporting about 2-million catalytic converters a year, mostly to Europe.

If their use became mandatory, 'the local market, in some cases, would be affected positively.'

Smith said converter sizes varied with car make and model, and it would probably be more economically viable to import those that would not be sold in large quantities.

Negative perceptions of cost and performance, associated with converters, could also cause concern among the motoring public if the new policy made fitment mandatory, he said.

The need for a vehicle emissions policy was originally identified when the introduction of unleaded petrol was approved in 1991.

However, when unleaded fuel was finally introduced last year cabinet requested an air pollution report, which found that 'vehicle emissions were not the highest priority with regard to air pollution in SA.'

The department of minerals and energy said globally, the drive to reduce atmospheric lead levels had been overtaken by the need to remove other noxious gases from vehicle emissions.
Competition knocks Toyota

ROY COKEYE

Pretoria — Intense competition in the motor industry had a negative effect on Toyota South Africa in the year to December 31, resulting in operating income slumping 8.1 percent to R383,93 million from R385,78 million for the corresponding period the previous year, the company said.

Operating income as a percentage of turnover decreased from 5.5 percent to 5 percent, though turnover rose 2.5 percent from R6,689 billion in 1995 to R6,203 billion last year.

Net income attributable income to ordinary shareholders dropped 4.1 percent from R204,47 million in 1995 to R196,17 million, while earnings a share decreased from 56c to 43c. A final dividend of 69c covered 5.5 times (3.3) was declared. Assets at the end of the year rose 12.4 percent from R1,490 billion to R1,602 billion.

Bert Wessels, the executive chairman, said that reflected an increase in accounts receivable, which was the result of high turnover recorded in December last year compared with lower-than-normal turnover in December 1995 due to the annual shutdown starting a week earlier in that year.

Debt increased 10 percent from R594,2 million to R555,4 million.

Wessels said comparative figures for 1995 had been restated because the results of investments made during the years of sanctions in the offshore Toyota Investment Group, had been consolidated for the first time last year.

He said consolidation resulted in earnings increasing by R16,4 million for 1996 and R1,56 million for last year and net assets rising by R113,9 million as on December 31 last year, compared with R95,7 million on December 31 1995.

Wessels said despite the intense competition, Toyota’s local market share had declined from 24.7 percent to 23.9 percent last year and Toyota’s market share had improved during the last quarter last year because of the introduction of the new Corolla and the Conquest Tazz.

Turning to the group’s prospects, Wessels said the new-vehicle retail market should continue growing moderately this year and indications were that the economy would be sluggish during the first six months but growth should accelerate thereafter.
ON THE BLOCK?

If Cape-based Atlantis Diesel Engines (ADE) can continue its export-led success, it could become a prime candidate for privatisation.

ADE is 87.5% owned by the Industrial Development Corporation (IDC), with Germany's Daimler Benz holding the balance. According to IDC GM finance Gert Gouws the public corporation could soon be looking for new strategic partners in ADE, reducing its shareholding to a minority stake.

Gouws says IDC policy is to divest from "mature" (profitable) investments when the time is right. If this happens with ADE, "discussions will continue with Daimler Benz," he says.

ADE MD Ron Shires cautiously states that any new strategic partner for the company would first be discussed with the IDC.

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Newly appointed IDC CEO Khaya Ngqula will shortly take over as chairman of ADE. He would lead negotiations on privatisation.

The background to these moves is that ADE has moved from being a lame-duck subsidised entity to a market-related going concern. When import duties on commercial vehicles were drastically reduced 18 months ago, some market pundits predicted that it would not weather the storm. Competition from imported engines and built-up vehicles would defeat the previously sheltered manufacturer.

But while there has indeed been a drop in local demand for ADE engines, it has managed to close contracts for diesel components with clients in Germany, the UK, South Korea and the US. An agreement to sell assembled engines to Cuba signed last December will take the assembly-line to virtually full capacity.

ADE's transformation began in 1991 when it accepted that domestic demand would fall and began the "rightsizing" and re-engineering process Total exports are expected to surge in 1997-1998 to R500m from R180m the previous year.

Turnover of roughly R800m is predicted for 1997-1998, half from exports to 14 foreign countries. A return to profitability — after a loss last year — is expected. Marketing continues apace.

Shires anticipates that the components export market will increase in tandem with a slowdown in local engine assembly. Exports in this category are expected to increase from R160m in 1996-1997 to R240m in 1997-1998. Obviously the weak rand is helping — but, in the Cuban deal, 30%-35% of highly priced components are still imported for local assembly. However, "this deal could also mean the supply of spare parts to these markets," says Shires.

Having gone through a serious re-trenchment exercise over the past 18 months, new export business will mean increasing the labour force by about 200. And ADE has invested R96m in new plant and equipment to meet the increased demand. Piet Badenhorst
Nissan SA retrenches first 200 of possible 900

NISSAN SA's retrenchment exercise kicked off yesterday when 200 salaried staff were given notice of their retrenchment, with the possibility of some concessions in the wake of an eleventh hour attempt by the National Union of Metalworkers of SA (Numsa).

A Nissan spokesman confirmed that an initial 200 of a possible 300 salaried staff were retrenched yesterday. He said the process would continue with the retrenchment of 600 hourly paid workers in October.

Numsa intended applying for an interdict against the company, preventing it from retrenching employees yesterday on the grounds the company had given workers short notice after failing to exhaust the consultation process prior to retrenchment.

Nissan said the union had attempted to use the interdict to postpone the retrenchments to coincide with the retrenchment of the 600 hourly paid workers at the end of October.

The union said agreement was reached yesterday prior to the commencement of the proceedings which provided for mediation to consider the retrenchment of the 200 to 300 salaried staff and the 600 hourly paid. The union said the company had not considered all alternatives, selection criteria and had failed to consult properly on retrenchment packages. The mediation process would ensure continuation of the consultation process to consider such issues.

The retrenchments, according to Nissan, came in the wake of a re-engineering exercise aimed at cutting costs to ensure the company remained competitive. The union argued, however, that the company focused on workers when looking to cut costs and did not consider management and executive packages.
Motor, clothing sectors making best of new era

MORE than a year since government implemented strict restructuring plans scaling down protection, the motor and clothing sectors appeared to be adjusting to the changed circumstances, sources said yesterday.

The National Association of Automobile Manufacturers of SA said the restructuring plan, known as the motor industry development programme, had helped make cars more affordable.

The development plan had bolstered the sector's export performance. Overall industry exports — including car parts and built-up vehicles — were expected to rise to R4bn from last year's R3.3bn. About R3.2bn would be component exports.

The Clothing Federation said its seven-year plan had encouraged manufacturers to develop niche markets.

The industry, one of the most protected in SA, was facing a 6% slump in growth this year. However, Clowd executive director Henne van Zyl attributed the sector's misfortunes to pressure from illegal imports and a wobbly export performance rather than the reduction of protection. This year tariffs dropped to 34% from 50%.

The other factor cited as contributing to the contraction was the snail's pace at which steps towards regional economic integration were being taken and the state's delay in implementing supply-side support schemes.

Van Zyl did not feel the current restructuring initiative was "tough", but warned that it should not be hastened as had been hinted at by some observers lately. At this week's parliamentary hearings in Pretoria on tariff policy, business leaders criticised the state for not adequately marketing its "scattered" support schemes.

The industry, which has lost 17 000 jobs because of poor customs control, believed the implementation of its proposal could see it gaining 1% of the world's clothing trade, worth R600bn.

"We believe we can create a quarter of a million jobs within a year," he said.
Money for costly resorts, but not for workers

While the makers of Nissan are laying off workers, they have bought two luxury retreats for executives and clients. Mungo Soggot reports.

In the week that the company which builds Nissans kicked off a major retrenchment programme by sacking 200 workers, it has emerged that the car manufacturer has acquired two luxury retreats in the bushveld for its executives and clientele.

Automakers, which has performed dismally on the Johannesburg Stock Exchange since its listing a year ago, confirmed this week it had bought a lodge at a game park in Northern Province and another under construction in the exclusive Leopard Creek golfing resort in Mpumalanga.

This week's lay-offs at the company's Rosslyn plant near Pretoria constituted the first phase of a retrenchment programme which will hit 900 employees.

The company's representative, Johan Kleynhans, refused to say how much Automakers had paid for the retreats and how much it pumped into their monthly upkeep. "We are not willing to disclose this to the press or the public."

He told The Mail & Guardian that the "motor industry, by its very nature, needs customer contact and corporate entertainment of various sorts. It makes economic sense to have company-owned retreats", he said, adding that the lodges would provide employment.

Kleynhans said he assumed the National Union of Metalworkers (Numsa) had raised the cost of the retreats during its talks with management. Both retreats had been acquired around the time of the listing, but the Leopard Creek lodge was still being built. According to a representative of the South African Tourism Bureau (Satour), only members can obtain publicly material of the top-of-the-range resort.

Numsa, which has vigorously opposed the retrenchments, said the splurge on the retreats was a prime example of expenditure that was unrelated to the business of making cars. The union's Tony Kgobe, who is heading talks with management, said Numsa also questioned the company's policy of running duplicate offices in Johannesburg and Pretoria.

Kgobe said the company had not discussed with the union how best to cut costs but had simply told it there had to be cutbacks and asked for help in implementing them.

He added that management had refused to discuss executives' salaries and managers' packages, indicating that these matters were not the concern of the union: "We are dealing with people who are not open."

It was unlikely the company would stop its retrenchments without some strike action, Kgobe said.

The two sides had called in mediators from the Independent Mediation Services of South Africa, who would start work next week.

Automakers' share price on the JSE has plummeted since the company's listing in October 1995. It started out at 565c, sunk as low as 214c a share last month and yo-yoed between 234c and 250c on Tuesday and Wednesday. One industry analyst suggested this week that Automakers' price stabilisation stemmed from speculation that Nissan Japan would step in to rescue the South African operation, which also builds Flatnose.

Automakers' performance has been hit by a number of external factors, including the rand's collapse, which has locked up import costs, and increased competition. The company's profits for the financial year which ended in June were R128-million—way off the R157-million it targeted when it listed.

Automakers' chairman, John Newbury, was not available for comment.
Toyota poised for 'empowerment element'

Amanda Vermeulen

TOYOTA SA is today expected to unveil the outcome of negotiations between Johnnic and Toyota Motor Corporation to sell Johnnic's 21.4% stake in Toyota SA to the Japanese group.

Johnnic CEO Vaughan Bray said yesterday that a Toyota news conference scheduled for today was "related directly" to talks with Toyota Motor Corporation. Toyota SA sources said the announcement had "an empowerment element" but declined to elaborate.

Anglo American recently announced plans to sell the majority of its 48% stake in Johnnic to the National Empowerment Consortium.

The Johnnic stake in Toyota, valued at just more than R274m on the JSE yesterday, would be excluded from this transaction if Johnnic sold its interests in the local vehicle manufacturer to Toyota Motor Corporation.

Toyota SA chairman Bert Wessels said in August management was happy with Johnnic retaining its stake "either under its present control or, in the event of a proposed transfer of control, under black business interests".
Toyota Japan buys into SA

ROY COKAYNE

Johannesburg — Toyota South Africa Corporation, a joint venture between Toyota South Africa (a company of Toyota Motor Corporation) and Industrial Development Corporation (Japan) and its parent company for R10.2 million, has paid R10.2 million for 25.8 percent of Toyota SA ordinary shares.

Toyota SA said that the acquisition of the 25.8 percent shareholding in Toyota SA would help it to increase productivity, improve quality and lower production costs. As a result, Toyota SA's competitiveness will be improved, enabling it to expand its exports and thus further contribute to the South African economy.

Toyota's leading carmaker said that the acquisition would be its first participation in the local operation of Toyota Motor Corporation, which owns 30 percent of the company. Toyota SA said that the acquisition would be beneficial to both the company and its shareholders.

In order to start your outdoor gardening, you will need the following:

- Eggshells
- Masses of decaying vegetables and fruit
- Old straw and twigs
- Old grass
- Old leaves and bark
- Old kitchen waste
- Old feathers
Toyota Japan pumps R446m into SA arm

Edward West

TOYOTA Motor Corporation (TMC) of Japan has acquired a 27.8% stake in Toyota SA in a R446m cash deal, the largest direct investment by a Japanese company since sanctions against SA were lifted.

The companies said yesterday the deal would accelerate the development of the local car maker's production technology to world standards in the face of growing competition.

The stake, representing 11.3-million shares, was bought from Toyota's second biggest shareholder, Johnnie.

A controlling stake in Johnnie is to be bought by the National Empowerment Consortium (NEC) from Anglo American in SA's biggest black empowerment deal.

The Toyota deal took place at about R39.50 a share, well up on yesterday's market price but lower than the company's R46 a share net asset value.

Toyota was one of the most actively traded shares on the JSE yesterday, gaining 390c or 12.4% to R36.80, just below its 12-month high of R36.

Johnnie made a profit of about R40m on the deal based on yesterday's price.

TMC Africa and Europe senior MD Shunj Sakai said it was essential to strengthen Toyota SA's operations to sustain growth in the light of growing competition induced by the liberalisation of tariffs and trade in SA.

TMC, the third largest motor manufacturer in the world after General Motors and Ford, planned to play an active role in SA's economy through the transfer of production technology, he said.

NEC chairman Wiseman Nkuhlu said the deal would not affect the purchase of Johnnie, as talks with TMC were only well advanced when the NEC struck its deal with Anglo.

NEC deputy chairman Tommy Oliphant said: "The deal will benefit us in terms of skills and technology — this is part of empowerment."

Johnnie CE Vaughan Bray said the investment by TMC represented a "massive vote of confidence in our (SA's) future."

Toyota SA had not fitted into Johnnie's current investment philosophy of taking active control "...it therefore made sense for us to redeploy the assets in operations in which we have a more active hand in management."

Had TMC taken a direct stake in Toyota SA, Johnnie's interest would have been diluted to 14%-16%, where it could not longer equity account earnings.

Bray did not foresee the sale of any other of Johnnie's assets, which include a 14% interest in SA Breweries.

He said some of the money raised through the sale would be used to "fill the gap" created by following rights in the Premier issue.

Johnnie would have had to fund about R123m to follow its rights in the R450m issue "Nothing specific" had been planned for the rest of the funds, Bray said.

Toyota SA executive chairman Bert Wessels, left, Toyota Motor Corporation Africa and Europe senior MD Shunj Sakai, centre, and Johnnie CE Vaughan Bray at the signing of an agreement yesterday for the Japanese multinational to buy a 27.8% stake in the local vehicle manufacturer from Johnnie.

Picture ROBERT BENTHA

Continued on Page 2

Toyoata continued from Page 1

business would lead to the expansion of the local company's export markets in Africa and eventually to significant participation in TMC's global markets.

Line management specialists from TMC, particularly in manufacturing, would be brought in from Japan, while a "significant number" of skilled workers would be sent to Japan for further training from next year.

Wessels said the first phase of a R4.6bn capital investment programme announced last year — a R400m investment in a new paint shop, the introduction of the new Corolla model and increased of plant volumes — had been completed.

Funding for the programme was expected to be raised internally, he said.
JAPAN DEAL OPENS DOORS  

The decision by Japanese motor giant Toyota to invest directly in Toyota SA has been expected for some time. Only the amount and the timing were in doubt.

The deal was finally done this Tuesday when Toyota Motor Corp (TMC) paid R446m for all 11.3m shares previously held by Johnnie and its pension funds. With 27.8%, TMC is now the second biggest shareholder. The Wessels family-controlled Wesco holds 50%. 

Though chairman Bert Wessels continued to diplomatically claim until the last minute that there was “no need” for TMC to invest in his company, clearly there was immediately after the deal was signed, he said the TMC association would open up new export markets for products made by the SA company.

“It will lead to the expansion of Toyota SA markets in Africa and eventually significant participation in TMC’s global markets.”

It was precisely the lack of such expansion that has made a formal relationship so inevitable. Toyota’s export activities have not grown as quickly as hoped. As Nissan discovered before it, a Japanese stake in the company opens the doors to all sorts of new opportunities.

Given the fact that to succeed in the year-old motor industry development programme, motor companies must rapidly increase export earnings, a formal “marriage” between Toyota SA and its Japanese supplier was vital.

Johnnie Ce Vaughan Bray says the sale of the Toyota shares has the blessing of National Empowerment Consortium partners on Johnnie’s board.

He gives two reasons for agreeing to sell “had TMC invested directly in Toyota SA rather than buying our shares, Johnnie’s holding could have been diluted below 20% and we would no longer have been able to equity account the investment. In addition, the disposal is in line with Johnnie’s underlying philosophy of concentrating investment activities in areas where it can exercise direct management control.”

Cash raised from the sale “will be redeployed within the group in other investments which meet this criterion.”

Though Toyota SA is in the midst of a R1.4bn, five-year investment programme, Wesels says he hopes it won’t be necessary for TMC to invest working capital into the company and that it will continue to generate funds internally.

TMC Senior MD Shinji Sakaia, in Johannesburg to sign the deal, doesn’t rule out the possibility of new capital. “We are willing to talk about anything that is necessary to enhance the SA operation.”

TMC is the biggest industrial company in Japan and the third largest motor manufacturer in the world after General Motors and Ford. It has marketing operations in 160 countries and manufacturing plants in 25.

With all this muscle, is the 27.8% stake in Toyota SA the limit of TMC’s aspirations or will it eventually want more? Wessels is diplomatically ambiguous. “Wesco will retain 50% in the company at this stage.”

### SEPTEMBER VEHICLE SALES

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### MANAGEMENT COMMERCIALS

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FINANCIAL MAIL  OCTOBER 11  1996
Toyota SA set to move into top gear after Japanese deal

THC R446-million Japanese investment in Toyota SA will boost bottom-line profits for shareholders through new and improved production technology systems and cost and distribution rationalization.

Sinji Sakai, senior managing director of Toyota Motor Corporation, is confident that the new association will bring benefits to all parties and "may result in much more on the bottom line." In terms of the deal - the biggest investment by any Japanese investor - THC has bought a 27.8% stake in Toyota SA from Johnnic Industrial Corporation.

The deal, which has been on the cards since the middle of last year, was concluded at R39.60 a share, well above the R31 at which the shares were trading on Monday, but almost equivalent to the net asset value of R39.68 a share as at last December.

Local shareholders welcomed news of the sale and pushed the price up by 48c to R35.60 a share with perfect timing as Sakai and Vaughan Bray, chief executive of Johnnic, signed the agreement in Sandton on Tuesday.

The deal has the blessing of the National Empowerment Consortium, which is negotiating to buy Anglo American's interest in Johnnic.

The last hurdle in these negotiations was cleared on the same day as the THC deal when the Securities Regulation Panel agreed to allow the NEC to buy more than 25% of Johnnic without having to make a similar bid to minorities.

The sale of the 11.3-million shares to the Japanese motor giant ends a 33-year relationship between the former JCI and Toyota SA and will leave its industrial arm, Johnnic, with a profit of over R446-million.

Part of this surplus will be used to finance Johnnic's pursuance of the Premier rights issue. The remainder will be used to acquire other investments.

Although a significant investment for South Africa, the R446-million will have no impact on THC which, according to a recent report, has a cash mountain of $1.3-billion.

The Johnnic/THC deal is similar to the Nissan agreement about a year ago, when Nissan Diesel and Mitsubishi invested R112.5-million in Automakers, the holding company of Nissan, ahead of its listing in October. Earlier, Ford had returned to the SA market by buying a stake in Sancor from Anglo American with BMW and Mercedes-Benz wholly owned by their German parents, only Delta remains without a "big brother."

The THC acquisition suits all parties involved. When JCI was unburdened, Johnnic decided to shed its interests in which it had no direct management control. Had THC made a direct investment in Toyota SA, Johnnic's stake would have been further diluted.

Toyota SA will benefit from technological transfers in the form of manufacturing and production efficiencies and rationalised distribution systems.

It will also be allowed to expand its export markets in Africa and will eventually become a participant in THC's global markets.

It is unlikely that THC will increase its current stake in Toyota SA above 27.8%. Holding company Wesco has 99%, with 2% held by outside shareholders.

Bert Wessels, chief executive of Toyota SA, insists that the Japanese purchase will not result in any change to the company's financial structure.

In terms of a trust set up by the late Dr Albert Wessels, founder of Toyota SA, "control of the main company (Wesco) will always be in the hands of my children and their descendants."
Numsa halts retrenchment of Nissan workers

NISSAN SA was prevented yesterday from issuing 600 workers with notices of their retrenchment at the end of the month after the National Union of Metalworkers of SA (Numsa) applied for an urgent interdict set for Friday.

Numsa spokesman Tony Kgohe said the application was for the notices to be issued only once dispute resolution procedures in terms of the National Bargaining Forum had been exhausted.

The parties have been in mediation this week, but have been unable to reach agreement on the retrenchment exercise. The union has demanded a breakdown of overhead costs including the operating costs of a company game farm, golf development and timeshare as well as information relating to executive salaries.
More jobs, more cars, more pressure

ROY COKAYNE

Employment by South Africa's motor manufacturers has risen this year despite increasing pressure on costs because of the introduction of the motor industry development programme from last September.

However, the sharp increase in motor vehicle production volumes appears to have obscured the rationalisation in the workforce that has taken place at virtually all manufacturers.

Nico Vermeulen, the executive director of the National Association of Automobile Manufacturers of South Africa (Namas), said the monthly average of 37,489 employees in the motor industry in 1994 increased to 38,613 last year.

He said 38,791 people were employed in the last week of June this year.

However, Vermeulen said the increase in the number of employees had taken place while production volumes increased last year by a huge 23 percent compared with 1994.

Vermeulen said employment in the motor industry fluctuated according to natural attrition, resignations, dismissals and retrenchments, but was closely related to the performance by specific companies in the market place.

Vermeulen said there was much debate when the development programme was introduced last year on how it would affect the industry and how it would achieve one of its major aims — making products more affordable.

He said various manufacturers, because of efficiency improvements, believed vehicle prices could be expected to decrease in real terms by between 2 and 3 percent a year for the duration of the programme. This meant a 14 to 20 percent reduction in vehicle prices in real terms by the year 2002.

"One year into the programme, that has in many instances already been achieved. This is the reality of tougher competition in the market place," he said.

The pressure on motor manufacturers is probably best illustrated by Nissan South Africa, which, according to Naamsa sales figures, has been losing market share to other manufacturers this year. This has led to the company launching a number of initiatives in an attempt to either boost sales or reduce cost inputs. They include a rationalisation of the price of its total vehicle range, attractive financial packages for buyers and, more recently, a compulsory retraining programme involving salaried and hourly paid workers.

Figures provided by Johan Kleynhans, the general manager of public relations for Nissan SA Marketing, show that Nissan has reduced the size of its workforce by almost 14 percent compared with last year. If 690 hourly paid compulsory retrainments that still have to be effected are included, the reduction in the size of its workforce rose to more than 24 percent.

But Nissan SA is not unique in this regard.

Jim Miller, the managing director of Samcor, said the company had not had any compulsory retrenchments in the last 20 months he had been in charge, but there had been a reduction in staff.

He said the lucrative engine-export contract clinched by Samcor's engine plant had led to employment in the plant rising from about 300 a year ago to about 700 employees at present.

Samcor's salaried head count had dropped from about 900 last year to about 789 this year and it now has an hourly paid workforce of about 2,200 compared with 4,500 last year.

Employment levels at Mercedes-Benz South Africa (MBSA) have fluctuated in the past three years. Ian Russell, the managing board member of manufacturing and human resources, said MBSA employed about 8,200 people at the end of 1994 and this had increased to about 9,400 at the end of August last year, but fell again to about 4,000 at the end of August this year.

Russell attributed the increase in the number of employees last year to greater volumes, adding that MBSA doubled its production of C-Class passenger cars and Colt last year compared with 1994.

But Russell said the development programme would require all operators in the motor industry to become more efficient and warned that this would hurt employment levels.

Deon Ebersohn, BMW South Africa's media liaison manager, said the company's employment levels had been almost static at 1,800 hourly paid workers at its Rosslyn plant for the past five years. Together with salaried workers, BMW employed about 3,500 people.

Ebersohn said the only variation in employment levels occurred when BMW discontinued production of its 5-Serries in October last year as part of its product rationalisation and in preparation for the launch of the new 7-Serries. About 120 employees were affected, but this was offset by the employment of about the same number people for its new Landrover line.

Ebersohn said the company expected employment to increase gradually as it prepared for global production.

Raymond Hartle of Volkswagen South Africa (VWSA) corporate public affairs said the company had used natural attrition in the past two years to decrease the size of the workforce, although it had also had voluntary retraining packages "from time to time."

He said VWSA's total workforce had decreased from 8,840 in 1999 to 6,550 in January this year — a decrease of almost 26 percent in six years. The reduction between 1994 and last year was more than 9 percent.

Delta Motor Corporation sketched a rosy picture George Stegmann, the company's human resources director, said Delta had created more than 1,000 jobs in the Port Elizabeth area in the past 20 months. These included about 550 jobs at the Kempton Road facility and 488 at the Struandale assembly plant, which would be commissioned at the end of the month.
Durban — Bearing Man, the engineering consumables importer, is still forecasting real earnings growth for the financial year to June 30, despite the recent drop in the value of the rand.

Speaking at the company’s annual meeting in Durban yesterday, Greg Till, the managing director, said the group had maintained its margins and sales levels despite the difficult conditions.

He said it had also been able to restrict price increases to between 15 and 20 percent, less than the drop in the value of the rand, because of the group’s long stock-carrying periods.

Bearing Man imports 90 percent of its products and has exclusive rights to 20 brands and shared rights to another 12.

Till said Bearing Man had increased its number of outlets to 66 from 57 at the end of the last financial year and had recently opened in Germiston, Potgietersrus, Newcastle and the Strand.

This expansion is expected to continue throughout the year, and Bearing Man has made an offer to acquire the stock, fixed assets and trade names of Rubocit for R1.15 million.

On the tie-up with Nord, the world’s second largest manufacturer of geared motors, Till said the market had welcomed Nord products.

He estimated this market in South Africa was worth between R150 and R250 million a year. Initially, Bearing Man had been bringing in completed units from the German-based company but it now planned to start local assembly at its facility in Bearing Man Park in Johannesburg. This should be under way by January next year.

Till confirmed the company did not have any other major acquisitions or tie-ups planned, and said a decision on a share split would be made “soon.”
Samcor takes recycling route

ROY COKAYNE

Pretoria — Samcor, the Pretoria-based manufacturer of Ford cars, has taken a leaf out of the book of US-based Ford Motor in regard to conservation and the environment.

Alex Trotman, Ford's chairman and chief executive officer, told Detroit's business leaders recently that motor manufacturers had done more to conserve the environment than most people knew, and complimented the vehicle industry for using resources more wisely and finding ways to decrease environmental damage.

He said Ford recycled plastic soda bottles to make luggage racks and door padding, turned old battery housings into splash shields and tyres into brake pedal pads. In August, it began recycling commercial and residential carpet to be used in the engine fan assembly on a specific model.
Samancor MD eyes new links

David McKay

SAMANCOR's new MD from December 1, Wilrich Schroeder, says the company is considering more strategic alliances, including a number of possible joint ventures, to maintain its record of market growth.

Samancor announced this week that it was splitting its top management roles at executive chairman and MD. Current chairman Mike Salamon will continue to run parent company Gencor's nickel division, where several new exploration projects are set to make this a key division of its minerals portfolio. Samancor, which has concluded a string of joint ventures with Asian and European chrome and stainless steel producers, has focused on keeping up high volumes of contracted sales to its customer base.

As a result it has moved from being a medium-sized company to a world player in a highly competitive market. Samancor produces manganese, chromium, silicon, dolomite and a number of other products, which are used in the manufacture of steel.

Schroeder says it is also considering the possible repositioning of its non-core assets, which could mean sell-offs — although this was only one option.

Samancor was still examining which assets could be termed non-core and how they would be used in the future.

Other challenges for the company lay in improving its operating efficiencies — an important facet to surviving in the cyclical nature of the international metals markets. This is particularly true of the ferrochrome market — a pillar of Samancor's business — where prices fell by nearly half from about $0.76/lb at the beginning of the year to about $0.40/lb in the third quarter this year.

Ferrochrome prices have since firmed, but Samancor has already warned investors that profits for the 1996/97 financial year will be lower. Schroeder recently said it would be a "rough year" for Samancor which reported record sales at its year-end recently.

This illustrates the value of the strategic alliances where off-take from Samancor's furnace is guaranteed. This allows the company to maintain its volumes even when demand is not high. "Strategic alliances are the mainstay of Samancor's marketing strategy, including joint ventures, and other arrangements," he said.

Schroeder is the company's GM for chrome — a position he has held for six years. He has also worked in Gencor's coal division.

A replacement for Schroeder has yet to be announced. Samancor is also looking for a new financial director since it announced that the current financial manager, Chris Norval, would be transferred to the group's business development division in London.

Commenting on the management change, Schroeder said that Salamon had been overloaded with work in the past.

He describes himself as a family man with an interest in outdoor life. A farm in the eastern Free State keeps him occupied when he is not working at Samancor.
Illegal car imports threaten SA dealers

JACK DEWEY

Fort Elizabeth — Illegal imports of second-hand cars have become a big threat to South Africa’s motor industry, said Philip Myburgh, the president of Motor Industries Federation (MIF).

“The MIF in conjunction with many roleplayers, both in the commercial sector and government, are trying through various forums to stem the tide of this illegal practice, which could have a catastrophic impact on the market,” said Myburgh.

Speaking at the MIF’s annual conference, Myburgh said New Zealand learnt a lesson in 1988 when the government allowed imports of used vehicles.

“Within one year their own vehicle sales dropped from 120,000 to 50,000 units,” he said.

This resulted in the loss of many jobs, “which is something we can ill afford”, he said.

Myburgh said the South African government’s delay in implementation of its macro-economic plan was making it difficult for the industry.

“The South African new vehicle market trend has been downward since 1981, when cars peaked at 301,628 units,” he said.

“With the reduction of duties we have seen the re-entry into the South African market of various companies, which in the sanctions years divested from South Africa, as well as new motor companies from the Pacific Rim trying to grab a foothold in the local market,” said Myburgh.

The new entrants “have already claimed about 10 percent of the entire new vehicles sales market”, with the result that “in real terms local manufacturers have seen no growth in the domestic market”, he said.

He said this put the squeeze on dealers’ margins, who were already under the pressures of cost-cutting among manufacturers competing against imports.

Profit was further affected by the swing towards smaller cars retailing at less than R40,000, which could account for 40 percent of new vehicle sales by 1999.
Opel expands its African horizons

ROY CORAYNE

PRETORIA — German company Adam Opel plans to increase its involvement in South Africa and to boost car exports from its Delta distributor here, David Herman, the chairman and managing director, said on Wednesday.

"It must be our intention to develop Delta into an export source, and not just for the few neighbouring countries where it presently exports, but to demanding markets elsewhere," he said on Wednesday.

"This is in our interest, because it will allow us to import and offer South African customers the full range of imports in small volumes, which could not be produced locally on an economic basis," he said.

Herman was speaking at the official opening and commissioning of the R356 million Struandale assembly plant in Port Elizabeth, following the announcement by Delta Motor Corporation of a R1.2 billion investment in Port Elizabeth over the next five years.

This includes R80 million to be spent on new products to be introduced over the next five years and a further R22 million on the construction and expansion of existing facilities.

Wills van Wyk, the managing director of Delta, said the new facility had also provided an important economic injection to the Port Elizabeth-Steinhege metropole through the creation of 488 new jobs. He said more than 50 percent of the contracts for the re-equipping of the Struandale assembly plant had been awarded to local suppliers.

The plant is the first new automotive assembly facility to be opened in South Africa in two decades and was purchased from Samcor in 1994 after it had been mothballed for nine years following the relocation of Ford’s assembly facilities to Pretoria in the mid-1990s.

The new Opel Corsa, which goes on sale in South Africa for the first time in November, is being assembled in the facility.

Van Wyk said Struandale would augment the existing Kempston Road facility.

"A large part of our investment will be channelled into developing and upgrading our existing Kempston Road facility over the next few years. In fact, we have already been hard at work to change it from a brownfield site to one that is comparable to other world-class manufacturing facilities," he said.

In market share terms Delta felt vulnerable in a rapidly opening economy.

"By mid-1997, when it is at full capacity, it will allow us to expand and utilise our current market share from the 10 to 13 percent range to between 15 and 18 percent — with the Opel Corsa complementing our existing Opel Kadett and Astra models — as well as our Isuzu commercial vehicle range," van Wyk said.

The Struandale assembly plant gave a tremendous boost to Delta’s transition to becoming globally competitive through the application of best lean-manufacturing principles.

"Despite the fact that only 20 percent of our operation is automated, compared with about 85 percent in Europe and the United States, we have achieved very satisfactory results without replacing labour with machines," Struandale vehicle assembly times of 3.5 hours compares to a world benchmark of 20 hours in Europe and the US. Incidentally, this is about a third more productive than the South African average.

"Another key indicator of plant efficiencies is that the output of each employee will be about 44 units — compared with 80 for local plants overseas — which is four times the South African average of 11 units," Herman said.

Herman said that "Delta’s engineering and toolmaking capabilities have long been recognised by Opel’s engineers, as have the skills of South African suppliers.”

He predicted that Opel sales would go from the present level of about 20 000 to more than 60 000 "within a very short period" and Delta would also continue its leading role in commercial vehicles with Opel’s affiliate Isuzu.

Herman said Opel had and would continue to support Delta in many ways. Delta used Opel’s brand name without fee and had sole distribution rights for its products not only in South Africa but also in Zimbabwe, Zambia, Malawi, Mozambique and Malawi.

Herman said Opel also provided engineering support for assembly including leading manufacturing concepts.

He was convinced the automotive assemblers would meet the challenge in cooperation with international partners but said the key to the future would lie at least equally with the ability of the supplier industry to reach international standards of quality, service and price.

"Many have done it. But the future holds even greater opportunities. For instance, our Delphi component division is in the process of allocating wiring harnesses to South African company Delphi Autocab.

"Discussions are under way with other firms on exhaust components, head restraints, door panels, jacks, anti-theft systems, remote door locks and manifold castings.

"But to my mind, the culmination of what Opel and Delta can do to achieve a win for ourselves and South Africa will come in the next few years through the growth in export of fully built-up units," he said.

Herman said the South African market was important to all automotive companies and other investors and, with GNP growth of about 3.5 percent and population growth of only 2.1 percent, personal income would steadily grow.

"From this year’s market of 300 000, we expect the figure to become 400 000 by the year 2000. And inflation, even at an increased 7.0 percent in July, is still low enough to make our losses affordable to many people. The country possesses a sound infrastructure, which will allow people to enjoy private mobility and efficient road transport,” he said.
Car Industry Shifts Star Role to Electric Vehicles

Car makers are driving competitive companies towards a consolidation of the global US, European and Asian market segments and firms are forming strategic alliances to create a "next generation" of vehicles. The electric vehicle segment is expected to grow at a compound annual growth rate of 20% in the next decade. Key players are focusing on innovation in battery technology, charging infrastructure, and autonomous driving capabilities. The market is likely to see a surge in mergers and acquisitions as companies look to strengthen their market positions.
Has Toyota SA been secretly payrolling the British Conservative Party? An interesting thought, given Toyota Japan’s recent threat to halt UK investments if the government doesn’t take the country into a single European currency. But no. The Tory Investment Group, whose existence Toyota SA has just formally acknowledged, is a Guernsey-registered company created in the late 1980s to help overcome trading difficulties during sanctions. An inactive company, it was bought “off the shelf” as a conduit for components exports.

Now the need for secrecy has passed, Toyota SA has incorporated its offshore company into group financial results, and is reassessing its strategic importance. Some 1995 figures have been restated, but the Tory operation is fully included for the first time in the 1996 financial results to the end of December. Net assets increased by R113.9m.

It’s a welcome filip given the general disappointment that has greeted Toyota’s 1996 results. Turnover improved a miserly 2.5% to R6,21bn. Operating income fell 8.1% to R308.4m, and attributable income by 4.1% to R196.2m. Though EPS fell 6.1% to 482.4c, a final dividend of 64c pushed the year’s total to 88c, up from 80c in 1995.

Such a performance was always on the cards. The extreme competitiveness of the SA vehicle market in 1996, punctuated by fierce price wars, has strained most companies. Though total market sales rose 4.3%, Toyota’s own climbed slightly, margins were painfully tight. On average, truck prices remained static and car prices rose by about 3%.

For most of the year, the rand’s decline against major foreign currencies caused significant cost increases which market forces prevented manufacturers from passing on to consumers. The same pressures will exist in 1997.

Contrary to the view of some analysts who predict a slight market fall this year, Toyota SA chairman Bert Wessels predicts modest growth. Toyota’s own sales, particularly of cars, should be more buoyant.

The company’s lost market share in 1996 owed much to the age of its mainstay Corolla range and the lack of an entrant in the rapidly growing entry-level price segment. When Toyota plugged the gaps late in the year, with the launch of a new Corolla range and the budget-priced Tazz, sales jumped. This improvement should be sustained during 1997.

There’s also reason for optimism in the involvement of Toyota Motor Co. of Japan. The Japanese company became a major shareholder in Toyota SA last year when Johnnie sold its stake.

Apart from possibly being more generous in the pricing of components, Toyota Motor Co will be able to pass on its expertise in lean manufacturing. It is also expected to offer the SA company greater access to export markets.

Toyota SA financial director Peter Robinson remains upbeat:

“...The company has put on a sustained good performance over a long time. Considering market conditions last year, the fall in attributable earnings was disappointing but not a disaster.”

David Furlonger

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AFTER nine months of intensive negotiations, Automakers chief executive John Newbury has finally persuaded Nissan Japan to buy a major stake in the group. Nissan Motor Corporation (NMC) will buy a 50% stake in Automakers, holding company for Nissan SA, for R360 million by taking 92.5 million Automakers shares up at 390c each.

The deal depends on minority shareholders accepting an offer by Sankorp, Automakers' largest shareholder, to buy out their 66.6 million shares at 411c and to de-list the company.

Last month's offer by Sankorp sparked a flurry of activity. Automakers' share rocketed from 206c to 380c in a matter of days amid claims of insider trading. Rumours were then that NMC would acquire a significant shareholding in Nissan SA, which also manufactures the Fiat Uno and distributes import Alfa Romeo.

The Japanese group is due to take full control with its own half share, the 43.5% held by Nissan Diesel and 8.7% held by the group trading group Mitsu. Both these stakes were bought before Automakers was listed in October 1995.

Newbury, fresh from a consultancy trip to Italy, says he is extremely excited about prospects for the group, following the collapse of his listed company after only 14 months on the JSE.

The benefits to Automakers will, however, take some time to be realised. "There will be a lean year, but many years of feast after that. Our share of the market fell to 13.1% last year, but we hope to push this up to 20% by 2000," he says.

One consequence of the deal is that the introduction of new Nissan models will be expedited.

"An aggressive burst of new models will be introduced in the next few years which will substantially beat the opposition. We now have access to any new models introduced in Japan," Newbury enthuses.

Nissan SA will become part of the global group and link up with integrated component production elsewhere in the world. Increased exports are expected, especially through Nissan Africa's export arm.

There will also be the transfer of production processes, technology and staff as well as new appointments to the board.

Production changes are expected. Further investments in tolling and equipment will be made. One factor which might have stymied the deal was a possible clash between Fiat and Nissan in view of their joint SA manufacturing facility. Neither company has a similar relationship outside South Africa. Nissan, however, has welcomed the tie-up, while Fiat has also accepted the deal.

A result of this is that the introduction of a Fiat Palio model to replace the Uno will be expedited.

"We could prove to be the matchmaker for bigger global ties between the two groups," says Newbury.

The NMC deal is seen as a suitable response to the recent agreement in which Toyota Japan acquired a 27.8% interest in Toyota SA and the

ST(BT)9/3/97

Nissan's big brother in Japan comes to the rescue

A burst of new models will see Nissan claw back some of its lost market share, writes DON ROBERTSON.

JOHN NEWBURY

purchase by Ford of a 45% stake in Samcor Toyota this week announced a R1.7 billion, four-year investment plan for two new models. Delta is now the only manufacturer with no direct financial link to its supplier.

Documents relating to the de-listing will be posted to shareholders on Friday. They will contain interim results for the six months to December. Newbury will not reveal details of the results, but conceives that the best results, the plan to de-list might not have been rushing through.

South Africa and Japan have reached agreement on ending double taxation for companies of the two countries and to promote increased flow of capital, goods and people. Trade value between the two countries, measured in US dollars, increased from $3.3 billion in 1990 to $5.5 billion in 1995.
Nissan to buy half of Automakers

ROY COKAYNE

Pretoria — Nissan Motor Company of Japan will acquire a 50 percent stake in Automakers, the holding company of Nissan South Africa, for R5.50 a share, or a total of R380.76 million, effective from July 1 this year. Akio Sumitomo, a director of Nissan Motor of Japan, said on Friday.

The acquisition is conditional on minority shareholders accepting an offer by Sankorp, the investment corporation of South Africa's largest shareholder, made on January 20 this year, to buy their shares at R4.11 before the delisting of the company.

Sumitomo said Nissan Motor's decision to acquire an equity share in Automakers was "to further consolidate the business foundations in the South African market and to strongly expand the Nissan market share in Africa".

He said it intended to introduce new vehicles into the South African market that were superior to those of their competition.

Sumitomo said Nissan Motor had been unable to participate in the equity of Automakers for many years because of sanctions legislation during the apartheid era.

Sumitomo said the investment, alongside the shareholding already made by Nissan Diesel and Mitsu in Automakers, was probably one of the most significant and important South African investments by any Japanese company.

After the acquisition, the other main shareholders of Automakers will be Sankorp with 37 percent, Nissan Diesel (43 percent) and Mitsu (8.7 percent). Nissan Diesel and Mitsu both acquired their shareholding before Automakers' listing on the JSE in October 1995.

When it made its offer on January 20, Sankorp indicated there was a possibility of an international corporation acquiring an equity stake in Automakers.

Sankorp spokesmen were unavailable to comment on the difference in the price paid by Nissan Motor Company and the offer to minorities.

However, a spokesman for Automakers said the offer to minorities was based on Automakers' unaudited net asset value of R4.11 as at December 31 last year while the price paid by Nissan Motor was based on the forecast net asset value a share on July 1 this year.

Sumitomo said Nissan Motor had considerably expanded its overseas business over the past few years and was seen as the pioneer of the globalisation of the Japanese car industry.

"Vehicle demand in South Africa accounts for more than 60 percent of the total demand in Africa and we regard South Africa as an attractive market which we believe the vehicle demand is expected to increase to approximately 500,000 units early in the new decade," Sumitomo said.
Govt delays cost motor industry an extra R100m

Edward West

GOVERNMENT red tape could see the motor industry fork out more than R100m in additional duties to government this year after customs department lawyers delayed a planned reduction in tariffs, industry sources said at the weekend.

In terms of the motor industry development programme (MIDP) — a plan implemented in September 1995 to improve the competitiveness of the motor industry and make vehicles more affordable — government was meant to have gazetted a planned phased reduction in vehicle tariffs from January 1 this year.

The planned reductions are to 67.5% from 61% in the case of fully built vehicle imports, to 43% from 46% in the case of spares, and to 32% from 36% for fully built trucks.

A National Association of Automobile Manufacturers of SA (Naamsa) spokesman said the implementation of the tariff reduction was also delayed last year, but the problem of overpayment of duties had been solved by simply making the lower tariff retrospective until January 1.

"This year the customs department's legal staff say they cannot make the duty reduction retrospective. The unnecessarily high tariff being paid for completely built-up units and other imports since January 1 is worth well above R100m.

"The industry is having to pay for this unnecessary delay by government," the spokesman said.

He said the tariff reductions were essential not only to improve the competitiveness of the motor industry and to maintain the credibility of the MIDP, but in terms of SA's commitment to the General Agreement on Tariffs and Trade. In addition, the delay in lowering the tariffs had thrown vehicle manufacturers' pricing strategies into disarray.

Customs and excise department spokesman Christo Honning said a statement on the issue would be released by the department today after numerous requests for information.
Volkswagen locked in talks after strike

Reneé Grawitzky

VOLKSWAGEN management was locked in talks with National Union of Metalworkers of SA (Numsa) representatives last night in an attempt to resolve a dispute which closed the Uitenhage plant on Monday.

Monday afternoon’s closure affected 4 800 workers, after a group of employees embarked on an unprotected strike over a number of grievances.

The company attributed the action to worker concerns over a number of cost-cutting measures which formed part of ongoing discussion linked to organisational restructuring strategies.

Last year the company lost four days as a result of strikes, two of which were attributed to national strikes. The last major strike occurred in 1995 over an assault which resulted in three days of production being lost.

The company said workers had reacted to proposals to increase insurance costs of company-leased vehicles, attempts to ensure stricter enforcement of the company’s absenteeism policy and erratic production in the paint shop as a result of introducing stricter quality control measures.

The union said the action related to problems in the paint shop which had been raised with the company on numerous occasions. The other issues were being addressed in a broader forum on Volkswagen’s restructuring and had not caused the disruptions.

Numsa spokesman Tony Ngcobe said workers wanted an explanation as to why breakdowns in the paintshop had not been addressed as it had an impact on hours worked.

He said: “The way to deal with this problem is not by closing the plant. The union wants the company to reopen the plant so that it can address workers.”

Company spokesman Raymond Hartle said Volkswagen’s position was clear, it would not reopen the plant until workers had agreed to return to work and fol-
VW closes plant to force
assurances on stoppages

ROY COKAYNE

Pretoria — Volkswagen South
Africa’s Uitenhage assembly
plant has been closed indefinitely
until the National Union of Metal-
workers (Numsa) provides an un-
dertaking that its members will
return to work. Raymond Hartle,
the company’s corporate relations
manager, said yesterday

He said management decided
to close the plant early yesterday
after a few hundred employees re-
fused to return to work following
a mass meeting in the plant.

"VWSA has served notice on
Numsa shop stewards that the
plant will remain closed until the
union is able to provide an un-
dertaking that hourly rated em-
ployees who are Numsa members
will resume their duties.

"Non-production areas will
continue to work as normal," he
said.

Hartle said that in negotia-
tions on Monday Numsa had at-
tributed the stoppages to three is-
suues: a proposal that lessees con-
tribute to the insurance costs of
the company’s lease vehicle fleet,
stricter enforcement of the compa-
nies’s policy on absenteeism,
which was also part of the cost
reduction programme, and erratic
production in the paint shop.

He said no decision had been
taken on the proposal of lessees’
contributions.

He said VWSA had intro-
duced more stringent quality
control measures to improve the
quality of vehicles and "some
disruption downstream has been
experienced."

He said the issues were part of
a programme to ensure inter-
national competitiveness.

Mbuyiselo Ngwenda, the
deputy general secretary of
Numsa, said VWSA’s attempts to
link absenteeism and retrench-
ments had raised emotions. He
stressed that the issues could not
be linked.
VW's Uitenhage plant will reopen on Monday

Reneé Grawitzky

VOLKSWAGEN's plant in Uitenhage reopens on Monday after workers agreed yesterday that they would return to work.

Volkswagen spokesman Raymond Hartle said last night that the company had been informally advised that at a mass meeting yesterday workers had agreed to return to work on Monday.

This was confirmed by National Union of Metalworkers of SA (Numsa) assistant general secretary Mbuyi Ngwenda.

Hartle indicated the parties would meet this morning to discuss a number of the underlying issues which sparked off the strike that forced the company to close the plant on Monday afternoon.

Hartle said by close of business today lost turnover would have cost the company R55m.

Ngwenda said the meeting today would discuss management's policy on absenteeism, flexible shift patterns and worker concerns around the breakdowns experienced in the paint shop which resulted in workers not being able to work their normal hours.

Meanwhile, Numsa said 600 workers had embarked on a strike at Columbus Stainless yesterday in protest against the dismissal of 33 workers from a Columbus subsidiary, allegations of discrimination against black workers regarding promotions and the disciplining of two employees.

The company said last night that workers had agreed to return to work today.

The parties had agreed that the 33 workers would be reinstated on Monday.
Volkswagen loses R40m as plant lies idle

ROY COKAYNE

Pretoria — Volkswagen South Africa has lost almost R40 million through the closure of its Uitenhage plant since Tuesday, but expects production to resume again next week, Raymond Har- tle, the corporate relations manager of Volkswagen South Af- rica, said yesterday. Volkswagen’s management decided to close the plant indefinitely on Tuesday after a few hundred employees refused to return to work following a mass meeting in the plant.

Hartle said that Volkswagen’s management had been told informally by National Union of Metalworkers of South Africa (Numsa) officials and shop stewards that the workforce would return to work on Monday. However, Hartle said there had not been any formal announcement by Numsa in this regard.

He said Numsa officials and shop stewards had a meeting with the workforce at Volkswagen’s plant yesterday morning and were scheduled to meet Volkswagen’s management in the after- noon to discuss a return to work. But Hartle said this meeting had been postponed until today.

In another labour-related de- velopment, Frank Nxumalo reports from Johannesburg that the two sides locked in a dispute over jockeys’ pay were able to reach an interim agreement at a meeting of the Jockeys’ Remu- neration Committee yesterday, ending the two-week impasse.

A scheme would cover the increases in insurance and medical care costs experienced by jockeys following injuries they sustained in the line of duty.

An increase of R8 a ride in the gross take-home available to jockeys was also agreed on. Tony Barnes, the committee chairman, said an amount of 0,25 percent of the stakes previously earmarked for the scheme would no longer be deducted from stakes cheques.

Wednesday’s draft agreement was made possible by an increase in stakes and by an agreement that contributions made by owners and clubs towards riding fees would be equalised.

And Jonathan Rosenthal reports from Johannesburg that Cosatu’s Wits Region announced yesterday that it would hold a mass meeting in the Johannesburg Library Gardens on Tuesday. Its members would march on the offices of the labour department to hand over a memorandum to Tito Mboweni, the labour minis- ter, highlighting workers’ grievances over the proposed employ- ment standards legislation.

Dan Mohapi, Cosatu’s region- al secretary, said the key point of disagreement between labour and the government was over the government’s proposal that the standards be subject to negoti- ated variation between employers and employees.
Week-long strike ends at VW

Port Elizabeth – Production returned to normal at Volkswagen South Africa's factory at Uitenhage today after a week-long strike that cost the company an estimated R55-million.

"The plant opened at six this morning and production is back to normal," said VW corporate relations manager Raymond Hartle.

Yesterday the Labour Court granted an interdict declaring the strike by the National Union of Metalworkers of South Africa illegal.

Mr Hartle said "a good couple of hundred" of the 4 000 workers employed in car-building had gone on strike. The nature of the production line was such that a strike by any group of workers could bring the whole line to a standstill.

VW closed the factory on Thursday last week "because it was impossible to continue with normal production".

Mr Hartle said the company was building an average of 220 vehicles a day, which meant an earnings potential of R16-million.

The company had lost R55-million in potential turnover during the strike.

The strike was sparked by the reported dismissal of two workers. But Mr Hartle said the two had been suspended on full pay pending the outcome of disciplinary proceedings against them.

It was reported today that Numsa spokesman Lucky Dendle said the union had asked VW management to reconsider its action against the two employees – Sapa.
VW plant shut as workers stay away

Reinhard Grawitz

VOLKSWAGEN's last night confirmed that its Uitenhage plant had closed yesterday after a group of workers refused to return to work.

Workers embarked on industrial action on Tuesday in protest against the disciplining of two workers suspended for misconduct during last month's strike.

The National Union of Metalworkers of SA (Numsa) was opposed to the manner in which they had been suspended and wanted the question of disciplinary action to be discussed in the same forum established to discuss issues arising out of the previous strike. The company said last night negotiations were continuing in an attempt to ensure a return to work.

Meanwhile, the union indicated that the situation at Delta Motor Corporation was expected to return to normal today after an agreement was reached yesterday.

In central Durban, Sapa reports, lunch-hour traffic was brought to a standstill yesterday as more than 10 000 Congress of SA Trade Union members participated in a march to highlight demands on the proposed employment standards legislation.

Cosatu's Mpumalanga region yesterday announced plans for marches to be held in Secunda, Nelspruit and Witbank today to protest about employment legislation. Among Cosatu's demands are a 40-hour working week and 16 months maternity leave with four months pay.
Johannesburg — Volkswagen, the car maker, shut its Uitenhage plant for a fourth day on Friday following more protests, since Tuesday, by about 4,000 employees, a spokesman said.

Raymond Hartle, Volkswagen's spokesman, said the plant, which had only resumed normal production last week after a three-day strike over cost-cutting measures, had again been officially closed on Thursday. He said the employees, belonging to NUMSA, had downed tools on Tuesday to protest the company's move to discipline two of their colleagues in connection with the past strike, which started on March 18. He said the two employees had been suspended with full pay over allegations that one assaulted a fellow worker during the last strike. The other allegedly damaged Volkswagen property.
Three-day strike ends at Volkswagen Uitenhage plant
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FROM REUTER

Johannesburg — About 4 500 workers at Volkswagen's Eastern Cape plant returned to work yesterday following three days of protests over the company's cost-cutting measures, a spokesman said.

Volkswagen's Raymond Hartle said worker representatives from the National Union of Metalwork-
Tile maker fires up earnings

JONATHAN ROSENTHAL

Johannesburg — Ceramic Industries, which over the past few years laboured to grow earnings in the face of increasing imports and a slow building industry, reported a 31 percent increase in earnings to 43c a share for the six months ending on January 31.

The largest manufacturer of ceramic tiles in South Africa, Ceramic Industries increased market share at the expense of imports and boosted turnover 51 percent to R10.5 million for the half-year. But the company failed to repeat its performance of last year, in which operating income rose faster than turnover, and showed a weakening in margins, with attributable income climbing 31 percent.

Johan Bouwer, the financial manager, said margins had come under pressure from labour conflicts at the Betta Sanitaryware division in Krugersdorp. The division had been subject to a major restructuring in which the introduction of new plant and technology had led to retrenchments and strikes. The division made “significant” losses during the six months, Bouwer said, and the company aimed to bring Betta Sanitaryware back to breakeven by year-end.

He said the more significant market growth was in the domestic markets for pressed wall and floor tiles. A new clay milling plant under construction at Babelegi at a cost of R20 million would increase production capacity of pressed floor tiles by about 30 percent.

The company declared an interim dividend of 6c a share compared with 6c during the comparable period last year.

Battista Errera, the chief executive, said the company expected to maintain its current sales for the second half. But sales of industrial split tiles, dependent on the local building industry, would not increase dramatically given a weaker rand. He said the present earnings growth would be maintained in the second half.

Ceramic’s share price was unchanged yesterday at 75c.

Automakers to invest R1bn

ROY COKATINE

Pretoria — Automakers, the holding company of Nissan South Africa, is to invest about R1 billion in new models and expansion of facilities at its Rosslyn plant between now and 2000. Johan Kleynhans, the group affairs and communication director of Nissan, said yesterday that follows the announcement by Nissan Motor Company last week that it is to acquire a 50 percent stake in Automakers for R3.90 a share, or R323.75 million, effective from July 1 this year. The acquisition is conditional on minority shareholders accepting an offer by Sankorp, the investment corporation of Sanlam and Automakers’s largest shareholder, on January 20 this year, to buy their shares at 41c before the delisting of the company.

Kleynhans said R200 million of the R950 million to be invested by Automak-
Higher taxes on company cars punitive — Naamsa

Edward West

THE "punitive" increases in fringe benefit tax on company cars and allowances would accelerate demand towards smaller cars and could prejudice the interests of large vehicle assemblers, the National Association of Automobile Manufacturers of SA (Naamsa) said yesterday.

In such a scenario, revenue accruing to the fiscus could diminish by virtue of lower value-added tax collections on lower priced units.

The changes to the tax on company cars and allowances would also accelerate the trend by employers to grant car allowances instead of company cars. Yet overall the budget was expected to have a moderately positive effect on the economy.

The association said the increase in fringe benefit taxation on the private use of company vehicles from 1.2% to 1.8% of the determined value of a vehicle "seemed rather punitive."

The proposal that the taxable value of a second company vehicle be increased to 4% from 2% of the determined vehicle value was also punitive as the value levied would be in excess of the cost to the employer of providing the vehicle. Firms bought more than 70% of annual sales of new passenger vehicles.

Delta Motor Corporation finance director Chris Allen said the changes meant the taxable value of an average R60 000 car had been increased 0.6% or R360 a month.

"Your average middle management taxpayer with a marginal tax rate of 40% will be paying an additional R144 a month. Those who have a second company car will be even more severely taxed — up 2% or R1 200 a month on a car costing R60 000," he said.

"We are concerned that this adds to the already heavy burden on the cost of motoring to the consumer."

Nissan SA CEO John Newbury said the increase, offset by slight easing of the personal tax burden, was about the best that could be expected, given the need to hold the budget deficit at 4% of gross domestic product.
Automakers suffers major profit smash

ST(VT) 16/3/97

THE Automakers group, holding company of Nissan SA, has plunged into a net loss of R91.2 million in the six months to December. It has been forced to push up borrowings to almost R1 billion to finance operations.

The disastrous results come at a time when the company enters what it hopes will be a new lease on life sponsored by its Japanese parent.

The attributable loss for the past half-year compares with a profit of R55.5 million in 1995 and R127.8 million in the year to last June. The results translate to a loss of 0.49c a share against profits of 31.4c in 1995.

A mere 16 months after its listing, interest-bearing debt has more than doubled to R944.7 million from R430.5 million at the end of June. Shareholders' funds totalled R769.7 million in December, while cash holdings of R89 million are down on the R183.5 million in the bank in June. Also noteworthy are stock values rising to R972.8 million from R778.1 million at end-June.

The 112% rise in borrowings, in only six months, was necessary to finance the cost of increased inventories — components and fully imported models from Japan and Italy not yet sold.

The interim figures are accompanied by details of the offer by Sankorp to buy out minority interests at 411c a share and the plan to delist the group.

Nissan Japan last week announced it would buy a 50% stake in Automakers from major shareholder Sankorp at 390c a share for an outlay of R360 million, subject to minority acceptance.

Chief executive John Newbury says under current circumstances the offer "is extremely favourable."

Reflecting the sharp decline in market share suffered by Nissan in recent months — from 13.1% in 1996 to a mere 9.7% in the first two months of this year — sales for the six months dipped to R1 414 million from R1 6 billion in the half-year to December 1995 and R3 4 billion in the past year to June. This led to an operating loss of R61 8 million (1995 R112.4 million profit).
Automakers reports a R91m misfire

Edward West
60 17/3/97

AUTOMAKERS, 50% of which is 3M, has acquired by Japan-based Nissan Motor Company (NMC) from Sankor, reported a R91.2m loss in the six months to December 1996 following the erosion of its market share.

The operating loss amounted to R61.9m, while finance costs of R49.3m left the pre-tax loss at R111.1m. Interest-bearing debt amounted to R944m at the interim stage, well up on R430m at June 1996. Total shareholders' interest amounted to R769.7m.

Automakers, the holding company of Nissan SA, said in January it would de-list next month because of a loss of market share due to the deteriorating rand, the increase in the number of imported models on the local market, the erosion of margins due to the growth of the entry level vehicle market and high interest rates.

Automakers warned at that stage it was not expected to perform well in the interim period to December 1996.

Market share fell to 13.1% by December from 18.1% the previous year, a figure which slipped to about 9% in February, despite some growth during that month.

Automakers has said it plans to spend about R1bn in a bid to win back market share through the investment in new models and facilities at its Rosalyn plant. About R200m had been earmarked for the launch of the Fiat Palio range.
Toyota treats taxi sector with 20% price slashes

Bonile Ngqiyaza

TOYOTA SA has slashed prices on its Toyota Hi-Ace Super 16 and Super T models 20% with immediate effect — a move which is designed to benefit the taxi industry, the company announced yesterday.

The price of the Hi-Ace Super 16 had dropped from R119 767 to R93 500, while the Super T was now priced at R95 890, down from R119 147 — all prices inclusive of value-added tax.

The price of the Hi-Ace panel van remained unchanged at R106 538.

Toyota SA marketing MD Johan van Zyl said yesterday: “Together with our partners, Toyota Motor Corporation in Japan, and our dealers, we have negotiated a package which will see all three parties contribute to a reduction of 20% in the price of our taxi models.”

At a briefing attended by taxi industry representatives yesterday, the company also announced that it had rationalized the range by discontinuing production of three models — the Hi-Ace Super 10, the Super 14 and the GL Executive.

The Hi-Ace Super 16 and Super T models as well as the Hi-Ace panel, which would be sold only in SA, would continue to be manufactured “well beyond 2000”, the company said.

As the major minibus taxi supplier in SA with a 73.4% share of the market last year, Toyota SA has become increasingly aware of an affordability crisis adversely affecting the vital transport sector, Van Zyl said.

“A core aspect of this initiative is that Toyota Motor Corporation has agreed to support us with an ongoing supply of components for our current Hi-Ace model despite the fact that it has been replaced in other markets,” he said.

He said a survey conducted last year indicated that 53% of respondents made use of minibus taxis as their major form of transport.

“Estimates provided by Taxnet Research indicate that as many as 13-million people make use of minibus taxis each day in SA,” he said.

The boom years in the taxi industry saw 27 441 taxis sold between 1988 and 1990, a figure that was higher than the total sales for the past six years, Van Zyl said.

“It is clear that vehicle price increases have been a major factor in the minibus taxi industry heading for a state of collapse.”

Tutu to get cancer radiotherapy in the US
Toyota woos the taxi industry

ROY COKAYNE

Pretoria - Toyota South Africa has rationalised its taxi model range and slashed the price of its two remaining models by 20 percent, or more than R23 000 each, as part of its commitment to the minibus taxi industry, Johan van Zyl, the managing director of vehicle marketing, said yesterday.

Van Zyl said the prices would drop immediately and, apart from the panel van, all other models would be discontinued.

He said the price of the Hi-Ace Super 16 had been reduced from R16 767 to R93 690 and the Hi-Ace Super T from R119 147 to R95 375, inclusive of VAT. The price of the panel van would remain unchanged at R105 638.

Toyota has a 73.4 percent share of the minibus taxi market.

Van Zyl said the reduction was achieved through a deal with its partners, Toyota Motor Corporation of Japan, and its dealers.

But he said this was only the first step. Support from the government, banks and insurance companies was needed to reduce costs further in the industry and assist in creating a viable and reliable mass transport industry.

Van Zyl said with government co-operation, further economic assistance to the taxi industry was possible.

He estimated there would be a 95 percent increase in the demand for taxi transport, from 9.9 million daily users last year to a potential 18.5 million in 2003.
low the 411c Sankorp is offering to buy out minorities, but well above the average traded price of recent months, the low was 204c. News of the NMC deal has pushed prices to 395c. Automakers' issue price in October 1995 was R5.

Sankorp now holds 50.7% of Automakers, two Japanese corporations, Mitsu and Nissan Diesel, hold 8.7% and 4.3% respectively. Sankorp is offering to buy minorities' remaining 36.3%, comprising 66.6m shares.

If minorities accept, NMC will have 50%, Sankorp 37%, and Mitsu and Nissan Diesel the remaining 13%. NMC director Akio Sumitomo, who has been instrumental in tying up the agreement, says the shareholding will be maintained until at least 2000.

The July 1 date for the deal fits in with the start of Automakers' financial year. By then, the company is likely to have been delisted from the JSE.

CE John Newbury says the process should be complete next month – assuming, again, that minorities accept “I'm not aware of any negative feedback so far,” he says.

Newbury says NMC decided to invest in Automakers only last week. NMC turned down shares when Automakers was floated because it had more pressing needs in its domestic Japanese operation. “Now they are doing well in Japan and elsewhere and they have decided to expand global activities,” says Newbury.

Sumitomo says there are no immediate plans for management changes at Automakers. Newbury will remain CE and Sanlam's Marnus Daling will be chairman. “We have not decided the company's new structure yet. With 50%, we will have board representation but I see our role as one of active involvement, rather than taking control.”

Plans are underway to provide Automakers with Japanese line management to transfer expertise and technology. “We will do as much as possible, as quickly as possible,” says Sumitomo.

Additional NMC capital investment into Automakers has also to be decided. Sumitomo says Automakers must offer “more competitive” products. That will be met partly through imports, but there is a need for new, locally built vehicles.

“We have to work out a business plan for the next few years, including how we fund the additional investments. That is crucial,” says Sumitomo.

Automakers' investment costs will probably be eased by the creation of a local Fiat operation. Automakers now builds and markets the Fiat Uno in SA. Fiat owns Alfa Romeo, whose cars are imported and marketed by Automakers.

Automakers' direct responsibility will be restricted to contract assembly of models nominated by Fiat, such as the Uno and the new 178. Fiat SA will pay for tooling in new models and take responsibility for sourcing of components. Marketing will be in conjunction with Automakers and Nissan dealerships.

Sumitomo says that under NMC, Automakers' role as the Japanese company's African base will be extended.

David Futonger
PLUGGED IN

Many SA motor component companies complain the motor industry development programme (MIDP) threatens their businesses by allowing manufacturers the freedom to source parts from around the world. But the programme doesn’t have to be bad news.

It hasn’t been good for everyone but it’s been good for us,” says Cooper Automotive MD Frk Nel. The programme, which cuts protection for both the vehicle and components sectors, is intended to make the SA motor industry internationally competitive. For Cooper, that means more emphasis on exports.

Says Nel “The MIDP helped bring focus to local manufacturing operations and force them to become globally competitive. Three years ago we embarked on an export drive and we are now beginning to reap the benefits.”

Cooper, which manufactures Champion spark plugs and Trico wiper blades, last year won an order to supply wiper arms and blades to General Motors Brazil. This contract accounts for 35% of the company’s total wiper products output. It also supplies headlamp wiper blades to Volvo in Sweden and wiper arms to Porsche. Exports, which account for 15% of total output, are expected to double to 30% within three years.

It helps, of course, that the SA company has powerful global relatives. Eighteen months ago Cooper, the US automotive giant, reacquired the SA operation it sold to Federale Volskelezings in the late Eighties (Federale later sold it on to Murray & Roberts).

The years of international isolation had cut the local firm’s access to parent technology, but this is now being rectified by a R10m investment by Champion Automotive Products Europe. The money will be spent upgrading and expanding the local sparkplug facility in Isando, near Johannesburg.

According to Nel “Having access to parent technology is essential to maintaining export success.”

Robin Longdon, a director of the European company, says the expansion will improve product quality and increase capacity, particularly for exports. “This is a global opportunity for SA,” he says.

Longdon says SA sparkplug technology is five to 10 years behind the world. In SA, plugs must be replaced every 12 000 km-15 000 km, but the introduction of copper plugs will double this GM fits double platinum plugs which need to be changed only every 100 000 km.

“Extending the interval between services is becoming a major point of competitive advantage for motor manufacturers,” adds Longdon. “We are fast approaching the age when sparkplugs will no longer have to be changed during the lifetime of a vehicle.”

Ciara Ryan
Price war drives Mercedes into the red

The luxury car manufacturer is heading for a R120-million loss, writes DON ROBERTSON.

Also hitting the profit performance was the 25%-plus decline in the value of the rand against the German mark, which led to an increase in production costs. These higher input costs could not be recovered through retail price increases because of intense competition in the marketplace. A third factor was a luxury import tax introduced in Germany during the year. A significant export by Mercedes-Benz SA was leather seats for the luxury S-Class range, which attracted the increased duty and reduced revenue.

As a result, the company will now produce leather upholstery for the middle-range E-Class. Exports, although not released for 1996, amounted to a significant R673-million in 1995.

At the beginning of last year, chief executive Christoph Köpke forecast an increase in total market share to 12% and hoped that the Mitsubishi Colt would capture a 7% share of the one-ton bakkie market. In the event, sales rose marginally to 36 534 during the year compared with the 36 208 in 1995 but, because of a 4.3% increase in overall sales, market share actually fell to 9.3% from 9.6%, while the Colt achieved 6.6% in the light commercial market.

With record sales in May, Köpke predicted that the company would be the country’s foremost manufacturer and would be No. 1 in total sales last year. It is expected that most adverse factors will have largely worked their way out of the market this year and Stroh is predicting improved results for the 1997/98 financial year.
Shakeup in board of Automakers

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ROY COKAYNE

Pretoria — A significant shakeup of the board of Automakers, the holding company of Nissan South Africa, is imminent, industry sources said yesterday.

Approached for comment on Monday about the restructuring of Automakers' board, John Newbury, the executive chairman, said he was "still busy with it" and could not comment at this stage.

Johan Kleynhans, the group affairs and communication director of Nissan SA, said yesterday the situation had not changed, and he could neither confirm nor deny the report.

Tony Twine, a motor industry analyst and a director of Econometrix, said it was fairly obvious that Nissan Motor Company of Japan would want representation on Automakers' board following their acquisition of a 50 percent stake in the company.

A restructuring of board to accommodate this was logical, Twine said.

Nissan Motor Company of Japan announced in March this year it was to acquire a 50 percent stake in Automakers for R390c a share, or a total of R698,76 million, effective from July 1 this year.

Prior to this, Sankorp, the investment corporation of Sunlan and Automakers' largest shareholder, made an offer to minority shareholders to buy their shares at 411c before the delisting of the company.

The offer followed Automakers' announcement in August last year that its attributable earnings were 18.5 percent lower than its forecast target of R156.8 million for the year to June 30 last year.

After the acquisition by Nissan Motor Corporation of Japan, the other main shareholders of Automakers will be Sankorp, with 37 percent, Nissan Diesel Motor, with 4.5 percent and Misumi, with 8.7 percent.
BMW to attract extra R1bn into component plants

Edward West

BMW SA will attract an additional R1bn foreign investment spin-off into SA's motor component industry from the group's plan to manufacture the new 3-series for world markets.

BMW spokesman Des Ebersohn said yesterday the planned investment by BMW SA to enable it to export up to 25,000 new BMW 3-series a year from its Rosslyn plant was well under way, and construction of a state-of-the-art paint shop, valued at about R200m, had begun — the first physical evidence of the investment plans.

He said a number of overseas component suppliers, mostly manufacturers based in Germany that supply BMW AG, had indicated they wished to invest in new plant in SA to supply components for BMW's new 3-series.

The first new 3-series vehicle — the design of which is being fine-tuned and is still a secret — is expected to roll off BMW SA's production line in the fourth quarter of next year.

BMW AG warned last year that it might scrap plans to expand locally because of rocketing crime, but Ebersohn said yesterday that although levels of vehicle hijacking and car theft were still high, the rate of incidences had stabilised and government appeared to be "working on" the high crime rate.

The major big-ticket items in BMW SA's R1bn investment strategy are the paint shop, expected to be commissioned in April or May next year, a separate export centre to facilitate the transport to the coast of up to 200 vehicles a day, and tooling for the new model, which could cost anything between R300m and R500m.

Production at BMW SA would be pushed up to about 250 vehicles a day from the current 80 or 90, mainly by adding another shift to the working day. Substantial job opportunities were expected to arise from the expected investment in component manufacture, from the export infrastructure and, to a much lesser extent, from BMW SA's own plant expansion.

Continued on Page 2

BMW

BMW SA hopes to export up to 25,000 vehicles a year. BMW AG will be exporting higher volumes of the new 3-series vehicles than BMW SA, but the local manufacturer will supply markets where reduced distance and costs make this more feasible.

BMW SA already exports to Australia, Taiwan, other African countries and Brazil in South America. "Closer markets such as these will probably be getting our cars in the future. We are just another plant to our parent in Germany, and we will be expected to be able to supply vehicles anywhere in the world," said Ebersohn.

BMW's export vehicles will be transported by rail to the coast for shipment, probably to the Port Elizabeth and Durban harbours, where Portnet plans to establish dual, dedicated export centres for the entire motor industry at a cost of R51m. However, the shipment of the vehicles through Maputo could not be ruled out.
RADIO ACTIVE Wouter Dronkers, the chief executive of Philips Car Systems International (left) and Alec Erwin, minister of transport and industry, admire the technology of the new Philips joint-venture car-radio plant in Johannesburgh.

PHILIPS CAR RADIOS ON EXPORT WAVELENGTH

JONATHAN ROSENTHAL

Johannesburg — The Motor Industry Development Programme, which has come under fire from vehicle component manufacturers, has struck gold in attracting a R25 million joint venture from Philips Car Systems International and SA Philips.

The two companies opened a new R25 million car-radio manufacturing plant yesterday in Mardindale, Johannesburg, which will employ about 100 people at full capacity and can produce over 150,000 car radios a year.

About half of the plant’s output will be exported through European car assemblers like BMW and Volkswagen, primarily to gain export credits to offset duties on fully-assembled car imports.

The balance of production will be sold into the domestic market.

Johan van Splunter, the chief executive and chairman of SA Philips, said output of the highly automated plant would not be sold into the retail aftermarket because of massive smuggling.

"Aftermarket sales are all grey product. We don’t sell car radios into South Africa," he said.

Other industry sources estimate up to 90 percent of aftermarket radios sold into the market are smuggled goods.

Wouter Dronkers, the chief executive of Philips Car Systems International, said the plant had been established at the request of vehicle assemblers and was a mirror image of nine other Philips car systems plants around the world.

Van Splunter said: "This is a special investment in the South African electronics industry as, unlike previous investments, this plant’s purpose is not import substitution as it is not dependent on subsidies for its existence. Instead, it forms an integral part of the international Philips Car Systems supply network."

The plant uses surface-mount technology and plans to upgrade its soldering process in the near future. The plant’s radios are now imported as completely knocked-down units, but Van Splunter said the company planned to source components on the domestic market.
NEWS

MOTOR INDUSTRY April’s sales ‘fairly dismal’, but still ahead of last year’s

Drop in car sales ‘seasonal’

ROY COKAYNE

Pretoria — Motor manufacturers and analysts remain optimistic about prospects for the motor industry this year despite the general weakening in sales across all market segments last month.

Tony Twine, a motor industry analyst and the director of Econometric, said at first sight vehicle sales last month were “fairly dismal”.

However, Twine said last month was traditionally a light one, and seasonally adjusted sales for last month were higher than in March this year.

However, Twine said the passenger vehicle trend line was clearly declining from the peaks at the end of last year, while the light commercial vehicle trend, given the sales figures for last month, showed the market had apparently bottomed out.

He said the medium commercial vehicle market was still performing well with products introduced in the second half of last year, and the year-to-date comparison of sales was still impressive.

Nico Vermeulen, the executive director of the National Association of Automobile Manufacturers of South Africa (Naamsa), said the new-car sector’s growth momentum had slowed fairly sharply compared to previous months. He said this could in part be attributed to the effects of sporadic industrial disruption at certain plants.

Vermeulen said, in aggregate terms, new vehicle sales for the first four months of this year had remained ahead of the corresponding period last year, but only marginally so at 1.3 percent.

“The combination of high levels of indebtedness, continued high real domestic interest rates and the effects of the recent round of new-vehicle price increases announced by most manufacturers would serve to reinforce expectations in the new-vehicle market segments during the months ahead,” he said.

John Cuming, the sales and marketing director of Delta Motor, said the fact that new-car retail sales for the first four months of this year were tracking nearly 11 percent ahead of the same period during last year was encouraging.

Graham Hardy, the marketing director of Volkswagen South Africa (VWSA), said the introduction of new models was an important factor behind sales levels in the new-vehicle market.

John Jessup, the marketing services director of Nissan SA Marketing, said purchasing ahead of expected price increases appeared to have underrun passenger vehicle sales, while the high interest rate structure had not inhibited buyers to any great extent.
Nissan SA sheds three directors

Pretoon — Nissan South Africa confirmed yesterday the departure of three senior directors of Nissan SA Manufacturing, its manufacturing subsidiary. It also confirmed it has been granted approval for a R980 million capital expenditure programme between now and 2000.

A shakeup of the Nissan board has been imminent since Nissan Motor Company of Japan’s acquisition of a 50 percent stake in the company. There was speculation that six Nissan directors would be leaving.

Johan Kleynhans, the group affairs and communications director of Nissan SA, confirmed yesterday the departure of Andrees du Tott, previously the managing director of Nissan Manufacturing; Tony Godfrey, the director of product development and engineering, and Errol Todd, who headed up Nissan SA’s satellite plants (stamping, trim and truck).

Kleynhans said their departure would take effect from the end of this month and their replacements would be employees of Nissan Japan.

Tony Twine, a motor industry analyst and the director of Econometric, said last month it was fairly obvious that Nissan Motor Company of Japan would want representation on Automakers’ board following the acquisition.

Kleynhans said Nissan SA Manufacturing had been reorganised, and Charles Weggill, previously the managing director of Nissan SA, had reverted to his position as the managing director of Nissan Manufacturing.

Kleynhans said a large contingent of Japanese appointees would be joining Nissan SA in a senior capacity from July.
DTI claims R100m from two carmakers

Claims worth about R100 million are still pending against at least two car manufacturers in a dispute with the department of trade and industry over export regulations. The claims relate to alleged fraudulent practices by the manufacturers in the claiming of export rebates under the now defunct export duty rebate programme. The programme formed part of the old motor industry's Phase VI Local Content Programme, which was replaced by the Motor Industry Development Programme in September 1995.

DTI permanent chief executive communications manager of Dita Moore, added that his company intended to defend the action.
NISSAN SA

Newbury survives the Japanese sword

No hara-kiri but senior executives jump ship before arrival of Tokyo advance party

Senior executives are leaving Nissan SA to pave the way for the July 1 takeover by Nissan Motor Co of Japan. Confirmed departures so far include Nissan Manufacturing MD Andreu du Toit, local product development director Tony Goydka and Errol Todd, production director of the truck-stamping and trim plants, who is taking early retirement. Charles Wiggil, currently MD of Nissan SA, will return to the Rosslyn plant to head a restructured manufacturing division. The changes are all effective from June 1.

Nissan Motor Co spent R360.75m to buy 50% of Automakers, which has had an unhappy time since its JSE listing in October 1995. The company was delisted last week. Following acceptance by minorities of a share purchase offer, Nissan Motor Co's partners in Automakers are Sanlam's investment arm, Sankorp, with 37% and two Japanese corporations, Nissan Diesel with 43% and Mitsubishi with 8.7%.

Automakers CEO John Newbury says Nissan Motor Co is expected to play an active management role in the SA company, and his senior executives have agreed to make way for Japanese replacements. For now, major changes are restricted to the manufacturing, quality and technical areas. Marketing will be left to SA staff.

Newbury acknowledges that questions have been asked about his own future following the Automakers delisting and the group's poor results. But he says there are no plans for him to join the executive exodus. He will remain CEO of both Automakers and Nissan SA and will assume Wiggill's marketing responsibilities.

Automakers was created as the holding company for a growing range of automotive interests. It is responsible for the assembly and marketing of Nissan cars and light commercial vehicles, Fiat cars and Nissan Diesel trucks, and for the import and marketing of Alfa Romeo cars.

The operating company, Nissan SA, is itself divided into two companies: Nissan Manufacturing and Nissan Marketing. The split became necessary because of the expanding variety of products being offered.

Though no final decision has been made, the two halves are likely to be merged into one after Fiat of Italy takes responsibility for its own SA marketing after July 1. Automakers will continue to assemble Fiat vehicles under contract but the Italians will create their own marketing company. Newbury says current Nissan SA employees who want to carry on working with Fiat will be allowed to join the new company.

He says Automakers' delisting will allow restructuring to take place further away from public scrutiny than was possible before, and with more flexibility. He admits the company has been underperforming but says Nissan Motor Co's involvement lays to rest any doubts about Nissan SA's long-term future.

Though immediate Japanese input will concentrate on improving technical aspects of the business, Automakers also expects more help on the product side. And that means cash. The SA company faces heavy capital expenditure to introduce new model ranges, the board recently committed itself to spending R990m between now and 2000.

It is not yet decided how the balance sheet will be restructured, but the new arrangement offers many more financing options than before, including offshore funding.

As Newbury puts it, the costs involved are "a drop in the ocean" as a percentage of the Japanese corporation's global investments.

Nissan Motor Co has been expanding overseas operations for the past few years. At first it concentrated on Europe and the US, for the last two years it has been turning its attention to Asia, Africa and the Middle East.

SA accounts for more than 60% of vehicles sold in Africa, and Nissan Motor Co already uses Nissan SA as the base for its export trade into sub-Saharan Africa. Last year Nissan SA was the leading SA exporter of built-up vehicles into Africa.

David Furtney

TELKOM

Pierre Brooks hits the gong

Pending spat between rival networks gets top billing

In a fresh twist the Competition Board has now become involved in the proposed sale of Southwestern Bell Communications (SBC)'s 15.5% shareholding in cellular network operator MTN. The board stepped in at the request of the Department of Communications.

The move follows the recent sale of the 30% equity stake in Telkom to the consortium of SBC and Telecom Malaysia. Ironically this presents a further problem because of Telkom's 50% stake in competing network Vodacom.

MTN's public relations group executive Jacques Selschop asks why Telkom does not instead sell its 50% interest in Vodacom. "Why does SBC have to disinvest from MTN?"

Should SBC sell its stake, it is still not clear whether MTN MD Bob Chaphe, an import from SBC in the US, will stay on.

It now looks as if the Communications Department may be looking for the additional muscle the Competition Board could provide in the likely event that MTN's shareholders contest the proposed sale of SBC's stake.

Competition Board chairman Pierre Brooks says the Department asked him not to comment.

Meanwhile, industry observers are taking positions on who is likely to replace Brian Clark, who surprised the market last week by unexpectedly resigning as CEO of Telkom.

Pundits have named Ngaba, MTN's Chaphe, and Vodacom CEO Allan Knott-Craig as possible successors. Tony Leng, who heads up Telkom's Corporate Customers Business Unit, is also thought to be a contender.

There is talk in the market that Clark, who worked at the Council for Scientific and Industrial Research from 1965 to 1996 before joining Telkom, may have been offered an academic post in the US.

Duncan McLeod
Car sales go off the boil

A CONSOLIDATION in the growth of new vehicle sales was evident in April, in spite of the many holidays during the month and sporadic industrial action at some plants.

Total vehicle sales for the first four months of the year were up by a modest 1.3% to 122 749 compared with 122 132 for the same period last year.

The 19 206 new cars sold in April were 9% below the 21 110 sold in March. In April last year sales were 19 152.

Sales in the first four months were 82 878 against 74 788 last year.

For the second consecutive month, Toyota was the biggest seller with 4 756 units with Volkswagen's 3 777 second.

Volkswagen experienced stock shortages because of industrial action.

The slowdown in growth is also evident in the light commercial market, with sales in April of 9 448 in April, below the 9 870 in March and the 10 239 in April last year. The total for the year to date is 36 681 against 43 142. Toyota again topped the sellers list.

The medium commercial sector was the only segment to show some improvement with sales in April at 474, above the equivalent 440 last April but lower than the 498 in March.
WTO may review SA motor trade incentives

Edward West

INDUSTRIAL incentives for SA’s motor industry are likely to be scrutinised by the World Trade Organisation (WTO) following a request by the international trade watchdog for more information on the motor industry development programme (MIDP).

A trade and industry department spokesman said SA had not yet notified the WTO of the details of the MIDP, a programme which has been operating since September 1995 and was designed to boost exports and improve industry competitiveness.

However, SA was expected to submit these details to the WTO by September this year. The spokesman said that although the department was reasonably confident the programme would be acceptable to the WTO, there was never certainty until the WTO had taken a decision.

“The Australian motor industry programme, a similar one to ours, was recently challenged by the WTO and leather seats were removed from the programme,” the spokesman said.

Leather car seats make up a substantial portion of SA’s motor industry exports. Almost every BMW car in the world is fitted with leather from SA.

However, a motor industry source said the Australian situation had arisen when the US took informal action against an Australian supplier it alleged was dumping leather car accessories. BMW SA, on the other hand, could not dump as it supplied its sister companies around the world.

Econometrix economist Tony Twine said the MIDP’s aim to reduce tariffs gradually would probably be WTO friendly. One aspect of the programme, the small vehicle incentive which has had the effect of reducing the price of small cars, might, however, by construed as a subsidy and “might take a bit of explaining”, he said.

Sanmaro CEO Jim Miller believed the WTO “couldn’t care less” about an incentive for small vehicles in the local market, and the planned tariff reduction envisaged went well beyond the WTO’s requirements.
TOYOTA MOTOR CORPORATION IS NOT AFTER A MAJORITY STAKE IN TOYOTA SA

Pretoria — Toyota Motor Corporation (TMC), which purchased Johnson's 27.8 percent shareholding in Toyota South Africa last October, had "no intention" of acquiring a majority stake in Toyota South Africa, Hiroshi Okuda, the corporation's president, said on Friday.

He said TMC's policy globally was to transfer authority and responsibility to its local counterparts and to reduce the number of Japanese in local operations. Okuda also said TMC was exploring possibilities of procuring as much as possible for its global network from South Africa.

He said Africa was still lagging behind southeast Asia and India in terms of TMC's penetration and economic infrastructure, but he expected Africa to follow southeast Asia in TMC's economic development and expansion. — Roy Cokayne
SA BUSINESS DIGEST

Development programme has not reduced number of local car models, says Wessels

The Motor Industry Development Programme has failed to date to reduce the number of locally produced models available to the South African market, Bert Wessels, the executive chairman of Toyota South Africa, said in the group's annual report last week.

"Regarding the increasing variety and numbers of completely built up imports, it remains to be seen whether all importers can achieve and sustain profitability in the relatively small South African market and provide customers with secure ownership and service," he said.

Wessels told the group's general meeting on Friday that the prospects for the motor industry might appear bleak but Toyota had a reasonable degree of confidence, and good progress had been made in marketing efforts this year.

He said Toyota had achieved a market share of 25.1 percent for the first quarter of this year compared with 23.9 percent for last year. Last month it achieved a market share of 27 percent. — Roy Cokayne, Pretoria
Numsa calls employers intransigent on wages

Johannesburg — The National Union of Metal Workers of South Africa (Numsa) accused the South African Motor Industry Employers' Association (Samiarc) yesterday of "intransigence" at the negotiation table.

Hosea Morapedi, a union spokesman, claimed the employer body was insisting on discussing wages to the exclusion of all other union demands.

"Our demands should be seen as a total package," said Morapedi. "Thus we cannot allow preconditions as if we are slaves, they cannot willy-nilly force a decision on us."

John Fourie, the spokesman for the employers' association, could not be reached for comment.

Morapedi said the employers were basing their arguments on an agreement supposedly reached by the parties in October last year. But Numsa said at that meeting it had been agreed that the union "reserved the right to table any demands to the association for negotiations."

The union is demanding a guaranteed wage increase in line with inflation, an extension of the closed shop agreement to worker grades 1 and 2, a moratorium on the deregulation of the fuel industry to ensure job security, the establishment of child-care centres in community and/or industrial areas and a 40-hour week without loss of pay.

The motor industry is presently working a 45-hour week and the lowest-paid worker earns less than R500 a month.
Autoquip pleads guilty to illegal imports

As a subsidiary of Autoquip, the U.K. subsidiary pleaded guilty in U.S. District Court in Illinois to an import violation.

The case involved the importation of a piece of equipment from the United States into the United Kingdom without proper documentation.

The company was fined $50,000 and ordered to pay $25,000 in costs.

The importation of the equipment was conducted through a third-party logistics company.

During the trial, the company admitted to the violation and took responsibility for the importation.

The company has since implemented new procedures to prevent similar violations from occurring in the future.
Hyundai given 48 months to conform to regulations

SA to clamp down on Botswana car plants

ROY COOKAYNE

Pretoria — South Africa would take tough action against SKD (semi-knocked down) vehicle operations in Botswana even though this was likely to result in "a major clash between the South African and Botswana governments", Alec Erwin, the trade and industry minister, said recently.

"In the short term, certain actions would be implemented by the South African authorities to address the unacceptable delays by the Botswana authorities in implementing certain mutually agreed steps to deal with the SKD activities in that country," Erwin was quoted as saying in a report on a meeting with the National Association of Automobile Manufacturers of South Africa (Naamsa) earlier this month.

The report formed part of the court record in an urgent application brought by Hyundai Motor Distributors, the South African marketers and distributors of Hyundai vehicles manufactured in Botswana, in the Pretoria high court last week.

Hyundai's application sought to prevent Trevor van Heerden, the commissioner of customs and excise, from attaching all Hyundai's vehicles in South Africa because the company had failed to provide, to the commissioner's satisfaction, proof of payment of duties on all motor vehicles imported into South Africa between January 1 last year and May 15 this year.

An agreement on the dispute was reached between the two parties last Friday.

Hyundai was granted 48 months in which to conform to the specifications of the Motor Industry Development Programme (MIDP).

The programme classifies vehicles either as completely built up or completely knocked down units. Any units other than completely knocked down, without any dispensation, are taxed in line with completely built-up regulations.

However, Hyundai has confirmed its new R25 million completely knocked down plant in Gaborone, Botswana, is on schedule. The pilot vehicle should roll off the production line in January next year, with production starting next April.
Numsa threatens action in motor industry

Reneé Gravitzky

THE National Union of Metalworkers of SA (Numsa) warned yesterday that some kind of industrial action in the motor industry was unavoidable after negotiations covering 185 000 motor workers and 18 000 employers stalled this week.

Numsa's acting general secretary, Mbuyi Ngwenda, said employers party to the motor industry bargaining council were prepared to negotiate only wage increases this year and not other conditions of employment.

A row is brewing between employers and Numsa about what decision was taken at a council meeting last year on the process of this year's wage negotiations. The union said that at the council's annual meeting in October the council discussed this year's negotiation process and the focus on negotiating only wages. Numsa said it did not agree that only wages would be discussed and said it had reserved its right to table other demands.

The SA Motor Industry Employers' Association and two other unions party to the council agreement said it was common practice to negotiate substantive issues every two years and wages during the year in between.

They said a majority decision was taken at the October meeting to negotiate only wages this year. They said Numsa was party to this decision but had made a throw-away comment, not taken seriously at the time, that the union reserved its rights to table other demands.

Numsa said it could not accept that negotiations focus only on wages as the industry lags behind other industries in terms of wages and other conditions. The current minimum wage rate, the union said, was only R500 a month.

At the start of negotiations yesterday, Numsa tabled a range of demands including increases on actual, not minimum, rates, a 40-hour week, the establishment of child care facilities in communities or industrial areas, the introduction of a closed shop arrangement and a call to stop the deregulation of the fuel industry to save jobs.

Employers' association executive director Vic Faurie said employers had not prepared themselves or been given mandates to negotiate on other demands tabled by Numsa. Numsa, he said, had not honoured the decision taken at the October meeting. He indicated that employers were still prepared to negotiate on minimum prescribed wages.
Motor wage deadlock

ROY COYANE

Pretoria — The wage negotiations between the National Union of Metalworkers (Numsa) and the South African Motor Industry Employers' Association (Sama) have deadlocked, the two parties said yesterday.

Mbuyi Ngwenda, the acting general secretary of Numsa, said motor employers had failed to listen to the union's demands and negotiate in good faith.

He said it was “imperative to break the present impasse by engaging in bilateral with the employers” Numsa did not want to be seen by the world as intransigent and obstructing the collective bargaining process, Ngwenda said.

Vic Fourie, the executive director of Sama, said Numsa was party to a decision taken in October last year by the motor industry bargaining council that this year’s wage negotiations in the retail motor industry would only concern wages.

But Numsa says it had raised its objections to this at the October meeting and reserved its right to “table any demands to the council for negotiations.”
Strike looms in motor industry

By Abdul Milazi

THE motor industry is headed for its first major strike after the failure of the South African Motor Industry Employers Association and the National Union of Metalworkers of South Africa to agree on what should be negotiated at this year’s wage talks.

Numsa acting general secretary Mbuyi Ngwenda said the refusal by employers to negotiate non-wage demands “forces Numsa to break the impasse by mobilising its members in other sectors to support low-paid motor workers.”

Ngwenda said employers were refusing to negotiate conditions of employment. “The employers claim parties had at an October 1996 meeting agreed that only wages would be discussed at this year’s negotiations.”

Numsa chief negotiator Hosea Morapedi said “Our demands should be seen as a total package, thus we cannot allow preconditions as if we are slaves or minors. They cannot willfully force a decision on us.”

Numsa’s demands include:

- All wage increases agreed on at national level should apply to actual rates of pay, not just to the minimums as laid down in the industrial council agreement,
- A guaranteed inflation rate increase and a high improvement factor for lower grades to close the apartheid wage gap,
- Closed shop agreement provision be extended to workers in grades one and two,
- Deregulation of the fuel industry be stopped to ensure job security,
- Employers should establish childcare facilities in the communities and or industrial areas, and
- A 40 hour-week, without loss of pay, as opposed to the current 45 hours.

Ngwenda said the problem facing Numsa in the motor sector was that minority unions told employers that they had no problem with negotiating wages only.

However, he said Numsa would continue to hold informal talks with employers to try and persuade them to change their stance.

“The National Steward Council will meet on June 15 to assess progress in the negotiations,” said Ngwenda.
WTO compliance may be problematic

Motor trade to face scrutiny by world body

ROY COKAYNE

Pretoria — The provisions that allow motor manufacturers to offset import duties with export credits will come under scrutiny when the World Trade Organisation (WTO) visits South Africa in September, industry officials said yesterday.

The team will look at various issues, including the import-export complementation provisions of the Motor Industry Development Programme, said Anthony Black, the chairman of the Motor Industry Development Council.

Alec Erwin, the trade and industry minister, said there were indications that certain of the provisions of the programme, particularly its import-export complementation provisions, could be scrutinised by various of South Africa's trading partners.

In summary report of a meeting in Johannesburg earlier this month between Erwin, National Association of Automobile Manufacturers of South Africa (Naamsa) representatives and other senior officials of the trade and industry department, Erwin was quoted as saying the implications of the WTO rules for the programme represented "a potentially problematical issue".

He said the sustainability of the import-export complementation provisions of the development programme to the year 2002 could be at risk. According to the report, Erwin said two of South Africa's major trading partners, the US and the European Union, had requested the South African government to discuss the programme.

It added that the US had recently raised the programme with South Africa as an issue at the bilateral meeting held in February this year, but it was anticipated the EU was likely to adopt a more aggressive position on it.

The report said there were signs that the EU intended to use the programme as a bargaining chip in negotiations on the South Africa-EU free trade agreement. Because of this, it was important for the government to formulate a strategy to defend the programme, along with business.

"However, after the year 2002 it had to be accepted that whatever replaced the programme would have to conform fully to the WTO requirements, which in turn implied that the import-export facilitation arrangement would fall away."

The report said the Naamsa chief executives reiterated the importance of maintaining the integrity of the programme so as not to prejudice the industry, which had embarked on major investments on the basis of it. It said Naamsa's representatives said export complementation represented an integral part of the programme and was intended to facilitate economies of scale.
Botswana govt urged to police Hyundai

Prof Molema

GABORONE — SA trade and industry director-general Zov Rustomjee has urged the Botswana government to instruct Hyundai Botswana to start conforming to Southern African Customs Union (Sacu) regulations on customs duties, SA diplomatic sources said yesterday.

This emerged after a meeting between senior trade and industry officials of the two governments aimed at resolving the motor trade dispute between the two countries which started in January last year.

Sources close to the talks said SA was concerned at the way Hyundai Botswana had been exceeding its export quota of cars to SA. The Botswana authorities had only recently issued a licence to Hyundai to increase its quota “They were actually evading tax,” the sources alleged.

This had a negative effect on the common pool of Sacu revenues. Sacu is composed of Botswana, Namibia, Lesotho, SA and Swaziland.

Hyundai management did not respond to requests for comment yesterday.

SA has alleged that the semi knocked-down vehicles which Hyundai Botswana imports are brought in from Mozambique with only the bumpers, computers and lights removed. These are refitted in Botswana.

“When we go to Hyundai’s Gaborone West plant there was nobody there and no activity. We are concerned that instead of Hyundai providing employment for the Botswana they are bringing in completely built-up vehicles. That might have a negative effect on us as neighbours because people will ultimately drift to SA in search of jobs, thereby increasing the pressure on us,” sources said.

Rustomjee’s tough stance follows Trade and Industry Minister Alec Erwin’s warnings that SA would take tough action against semi knocked-down vehicle operations in Botswana even though this was likely to result in “a major clash between the SA and Botswana governments”.

Press reports said the SA authorities would take action to address the unacceptable delays by the Botswana authorities in implementing certain mutually agreed steps to deal with semi knocked-down activities in that country.

The Pretoria High Court recently gave Hyundai Botswana 48 months to finish its plant, which is still under construction in Gaborone, to enable it to conform to the Motor Industry Development Programme specifications.

The programme classifies vehicles as completely built up or completely knocked down. If they are not completely knocked down they are taxed as completely built up vehicles.
Despite this, Hyundai is often accused of evading the duties and smuggling the cars. It is these accusations which apparently persuaded Customs officials to act.

Under the rules, Hyundai pays import duties to the Botswana government which passes them on to SA. During the latest spat, SA Customs ordered Hyundai to provide proof of payment. Hyundai refused, arguing that its disclosure duty was only to Botswana, and then Customs went into action. In terms of the Supreme Court interdict, however, Hyundai has agreed to give Customs the figures within three months.

Papers filed with the court suggest the action was the result of pressure by members of the National Association of Automobile Manufacturers (Naamsa) to create "tough action" against Hyundai and Botswana and persuade them to move quicker in meeting the agreements.

Association director Nico Vermeulen denies Naamsa has anything to do with the Customs seizures and says they were "acting in terms of their own initiative and interpretation of the Customs & Excise legislation."

However, he confirms Naamsa has regular discussions with government on the question of semibuilt imports. "The position of the industry has simply been to object, in principle, to any semiknocked-down vehicle operations in the SA Customs Union. Region on the basis that they create competition distortions in the industry."

New Daewoo car plant on the agenda

But Hyundai starts feeling backlash as Customs & Excise gets tough on vehicle imports

Korean car makers Daewoo and Hyundai are having contrasting fortunes trying to develop their SA markets.

Daewoo has suitors queuing to offer sites and incentives for a new car assembly plant in Botswana. Hyundai is embroiled in a legal battle with Customs after officials tried to impound cars arriving in the country from Botswana.

A team of senior Daewoo officials returned to Korea early this week after looking at the prospect of local assembly. It is understood that they first spoke to SA motor companies about using excess capacity in their plants. If they say no, odds are on Daewoo building its own car plant.

A number of provinces, including Mpumalanga, Western Cape and Eastern Cape, have offered land for development.

If the project goes ahead, early favourite is the area around Port Elizabeth, already home to Delta Motor Corporation, VW and a Samcor engine plant. In addition, many motor component companies are in the region and PE has a well-developed port.

For the SA market, Daewoo imports all its cars and, despite being a newcomer, has already made a strong impact on the market. Executives say the company wants 10% of the SA car market within three years and 15% later. Achieving this will require local assembly.

Hyundai's lawyers were granted an urgent interdict in the Pretoria Supreme Court after the Customs attempt to impound cars.

Hyundai imports semibuilt cars to Botswana, where it completes assembly and then re-exports most to SA. Because Botswana is part of the Regional Customs Union, the products are deemed local by SA. But under the Motor Industry Development Programme, semibuilt vehicle imports are subject to the full import duties—currently 57.5%—incurred by fully assembled vehicles.

Hyundai, however, has been given permission to bypass this requirement until its new assembly plant is operational, probably next year.

FINANCIAL MAIL   MAY 30 · 1997
Going for the brass ring

Mazda enticement proves too much, even for Jim Miller

How long does a CE need to turn around the fortunes of an ailing business and set it on the road to long-term success? According to SA Motor Corp (Samcor) MD Jim Miller, it takes five years.

So why is Miller leaving Samcor at the end of next month, two-and-a-half years after he was brought in to rescue the company from sagging sales and reputation? Is he leaving the job only half done?

He admits the timing of his departure isn’t ideal. He stated a few weeks ago that he intended staying at least two more years. He even took on the vice-presidency of the National Association of Automobile Manufacturers.

So why the change of heart? Miller, a US citizen and Ford employee since 1973, is leaving to become executive vice-president and assistant to the president of the Mazda Motor Corp, in which Ford has a 33% stake. He will be based at the group’s Hiroshima headquarters. "The opportunity to become number two at Mazda is not one that anyone could pass up," he says.

He arrived at Samcor, which builds and markets Ford, Mazda and Mitsubishi vehicles, in January 1995, just after Ford had bought a 46% share in the company. The US multinational’s divestment amid sanctions in the Eighties had affected sales, image and perceptions of quality Anglo American Industrial Corp (Amic), which had subsequently taken over, was only too happy to offer management control to Ford as an inducement to return.

Since Miller’s arrival, Samcor has undergone a massive shake-up. Costs have plummeted and efficiency has soared. Sales have simply exploded. Under Miller, Samcor was placed in the front line of a bitter motor industry price war.

The motor industry development programme (MIDP), introduced in September 1996 to encourage cheaper vehicles and international competitiveness by slashing protection against imports, was already placing SA motor companies under strain. Early last year, Nissan and VW were the chief rivals in a contest to offer low-priced cars. Samcor’s effort turned the arena into a bloody battlefield.

For Samcor, the period has seen it transformed into one of the SA motor industry’s biggest sellers.

Miller says his time in SA has been spent concentrating on three key areas of Samcor quality, cost efficiency and customer satisfaction. His goal is for Samcor to be regarded as the leader in product quality, value-for-money motoring. But he has also sought to add top-of-the-range prestige to the company. Ford US owns Britain’s Jaguar car company and Samcor is now responsible for SA imports and marketing of Jaguar and Daimler cars. Ford US will name a successor, possibly next week.

David Furlonger

Jim Miller
Balancing act becoming a little one-sided

The sum of many parts takes on new meaning as Motor Industry Development Programme begins to bite

Auto component manufacturers have never been known to suffer in silence, but the haemorrhage inflicted by the Motor Industry Development Programme (MIDP) has been both swift and painful and has led to a raucous outcry.

For many auto component manufacturers, the MIDP has meant a virtual overnight collapse of duty protection on competitive imports. The MIDP encourages assemblers to increase exports as a way of reducing duties on their imported components, but the speed with which assemblers have switched from local to imported component has taken many by surprise. But not everyone.

"When the MIDP was first gazetted we warned that this would happen," says executive director of the National Association of Automobile Component Manufacturers, Clive Williams. "Other industries were given several years to adjust to lower tariffs, but the component industry had no time at all.

"Under the Phase VI local content scheme, which measured local content by weight, we had the heaviest cars in the world. Now, under the MIDP, we have the cheapest. This is largely due to government's small vehicle incentive (SVI), which kicks in below R40 000.

In many respects the MIDP has performed exactly as intended — vehicle and component exports are expanding at record rates and local manufacture of low-volume luxury cars is gradually giving way to imports.

But the MIDP has failed in its objective of achieving balance of trade neutrality by coupling assemblers' import duty reductions to the value of exports on a rand-for-rand basis (in addition to a 27% duty rebate). Last year exports reached R4bn, against imports of R16bn, and many question whether balance of trade neutrality will ever be achieved.

JSE-listed T&N Holdings, a major supplier of auto components to the original equipment and after-care markets, is one company to suffer declining domestic sales at the hands of the MIDP, and embarked on an export drive several years ago in anticipation of this. Metair is another.

Last year's 5% drop in earnings was flattered by a pension fund windfall and an extraordinary profit from the sale of a property. MD Alan Plummer says some recovery in earnings growth is anticipated this year.

T&N's exports have grown at the rate of 30% a year for five years and now account for 20% of sales. Gavin Simpkins, divisional MD at T&N Holdings, says the group plans to increase exports to 50% of sales.

Metair, too, is switching from its traditional OEM market to the after-care market and exports. "Those countries successful in the export markets have a strong domestic base from which to expand," says Plummer. "We do not have this in SA."

Simpkins says the success of the MIDP must be evaluated against its original objectives.

"If the objective was job creation and fewer models, then it is failing. If it is cheaper cars, then it is a success.

"There are some positive aspects to the MIDP, even though it means a declining domestic market. We recognised several years ago that we would have to replace the shrinking local market with exports."

Foreign alliances is one way to strengthen export opportunities. Last week Metair announced the sale of 51% of subsidiary Armstrong Holdings to Tenneco Holdings Danmark, an affiliate of US-based Tenneco Automotive, for R57.5m.

New car sales are expected to rebound from a double digit growth figures during the first quarter of this year. Nacacm would like to see the SVI abolished because of the damage it is inflicting on its members. One factor which may ameliorate an otherwise gloomy picture is the expected recovery in new car sales in 1998.

Karan Rynie
**Sharp increase in exports of SA vehicles**

Exports of South African vehicles, in contrast to the weakness in the domestic market, continued in a strong upward phase in the first quarter of the year, according to the National Association of Automobile Manufacturers of South Africa (Naamas).

Figures released by Naamas showed 5,123 units were exported between January and April this year, 125 percent more than the 2,277 units in the corresponding period last year. The total comprised 2,867 cars, 2,541 light commercial vehicles and 295 medium and heavy trucks. — Ray Colynne, Pretoria

CT (BR) 6/16/97
Numsa chooses industrial action

Reneé Grawitzky

METAL and motor employers were face a spate of industrial action as the National Union of Metalworkers of SA’s (Numsa’s) central committee decided at the weekend what form such action would take.

The union’s acting general secretary, Mbuyi Ngwenda, told a news conference on Friday that in the wake of the dispute in the metal industry, the committee would consider adopting a programme of action.

The committee would also evaluate progress in other industries such as the motor industry where employers had refused to negotiate issues other than wages.

Negotiations in the metal industry ended with a number of unions declaring a dispute after the Steel and Engineering Industries’ Federation of SA (Seifa) tabled a final wage offer of between 8% and 8.5%.

Ngwenda said the union still demanded a guaranteed inflation increase, 200 paid hours for training, a merger of all related training boards, negotiation around technological change, and six months’ notice of such intent.

Numsa negotiator Elias Monage said other demands related to short time, the notice period for termination of employment, limited duration contracts and the employers’ attempt to increase the use of casual labour in the industry.

Seifa, he said, was attempting to amend the exemptor provisions which could affect 60% of the union’s members.

Seifa indicated that a 8.5% increase would raise the minimum rate to R8.03 per hour.

In addition, employers had agreed to an effective six months’ paid maternity leave, to agree in principle to negotiate a framework agreement on recognition of prior or learning, and to participate in a joint pilot study with the unions to look into the development of childcare facilities.

Meanwhile, the major automobile manufacturers and unions party to the three-year agreement wait in anticipation of the May inflation rate ahead of wage talks which start next month.

In terms of the agreement, which expires next year, if inflation falls below 8.5% or exceeds 14%, the parties will have to reopen negotiations on wages. However, if inflation falls between these two figures, across the board increases will either be 1% below inflation if employees are earning above the maximum wage rate per grade or an inflation linked increase if on or below the maximum wage rate.

Mercedes Benz, which withdrew from the central national bargaining forum last year, said it would participate in forum negotiations this year.
SAPPI

**Lightening the debt load** *(192)*
**Km 6/6 1997*

Shorter market cycles may mean the upswing is not far off

The decision announced this week to sell assets totalling about R1bn is an indication of management's concern about the latest downturn in pulp and paper prices.

With trading profits under severe pressure, the debt — R8.94bn net of the R748m cash — looks suspiciously high. Interest cover for the six months to March is a thin 1.2 times, the debt equity ratio is 0.96.

Some analysts have criticised the move, coming when the price cycle is poised to turn, pulling Sappi back into cash. But Sappi FD Bill Hewitt stresses the assets are regarded as noncore holdings, which will have a minuscule impact on earnings while cutting gearing to 0.85.

The company is already negotiating certain sales. Money from these should be raised within the next 12-18 months, Hewitt estimates.

Capital spending will be sharply reduced in the next two years, with the R2bn spent during the past financial year halved in the current 12 months.

"We have grown aggressively through acquisitions in the past, and in the past two to three years we have spent a lot on upgrading and modernising our operations. This process is now complete." Both these measures should ease Sappi's financial burden and greatly improve cash flow. The acquisition of minority holdings in Warren will dilute the impact for shareholders, but will give Sappi more control over the company.

The crucial question is, when will the upturn come? Analysts feel it may materialise by the end of this year. Management is less convinced. "We are saying we have bottomed out and things are looking promising, but not phenomenal. It may turn out to be phenomenal," says Hewitt.

Executive chairman Eugene van As says "the second half of the financial year is expected to be better (but) with the uncertain outlook it is not expected that earnings for the whole of 1997 will match those of last year."

Hewitt says the price cycles are becoming much shorter. "We expected the upswing which started in mid-1994 (Sappi acquired..."
VWSA gets an export booster shot

Port Elizabeth — A R126 million deal to supply parts to Germany for the third-generation Golf series had pushed Volkswagen South Africa's (VWSA) export orders for the first half of this year up to the R236 million mark, the company said last week.

"These components, which will be pressed at VWSA's plant at Uitenhage, are earmarked for the aftermarket throughout Europe," Raymond Hartle, the VWSA spokesman, said on Friday.

VWSA, together with Johnson Controls in Port Elizabeth, had also won an annual R56 million order from the VW plant in Kassel, Germany, to supply leather for VW Passat seats, Hartle said.

The latest shot in VWSA's export arm — it failed to meet its export target last year — follows deals worth R141 million, concluded this year, for electrical components (R85 million), car radios (R30 million), and clutches from LUK Africa in Port Elizabeth (R6 million).

VWSA said it would be freighting 93 Audi A4 automatics worth R3.5 million to Australia this week, plus another 48 by the end of this year.

VWSA, whose local market is cramped, faces stiff international competition and must export if it is to survive.

"South Africa's Motor Industry Development Programme, whereby duties on imported cars are to drop from 115 percent in 1994 to 40 percent in 2002, will make it more difficult for local manufacturers in the tooth-and-nail fight for market share in South Africa."
Illegal motor vehicles cost industry millions

Lucia Mutikani

AT LEAST 1 000 used vehicles were entering SA illegally every month, costing the motor industry millions in terms of lost sales, Motor Industries Federation (MIF) president Oskar Taub said yesterday.

"This is just a conservative estimate," Taub said. Most of the illegal imports were designated to be sold in neighbouring countries, but because of inadequate control measures, never reached their destination and found their way into the SA market.

"These illegally imported vehicles originate from various parts of the world, but mainly from the Far East (Japan and Korea)," he said.

"There have also been reports that vehicles have been imported from Europe and even the US.

"These vehicles do not only include passenger, but also heavy commercial vehicles."

He said neighbouring countries in the Southern African Customs Union issued permits for the importation of second-hand vehicles.

The vehicles were imported through SA ports. He said while the MIF could not provide figures on the cost in monetary terms and possible job losses, the illegal imports had a negative impact on the motor industry.

To illustrate this, one only has to look at the situation in New Zealand.

In 1988 that government decided to permit the import of second hand vehicles. Within 12 months new vehicle sales fell to 50 000 units a year from 120 000, which in turn affected dealer viability and job creation," he said.

The MIF has made several representations to government about the matter.

Similar sentiments were echoed by the National Association of Automobile Manufacturers of SA, which said the illegal import of used and new cars had a negative impact on the motor industry.

"We share the concerns of the MIF. The matter needs urgent attention. We are working closely with the SA Police Service, the department of customs and excise and the ministry of transport to try and stop the imports," the association said.

The National Union of Metalworkers of SA said although there had not been forced retrenchments as a result of the imports, there was a danger that vehicle assembly plants could turn into warehouses as companies opted for imports.

"Various initiatives are taking place. The MIF recently met with the authorities to see where we as a federation could assist in combating this problem," Taub said.

A meeting was being arranged for August, he said.

New vehicle sales plunged 19% in May to 30 610 units.
Nissan to export left-hand drive bakkies

Nissan South Africa's successful export drive gained further impetus yesterday after the company announced it would begin making left-hand drive (LHD) one-ton pickup light commercial vehicles. Dave Manig, the managing director of Nissan Africa, the specialist export company in the Automobiles group, said Nissan SA had invested R3 million for this reason in its Rosslyn plant.

"In the future, the manufacture of LHD models in South Africa may well be expanded to include passenger vehicles," he said. He said the vehicles were aimed at more than 20 left-hand drive West African nations. "We will initially build 100 LHD vehicles a month, and these will be supplied by Nissan SA to Nissan Africa for export to existing Nissan distributors in the various West African countries." — Roy Column, Pretoria
Car makers and unions to fix wages

**ROY COYANN**
**CT(BR) 26/6/97**

Pretoria—South Africa's vehicle manufacturers and the two major unions in the industry agreed yesterday to a National Bargaining Forum meeting next month related to wage increases for the car industry.

Brian Smith, the chairman of Automobile Manufacturers Employers Organisation (Ameo), said the meeting on July 3 with the National Union of Metalworkers of South Africa and the South African Workers Union was to confirm the official May consumer price index figure (CPI).

In terms of the wage model that formed part of the three-year agreement concluded in June 1996 by the car industry, wage increases effective from July 1, 1996 and 1997 would be linked to the official May year-on-year CPI figure.

Figures released yesterday gave CPI for May this year as 8.5 percent. However, the agreement contains a clause that allows the parties to reopen negotiations on the wage model if CPI fell below 8.5 percent or exceeded 14 percent.

Smith said the CPI figure for this May was expected to be between 9 and 10 percent, which was within the range set out in the agreement, and "thus the problems experienced last year will not be repeated."

The CPI in May last year at 5.9 percent was used to reopen wage negotiations and resulted in an 8.5 percent increase for Ameo members. This led to Mercedes-Benz South Africa resigning from Ameo.
100 000 jobs in motor industry may be under fire

ROY COKAYNE

Pretoria - About 100,000 motor industry jobs could be on the line if changes were made to the rules governing export and import credits for the motor industry, Peter Forster, the managing director of BMW South Africa, said yesterday.

The consequences for the motor industry would be "disastrous" if the import-export complementation element of the motor industry development programme was scrapped, Forster said. These provisions allow local motor manufacturers to offset import duties with export credits.

Forster said the import-export complementation element of the programme was under investigation.

Anthony Black, the chairman of the Motor Industry Development Council, confirmed last month that the World Trade Organisation was to have discussions on the programme with South Africa's trade authorities in September.

Alec Erwin, the trade and industry minister, has also admitted there were indications some of the provisions of the programme, particularly the import-export complementation provisions, could be subjected to scrutiny by various of South Africa's trading partners.

He said the implications of the World Trade Organisation rules for the programme represented "a potentially problematical issue".

Forster said if the system was scrapped, it would place about 100,000 jobs in motor manufacturing and component supply industries at risk.

Forster said the motor industry was in a process of transformation and the industry could not be expected to adapt in such a short time.

He said there would only be one chance to get this transformation right and motor manufacturers needed at least one full model cycle — which was about eight to 10 years — to adapt to new circumstances.

Forster said with component import tariffs at 60 percent, the motor industry needed the export credits to be competitive. He said if the import-export complementation arrangement was maintained for about 10 years in South Africa, there was "a fair chance that at least three to five of the manufacturers will survive."
LABOUR Three-year industry agreement holds

Across-the-board wage increases for car workers

Pretoria — South Africa’s seven vehicle manufacturers and the two key unions in the industry had reached agreement on wage increases ranging from 8.5 percent to 11.5 percent for the industry’s 25 000 hourly paid workers, the Automobile Manufacturers Employers Organisation (Amco) said yesterday.

Bruno Smith, the chairman of Amco, said the wage increases, effective from July 1, were agreed with the National Union of Metalworkers of SA (Numsa) and the SA Workers’ Union (Samwu) at a meeting of the National Bargaining Forum (NBF) on Wednesday.

“The across-the-board wage increase agreed on is in terms of the wage model, which forms part of the three-year NBF agreement which was signed in June 1995. In terms of the agreement, employees in skills levels one to four will receive an increase of 9.5 percent, and employees in skills levels five to seven will receive an increase of 8.5 percent,” said Smith.

Tony Kgobe, the Numsa coordinator for the car manufacturing sector, said a wage increase of 11.5 percent — 2 percent above the inflation rate — had also been agreed on in the minimum salary level.

Kgobe said this increase would affect about 7 000 workers and was in line with their desire to close the wage gap. He said identical increases had also been agreed recently for the tyre industry.

Smith added that in terms of the three-year car industry agreement, only an across-the-board wage increase effective from July this year was negotiated as all other terms and conditions remained unchanged until the agreement expires in June next year.

Smith expects negotiations on a new agreement to start next April.

Kgobe said he did not want to be pre-emptive about the overall assessment of the agreement but indicated there had been some teething problems with the agreement.

He said there were certain aspects they would like to continue while they might not continue with others.

“The whole question of training needs to be modified to take care of development and also national development in regard to what is contained in the government’s Green Paper,” he said.

We won’t budge over pay, say sugar unions

Durban — Unions in the sugar industry bargaining council said yesterday they were more determined than ever to push for a 30 percent wage increase and warned the industry not to “foolishly accept” that they would “eventually budge.”

Industry sources said discussions were proceeding but the quicker a resolution was found, the less damage would be done before the end of the crushing season in five months.

Yesterday the first collective sugar industry strike entered its second day after the five unions, representing about 4 500 workers and 80 percent of the workforce, deadlocked with management over its 18.5 percent wage increase offer.

Operations at 14 milling and refining operations shut down. The industry exports to 27 countries and earns foreign exchange of more than R1 billion.

Selby Nathinde, the executive president of the National Industrial and Commercial Workers’ Union, said workers were “not prepared” to change their minds.

The strike was a “historic event” for workers in the sugar industry.

Workers previously went on strike under their respective unions, in 1995 when they demanded housing for employees close to the mills.

But Bheki Sibuya, the chairman of the Sugar Manufacturing and Refining Employers’ Association, said again yesterday that management would not change its offer, which had been influenced by this year’s 7.2 percent rise in the sugar price.

Numsa in auto and tyre deal

Johannesburg — The National Union of Metalworkers of South Africa (Numsa) and the Steel and Engineering Industries Federation of South Africa (Sefsa) reached a wage agreement for the auto and tyre industries yesterday.

In terms of the deal, an increase of 11.5 percent was granted for those earning the minimum wages, while 9.5 percent was awarded to higher grades and 8.5 percent to artisans, Tony Kgobe, the sector’s co-ordinator said.

He said the settlement was signed in terms of the industry’s three-year agreement signed three years ago.

Meanwhile Brian Angus, Sefsa’s executive director, has said Sefsa’s negotiators will “move and settle” with Numsa’s engineering sector when the parties meet on July 15. — Frank Nkunzi
Speedy wage deal in auto industry

Reene Grawitzky

THE seven major vehicle manufacturers, the National Union of Metalworkers of SA (Numsa) and the SA Workers' Union (Sawu) reached agreement this week on a 9.5% across-the-board increase for workers.

The agreement, reached in the national bargaining forum which represents 26 000 workers, is in line with the three-year wage agreement signed in 1995. The agreement stipulated that the increase would be linked to the "May to May" inflation rate if the rate fell between 8.5% and 14%

The parties in the tyre industry, who have signed a three-year agreement similar to that governing vehicle manufacture, agreed to the same increases.

The quick settlement this year is in sharp contrast with last year, when inflation fell below 8% and the parties resorted to arbitration over the interpretation of the three-year agreement.

At the meeting on Wednesday, Mercedes Benz indicated it was rejoining the Automobile Manufacturers Employers' Organisation (Amex) and would sign the agreement. Mercedes Benz withdrew from Amex last year and entered into a separate plant-level agreement with the unions.

What remains unclear is whether the parties will renegotiate a long-term agreement within the national bargaining forum.

Numsa has proposed the establishment of a "mega" bargaining council with subsectors covering steel and engineering, automobile and tyre manufacturing and auto-component makers.

The agreement reached this year also ensures workers on the minimum rate per grade will receive an 11.5% increase, thus raising the minimum basic rate to R2 500 a month.

Numsa's tyre and auto national co-ordinator said the wage increase agreement ensured parties were "en route to closing the apartheid wage gap."

He said, however, he did not understand the attitude of engineering employers in refusing to grant a guaranteed inflation increase.
ADE locks out 1 000 workers in row over pay rise offer

NORMAN JOSEPH
STAFF REPORTER
RAG 7/7/1977

More than 1 000 workers were locked out of the Atlantis Diesel Engines factory in Atlantis today over a pay dispute.

Management is in dispute with the National Union of Metalworkers of South Africa.

Manager Ron Shires said the company had offered a wage increase of between 9.7 percent and 10.2 percent.

Mr Shires said that today the company had decided to lock out employees to prevent possible protest action.

Union secretary Nathi Joel said the union was demanding an increase of 20 percent but was prepared to accept 15 percent.

Several rounds of talks between the union and company officials ended in deadlock recently.

Mr Joel said it was the first time the company had locked out workers, who began congregating at the gates at 7am.

No company representatives were prepared to talk to the employees, who demanded that Mr Shires address them.

They chanted and sang while police watched from a distance.
Interdict against Numsa follows violent protest

WILLEM STEENKAMP

ANTIS Diesel Engines (ADE) last night obtained an urgent interdict against the National Union of Metalworkers of SA (Numsa) and 1 084 workers, following a day of violent protest when workers were locked out after wage talks broke down yesterday.

Wage talks deadlocked last Friday, and, as a result, management locked the Numsa members out yesterday.

Outside the ADE plant workers violently attacked yesterday, and barricades were burnt outside the entrance and property damaged.

ADE brought an urgent interdict application before Mr Justice D Charly in the Cape High Court last night, asking that Numsa and 1 084 workers be restrained from damaging or intimidating other workers, and prohibiting the burning of property. ADE was not represented.

Fransie Frenssen, EWN
**Shots fired in strike lock-out dispute**

**Norman Joseph**

Staff Reporter

Shots were fired at security guards outside the Atlantis Diesel Engines factory, where hundreds of workers on strike have been locked out in a pay dispute, but nobody was injured.

A Cape High Court order restraining strikers from damaging property or intimidating employees has been delivered to about 600 strikers, members of the National Union of Metal Workers.

Human resources manager Johan van Wyk said court officials arrived at the factory early today with the urgent interdict granted last night.

He said the factory employed more than 2000.

Managing director Ron Shires said the company had offered wage increases between 9.7 percent and 10.2 percent.

Union secretary Naftham Joel said the union was demanding 20 percent but was prepared to accept 15 percent.
Motor industry wage talks hit new snag

By Abdul Milazi

THE motor industry's annual wage negotiations hit yet another snag yesterday when employers rejected all the demands of the National Union of Metal Workers of South Africa (Numsa)
The South African Motor Industry Employers Association (Samaera) and Numsa first clashed in May when employers refused to negotiate on non-wage issues.

Numsa subsequently decided against declaring a dispute and agreed to concentrate on wages.

The union is now demanding that wage increases be on actual wages instead of minimums as had been the case over the years. This practice meant that workers earning more than the negotiated minimum wage did not receive increases.

Numsa spokesman Danusa Nkosi said the union decided to change this practice this year because it was unfair to some workers.

The reason for unions initially focusing on increasing minimum wages was the appalling wages workers were paid across the industries.

"By increasing minimum wages unions automatically ensured that employers paid better wages." But now employers have been buying that to avoid giving increases to those workers who were above the set minimum wage in a particular sector," said Nkosi.

"Samaera" this rejected this demand along with the demand for guaranteed inflation-related increases and higher wages for workers in lower-wage brackets to close the apartheid wage gap.

Employers also rejected Numsa's demand for end to wage differentials between workers in rural and urban areas.

Negotiations between the two parties are continuing...
Motor Industries Federation (MIF) called yesterday for a conference of border and harbour police, customs officials and other authorities to formulate strategies to stop the large flow of illegally imported used cars into South Africa.

Vic Fourie, the executive director of the MIF, said the bosberaad, scheduled for the first week of August, was organized after detailed discussions with the head of border control and policing and the head of sea borders. "We all recognize the problem can only be tackled with the full support of industry and the authorities." He said the meeting would include delegates from the National Association of Automobile Manufacturers of South Africa and the National Association of Automotive Component Manufacturers, among others.

Fourie said steps had been taken this year to cut down illegal imports at the initiative of the National Automobile Dealers' Association, which is part of the MIF. — Roy Cokayne, Pretoria (18/7/97)
Numsa and Atlantis Diesel in last-ditch bid to end strike

The National Union of Metalworkers of South Africa (Numsa) and Atlantis Diesel Engines (ADE) yesterday entered into last-ditch attempts to resolve the nine-day strike at the West Coast-based engine-making plant.

Numsa senior shopsteward Nathem Jiad told Business Argus before the meeting that the union was flexible and would consider any proposals that ADE management tabled.

“They said they wanted to talk and we want to hear what they have to say,” Mr Jiad said.

The company however said Numsa would not back down on its demands for a 15% wage increase, an increase in the shift allowance, the introduction of a service allowance and the equalisation of the housing grant for all employees.

“What we are hoping the meeting will do is to withdraw pending disciplinary action against our members,” he said.

The workers cited for disciplinary hearings had been arrested earlier this week.

Despite the apparent damage the strike is inflicting on ADE, the company has dug its heels in and said it cannot afford to meet employee demands.

ADE managing director Ron Shires said during an interview that the company was offering workers a wage increase of 10.1% and providing no changes to any of the other conditions.

“The demands that Numsa is making are simply not affordable,” Mr Shires said.

He said that since the strike started last week, the ADE plant had been operating at 60% of its full capacity.

Close to 1000 workers were on strike, he said.

Mr Shires said before the start of the last-ditch negotiations this week that an end to the strike depended entirely on Numsa.

“It is up to them to come to terms with the fact we simply can’t afford to pay the increases they are demanding,” he said.
Numsa offers deal to end ADE strike

Four issues at stake in dispute

THABO MABAGO
Business Reporter

The National Union of Metalworkers of South Africa (Numsa) says it is prepared to compromise on some of its demands in an effort to end the 11-day strike at Atlantis Diesel Engines (ADE).

Numsa made the announcement soon before a meeting yesterday with ADE negotiators.

The union's spokesman, Nathem Joel, said Numsa had decided to compromise on some of its demands and hoped these would lead to an end to the strike at ADE.

He did not want to disclose on which issues the union was prepared to compromise.

"I can't divulge that sort of information but I can say is we are willing to compromise on some of the four issues we have based our demands on," Mr Joel said.

But he added that the union was prepared to compromise only if ADE management was prepared to do likewise. "Obviously there must be compromise from both sides," he said.

Numsa is demanding a 15 percent wage increase, a rise in the shift allowance, the introduction of a service allowance and the equalisation of the housing grant for all employees.

"If the bosses are willing to compromise, so are we," said Mr Joel.

ADE has offered workers a wage increase of 10,1 percent, with no changes to any of the company's other conditions. The company has said it cannot afford to pay employees what Numsa is demanding.

Nearly 1 000 workers are taking part in the strike.

ADE managing director Ron Shires said yesterday that the strikers had lost two weeks' wages, while the factory had had a loss in production of R1-million.

"We are operating at reduced capacity, but we were never in the position where we were not operating," said Mr Shires, adding that 75 percent of the workforce was working normally.

He said ADE's average increase was 10,1 percent and was heavily biased toward lower-paid workers.

The company's average offer was half a percent higher than the Steel and Engineering Industries Federation of South Africa was offering.

"We are very unhappy the union has decided to take us on, on what is a reasonable offer, but we are confident we will have a full return by Tuesday," said Mr Shires.

Numsa has claimed that the sugar-for-diesel engines deal between ADE and Cuba had been harmed by the strike.

According to the deal, Cuba will exchange sugar for 10 000 diesel engines worth $30-million (R350-million).

The engines are to be supplied at a rate of 600 units a month.

Mr Joel said the strike would lead to ADE not meeting its delivery targets.
Chrysler stays on import route

Johannesburg — Chrysler South African Services, the distributors of Chrysler motor cars, has no plans to build a manufacturing or assembly plant in South Africa even though it has felt the pinch of the 57 percent import duty it has to pay for its fully built vehicles, Thomas Ford, the general manager for Chrysler South Africa, said yesterday.

Ford said it would not make economic sense to flood the South African market with more assembly plants, as it appeared to be bursting at the seams with these facilities.

“We certainly would like to see the duty structure reduced or disappear altogether and, though we are aware that it scheduled to be phased down 40 percent later on, the question is what would replace it.”

“We’re convinced there is tremendous potential in the South African market to sustain healthy competition and, when such duties fall, we could do even better,” he said.

Ford said the local automotive industry would have to make adjustments through a gradual transition to move in line with World Trade Organization rules on free trade.

However, his company would still source components built in South Africa and would concentrate on the distribution of fully built products, which “are doing very well.”

Ford said Chrysler would be increasing its five dealers to close to 20 countrywide over the next two years.

Chrysler South Africa, a company with assets of more than R100 million, began operations in September last year and has sold about 700 vehicles in the past seven months. It hoped to sell more than 1,600 by the end of the year, Ford said.
SA NEWS DIGEST

LABOUR

Numsa confident of ending 11-day lockout of workers at ADE

The National Union of Metalworkers of South Africa (Numsa) said yesterday it was confident its meeting with the management of Atlantis Diesel Engine (ADE) would lead to the settlement of the 11-day-old lockout of more than 10,000 of its members. The lockout has hobbled the sugar-for-diesel-engines barter deal with Cuba, in which ADE was to supply 10,000 diesel engines to the Caribbean island at the rate of 600 units a month.

The unusual commodity-for-commodity barter deal, which will eventually translate into money for the diesel engine company, was handled through the financial mediation of the Industrial Development Corporation. The deal is worth $49 million.

Natheem Joel, a union spokesman, said that although Numsa's rejection of the company's wage offer of between 9.7 percent and 10.2 percent had led to the lockout, he was confident that a settlement was possible because the union was "flexible on the wage issue".

Ron Shires, an ADE spokesman, said workers at the plant have been adversely affected by the strike. "They have already lost two weeks' wages and the loss in production at the factory amounts to about R1 million," Shires said.

Frank Nxumalo, Johannesburg
New plans for farm schools will strip farmers of control

Louise Cook

GOVERNMENT's plans for farm schools would strip farmers of all control over schools on their properties and would lead to the end of sponsorships, plunging the schools into financial difficulties, farmers' organisations said yesterday.

National Maize Producers' Organisation (Nampro) GM Giel van Zyl said Nampro had generated hundreds of thousands of rands in sponsorship money for projects at the organisation's school which serves between 40 and 50 farms in the Free State.

"Government's plan to take full control of the school is a political move and shows no regard for educational development or maintenance of standards. Up to now farmers with schools on their properties were able to intervene in disciplinary matters and day-to-day functioning of the school."

Van Zyl said placing the schools under the direct control of the provincial government would cause disinterest on the part of farmers to invest any further money in the system.

New regulations to be gazetted early next month would change the governing body system and place the schools under direct control of the education minister of each province. The regulations spell out contractual specifications which each farmer would have to enter into with the provincial education department.

The SA Agricultural Union (SAAU) said farmers would have no protection if the provincial government failed to carry out its contractual obligations to the farmer. SAAU human resources director Machiel van Niekerk said only that the minister could now shut down a school.

Education department chief director Chris Madiba dismissed farmers' claims that it would be the first time a minister would be involved in deciding whether or not a school should be closed. Madiba said even in the past no farm school was able to shut down without ministerial approval.

Company hopes talks will end Atlantis strike

CAPE TOWN - Atlantic Diesel Engines and the National Union of Metalworkers of SA (Numsa) were meeting yesterday and the company was confident the 11-day strike at its engine plant in Atlantis, on the Cape West Coast, would be resolved.

More than 1,000 Numsa members went on strike on July 10 after rejecting the company's wage offer of between 9.7% and 10.2%.

Atlantic Diesel Engines MD Rob Shires said yesterday the strike had affected workers substantially. "They have already lost two weeks' wages, while the loss in production at the factory amounts to about R1m."

Shires said 79% of the workforce was working normally. "We are operating at reduced capacity, but we were never in the position where we were not operating," he said.

Shires said the company's average increase was 10.1%, and this was heavily biased towards the lower-paid workers. — Sapa
Wage agreement ends ADE's 12-day strike

The 12-day strike at Atlantis Diesel Engines (ADE) on the Cape west coast power, the company said yesterday.

The company said it and the National Union of Metalworkers of South Africa (Numsa) has reached an agreement that workers would receive a 10.2 percent pay increase. Production would resume today, the company said. Johan van Wyk, ADE's human resources manager, said a housing subsidy was also discussed at a 24-hour meeting on Monday. Another issue was the 300 employees who were dismissed after going absent without leave. The company would soon meet Numsa officials on how to improve relations between them.

Mbuyi Nkemba, Numsa's general secretary, said the union had made serious concessions, one on wages, and around the housing subsidy issue. The 12-day strike cost the company at least R10 million in lost production while workers lost almost three weeks' wages. More than 1000 Numsa workers went on strike on July 19 after rejecting a wage offer of between 9.7 percent and 10.2 percent. — Cape Times
Atlantis strike costs R10-m
Numsa accepts wage increase of 10.2% (19a)

THABO MBABASO
Business Reporter

The two-week strike at Atlantis Diesel Engines on the West Coast cost at least R10 million in lost production and R1.75 million in lost wages.

The strike ended yesterday after the National Union of Metalworkers of South Africa (Numsa) accepted a wage increase of 10.2% – 4.8% lower than its original demand.

Numsa had offered a 10.1% increase. The union had also demanded a rise in the shift allowance, the introduction of a service allowance and the equalisation of the housing grant for all employees.

On Monday, Numsa indicated that it was prepared to compromise on some of its demands.

Yesterday, however, the union's national secretary general, Mbuyiselo Ngwenda, who flew from Johannesburg to broker the compromise, told Business Argus that Numsa had been forced to back down on its demands because the strike was threatening the stability of the engineering industry in other areas of the country.

"The strike was starting to hurt other sectors in the industry," he said. Mercedes Benz South Africa was beginning to talk about introducing short time because its orders from ADE were being affected by the strike," Mr Ngwenda said.

Numsa and ADE had also agreed to set up a committee to investigate the union’s demand for the equalisation of a housing grant for all of the company’s employees.

The committee, which would include worker and management representatives, had been given until the end of October to finish its work, Mr Ngwenda said.

The union and the company had also agreed to meet to discuss disciplinary action against members who did not follow prescribed strike procedures before participating in the industrial action.

"Both parties also agreed to meet so as to explore a strategy to improve industrial relations at ADE and to look at improving the company's viability in terms of productivity and skills development," Mr Ngwenda said.

ADE had said it would consider registering as a member of the Steel and Engineering Industries' Federation of South Africa (Seifisa), he said.

This would enable its workers to be part of the industry's annual wage negotiations.
Dip in sales sees MBSA phase in four-day week

Edward West

FALLING vehicle sales and tougher competition has forced Mercedes-Benz of SA (MBSA) to phase in a four-day production week at its manufacturing plant in East London from August 1.

MBSA said yesterday that "the lower market volume being achieved by our products and forecast for the next few months has forced us to reduce production. We continue to view retrenchment as a last resort and we will endeavour to find alternatives to sustain job levels."

The company, one of the largest employers in the Eastern Cape, said the reduced hours would apply mostly to 2 500 hourly paid employees. However, MBSA did not foresee the situation extending beyond the end of the year.

Industry sources said that the slowdown was a symptom of tough competition exacerbated by the growing proliferation of models, slowing new vehicle sales and a tight consumer spending environment which had resulted in the growing market share of small cars.

Volkswagen SA said it too had begun to trim costs in the light of stagnant sales growth. Although it had no plans to retrench, agreement had, however, been reached with unions to cease overtime production.

MBSA's June sales declined 23.3% or by 726 units over the same month last year, the highest percentage decline among the assemblers.

In the year-to-date, MBSA's sales volume slipped 5.1% to 16 623 units compared with the same six-month period last year.

Not all assemblers are introducing measures to slow production, particularly those which recently launched small cars, although most have introduced measures to cut overhead costs.

A Toyota SA spokesman said its Durban plant was being run "virtually flat out." The plant assembles 450 vehicles a day.

A Delta Motor Corporation spokesman said prices of its Corsa entry level vehicle had been realigned recently and "we are running a normal five-day week." Pretoria-based Sunoco said it was working overtime to eliminate a backlog of orders for its recently launched small cars, the Ford Fiesta and Mazda Soho.

The stagnant market has also affected component manufacturers.

The National Association of Automobile Component and Allied Manufacturers' executive director Clive Williams said that parts manufacturers supplying vehicle assemblers were suffering, particularly due to the proliferation of models.

The local content in most of the new models being introduced, barring Toyota SA, was "pitiful" and still declining, he said.

In the six months to June aggregate new vehicles sales were 2.5% lower at 185 837 than in the first six months last year. The National Association of Automobile Manufacturers of SA forecast sales to remain "under pressure" in the second half.

ECN reported from East London that the National Union of Metalworkers of SA was reluctant to comment on the announcement by MBSA. However, MBSA corporate relations manager Anneke van der Leen said management met union officials yesterday to discuss implications.
Mercedes and NUMSA Finish Talks on Shorter Hours

Roy Cokayne

Pretoria - Mercedes-Benz South Africa and the National Union of Metalworkers of South Africa (NUMSA) have concluded talks over the implications of implementing a shortened production week at Mercedes's East London manufacturing plant from the beginning of next month, the car maker said yesterday.

Johann Evertse, the management board member for human resources at Mercedes, said the company intended to phase in a four-day production week from August 1 this year.

But he said they would critically review the effectiveness of the production cutback on a monthly basis.

Evertse said the main reason for the shortened production week was the company's shrinking share of the new vehicle market, both passenger cars and commercial vehicles.

Mercedes management and NUMSA representatives were in the process of agreeing on the parameters of a performance-based reward system, called the "Siyaphambi" agreement, which is based on tough production targets aimed at making the company competitive, he said.
A depressed market, weak rand and price discounting hit results

Bearing Man falls short of its projected earnings

By Shirley Jones

Durban — Depressed market conditions, a weakened rand and "irrational price discounting" by competitors took their toll on Bearing Man, the distributor of industrial bearings, seals and power transmission products, during the financial year to June 30.

The company's projected fifth year of compound earnings growth was not realised as earnings dropped 1 percent to R27,046 million (R27,222 million), pretax profit fell 6 percent to R39,2 million (R41,9 million) and earnings a share were 2 percent lower at 35,7c a share from 36,2c a share.

Bearing Man's retained profit was R15,76 million compared with the previous year's R16,35 million. A final dividend of 7c a share was declared for the second half of the year, bringing the final year's dividend to 10,7c, a marginal 2 percent improvement on the previous year's 10,5c (adjusted for the 10:1 share split at the beginning of the year).

This was in marked contrast to the previous year's 28 percent increase in operating profit, 18 percent growth in earnings and 21 percent higher dividend.

But the company, in which Bearing Man's distribution network, together with the acquisition of Ruboc, which gave it a belting division in Gauteng, and Bedford Engineering, which significantly increased its bearings product range and market share, had a punitive effect on this year's results. Timing and nature of these expansions saw operating profit increase by a mere 4 percent.

But the company needed to sow to reap profits, Till said. He described the company, now that it had the necessary infrastructure in place, as sensitive to an expected economic upswing, with increased profit likely to drop to its bottom line. Till forecast increased earnings for the financial year to June 1999.

He expected an economic upswing to be driven by a reduction in interest rates later this year. The reduction in the company's interest costs, which leapt by 70 percent, would be the cherry on top, he said.

Although Till agreed the forecast year-on-year reduction in the company's debt-to-equity ratio had not been achieved, he said it was lower than the mid-year level of 46 percent. "We expect this will improve quite dramatically and are looking to a substantial reduction to relatively comfortable levels by June 1999."
Uno production grinds to a halt

By DON ROBERTSON

DECLINING sales and a resultant build-up of stocks has prompted Automakers to close its Uno production line for four weeks.

The line was closed two weeks ago and will be restarted in early August.

Johan Kleyhans, head of communications at Automakers, says the company has eight weeks of stock on hand — sufficient to meet demand in the shut-down period. During this time, maintenance will be undertaken on the line. Traditionally, maintenance is done during the Christmas break.

Ironically, the shut-down comes only two weeks after the Uno celebrated the seventh anniversary of its launch in SA. During this time, 80 000 Unos have been sold.

However, in recent months Uno’s sales volumes have tumbled following the launch of newer entry-level cars such as the Opel Corsa and Ford Fiesta.

In the first six months of this year, sales declined 45.5% to 4 031 from 7 398 in the same period last year. Market share has halved — down to 3.2% from 6.2%. Sales of Nissan cars have declined by a similar margin.

In contrast, total sales of new cars increased 3.1% to 122 477 in the first six months of this year.

Andrew Unwin, Fiat Auto’s liaison officer in SA, says the long-standing manufacturing agreement between Automakers and Fiat is still in place although Fiat is discussing the possibility of establishing its own marketing division as a separate entity from Automakers.

No further developments have taken place since a separate rate marketing division was first suggested when Nissan Japan bought a 50% stake in Automakers and the share was delisted from the JSE.

The difficult trading conditions have affected other sectors of the vehicle market. Mercedes-Benz said this week it is to introduce a four-day week at its East London plant from August.

The lower market volume currently being achieved by our products and forecast for the next few months has forced us to reduce our production levels, which in turn affects our manpower levels,” says Johann Evertse, management board member for human resources. “We continue to view retrenchment as the very last resort.”

However, the company has barely lost ground in the passenger car market, with sales in the first six months of this year at 12 188 compared with 12 341 last year. The commercial market losses have been more severe with sales of 4 440 this year against 5 172 last year.

Discussions between the company and NUMSA regarding the shortened working week for 2 500 hourly paid workers have been successful.

Talks are under way to establish parameters for production performance bonuses and these could help to offset the loss of earnings, says Evertse.
Cape Town — Preliminary investigations had shown poor financial controls, a lack of effective business plans and irregular procurement procedures at Satour; the tourism board, Michael Farr, the new executive director, said yesterday.

He said four people, whom he would not name, were under investigation for alleged misconduct. He said he had received telephone threats to himself and his family since the investigation began.

Satour has been criticised for its lack of effective action by people in the industry and hoteliers have threatened to stop payment of the levies that provided R22 million towards its budget this year. Farr said remedial measures would be carried out after a forensic audit, which was expected to be completed by the end of next month, and proper tendering procedures would be followed in future.

Farr said a series of consultative meetings and workshops would be held with industry members and the provinces.

It would be a mammoth task to reorganise Satour and make it an effective marketing organisation but it would be "a very necessary one."

Satour said that while the objective was to keep Satour going, all contracts and agreements were being audited and evaluated. Contracts that were not financially viable or in the interests of Satour "would be addressed."

Budgetary planning was under review and an effective monitoring system for the utilisation of the budget was being put into place.

The forensic audit had shown "a virtual absence of internal controls in Satour; a lack of properly drawn up business plans, ineffective financial management systems and non-adherence to laid down procedures on the procurement of services."

Farr said the present hotel levy system was inequitable. He hoped an adequate and appropriate funding system would be in place by the end of the year.
Squeeze is still on the motor trade

(192)

Roy Cowley

Pretoria — The profitability of the motor trade, which has been under increasing pressure largely through an erosion of profit margins, has been highlighted by the latest statistics released by the Central Statistical Service.

According to the CSS, the profitability ratio of the motor trade decreased from 0.7 percent for the last quarter of 1996 to 0.6 percent in the first quarter of this year. However, the net profit of the motor trade decreased 19.2 percent in the 12 months to March 31 this year compared with the corresponding period in the previous year.

Although capital expenditure on new assets by the motor trade increased 4.8 percent in the first quarter of this year compared with the previous quarter, capital expenditure on new assets decreased 16.2 percent.

Call money, demand deposits, and cash on hand held by the motor trade decreased by 35.1 percent.
New GM plant raises questions

Edward West

NAMIBIA's General Motors (GM) assembly plant was expected to be operational by November, but questions about its long-term plans have sparked calls in SA for a review of trade protocols affecting motor trading in the region.

SA motor industry sources said yesterday there was no clarity on the future of the Namibian plant once it fulfilled an initial order from the Namibian government to produce 800 trucks.

"We expect production to start in full force in January," a spokesman for the plant told Reuters yesterday. The Namibian government and Barden International, a Detroit-based company, signed a deal to set up a GM assembly and right-hand drive conversion plant in December last year.

About $18m would be invested in plant and staff training to produce about 40 small GM trucks every month.

GM has passenger and light-duty truck assembly plants in Nigeria, Kenya, Tunisia and Egypt, with a plant in Botswana assembling medium-sized trucks.

McCarthy Motor Holdings chairman and CEO Brand Pretorius said there was little chance the assembly of such a small volume was economically viable in Namibia unless there was a prospect of increasing volumes over the long term, or the operation

had been granted lucrative short-term government incentives not available in SA.

SA is the largest and most lucrative vehicle market in southern Africa and a large number of second-hand vehicles are already entering the SA market illegally from neighbouring countries owing to poor customs control, he said.

Venture Motor Holdings, which ceased importing luxury vehicles from GM nine months ago following the SA government's decision to bar reselling of new left-hand drive vehicles, said the Namibian operation did not intend to enter the SA market.

"Venture would begin importing right-hand drive vehicles built by GM by January next year. These would include the first time in SA a right-hand drive Cadillac to be launched in Japan in September.

There was renewed speculation yesterday GM was interested in taking a stake in Delta Motor Corporation, the only local vehicle assembler without an international parent. Delta corporate affairs manager Ed Emmet said talks with GM were continuing, but no significant stage of progress had been reached.

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Govt may back regional automated trade protocols

Lucia Mutikani

GOVERNMENT was looking at the possibility of automated trade protocols for motor trade in the southern African region, Motor Industry Forum head Anthony Black said at the weekend.

News last week that Namibian General Motors assembly plant was expected to be operational by November sparked calls for a review of the motor trade protocols.

The plant has an initial order from the Namibian government of 800 trucks, but its long-term plans are unclear.

Black said automated protocols were the sensible way to go to avoid the problem of some countries in the region trying to establish small assembly plants.

"It would also ensure that neighbouring countries have a share of the investment," he said.

Although no figures were immediately available, it is understood that Zimbabwe has the highest tariffs, followed by SA. The tariffs vary according to engine size.

Calls have also been made for the reduction of tariffs by SA because of the high rate of illegal car imports.

Conservative estimates put the number of used cars illegally entering SA — mostly from Japan and South Korea through neighbouring countries — at 1 000 a month.

"Government is trying to clamp down on the smuggling of cars and where possible, legal action has been taken.

"I do not think that the appropriate response would be to reduce tariffs, because the problem is being addressed," said Black.

"Solving this problem is a question of administration of borders and (obtaining) cooperation from some of our neighbours," Black said.

He said although he could not challenge figures being put forward by the organisations representing car dealers, smuggled used cars were not flooding the market.

The Motor Industries Federation and the National Automotive Dealers Association would meet today to discuss the issue of illegal car imports which members said were threatening their continued existence, said Gary McCraw, director of the dealers' body.

"We will identify what government has in place to control the problem. We will sit down with them (government) and see how we can improve on whatever system that is [presently] in place and come up with a plan of action to follow," McCraw said.
‘Shocking shortage of facilities’ in SA schools

Kevin O’Grady

A SURVEY of the facilities and resources at SA schools had revealed “shocking” shortages, including a shortage of more than 57 000 classrooms, that condemned children to “the worst form of human degradation”, Education Minister Sibusiso Bengu said yesterday.

Launching the School Register of Need in Pretoria, Bengu said its findings were “an indictment of all who, by commission or omission, allowed this injustice to occur in this country. This has to change, and it will change”.

The register was the first comprehensive database of all schools, their exact locations and the extent of their physical facilities, the condition of school buildings, services provided and resources available. More than 32 000 education institutions were visited during the survey.

Bengu said the register showed there was no water available within walking distance of 24% of SA’s schools. The worst-off provinces in terms of water availability were Northern Province (48%), Eastern Cape (34%), KwaZulu-Natal (28%) and Free State (22%).

Another matter of concern was the low availability of electricity. Bengu said only 43% of all schools had electricity, while 79% of schools in Northern Province had none, 77% in Eastern Cape and 61% in KwaZulu-Natal.

The survey’s investigation of the condition of school buildings found that the province facing the most serious problems was Northern Province where 41% of the existing buildings were “in a weak and very weak condition”. In KwaZulu-Natal, 23% of schools fell into these categories.

Toilet shortages, calculated on the assumption that there should be one toilet for every 20 pupils, were also massive. KwaZulu-Natal schools had a shortfall of 66 921 toilets. Northern Province 51 324 and Eastern Cape 46 785. Almost half of all toilets were pit latrines and 15% of all schools had no toilets, Bengu said.

The survey also found that while stationery and textbooks were relatively well provided (62% and 49% of schools respectively), media equipment, collections and learning equipment and materials was “almost nonexistent”.

Three provinces had classroom shortages that were “extremely high”. These were Eastern Cape with a shortage of 15 538, KwaZulu-Natal (14 534) and Northern Province (13 670). Based on information provided by school principals, about 1,167-million desks and chairs, 103 615 teacher chairs and 102 441 cupboards were needed for classrooms.

Bengu said the survey clearly showed that Eastern Cape, Northern Province and KwaZulu-Natal, which together housed 18 659 of the country’s 27 864 schools, were the most disadvantaged as a result of their having incorporated most of the former homeland education departments.

Bengu challenged “individuals, political parties, media groups, religious organisations, financial institutions, nongovernmental organisations and even the government to assist us to restore the dignity and nobility of the learning process”.

“If these terrible conditions are not changed, if there is no redress, equity, no sharing of resources, this country will experience a crisis far greater than the one in 1976,” he said.

New registration system to curb illegal vehicle imports

Edward West

GOVERNMENT planned to curb the illegal import of used vehicles into SA through the completion of the final phase of the computerised Natvis system of vehicle registration, transport department officials said.

At a discussion on illegal vehicle imports organised by the Motor Industry Federation yesterday, the officials said the system had not been fully operational since 1993.

The situation had arisen because of technical problems associated with different computer systems in the former provinces and different systems of registration in the former homelands.

Work would, though, be operational by the end of the first quarter of next year, and the motor industry, through the National Association of Automobile Manufacturers of SA, had committed to have all vehicles manufactured in SA registered in Natvis’s databases.

By enabling manufacturers, builders and importers to input details and other numbers, problems relating to clerks’ duplication of vehicle registrations would be eliminated. Importers, dealers and individuals would be unable to get a licence or bank finance for a vehicle not registered on Natvis.

Drivers’ licence data compiled by the home affairs department would also be stored in Natvis’s database in due course, officials said. A long, fairly costly registration process, needing police clearance, for second-hand vehicles entering SA in cases of immigration or for other purposes, would be established.

Trade and industry department spokesman Philip Snyman said the department had raised the issue of permits for import sensitive industry products during the last customs union meeting. However, the union said the issue should be addressed bilaterally.

When bilateral negotiations were attempted, other countries told the department it was a Southern African Development Community issue “that is where we will work right now,” he said.

Although figures on the illegal import of passenger cars were hard to come by, delegates were told an estimated 600 to 700 used trucks had entered SA illegally this year, a large proportion of this year’s forecast new heavy truck sales of about 3 400 units.

This posed a serious threat to viability of the truck manufacturing industry.

The border police, a unit formed two years ago, seized illegally smuggled goods worth R9m in the year to May, mostly second-hand vehicles. From May to now the unit had seized goods worth R40m, also mostly vehicles.
Turning the clock back?

Bid to stem import flood of used trucks and cars

**EM 8/8/97**

They could call it the Truck & Reconciliation Commission Government, police and the motor industry are considering a one-off amnesty to allow up to 20,000 owners of illegally imported used vehicles to keep them.

In exchange, they might pay a penalty or offer information that would help police stop more vehicles entering SA.

Discussions on a possible amnesty are at an early stage. Following a meeting outside Johannesburg on Tuesday, a committee of representative manufacturers, dealers, police, Customs, the Department of Transport and others will consider the amnesty among several measures to stem the flood of illegal imports.

Used vehicles are not allowed into SA except under specific circumstances such as imports by immigrants or diplomats.

Even then, they require a special permit.

However, neighbouring countries do accept used vehicles and ship them in through SA ports. After being issued with temporary transit permits so they can be driven across the border to their destination, many disappear into the SA market with the aid of forged documents and corrupt officials.

In other cases, they do reach their country of destination but then slip back into SA through the more than 50 border posts.

Superintendent Brian van Niekerk of the recently created SA Border Police says there could be more than 20,000 illegal imports on SA roads.

Police have started to succeed in tracing and confiscating the vehicles. A single case recently involved 351 imported used minibuses, another investigation found 24 imported used cars on the floor of an SA manufacturer's own franchised car lot.

Control has been bedevilled by the lack of a central vehicle registry. When the former provinces and homelands operated their own systems, opportunity for abuse was rife.

Now that the new central National Traffic Information System (NaTIS) is becoming operational, officials hope the loopholes are closing. But what to do about the imported used vehicles already here? The illegal import network is so sophisticated that many vehicles are sold through reputable dealerships and customers have no idea they are buying "hot" goods.

In principle, says Van Niekerk, that is no defence. Police are entitled to destroy the vehicles and prosecute the owners. But that would often be counter-productive, particularly in the haulage industry, where seizure could put companies out of business and cost thousands of jobs.

Graham Boy, MD of Madison Freight Lines in Midrand, is one of those caught in the middle. He operates 20 trucks, all of which were bought used. Though he acknowledges he used "loopholes" to acquire one or two, he says the rest were bought through legitimate dealers.

He says he is willing to pay a penalty on each vehicle "but don't wreck the business and the livelihood of my workers".

SA vehicle manufacturers, who lose sales to the imports, say they are open to the idea of an amnesty, especially for truck buyers.

Private car buyers can't claim the same job protection argument. Nico Vermeulen, director of the National Association of Automobile Manufacturers, says the idea is worth discussing "as long as these people help us close the loopholes. But we can't let them walk away from an illegal act without some form of penalty."

David Furtaner

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Numsa halts motor sector talks

FRANK NKUMALO

Johannesburg — The National Union of Metalworkers of South Africa (Numsa) had declared a dispute with the South African Motor Industry Employers' Association (Samsea) after wage negotiations reached an impasse, Mbuyiselo Ngwenda, the union's general secretary, said yesterday.

The dispute is in the motor sector, and all other sectors have reached agreements. But Ngwenda said the union was mobilising all its members towards a national day of action on September 9 in support of the motor workers.

He said the impasse was caused by Samsea's insistence that "only wages should be the focus of negotiations" as apparently set out in the industry's main agreement. A main agreement is one reached in the industry bargaining chamber.

"This is strange and ridiculous," Ngwenda said. "Many agreements can be changed, and we have rejected this argument as just another delaying tactic. We demand that wage increases be on actuals and not on minimums."

As a result of the dispute, Samsea has suspended discussions and is seeking a labour court declaration on the interpretation of wage negotiations in the industry, as set out in the main agreement.

Hosea Morapedi, the union's motor sector co-ordinator, said Samsea had rejected Numsa's demands for an end to wage disparities between rural and urban areas. Lower-grade workers in a small town are paid differently from workers of the same grade in big cities.

He said Samsea was also resisting the transformation of the workplace and the general improvement of pay packets.

Numsa wants wage increases between 9.5 percent and 15 percent, depending on the worker's grade, regardless of whether the workplace is in a rural or urban region. At present, grade 1 urban workers earn R5.52 an hour and their rural counterparts R2.64. Grade 8 workers (artisans) earn R19,35 in all areas.

Victor Fourie, Samsea's executive director, said the dispute was not about the extent of the wage increase but about the basis of negotiations.

"The reason for the dispute is that in terms of the main agreement discussions should be on minimums and not actuals, which are the subject of shopfloor deliberations. We are seeking labour court interpretation on wage negotiations," Fourie said.
Car manufacturers fear new tax regime

By Maxwell Pinkisi

Car manufacturers are concerned that the new tax regime on company cars, which came into effect recently, could negatively affect the SA motor industry. Although the manufacturers remain confident that they will rise to the new challenges, they say they fear that the punitive tax component on fringe benefits could breed low demand or possibly retribution.

People could be encouraged to lease company cars to evade tax. In that the employer will have been deemed to have supplied goods and services to the recipient of the vehicle. Companies would therefore need to account for output VAT on fringe benefits such as cars. As such, employers could end up reducing their fleet requirements, thereby reducing demand especially in the passenger vehicle sector, said an insider.

Negative impact

However, despite the potentially negative impact of the new tax laws, if you look at the recent statistics on car sales, you’ll see that the future looks bright for the industry even in the face of the new legislation,” he said.

According to the Bureau for Economic Research at Stellenbosch University, car sales were performing poorly in the motor trade sector during the second quarter of this year. And in the third quarter, motor manufacturers expect a decline in order volumes. The SA Revenue Services (SARS) is also said to be looking to attack a host of fringe benefits, especially car allowances. The move could see a reduction in vehicle sales, volumes of company cars and individuals battle to party the effects of the decision.

The most common tax avoidance scheme used by many involves the recipient of company car sacrificing part of a basic salary for a car or travel allowance. An individual has the advantage of being taxed only at 40 percent of the allowance (35 percent before July 1, 1997).

A second car

Another scheme normally afforded to executives was to allow them to buy a second car, often for use by their wives, in the company’s name. And for this scheme to work the vehicle in question would have to be exchanged for a new one at least every three years.

Fringe benefits tax, including tax on car allowances, was doubled to four percent with effect from July 1 to curb “salary-sacrifice schemes” used to structure remuneration packages.
Numsa members in sympathy strike

Reneé Grawitzky

MEMBERS of the National Union of Metalworkers of SA (Numsa) in the engineering, tyre and vehicle manufacturing industries plan to strike on September 9 in sympathy with a dispute in the retail motor sector.

Numsa general secretary Mbuyi Ngwenda said yesterday that the union declared a dispute against the SA Motor Industry Employers' Association this week after it refused to negotiate wage increases based on actuals and not on the minimum rate.

The employers' association argued that the union had no basis to demand negotiation of increases based on actuals because the main agreement stipulated that increases would be based on the minimum rate. The association was seeking a Labour Court declaratory order on interpretation of the agreement.

Numsa said this was being used by employers merely as a delaying tactic.

The union's national executive committee had taken a political decision that the union could not allow wages in the motor sector to lag so far behind members' wages in other sectors. Ngwenda said that the sector could not sustain a fight on its own and therefore needed solidarity support from members in other sectors.

He stressed that whatever action was embarked on would be protected. In line with the Labour Relations Act, affected employers in other sectors would be notified seven days in advance of the action on September 9.

The union is demanding wage increases ranging from 15% for grade 1 where workers earn a minimum wage of R685.87 a month to 9.5% for grade 6 workers who earn in excess of R1761.44 a month. Rural workers earn far less.

The union said the employer offer ranged from 3.5% for grade 1 to 5.5% for other grades.
Motor industry pay talks stall

By Abdul Milazi

WAGE talks in the motor industry affecting more than 200 000 workers have come to a halt without substantial bargaining on pay or working conditions having taken place.

Any meaningful talks are unlikely until the Labour Court rules on an interpretation of the main agreement which defines the parameters for pay talks.

In the meantime, the National Union of Metalworkers of South Africa (Numsa) has declared a dispute and says it will mobilise its members for industrial action.

Numsa general secretary Mbuyi Ngwenda says "We will allow a 30-day period within which both negotiating teams would try to resolve the dispute, as required by the Labour Relations Act. If nothing comes of that we will plan industrial action."

The issue is whether the scope of the agreement allows employers and Numsa to negotiate increases based on what workers actually earn or only on the industry minimum. This is in contention because not all workers in the sector are paid the basic minimum. Many are paid above the agreed minimum and therefore risk being excluded from any wage adjustment if their current pay levels are above the new minimum.

The outcome of the judgment could have far-reaching implications for Numsa if the court upholds employers' interpretation which argues that bargaining at industry level can only set increases for minimums.

This could mean Numsa will then be forced to enter into talks at plant level to secure increases for workers earning above the industry minimum. And that in turn could mean separate negotiations at thousands of workplaces.

Numsa says employers have resorted to a court challenge simply to delay pay talks. Earlier delays were caused when employers and Numsa disagreed on whether the current round of talks should include non-wage issues or not. According to the South African Motor Industry Employers Association (Samaa), the two parties had agreed at the Motor Industry Bargaining Council in October last year that only wages would be discussed in the 1997 negotiations.

The area of disagreement was finally resolved when Numsa agreed to drop all non-wage demands. But talks remained bogged down in the absence of agreement on whether minimum or actual wages should be used to set increases.

Numsa is demanding wage increases of 15 percent and 9.5 percent for the lowest and highest paid workers respectively while employers are offering 8.5 and 3.5 percent.

Ngwenda said motor sector employers were the lowest paying in the metal industry.
Industry expects SA's paper use to increase

The production of South Africa's paper consumption has remained static at an average of 43kg per person a year over the past 10 years, but the industry expects to record steady growth in the next five years, industry sources said yesterday.

By international standards, South Africa is among the lowest paper-consuming countries but is far ahead of the total consumption of the African continent, which is less than 10kg per person a year.

South Africa's consumption in the past year has been boosted by the expansion of education, urbanisation and population growth.

Johan van Wyk, the public relations manager for paper producer Sappi, said increased levels of literacy and the advent of electronic technology had resulted in a renewed demand for paper products.

North America is the world leader in paper consumption at more than 300kg per person a year, followed by Europe and Australia at close to 200kg per person a year.

John Barton, a general manager at Mondi Paper, pins his hopes on the effective implementation of the growth, employment and redistribution (Ged) strategy.

He said the arrival of hi-tech electronic printing equipment had not had a serious effect on the circulation of publications.

The widespread use of computers had significantly increased the demand for office paper and had spurred a 3.7 percent real growth over the past 10 years, Barton said.

"This is expected to continue, driven by the technological developments of the information era"
Toyota to increase export volumes

Nicola Jenvey

DURBAN — Industrial motor holdings group Toyota SA planned to increase export volumes to nearly 20 000 units a year or by 15% of total volume turnover by 2000, financial director Pieter Robinson said yesterday.

Last year the group exported 2 500 built-up units, predominantly into Africa, and this would have grown to about 3 700 in the current year.

Robinson said the SA group had received significant support from Toyota Motor Corporation in Japan, specifically with the technological input involved in the left-hand drive vehicles for the west African market.

Toyota lifted attributable income 15.8% to R67.9m in the six months to June after improved internal conditions, executive chairman Bert Wessels said yesterday.

Earnings a share rose to 187c from 144.3c and an unchanged 24c interim dividend was declared.

Significant growth in entry level motor vehicles boosted turnover 10% to R3.1bn, but Wessels said the 4.8% decrease to R137.8m in operating income before interest and taxation highlighted motor vehicle sales’s dependence on lower margin units. Toyota group local retail sales totalled 48 080 units from 42 147 in the comparative period.

Wessels said the entry level market made up 26% of the total passenger vehicle market, with Toyota clawing 29%. The group’s share of the total local vehicle market was 25.9% (22.1%), and its share of the vehicle export market increased to 26.8% (22.2%).

Wessels said labour relations had been stable and constructive during the period under review. Annual wage adjustments were implemented according to the formulae contained in the three-year agreement signed in 1995.

Looking to the remaining period, Wessels said the total local retail market for this year reported by the National Association of Automobile Manufacturers of SA was forecast at 373 000 units (393 511) and Toyota expected to achieve a 25.9% market share.

"However, the company expects profitability to be below 1996 due mainly to the reduction in total market, severe competition, cost pressures and the continuing buying down tendency in the market," he said.
T&N's results mirror industry turbulence

(SHIRLEY JONES)

Durham—Mirroring the turbulence in the motor industry, T&N Holdings, the automotive group, yesterday announced a 25.5 percent drop in headline earnings a share from 50.4c to 47.6c for the six months to June 30.

This was accompanied by a 23.1 percent drop in attributable income to R9.3 million (R12.1 million), a fall in operating profit to R25.7 million (R28.2 million) and a slump in pretax profit to R11.8 million (R16.9 million).

Despite a disappointing performance, Ted Waldburger, the chief executive, and Chris Good, the financial director, remain optimistic. They agreed the group was on a better financial footing compared with the year-earlier period when earnings a share dipped 19 percent and pretax profit fell by 22 percent.

The group declared a 13c a share interim dividend as opposed to last year’s 17c, coupled with a capitalisation award.

Waldburger and Good were confident T&N’s downward slide would begin to level out by year-end as exports continued to strengthen and the gap between offshore sales and sales into the original equipment market narrowed or completely closed.

Exports grew 28 percent to R99.6 million, accounting for 28 percent of turnover. Original equipment sales make up 28 percent of total turnover.

This movement was in line with the group’s baseline strategy of replacing original equipment sales with offshore sales and, together with a possible interest rate cut, could contribute towards an expected increase in earnings during the second half of the year, Waldburger said.

Unpacking trends that saw turnover inch up a marginal 7 percent to R463.9 million on the R429.3 million recorded during the first half of the past financial year, Waldburger said the drop in original equipment sales was a fact of life and T&N was comfortable with a 20 percent slice of this market.

He said the decline was largely because the motor industry development programme favoured local vehicle assembly from imported parts.

Price and margin pressures were caused by global competition and original equipment procurement policies, the proliferation of model types and the trend towards smaller vehicles “Entry levels are where the sales are and where the pressures on margins come,” he said.

T&N planned to maintain a profitable presence in this market, largely because the company stood to benefit from an original equipment pedigree which, in turn, offered credibility within lucrative export markets.

At this point, the company had kick-started crucial export contracts (the friction division’s Ford and Mercedes-Benz contracts, and the production of valves for Ford), Good said.

The gestation period for export contracts was at least three years, and there were about six moving into place and a further five or six in the developmental phase, he said.

Marginal increases in after-market sales to R186.3 million from R190.8 million were of greater concern, but were probably a short-term worry that would continue for about 24 months, Good said.
Nissan's Rosslyn line back on stream

Production resumed at Nissan South Africa's B560 light commercial vehicle line in Rosslyn yesterday and was expected to resume at its Uno line shortly.

Johan Kleinmanns, the director of group affairs and communication for Nissan SA, said yesterday. Production at the two lines was suspended at the beginning of July. This led to a march on Tuesday by thousands of National Union of Metalworkers members on Nissan's head office in Sandton to protest the short time arrangements and layoffs by the company.

Kleinmanns said Nissan's workforce had returned to work yesterday. He stressed Nissan had not stopped producing these two models but had merely suspended production on the two lines. "These two models will continue to be available on the South African market for several years to come." He said the suspension of production on the lines was to achieve "an adjustment of inventory, which is nothing unique in the motor industry." — Roy Cokonye, Pretoria
Trucking industry to slim down by 2002

Johannesburg — Market forces would squeeze out more than 20 of the 27 truck manufacturers by 2002 as the local trucking industry was oversupplied, according to an industry survey released yesterday.

Malcolm Perse, the managing director of the Marketing Shop, which released the annual survey, said sales of smaller, cheaper and less sophisticated vehicles would take the biggest slice of the market to meet the country’s emerging needs.

Even the survivors would be impelled to forge international alliances for technology and other component requirements, he said.

The Marketing Shop survey has forecast a moderate change in demand of trucks over the next five years, with sales reaching 22 400 units by 2002, compared with the 17 850 units expected to be sold this year.

The biggest single growth sector would be between vehicles weighing between 3 500kg and 7 500kg, where the market share would increase from the present 46.3 percent to 53 percent in 2002, the survey showed.

The market would then be shared between six existing manufacturers: Mercedes-Benz, Nissan, Toyota, Ivecos, AMC and one new entrant, which the Marketing Shop could not identify.

The market shift would also affect the dealership structure, as more truck operators would negotiate deals directly with manufacturers.

"Suppliers will supplant dealers and have much more contact with the end-user, and the dealer role will be reduced to parts supply, service and repairs and the guarantee commitments," Perse said.

A separate survey on the R1.1 billion vehicle parts industry warned of a proliferation of bootleg suppliers who would lower service standards.
The reason the growth of the entry-level car market, which now accounts for more than one in four new cars sold in SA, is going faster than expected, import costs have also outpaced predictions.

On the positive side, last October's 27.8% investment in the SA company by Toyota Motor Co (TMC) of Japan is already bearing fruit. The Japanese are taking a particular interest in manufacturing and logistical operations, and Wessels expects their input to speed up the pace of cost-cutting and efficiency still further.

Once that happens, he says, TMC will give greater thought to offering Toyota SA new export opportunities, both for built-up vehicles and components. Though vehicle exports to Africa are growing, total volumes as a percentage of overall production remain limited.

Wessels adds that, for the first time, TMC is this year helping Toyota develop a business plan. This will allow the SA company to plan its future in conjunction with its principal's.

"This is overdue. We sometimes felt a bit lonely when we had to make unilateral decisions." Despite market difficulties, the interim suggests the company is adapting well to changed industry circumstances — particularly bearing in mind that several competitors are operating deep in the red. Operating income was helped, it must be said, by a 61% drop in interest charges, from R4.8m to R1.7m.

Finance director Pieter Robinson attributes this to lower funding requirements, stock and receivables were down, and the company struck a preferential deal on funding capital expenditure for the new Corolla. On the other hand, a R100m windfall last year as a result of the industry switching from the Phase Six local content programme to the motor industry development programme, was not repeated.
Manufacturers at odds over incentive

Edward West

VEHICLE manufacturers and components manufacturers are set to clash over whether the small vehicle incentive (SVI), designed to lower the price of small cars, should be increased to alleviate the effect of rising costs.

The SVI grants motor manufacturers progressively higher import duty rebates under a complicated formula, based on a wholesale price below R40 000 a vehicle. The R40 000 limit has not changed for nearly two years, but manufacturers feel that because of rising costs the wholesale price of entry level vehicles could rise above R40 000. This would result in a loss of the SVI and a substantial increase in the price of small cars.

The National Association of Automobile Component and Allied Manufacturers (Nascam) said the SVI was intended to be temporary measure, and was meant to benefit assemblers by between 2%-2.5% of the net wholesale value of the vehicle. Last year, the benefit had ranged between 2.4% and 2.8%, higher than what was intended.

Nascam director Clive Williams said the SVI had led to greater vehicle proliferation, lower prices at the expense of dealer and motor component manufacturers' margins and to increased vehicle and component imports. Some manufacturers were even earning duty credits on SVI, which was being used to import other vehicles.

"Government no longer listens to individual lobbying. The motor industry will have to speak in one voice on this, and our view is that SVI should at the very least, be allowed to phase out because of inflation," he said.

The National Association of Vehicle Manufacturers of South Africa said SVI should have been reviewed periodically, but this had not happened. "Ideally SVI should be reviewed every six months or every year to take into account inflationary costs and exchange rate pressures," a spokesman said.

Vehicle models benefiting from the SVI were Toyota SA's entry level vehicle the Tazz, Samcor's Midge and Tracer models, Nissan's Unos and Volkswagen SA's Citi Golf.

A Volkswagen SA (VW) spokesman said manufacturers were calling for an increase in the SVI at least in line with the inflation rate. He said the price of VW's Citi Golf Chico had increased by nearly R5 000 when compared with three years ago, when it was R34 400.
Employers take Numsa to court over strike

By Abdul Milazi

THE South African Motor Industry Employers Association (Samea) has taken the National Union of Metal-workers of South Africa (Numsa) to court over its planned strike on September 9.

This is the second legal action against Numsa by employers last month. Samea made an application to the Labour Court to interpret the motor industry’s main agreement.

The application was a result of Numsa’s insistence that wage increases should be based on what workers earned, instead of on the industry’s minimum wage.

Numsa spokesman Dumisa Ntuli said the planned strike was aimed at mobilising support for the industry’s workers after wage talks failed early this month without any substantial bargaining on pay or working conditions having taken place.

He said Numsa was planning to mobilise its 200,000 members in all three sectors of the metal industry for the strike to have an impact on employers.

At issue was whether the scope of the agreement allowed employers and Numsa to negotiate increases based on what workers actually earned or only on the industry minimums.

This is in contention because not all workers in the sector are paid the basic minimum wage. Many are paid above the agreed minimum and therefore risk being excluded from any wage adjustment if their current pay levels are higher.

Ntuli said Numsa would know on Friday whether its action would be legal when the Labour Court makes its findings public.
Tiger Wheels plans new plant

Edward West
BD 27 3/97

TIGER Wheels, which stayed on track in the year to June with a 50% increase in attributable income to R32.5m, is considering a R200m investment in a new plant to export wheels to vehicle manufacturers overseas.

CE Eddie Keizan said the aim of the new manufacturing plant was to place the group in the lower quartile of world manufacturing wheel plants in terms of costs.

The plant would have an ultimate capacity of 2.4-million wheels a year.

The final go-ahead, size and scale of the investment would depend on the outcome of an application made in terms of government’s recently announced tax holiday scheme, and co-operation from labour, he said.

Keizan said orders had continued to exceed existing output capacity and long-term original equipment contracts were being negotiated for the new plant.

Tiger Wheels acquired the business of YTS Tyre Sales, the main distributor of truck, bus and earthmoving Yokohama tyres, in SA, during the year.

The first Tiger Wheel & Tyre retail store was opened in London. Losses were less than budgeted.
Tiger Wheels takes sector's chequered flag

SHIRLEY JONES

Durban — Tiger Wheels, the alloy wheel and tyre group, took the chequered flag in the belea-
guered tyre sector with a 59 per-
cent increase in attributable earnings to R32,472 million for
the year to June 30.

Based on forecasts that growth would be sustained dur-
ing the present financial year, Eddie Kezan, the chief execu-
tive, also announced plans to in-
vest in a R200 million wheel manu-
facturing plant at Babalgeti in
the Northern Province.

Headline earnings a share
were up 36 percent from 52c to
70.7c. The dividend increased
33 percent to 28c a share.

Tiger Wheels lifted operating
income 23 percent to R327.5 mil-
lion off a turnover increase of
19 percent to R428.5 million.

Pretax income was up
48 percent to R40.5 million while
income after taxation increased
53 percent to R31.8 million. This
reflected a lower tax rate due to
tax-free decentralisation bene-
fits, use of assessed losses and
some group profits having been
earned in lower tax regimes, ac-
cording to Kezan.

Kezan said both the retailing
and manufacturing divisions had
performed satisfactorily in tough
markets, a scenario he expected
to continue during the present
financial year.

He said labour problems had
continued to affect productivity
at the Elandsfontein wheel plant.
Imports also expected to rise from 34,600 to 80,000 by turn of the century, says Naamsa

Export of fully built cars set to skyrocket

ROY COKAYNE

 Pretoria — Completely built-up (CBU) car exports would rise 17.7 percent, or 66,577 units, to 70,000 by the year 2000 from 3,743 units last year, Nico Vermeulen, the executive director of the National Association of Automobile Manufacturers (Naamsa), said yesterday.

But CBU car imports were also expected to rise, from 34,600 units last year to 80,000 by the turn of the century, a growth of 141 percent or 45,400 units.

Vermeulen said in Naamsa's latest quarterly review of the motor vehicle manufacturing industry

The review covers the seven key original-equipment manufacturers and a further seven specialist commercial vehicle manufacturers.

Vermeulen said industry sales projections saw the total local vehicle market growing to 826,000 units by 2000 from the 273,394 units last year, a rise of 22.5 percent or 61,616 units.

Sales of domestically produced cars were expected to rise to 355,000 by 2000 from the 242,827 units sold last year.

He said employment in the motor industry had fallen by 1.3 percent between the first and second quarters of this year. The number of people employed by the industry dropped by 489 to 37,031 at the end of June.

Figures provided by Vermeulen showed that production capacity utilised in the second quarter for cars ranged between 58 and 100 percent, between 28.1 and 100 percent for light commercial vehicles, between 25 and 57 percent for medium commercials, and between 79 and 84.7 percent for heavy commercials.

This meant production capacity utilised for cars in the second quarter averaged 79.3 percent compared with 82.1 percent in the first quarter of this year, while averaging 74.3 percent for light commercials compared to 70.9 percent in the first quarter. The utilisation of production capacity was a reflection of sales conditions.

Vermeulen said second-quarter passenger car sales totalled 58,780 units, which represented a decline of 4,315 units or 6.9 percent compared to the 63,095 new cars sold during the corresponding quarter of last year.

Combined commercial vehicle sales during the second quarter of this year, at 33,147 units, represented a decline of 1,366 units, or 3.9 percent, compared with the 35,513 units sold during the corresponding quarter last year.

"Sales in all sectors with the exception of the medium commercial segment registered declines during the second quarter of 1997 compared with the corresponding quarter a year ago. Most sectors, however, managed to record an improvement on 1997 first quarter sales.

"Trading conditions in the new vehicle market for the second half of 1997 are expected to remain difficult as a result of continued pressure on consumers' disposable incomes, a modest slowdown in economic activity levels and particularly as a consequence of the prevailing exceptionally high interest rates.

"The increasingly challenging conditions in the domestic market will, however, be counterbalanced by the industry's growing export business which continues in a strong expansionary phase," Vermeulen said.
Numsa scores double victory

Labour Court rules in its favour by dismissing applications by bosses

By Abdul Milazi

The National Union of Metalworkers (Numsa) scored a double victory for motor industry workers when the Labour Court ruled in its favour on two applications brought against it by employers.

The South African Motor Industry Employers Association (Samtea) were opposing Numsa’s demand that wage increases should be based on what workers actually earned instead of on the industry minimum.

Their application requested the Labour Court to interpret the industry’s main agreement, claiming that Numsa’s demand was in contravention of the agreement.

Another application for an interdict to stop Numsa’s planned one-day strike on September 9 was also rejected.

The planned strike follows a dispute between Numsa and Samtea after wage negotiations ground to a halt three weeks ago without any substantial bargaining on pay or working conditions having taken place.

Not all workers in the sector are paid the basic minimum. Many are paid above the agreed minimum and therefore risk being excluded from any wage adjustment if their current pay levels are above the new minimum.

The Labour Court ruled that “nothing in the main agreement precludes Numsa from making demands related to increases on actual as opposed to minimum wages.”

It further ruled that “the dispute that Numsa (Numsa) has declared can be followed by a strike which will be protected. The counter application for an interdict is accordingly dismissed.”

For Numsa, this win means the end of negotiating at plant level to secure increases for workers earning above the industry minimum, and conducting separate negotiations at thousands of workplaces.

Numsa spokesman Dumisa Ntuli said the reason the union wanted wage increases to be on what workers earned was to ensure that workers who earned above the minimum were not discriminated against.

“For years now employers have been only increasing minimums. This means that once a worker earns above the minimum wage, he no longer benefits from wage negotiations. We want to change that,” said Ntuli.

Samtea is to appeal against the decision.
Motor industry programme backfires

ROY COKAYNE

Pretoria — The stresses brought on by the Motor Industry Development Programme (MIDP), a government effort to improve the competitiveness of the industry were having the greatest impact in the upper end of the car market, where models retailed for more than R100 000, Standard Bank said in a report released last week.

It said in its latest report on the motor industry that the upper end of the car market had been shrinking because of higher tax rates on company cars and travel allowances, and the financial stress that South African consumers were experiencing.

"Despite the segment garnering fewer sales, the number of models available has ballooned," the report said. "Many of the new entrants sell in small volumes. But the new entrants now accounted for a greater proportion of all cars sold in the shrinking upper end market."

In January 1996, Mercedes-Benz, BMW, Audi and Toyota's Camry, the mainstays of the upper end market, accounted for 87.2 percent of all upper end cars sold. In June 1997, the mainstays accounted for 77.2 percent of upper end car sales. Unsurprisingly, both Mercedes-Benz and BMW were experiencing falling sales, the bank said.

The wider variety of models available in the small and medium car segments was at odds with MIDP objectives.

The bank said the MIDP had envisioned the industry becoming less complex, enabling longer production runs which would lead to economies of scale being captured. "Instead more models are available, either locally produced or imported. Production runs are shortening and efficiency gains are not being made."

The bank warned that the proliferation of models had not peaked, as indicated by Venture Motor Holdings' intention to import General Motors vehicles such as Cadillacs and Daewoo's intention to launch two new models later this year and a third model next year. "The motor manufacturers can thus expect to fight over ever smaller slices of a market which is expected to decrease in the near future," it said.

Standard Bank said small cars accounted for 44.5 percent of the surprisingly robust car sales of 21 994 units in July this year, which pointed to a possible acceleration of the downmarket shift.

The resilience of car sales could also be attributed to motor manufacturers reducing the cost of car ownership, the bank said, but it believed that as margins became razor-thin, they would be less able to offer price reductions and other forms of incentives.

"BMW, for example, has reduced the maintenance plan offered on its cars from 100 000km to 40 000km. The increasing inability of motor manufacturers to offer sweeteners, combined with customers' increasingly stressed financial situation, will weaken sales in the coming months."
Motor workshop focuses on SA

ROY COXLEY

Pretoria — South Africa's motor industry will be in the spotlight at the National Automotive Manufacturing Technology workshop, which is strongly supported by the South African and German governments and key industry players, it was announced yesterday.

The workshop was organised by the Council for Scientific and Industrial Research (CSIR) in collaboration with the Fraunhofer Gesellschaft and the Fraunhofer Management Gesellschaft.

It will involve active participation by local and international research and technology providers, motor component manufacturers, local and international motor manufacturers and subsidiaries, primary material providers, labour, universities and technikons and the government.

A CSIR spokesman said that the intention was that technology providers, such as the CSIR and Fraunhofer Gesellschaft, partner industry by adding value through sourcing, adapting and introducing trends and mutually beneficial technologies and products.

The spokesman also said the project was identified by the Bi-national commission as one that could stimulate technology exchange between the two countries.

The commission is a forum created as a result of the statement of intent signed in November last year between the German and South African governments.

The workshop will take place in Johannesburg on September 22 and 23 this year.

It will help in understanding the future trends and technology requirements of the motor industry, a potential key area of focus in the manufacturing sector, which is included in the department of arts, science and technology's national research and technology foresight project.

This project was initiated to help identify areas of research, science and technology that were likely to yield economic and social benefits for South Africa in the long term.

"The outputs from the workshop will also contribute to the automotive industry cluster initiative and, more specifically, the pre-cluster process which will bring relevant constituents to the table, share data and elicit dialogue," the spokesman said.
**MOTOR INDUSTRY** New managing director wants a fair share

**Samcor vows to stay aggressive**

**ROY COKAYNE**

Pretoria — Samcor, the motor manufacturer, would continue to be aggressive in the vehicle market, said Lewis Booth, the new managing director.

Jim Miller, the previous managing director, has been promoted to the newly created position of executive vice-president of Mazda Motor Corporation, based in Hiroshima. Under his leadership, Samcor adopted an aggressive pricing strategy that helped it substantially increase its market share.

Booth was previously the programme operations manager for vehicle operations for Ford in the US. He said it was his aim to earn a fair share of the market for the Ford, Mazda and Mitsubishi vehicles Samcor marketed.

But Booth said price was only one part of the mixture. Samcor also needed to have good products and high quality. “Samcor will stay competitive in a very competitive market. There are a lot of manufacturers with open capacity and I can see pressure on the market increasing.”

“Samcor is here to make a profit for its shareholders, but the difficulty is getting a balance between staying competitive and making money.”

Booth said he would like to move the company into a position where it was able to compete effectively in the long term.

“I would like to help get Samcor into a position where its future is secure as the market gets more and more open, which is a significant challenge for the entire motor industry.”

He was cautious about predicting industry casualties. There was excess capacity throughout the world and motor companies would try to use this capacity wherever there were opportunities.

Booth said the challenge for South African motor manufacturers was to maintain quality and efficiency. He said Samcor would also be moving towards greater differentiation between its Ford and Mazda car brands, and a slightly different balance between completely built up imports and locally manufactured vehicles.

But Booth said Samcor would satisfy some niches with imports. For instance, it would import Jaguars “as long as we sell them” as it would never secure sufficient volume to warrant making them locally.

He said Samcor had to find the “natural break point between what makes sense to manufacture locally and to import.” But he said Samcor wanted “to maintain employment and had a valuable production facility it wanted to use.”

Booth said the government’s motor industry development programme gave the industry “breathing space” to become competitive. But the industry had to work at becoming competitive.

“He said exports out of South Africa would take time to develop but Samcor was looking for export opportunities.

The biggest export contract clinched by the group so far was the order won by its Port Elizabeth engine plant in December 1985 from the Ford Motor Company to supply Ford Escort 1.4 LITE engines worldwide.

Booth said Samcor was continuing to ship very large volumes of the engines to Europe and it had received good reports on the quality.

He stressed the contract was a way for the company to showcase its capabilities for new export opportunities. “The contract has a finite life and Samcor has to demonstrate its abilities to ensure a follow-on programme,” he said.
Board will not probe claims of collusion

We really need to get to the bottom of this. We've had a lot of evidence presented to us, but we need to make sure that we have enough information to proceed. The enforcement of the antitrust laws is critical to maintaining a competitive market. If we don't take action, we risk the health of our economy.

In 1985, we did investigate a similar case involving price fixing. It turned out that the defendants were able to rig the market to the disadvantage of consumers. This is unacceptable.

We need to be more aggressive in our enforcement efforts. We can't afford to let these cartels get away with it.

Reference: Board of Trade vs. Tobacco Manufacturers.
Nissan jets in Japanese to boost performance

Automakers undergoes reconditioning in bid to claw back falling market share

Nissan Motor (NML) of Japan has begun its transformation of Automakers, the delisted holding company of Nissan SA. NML, which bought 50% of Automakers for R567m earlier this year, has installed more than 30 Japanese executives and senior managers at the SA company.

The parent company has appointed two senior Japanese deputies — Yoshio Tanaka as deputy CEO to long-time CEO John Newbury and Sadao Sekiyama as deputy to Charles Waggill, former MD of Nissan SA and now MD of the assembly operation, Nissan Manufacturing.

Other senior management functions now run by Japanese include quality assurance and facilities engineering.

Newbury says it is “significant that the appointments are all in line functions which will allow them to play a direct role in the development of Nissan SA.”

It has been clear for some time that NML had to do something drastic at Automakers. In addition to the failed listing earlier this year and substantial financial losses last year, the company has been beset by falling market share, production shutdowns and lay-offs. Morale has also slumped, not least among dealers.

The head of one of Nissan’s biggest dealerships expresses their feelings: “We have been devastated by what has gone on at the company. Some of us have gone out of business, others have had a difficult time financially. We recognise the Japanese have come in to make Nissan a success.”

In the market generally, there is a view that NML will make a significant difference. Evidence of this has emerged with the launch of a new Nissan Sentra/Sabre range. The company hopes its vehicle sales will start to regain lost ground, following in the footsteps of a new corporate image campaign — “Life’s a journey, enjoy the ride.”

“There has been an urgent need to reposition ourselves, to change the way people view the brand,” says new Nissan Marketing MD Clive Jandrell.

Nissan’s share of the market has halved in two years from about 20% to 9.6%. The aim is to return market share for total vehicles to about 15%.

Other new products are expected to help the drive. Jandrell, formerly CEO of Powertech and Fintech in the Altron group and...
Exports of SA-made vehicles surge 72% in first seven months

Exports of South African-produced vehicles, in contrast to the weakness in the domestic market, continued a strong upward trend in the first seven months of this year, said Nico Vermeulen, the executive director of the National Association of Automobile Manufacturers of South Africa. Yesterday Vermeulen said locally made vehicle exports between January and July rose by 72 percent, or 3,641 units, to 8,629 units from 5,488 units in the same period last year. Passenger vehicle exports rose 120 percent, or 1,962 units, to 3,484 units from 1,522 units last year. Light commercial vehicle exports rose by 47 percent, or 1,463 units, to 4,664 units from 3,171 units last year, while medium and heavy truck units exported this year rose by almost 50 percent, or 185 units, to 561 units from 575 units exported last year. — Roy Cokayne, Pretoria
Motor industry loses appeal against Numsa

By Abdul Milazi

Motor industry employers lost yet again yesterday to the National Union of Metalworkers of South Africa (Numsa) when their appeal against a Labour Court decision in favour of the union was thrown out by the Appeal Court.

The Labour Court had ruled that Numsa was acting within the industry's main agreement when it demanded that wage increases should be based on what workers actually earned instead of on the industry minimums.

The Appeal Court referred the matter to the Commission for Conciliation, Mediation and Arbitration, on the basis that it had no jurisdiction over disagreements on the interpretation of industry agreements.

The Labour Court had made the same observation when the South African Motor Industry Employers Association (SAMIEA) had made the application requesting it to interpret the industry's main agreement, claiming that Numsa's demand was in contravention of the agreement.

Numsa motor industry chief negotiator Hovea Morapedi said the court said it could only handle the case with the consent of both parties. "We consented because we wanted the matter to be resolved quickly," said Morapedi.

The major debate was whether wage increases should be on what workers actually earn, as demanded by Numsa, or on the industry minimums, as invested by the SAMIEA.

The Labour Court ruled that "nothing in the main agreement preclude Numsa from making demands related to increases on actual as opposed to minimum wages."

The court further ruled against the SAMIEA's application for an interdict to stop Numsa's planned day of action today. It ruled that "the dispute that it (Numsa) has declared can be followed by a strike which will be protected."

The planned strike follows a dispute between Numsa and the SAMIEA after wage negotiations ground to a halt three weeks ago without any substantial bargaining on pay or working conditions having taken place.

Not all workers in the sector are paid the basic minimum. Many are paid above the agreed minimum and therefore risk being excluded from any wage adjustments if their current pay levels are above the new minimum.
Two car firms reach settlement with govt

Stephané Bothma

PRETORIA — Two vehicle manufacturers had reached a multimillionrand settlement with the trade and industry department over an alleged motor export incentive scam, in what was believed to be one of the biggest payments of its kind, an industry source said yesterday.

Secrecy surrounds the out-of-court settlement reached last week with the department by Nissan SA and Toyota SA while discussions with Delta, Samcor and Associated Automotive Distributors continue.

Although strict confidentiality was a settlement condition, the source said the amounts to be paid by the two companies were the biggest paid by private companies to a government department to settle a legal battle.

The claims against the five manufacturers, totalling about R120m, relate to alleged fraudulent practices by a component manufacturer which sold export credits to the manufacturers, which in turn used them to claim export rebates under the new defunct phase VI local content programme.

At the height of the alleged scam, SA started exporting nuts and bolts worth about R600m to Europe.

Court documents which formed part of the department's R30,1m claim against Nissan showed that the state had paid Nissan SA the amount after excess rebate payments based on export incentive cessions by Bolt Trading and Manufacturing and by Johan de Rooy of Non-Ferrous Refiners. The department claimed the money back on the basis of "unjustified enrichment" or alternatively "misrepresentation".

Civil action against the other four companies were also being prepared, with R57m being claimed from Toyota and R37m from Delta.

When details of the alleged scam became public, the companies denied any wrongdoing or export fraud, claiming they were innocent parties.

The trade and industry department would not comment on the matter yesterday, claiming it was sub judice. A statement would be issued this week.
Delta to contest govt's R37m rebate claim

Lucia Mutikani

DELTA Motor Corporation has ruled out an out-of-court settlement with the trade and industry department and plans to contest the R36.7m rebate claim by the department.

"No court date has been set since the summons received more than four years ago regarding the alleged claiming of rebates to the value of R36.7m," said corporate communications manager Ed Emmett.

"As with the other manufacturers, apart from this week's reported out-of-court settlement by Nissan and Toyota, we are contesting the claim by the department," he said.

Last week Toyota and Nissan reached a multimillion-rand settlement with trade and industry over the alleged abuse of the Phase VI local content programme export incentive. The settlement value remained a secret yesterday, with the parties involved saying the matter was sub judice.
SA NEWS DIGEST

VEHICLES

State's inability to halt illegal imports may threaten investor confidence

Investment opportunities in the South African motor industry could be threatened by the government's inability to stem illegal imports of used vehicles and components such as tyres, Errol Richardson, the executive director of McCarthy Motor, warned at Friday's Conference on International Competition and Promoting Tourism in KwaZulu Natal. He said this posed a serious problem as it would undermine the domestic manufacturing base and destroy investor confidence in this country as part of multinationals' global strategies. Richardson said although the motor industry development programme was by no means perfect, it formed a good set of rules for both the motor and component manufacturing industries. "The very nature of radical restructuring means new winners and new losers," he said the programme's outward focus forced companies to think globally — Shirley Jones, Durban
Motor industry confidence picks up

Lucia Mutikani

BUSINESS confidence in the motor industry gauged 0.08 points last month to push the business index to 100.03, propelled by optimism from the industry's refurbishing and rebuilding sectors.

The Motor Industries Federation said its latest Business Mood Indicator showed retail motor traders were starting to feel less pessimistic about general business conditions.

The federation measures the business mood in its 11 constituent associations at the end of February, May, August and November every year.

While eight of the 11 sectors of the industry remained pessimistic, tyre retreaders, component remanufacturers and diesel pump room operators were optimistic about business prospects.

The quarterly study showed that motor traders expected unemployment to continue to rise over the next six months.

About 40% of respondents said they had made capital investments in their businesses in the past half year.
New plan for illegal

car imports

Johannesburg — The confiscation and scrapping of illegal vehicle imports was being considered by an action committee headed by the National Automobile Dealers' Association (Nada), the director of Nada said yesterday.

Gary McCraw said the proposed measure was part of the fight against illegal used vehicle imports into South Africa. He added that some form of amnesty was also being considered for owners of illegally imported vehicles who had unwittingly acquired them.

He said these were the two major recommendations being considered by a subcommittee.

McCraw said he was compiling a document to be put through to the action committee for finalisation before it was sent on to the government for its input, probably early next month.

It has been estimated that between 27,000 and 37,000 cars, bakkies, luxury vehicles and luxury models and 6,000 and 10,000 trucks are imported illegally into South Africa each year, resulting in lost customs and excise duties, VAT and motor industry revenue.

McCraw said there were mixed feelings about both the confiscation and amnesty plan. He said some banks were unwittingly involved in funding illegal vehicle imports, while some consumers had unknowingly bought them. Both would suffer loss if these vehicles were confiscated and scrapped, he said.

However, McCraw said the committee was not in favour of middlemen and "rogues-who-knew-they-were-acting-illegally" being granted amnesty.

He added that the committee also had to determine whether the four government departments involved in any amnesty — trade and industry, SA Revenue Services, including customs and excise and finance, the department of transport and department of justice — had the mechanisms to manage it.

The formation of the action committee follows a special summit meeting convened by Nada in early August and attended by representatives of various organisations which are determined to curb the influx of illegal vehicles into South Africa.

McCraw said a possible solution to the problem was the Nation Traffic Information System (NaTIS), which was scheduled to be operational from December 1 this year. This system would require manufacturers and importers to register vehicles and their engine and chassis numbers so that only the owner's name, and not critical information, could be changed when a vehicle was sold.

He said the current system was "totally open" to fraud.
Pretoria - South African automotive exports could show a threefold increase by 2004, says president of the Engineering Association Roy Marcus.

"There is no reason why we cannot become a winning nation in this area," he said at a workshop on automotive manufacturing in Johannesburg yesterday.

Mr Marcus described South Africa as one of the most innovative nations in the world.

"We already export a large number of cars and automotive parts, and there is no reason why those exports cannot double, or quadruple, by the year 2004," he said.

Neville Comins of the Council for Scientific and Industrial Research's materials, science and technology division in Pretoria said the industry was a global one.

It was one in which all major players intended becoming involved, he added.

"South Africa is looking to strengthen the local industry to become a genuine international player," he said. - Sapa
Production price of transport industry parts surges 25.3%\(^{1992}\)

Johannesburg — The production price of transport industry parts and accessories for South African consumption, which includes domestically produced and imported products but excludes exports, rose a massive 25.3 percent in the 11 months between July last year and June this year, according to the Central Statistical Service (CSS).

By comparison, the CSS said the increase in the local production price of these parts and accessories in the same period was only 2.6 percent.

The CSS attributed the increase to a substantial rise in prices of parts and accessories, but was unable to say whether it related to new vehicle model introductions or involved imports by original equipment manufacturers (OEMs) or other importers.

Tony Twane, a motor industry analyst and economist with Econometrix, described the differences between the two figures as “wild” and the 11-month comparison, instead of 12 months, as “weird.” — Roy Cokayne
MAN to become world bus chassis supplier

The troubled bus industry has been given a fillip with the announcement that MAN Truck & Bus SA will become the world supplier of front-engined bus chassis, after an investment of about R15-million by its German parent.

The investment will allow MAN Truck & Bus SA to double production at its Pinetown, KwaZulu-Natal, plant from the current 200 a year and result in increased employment at the factory and in the bus body industry. Apart from exports to the rest of Africa, countries in the Middle East and South America will also be supplied with vehicles.

Dorbyle, which recently closed its bus body plant in Port Elizabeth, also said this week it was negotiating an agreement with the giant Tata bus company in India, offering its special technology in body building and its chassis design through its interest in ERF.

Successful negotiations could also result in a joint venture to manufacture buses for the SA market.

MAN Truck MD Ferdi Rocha says the German decision to commit further investments to SA favours not only the local company, but enhances the country as a recognised industrial producer meeting international standards.

The front-engined bus is particularly suitable for rural conditions which require a relatively high chassis.

In the past, MAN has supplied the rest of Africa with left- and right-hand drive buses produced at its Salzgitter factory in Germany. "This type of vehicle will continue to be in demand throughout Africa for the foreseeable future, but MAN has also identified regions outside Africa, for example the Middle East and central America, which have similar requirements."

This could earn considerable foreign exchange, with buses costing up to R550 000. The agreement could involve MAN Truck producing trucks for low-volume niche markets overseas.

While these developments are encouraging for the heavy truck and bus industries, a recent report compiled by The Marketing Shop suggests that "only a handful" of the 27 manufacturers and distributors currently in operation will still be in existence in 2002 when import duties bottom out in terms of the Motor Industry Development Programme.

MD Malcolm Perrie says only those with an international base and profile will be able to survive. He predicts the disappearance of many of the marques currently seen on SA roads.

Perrie believes the commercial market will show only moderate growth over the next five years, rising to 22 400 by 2002 compared with the expected 17 300 this year.

Transport Minister Mac Maharaj will officially open the Transport Expo on Tuesday. The exhibition, organised by Specialised Exhibitions, has 163 participants representing all the major manufacturers and suppliers. Commercial deals worth an estimated R30-million are expected to be concluded, with about 10 000 guests forecast.
Nissan parent puts SA group on road to recovery

Nissan Japan will invest about R1-billion to help the troubled car manufacturer, writes DON ROBERTSON

To assist with the product launches, a number of senior appointments from Japan have been made.

These include Toshiro Tanaka as deputy CE of Automakers, Sadao Sekiyama as deputy managing director of Nissan Manufacturing and Tsuneo Nakagawa as general manager of quality assurance.

Clive Jandrell, the newly appointed managing director of Nissan SA Marketing, says traditional funding sources will be utilised with all shareholders participating.

Nissan Motor Company of Japan has a 50% shareholding, while Sankorp has 37%, Mitsui 8.7% and Nissan Diesel 4.3%.

Integral to the re-establishment of Nissan SA as a significant participant in the motor industry is the expected rapid increase of its export activities through Nissan Africa, its export arm. The new left-hand drive one-tonner Hardbody models produced on a new line at the Rosslyn plant have been well accepted in West Africa while the manufacture of completely knocked-down products at the Motoware factory in Zimbabwe is increasing.

Also on the new model front, Sanmor has announced the launch of the Ford Mondeo to replace the Telstar in February. The cars will be offered in sedan, hatchback and estate versions, the last two in fully built-up form and will be powered by 1.8 litre, 2 litre and 2.5 V6 litre engines as well as a 1.8 litre turbo diesel.
Govt pledges continued support for motor industry

Lucia Mutshani (1993) 80 23 97

GOVERNMENT would continue supporting the automotive industry to give it a sustainable and permanent place in the economy, Trade and Industry Minister Alec Erwin said yesterday.

Opening a two-day national automotive manufacturing technology workshop, Erwin said one of the challenges facing the industry was its small local market, which could not sustain it.

"In the world automotive industry, characterised by over-capacity and over-competition, an industry our size must be in a difficult position," he said. "The industry contributes almost 7% of SA's GDP."

Erwin said the motor industry development programme introduced in 1995 represented a new direction in government policy towards the automotive industry.

He said while previous strategies which aimed to develop local industry by imposing local content requirements and placing high tariffs on imports were effective in helping the establishment of a significant assembly industry and a diversified component sector, most producers were still not internationally competitive and domestic vehicles sold at a premium to world prices.

The minister said the protected environment led to a proliferation of vehicles production without exports. He said phase six of the local content programme enabled vehicle manufacturers to include exports as part of their local content.

"This encouraged a rapid expansion of exports, especially of components, and placed increasing competitive pressure on the component industry," said Erwin.

See Page 17
‘Export opportunities’ for SA car firms

Lucia Mutikani

CHALLENGES for SA car and truck makers from reduced import protection were likely to be offset by brighter export opportunities, the department of trade and industry said.

In this year’s report on industry developments, the department said the industry had experienced a dip in profit last year as a result of the removal of some protective measures.

“The structure of the industry is changing rapidly as it becomes more integrated into the global market. Positive factors include market expansion spurred by price reductions, the rapid growth in exports and rising investment in the assembly and component sectors,”

So far the industry rationalisation has been limited and low volumes remain an important obstacle to competitiveness.

Last year production in the automotive industry declined to about 11.5 units per employee from 12.1 units in the period 1992-1995.

The department said rationalisation of the number of models in production was an important objective of the motor industry development plan as greater volumes were required if the component sector was to reduce unit costs to compete with the imported product.

“However, with the reduction in tariff duty and the ability to rebate import duties by exporting, manufacturers have an incentive to specialise the product line,” said the department.

“A number of assemblers have indicated their intention to reduce the number of models in production and expand exports. Low volume models will increasingly be imported.”

Light commercial vehicle exports for the first half of this year were 74% higher compared to the same period last year and future export sales were set for rapid expansion. A number of manufacturers had significant completely built up (CBU) export plans as part of their strategy to increase production runs.

There had been significant expansion in the market share of imported vehicles off a low base. This was set to increase with a large number of new distributorships of imported vehicles being established together with growing CBU imports by existing manufacturers.
Scales tip in favour of vehicle imports

Cape Town — Automotive component exports surged ahead last year but South Africa was likely to continue importing more vehicles and parts than it exported as the industry opened up, the trade and industry department has reported.

In its first report on the state of the motor industry since the introduction of the motor industry development programme in September 1995, the department said component exports had risen 47 percent between 1995 and 1996, when they earned R4.06 billion.

Of these, 31.1 percent consisted of seat parts and leather seat covers, followed by catalytic converters (12 percent) and tyres (7.5 percent).

Europe accounted for about 82 percent of component exports and Africa 8 percent, led by Zimbabwe.

At the same time, imports had also risen with a large number of new distributorships being established. Some manufacturers were importing completely built-up units.

"However, given that a significant portion of these vehicles were imported on a semi-knocked down basis at a concessionary rate and subject to a quota, the growth in imports does not significantly exceed expectations," the department said.

Most light vehicle imports came from Korea (22,539 units) followed by Germany (4,707).

The truck industry which has faced more rapid tariff cuts, had seen a rapid shift from local manufacture to semi-knocked down assembly from mainly imported components.

Imports of components had also been growing because of higher vehicle sales and greater international competition.

This had placed growing pricing pressures on component manufacturers. This had only partially been compensated for by the weaker rand.

"While there has, as yet, been no significant decline in local content, there are indications of lower local content levels in certain new models," it said.

This was one of the most sensitive areas of the programme and was being closely monitored, although most component suppliers were adapting to import competition by expanding exports, linking up with other domestic or foreign firms and improving production efficiencies.

These developments had resulted in a R14 billion trade deficit in the sector in 1996. The profitability of the seven major vehicle manufacturers had fallen sharply, with some reporting losses.
BUSINESS

Souetam (Bus) 25/9/92
Stalemate as strike continues

THE National Union of Metalworkers (Numsa) strike at Usko Limited in Vereeniging entered its third week yesterday -- and there is still no end in sight.

Workers want the company to extend its housing subsidy scheme to people who live in rural areas, while the Usko management argues that rural land is owned by a chief and the community and banks are reluctant to issue bonds in such a situation.

The 400 workers have vowed not to return to work until their demands are met. Employers have hired scab labour to keep operations going.

Numsa spokesman Dumisa Ntuli said, "We condemn the employers' decision to hire scab labour. We call on them to address the issue immediately rather than create unnecessary conflict.

"These employers have the mistaken view that only workers who live in urban areas should have access to the housing subsidy.

"Numsa views this as brutal and naked discrimination against vulnerable rural workers."
Mercedes reaps benefits of export drive into Africa

"The strong ties we have had with Germany have facilitated this to an extent, allied to the fact that we have a magnificent manufacturing infrastructure at East London."

The East London manufacturing plant is Mercedes-Benz's third largest outside Germany. The MBUSA parts division in Pinetown is among the largest Mercedes-Benz parts warehousing and dispatch facilities in the world. The company's marketing and administrative divisions are located at the company's Pretoria head office.

The East London plant produces vehicles with an average local content in terms of selling price of more than 60%.

"Our aim must be that we do not rely on subsidies to continue our business activities in SA. We need to effect improvements in terms of costs and efficiencies in order to build up our infrastructure to allow us to export products at global prices and compete without subsidies," says Modzelewski.

MBUSA has earmarked more than R60m over several years for the upliftment of the communities in which it operates, and for the SA population in general, through reconstructions and development project-linked projects. These include housing and services, health care, in-house medical centres providing primary health care, health education and preventative programmes, education and training, as well as skills training in technical and engineering fields provided through MBUSA's own technical training centre.
BMW gears up for major export drive

BMW SA has expanded its export drive to embrace five different southern hemisphere regions and in the process has introduced new models to the production line, including left-hand drive vehicles.

The company now exports vehicles to South America, Taiwan and the Middle East, in addition to export markets already established in Australia and Pakistan.

Export models are based on the 3-Series four-door model range and include specific "edition" models requested by particular markets — all manufactured at the BMW SA factory at Roslyn.

BMW SA expects to export more than 3,000 units this year, fulfilling its role as a vital cog in BMW's global sourcing and supply strategy.

Conrad Schmidt, manager corporate planning for BMW SA, says, "We have been successful in maintaining the quality standards required and in delivering these cars to meet shipment deadlines."

In 1998, BMW SA hopes to maintain its export capacity during the restructuring of the Roslyn plant. BMW SA is poised for an export programme that will increase production at the Roslyn plant by more than 250% by 1999.

Schmidt says that in early 1999 BMW SA will be launching a full export drive from the revamped Roslyn factory.

"We are in essence rebuilding the factory on the existing site. This entails radical changes to the production processes, the body shop and assembly areas, while a completely new paint shop will be added, enabling us to make world cars for world markets."

BMW SA will be delivering the entire range of 3-Series cars from the new Roslyn factory.

In 1991, BMW SA assumed responsibility for supplying cars to sub-Saharan African countries, and as its export capability increased the first 500 3-Series cars destined for Australia left Durban in January 1996.

One of BMW SA's subsidiary companies, SA Trim, treats, cuts and sews seats and trim parts for BMW worldwide. These are exported through SA Trim, which supplies 70% of BMW's international demand for leather car products. Schmidt says this has grown into a massive infrastructural facility to service the German production lines on a truly just-in-time basis. The items are therefore transported by airfreight and not by sea.

The history of BMW in SA goes back to 1961, when the first 26 BMW cars were imported.

Production of BMWs in SA began in 1968 when a Pretoria-based firm, Pretorius Montecor, obtained the franchise to assemble BMWs in its small factory in Roslyn. During the next six years, its output averaged 1,000 units a year.

In 1972, BMW AG took over the major shareholding in the SA company and changed its name to BMW SA. Two years later, BMW bought out all the other local shareholders and BMW SA became a full subsidiary of BMW AG.

The decision to invest in SA resulted in numerous expansions to the Roslyn plant, which until 1994 was the only BMW production plant outside Germany.

It also benefited BMW enthusiasts, as the local firm could introduce right-hand drive versions of the latest model lines.

Over the past two decades BMW SA has experienced steady growth, increasing its share of the total SA passenger car market from less than 1% in 1970 to a position where BMW SA enjoys the highest market share in any of the more than 30 countries where its product is sold.

BMW SA, together with BMW US, are today the only totally-owned manufacturing units of BMW AG outside Germany.

In SA the plant is dedicated to manufacturing the 3-Series and the US plant in Spartanburg, South Carolina, is dedicated to the new BMW Z3 Roadster, soon to be launched in SA.
Manufacturing

By DON ROBERTSON

Two years after the implementation of the Motor Industry Development Programme (MIDP), automotive groups are performing well and prospects are brighter than they have been for many years.

The aim of the MIDP is to create an internationally competitive industry, making vehicles more affordable, increase volumes and provide for a greater contribution to the economy by reducing the current automotive trade deficit. It will be achieved largely by the gradual reduction of tariff protection.

But, while optimism has improved, not all aspects of the industry are that rosy.

At an industry function hosted by the SA Guild of Motoring Journalists last week, manufacturing representatives and dealers presented their findings, many of which were at odds with one another.

Nico Vermeulen, executive director of the National Association of Automobile Manufacturers of SA (Namasa), says that since the introduction of the MIDP, exports of vehicles and components have grown at a faster rate than imports. In spite of this, the trade deficit increased sharply to over R14-billion last year.

According to an interim report from the trade and industry department, the deficit can be expected to increase further as the market grows. The report shows total imports of components and vehicles rose to about R18-billion last year compared with exports of R5-billion.

Profitability of the seven major assembly groups has also declined. From a low base of R328-million in 1992, profits before tax soared to R2-billion in 1995, following a sharp increase in sales and a one-off benefit arising from the change from a excise-based programme to the import duty-based MIDP.

Last year, however, total pretax profits tumbled to R320-million with a number of companies recording losses as competition increased and margins were squeezed.

Profit levels of component companies reflected a similar pattern with pretax income falling 74.5% between 1995 and 1996. In contrast, new investment increased from R660-million in 1989 to R1.1-billion last year with the component industry showing a similar trend as manufacturers increased production for the export market.

Much of this represented foreign investment and the motor industry has been one of the largest recipients of this funding since 1994.

Rationalisation, another aim of the MIDP, has not occurred to any great extent, but a number of manufacturers have indicated their intention to reduce the number of models in production and increase exports.

Productivity has also not performed as expected with the number of units produced by each employee declining between 1995 and last year.

Ted Waldburger, chief executive of component manufacturer T&N Holdings, says his industry has not performed as well as the car assembly industry, with profits falling, the number of models increasing but with a smaller output of local components and employment currently at "its lowest ebb". In contrast, exports have increased.

There are 180 component manufacturers but this number is expected to decline to about 100 through rationalisation, mergers and closures by 2002, when the MIDP policy ends.

The trade and industry department says the structure of the industry is changing rapidly as it becomes more integrated into the global market.

Positive factors include market expansion spurred by price reductions, export growth and rising investment in the assembly and component sectors.
Rebuilt tractor market expands 30% in two years

Louise Cook

THE relatively new market for rebuilt tractors grew 30% in two years with at least five units a month being sold at present in SA, Denel spokesman Anton van Zyl said yesterday.

Denel was also awaiting a response from the SA Bureau of Standards on setting a national standard for rebuilt machines in order to expand the market further.

"About 60% of tractors of between 15 and 20 years cannot be maintained any longer. The cost of new tractors saw the SA fleet halve from 200,000 in 1983."

A source said the rebuilding of tractors was expected to be extended to more models. Provided the process was standardised nationally, it could be the solution to the spiralling cost of new tractors, he said.

"A rebuilt tractor costs 60% of the price of a new one. Provided finance is available, the market has unlimited potential to grow given the large numbers of emerging farmers."

Despite an expected slump in new tractor sales in the long term due to uncertainty concerning product prices and a weaker rand, last year's sales were up 40% on 1995 to 6,049 units.

Farm machinery sold last year amounted to R1,5bn — the highest figure in 11 years. Earlier this year SA Farm Machinery Association chairman Jim Rankin said new tractor sales this year were likely to remain the same as last year due to the smaller area under maize.
Delta offers 'voluntary separation packages'

Vuyo Mvogo

DELTA Motor Corporation has offered all its employees "voluntary separation packages" before it considers "the related prospect of forced retrenchments and layoffs".

Delta human resources director George Stegmann advised workers last week that the package being offered was "more attractive than retrenchment benefits prescribed in either the Labour Relations Act or the national bargaining forum agreement".

Employees across the board may apply for the package before October 15 and their employment will end as early as October 31.

Stegmann told staff the entire SA automobile manufacturing industry was "grappling with enormous challenges and pressures arising from a

Continued on Page 2

Delta

Continued from Page 1

number of sources" including increased foreign competition and deteriorating economic ... conditions".

Delta had tried to accommodate its surplus manning levels in the hope that things would improve, he said. However, "prevailing difficulties" had forced the move.

Stegmann said Delta's move "corresponds with similar steps implemented by other manufacturers, including the market leader in the industry".

A Delta spokesman said the number of workers who would be affected by the exercise could not be determined at this stage, although the figure was expected to run into the hundreds. The company employed about 4,500 people.

Delta needed to look at bringing labour distribution into line with the reduced schedules, he said.

Preliminary details of the package, according to an internal memorandum circulated to staff late last week, stipulated that each parting worker would be entitled, among other things, to a pro-rata share of the 1997 year-end bonus, cash for all outstanding leave and contractual notice periods, a special ex-gratia payment of R5,000 or a special vehicle purchase discount of dealer billing or bulletin price less 20%, and one month's basic wage or salary for every two years of continuous service.
Automotive industry to introduce benchmarks

Lucia Mutikani

The automotive industry had identified the need to introduce benchmarks next year to assess its international competitiveness, Engineering Association president Roy Marcus said yesterday.

The Council for Scientific and Industrial Research was already looking into the possibility of implementing the first phase of the programme by next May through its manufacturing for excellence support centre, he said.

A benchmark is an example by which organisations are able to measure themselves against best practice.

"We have a problem because there is no real assessment of how the industry is doing in terms of international performance. We do not know how output from various manufacturers compares with their international counterparts," Marcus said.

Apart from measuring the industry's output, benchmarks would also look at its ability to generate revenue and create employment competitively. Through the benchmarking the industry could decide what strategy was needed to make SA globally competitive.

"It will help us to determine what the strategy of the industry should be and determine what initiatives are going to be required from government," Marcus said.

"There is a vision to make SA a formidable international player in the automotive industry in line with the binational agreement which was signed by Deputy President Thabo Mbeki and the German government."

He said that the agreement would facilitate technological partnership and thereby enable SA companies to supply Germany with strategic components for its automotive industry, making them more globally competitive.

Lack of competitiveness and small market expansion have been singled out as some of the challenges facing SA's automotive industry. The industry is also facing competition from imports, which constitute 15% of the market.

Marcus said it was imperative that the automotive industry support the department of trade and industry's cluster study aimed at building sustainable competitive advantage for firms within the SA automotive industry.

"There is also need for tertiary educational institutions to develop relevant undergraduate programmes, and for government to introduce tax incentives for training." The country required joint ventures and not licence agreements, he said.
Cheap motor imports threaten jobs in industry

GRAHAMSTOWN — The lifting of tariff barriers on motor industry imports is threatening jobs in the Eastern Cape as car manufacturers, among the province's largest employers, cut back staff to remain competitive.

It was announced on Monday that Port Elizabeth-based Delta Motor Corp plans to offer voluntary severance packages for up to 400 staff from the end of this month.

Delta is not alone in the effort to drive down costs as the lifting of tariff barriers allows the entry of cheap imports into SA. Component manufacturers are also feeling the pinch.

The staff reduction will begin at the end of this month and Delta hopes to complete the exercise by the end of the year. However, the packages are being fiercely contested by the powerful National Union of Metalworkers of SA (Numsa).

Delta's human resources director George Stegmann said yesterday: 'The SA automotive industry is grappling with enormous challenges and pressures — including increased foreign competition and deteriorating market conditions. It is against this background that ... Delta Motor Corporation has had to deal with the reality of reducing its production schedules.

'A direct result is the company finds itself in a position where it has surplus manpower levels. This surplus has been carried for some time in the hope the market would improve and that combined with normal job attrition, any specific employment reduction action could be avoided.'

'However, it has now become essential for the company to review its position in this regard.

'In an effort to address this surplus without resorting to enforced retrenchment, the company has initiated a voluntary severance package to all permanent employees.'

Stegmann confirmed that a number of employees had requested the package, particularly those close to retirement age and those who wished to pursue other opportunities.

He said there was a significant need to reduce manning levels at the Kempton Park assembly plant and to a lesser extent the Struandale factory.

Uitenhage-based Volkswagen, however, has no immediate plans to cut back staff. Spokesman Reymond Hartle said: 'At the moment there are no plans to retrench any staff or offer voluntary severance packages.'

'We had a look at our operations at the beginning of the year with Numsa and looked at ways on how we could cut down on expenditure. These measures have been effective.'

Mercedes-Benz SA corporate communications manager Annelise van der Laan said from Pretoria yesterday the company would not retrench workers in the foreseeable future.

'We do not foresee any retrenchments between now and the end of the year and will continue with our four-day working week which is reviewed on a monthly basis' until the end of the year. — EON.'
Hyundai plant revving up to make new inroads in SA

A R250-million investment will end the backstabbing in the local motor industry, writes DON ROBERTSON

IN THE DRIVING SEAT  Billy Rautenbach, from rally driver to managing director
South African-made vehicle exports surge by 54.1% in year to August

Pretoria — Exports of South African-made vehicles were 54.1 percent higher in the first eight months of this year compared with the same period last year, according to figures released last week by the National Association of Automobile Manufacturers of South Africa (Naamsa).

Naamsa said 9,997 South African-made cars and light, medium and heavy commercial vehicles were exported in the months to August this year, 3,384 units higher than in the same period last year.

Car exports were the major contributors to the increase, rising by 1,737 units, or 99 percent, to 3,907 from 2,170 units last year.

Light commercial vehicle exports rose by 33.6 percent to 5,318 units from 3,829 units last year, while medium and heavy commercial vehicle exports rose by 53.1 percent to 762 units from 444 units last year — Roy Cokayne
Scores of new jobs are to be created in Retreat's R44-million Arvin Exhaust factory, which makes emission control systems for motor vehicles.

The factory is owned by United States-based group Arvin, which also owns the adjacent Gabriel shock absorber plant.

Philip Biden, managing director of both plants, said the Arvin Exhaust factory, which makes catalytic converters used to reduce exhaust gas emissions, would produce entirely for export.

Mr Biden said the factory had been up and running since June and the converters were selling in Latin America, Europe and Taiwan.

By the end of this year, export sales would top R140-million and an additional R250-million in sales would be earned in 1998, he said.

The factory, which now employed about 80 people, would be expanded with 80 new jobs by the end of the year and up to 40 further jobs next year, according to an expansion programme now in the planning stages.

The precious metals used in the converters were mostly sourced from South Africa, Mr Biden said.

Catalytic converters use metals such as platinum to transform the toxic gases in the exhaust fumes of motor vehicles into non-toxic gas. They can only be used with unleaded fuel.

The use of emission control systems by motor vehicle manufacturers is statutory in the United States, Europe and parts of the Far East.
Car makers hit by
rand fluctuations

ROY CKAYNE

Pretoria — Motor manufacturers have become increasingly vulnerable to fluctuations in the rand as a result of the increased imported component in locally made cars over the past two years, said a recent report by the Standard Bank.

The bank said in its latest economic report on the motor industry that the higher imported component had occurred as manufacturers had introduced new models of vehicles.

It said the cost of imported components had increased significantly since June 1995, while the rand had depreciated against the US dollar.

However, the report said the apparent relationship between the rand and the dollar and the cost of imported components was "highly surprising."

"As the motor manufacturers tend to trade rand for yen or Deutschmarks, a close correlation between the mark and the yen against imported component prices was expected," the bank's report said.

"In fact, the yen and imported components move in opposite directions. While the rand strengthened against the yen over this period, the cost of imported components worsened and did not improve as would have been expected.

"Also mystifying is the breakdown in the correlation between the dollar/rand exchange rate and imported component prices. There is a lag of some seven or eight months between the rand weakening and the cost of imported components increasing," the report said.

It said that in contrast, locally produced components had risen only slightly since June and remained below the producer price index.

It attributed the limited increase in locally produced components to the power wielded by the motor manufacturers over component manufacturers.

"The motor manufacturers are essentially bulk buyers and are able to withdraw their business from one component manufacturer in favour of another," the report said.

"Manufacturers of older models, such as Volkswagen's Citi Golf, have most likely benefited from stable local content prices. They are better able to avoid price increases, therefore making some of their ranges more competitive," it said.

The report said that while the average price of new cars sold had declined over the past two years, many of the input costs of new cars had risen.

It said this had contributed to the falling margins of the motor industry, which could also be attributed to other factors such as the price war in 1995 and last year, and the public's shift to smaller cars.
Motor industry forced to yield

VEHICLE SALES
By DON ROBERTSON

A SHAKE-OUT in the motor industry is evident only two years after the introduction of the Motor Industry Development Programme with manufacturers and dealers facing pressure on margins. The industry is regarded by many analysts as a barometer of economic activity.

In spite of optimistic forecasts at the beginning of the year, though, new vehicle sales in the first nine months were 2.1% lower to 282 966 from 289 912 in the same period last year, although volumes of new passenger cars were marginally higher.

More significant, though, has been the switch by motorists to lower price, entry-level cars which offer manufacturers and dealers lower profit margins. During September, entry-level cars made up 41% of sales.

Although not solely responsible for this trend, the introduction of higher petrol taxes has severely affected the medium and luxury sector. But, in spite of evidence that the new vehicle market was in a period of consolidation in the first six months of the year, manufacturers continued to produce at the same level they had planned for. In part, this was not their fault as completely knocked down components sourced from parent companies overseas are ordered six to eight months in advance.

The result has been a huge buildup of stock. Some manufacturers have been forced to put production staff on short time, as at the Mercedes-Benz plant in East London. Others have offered retrenchment packages, like those proposed by Delta, while some took the recent public holiday on September 24 to extend the plant shutdown for two days.

To counter these difficulties, component manufacturers are being asked by car producers to at least maintain or even reduce prices. The effect of this is likely to be reflected in the profitability of the seven major manufacturers this year.

A report by the trade and industry department on the development programme shows that pre-tax profit rose from R328-million in 1992 to R2-billion in 1995, but crashed to R520-million last year.

With the buildup of stock, "panic" selling was adopted. Nissan initially offered a 10% interest rate on vehicle deals, to be followed by Delta which cut the rate to zero on some models. Price reductions were offered by other producers. In every instance dealers were forced to absorb some price adjustment.

In addition, conditional selling has become evident with dealers forced to accept more slow-moving stock. This has forced many outlets to close.

The extent of the difficulties being experienced by manufacturers and dealers has filtered through to banks such as Wesbank, Stannic and Nedcredit. Manufacturers such as Mercedes-Benz, BMW and Ford have introduced financing operations, as have retailers Imperial Motors and McCarthy Motor Holdings.
Call to end ban on 'remanufactured' vehicles

Wyndham Hartley

CAPE TOWN — The taxi industry has appealed to Parliament's transport and trade and industry committees for help in its battle with the trade and industry department over a ban on the importation of "remanufactured" minibuses at half the price of new ones.

In a submission to a joint meeting of the two committees yesterday, industry spokesman Buti Lesoeela said the taxi industry could not afford to renew its fleet at the price of new vehicles and thus put at risk the safety of the 200 000 vehicles which transported 13-million passengers each day.

The meeting was told a new vehicle cost R97 000 while those imported to and "remanufactured" in Lesotho sold for R45 000 to R47 000 and were 90% as good as a new vehicle. He suggested that because of the high level of value added to the vehicles in the Lesotho operation they should be allowed unrestricted access to the SA market.

Lesoeela said the department had been faced with a flood of illegally imported vehicles as a result of poor controls and corruption within customs and the department itself. 'Inability to control the situation had led to the department taking severe measures to stop the flood of imports and this was stopping taxi associations' members from buying the Lesotho vehicles and "are suffering as a result".

'The department) seems to be considering only their embarrassment and the pressure from the motor industry and are overlooking the fact that their actions are causing hardship to the taxi industry,' Lesoeela said.

He said the taxi industry was facing a crisis of "ever-dwindling operator viability". This caused conflict and road carnage involving taxis because "taxi operators simply do not have the money needed to buy new vehicles and as a result are forced to operate vehicles which are no longer serviceable or safe". He suggested the taxi industry was being exploited by the motor industry.

Department spokesman CJ Cloete said the motor industry was important for the country's economy, such as New Zealand, which had allowed the importation of second-hand vehicles soon did not have a domestic industry at all.

He denied by not allowing the Lesotho vehicles into SA the department was creating a monopoly for Toyota. He said there were three manufacturers of minibuses which also imported new vehicles.

Trade and industry committee chairman Rob Davies said there was a clear clash of interests which needed to be confronted. He suggested that the members of the two committees interact with their respective ministers to promote dialogue on the problem.
SA's surge in vehicle output a world best

 Pretoria - There was a 20 per cent improvement in the productivity of South Africa's motor vehicle assemblers between 1994 and last year, said Andrew Graves, the motor research body IMVP's director.

 He said it was a bigger improvement than any other country in the world with the possible exception of Australia.

 The best plants in South Africa are outperforming some of the plants in Australia, the GM in Europe, which wasn’t the case before,” he said.

 However, Graves stressed that although South African motor vehicle assembly plants had shown substantial improvements in productivity between 1994 and last year, productivity levels in South Africa plants were still low by world standards.

 He said South African plants had done the easy part of improving productivity and improvements in the future would be more difficult.

 Graves said the IMVP was an international network comprising 100 researchers at 20 universities on six continents and it was the only one looking at the human effort required by different motor company plants to build a standard car.

 He said it made no sense to consider the productivity of motor vehicle plants by comparing the number of workers.

 Graves said the average plant in South Africa took 87 hours in 1995 to build a standard car. This had improved to 74 hours in 1996 compared with the best plant, the Toyota Japan, to produce the same car. In 1994 the best plant in South Africa took 50 hours to build a standard car and this had improved to 37 hours in 1995.

 However, Graves said it was vital to measure quality with productivity and there was need to get a quality index in South Africa.

 Graves also stressed the benefits of lean manufacturing and mass production. He said the benefits of lean production were reduced costs, improved quality and reduced cycle time.
Manufacturers hold cards

Lawyers say the deck is stacked against dealers

Motor dealers are preparing to go to war with vehicle manufacturers and importers to get rid of “one-sided” franchise agreements.

Derrick Dixon, chairman of the National Automobile Dealers’ Association (Nada), says lawyers have advised that the agreements are unfair and contrary to sound business practice. Nada members voted unanimously at their annual meeting this week to press for new agreements.

Dixon says manufacturers and importers hold all the cards in their relationships with dealers. They can terminate franchises at any time, with as little as 30 days’ notice. They can do this even if the dealer, who invests millions of rand in the business, has done nothing wrong. “Material breaches” which can result in the business being summarily pulled out from beneath the dealer include late payments, change of business controls without the manufacturer’s written consent, or the death of a director or trustee.

Dixon says lawyers argue the agreements, which he describes as “archaic and one-sided,” may prevent franchise holders from acting in the best interests of their company and shareholders. By signing “clearly unfair” contracts, directors could be accused of recklessness in terms of the Companies Act if the company suffered losses.

Dealers have fought for years for revised agreements, without success. Their campaign is taking on more urgency now because manufacturers have belatedly recognised they have too many dealers and have closed scores of franchises around the country.

David Forbinger
Car dealers cry ‘unfair’

ROY COXAYNE

Pretoria — Franchise agreements between motor manufacturers and dealers were outdated, one-sided and clearly unfair to the retail motor trade and must be urgently revised, Derrick Dixon, the chairman of the National Automobile Dealers’ Association (Nada), said this week.

Dixon told top South African dealers at Nada’s annual general meeting that most of the agreements — the contracts of the business relationship between the dealer and the vehicle supplier — were archaic and one-sided.

A motion was unanimously adopted for Nada to fight for the revision of the agreements held between them and motor manufacturers and importers.

“Today’s environment where everyone recognises the need to follow global best practices in our business endeavours, we are forced to operate under these agreements, which were drawn up seemingly in the dark ages,” said Dixon. An example was that manufacturers had the right to terminate agreements at any time by giving between 30 and 180 days notice, he said.

The National Association of Automobile Manufacturers of South Africa (Naamas) was not available for comment yesterday.
Volkswagen directors’ future remains uncertain

**Ingrid Salgado** (192)

TWO Volkswagen SA directors — reportedly fired by the group’s German parent — were still at their desks yesterday, amid continuing uncertainty over the fate of three top directors at the troubled motor car manufacturer.

Weekend newspaper reports said the three — MD Heinrich Holtmann, financial director Wilhelm Kurzberger, and technical director Burkhard Welkener — had been recalled to Germany in the face of poor local sales and labour problems.

Asked whether the directors had been given the axe, Volkswagen SA spokesman Raymond Hartle said “We do not know. A statement will be put out — possibly later this week.”

Holtmann was in Germany yesterday on what the company described as routine business. Volkswagen denied reports that his services had been terminated after he reportedly said he did not wish to be part of a “dying company.” “That is hearsay and is devoid of any truth,” Hartle said.

Holtmann was said to have been blamed by the international parent for statutory problems in the local motor industry, which has seen vehicle sales sliding over the past year. He was also said to have taken the stick for labour problems after the group’s Uitenhage plant was hit by a strike this year.

Sources said that if the latter theory were true, Volkswagen SA’s human resources director Brian Smith would have been given the boot along with Holtmann. Hartle would not comment on speculation that the manufacturer was set to incur a R250m loss in the current financial year, citing its position as a wholly owned subsidiary of Volkswagen AG as a reason.

However, the company’s finances were “not where we would like them to be. We are not alone in experiencing the constraints of the market.”

“Some of the problems are structural, as is evidenced by the performance of other companies.”

Volkswagen’s sales were down 1% against a year ago, but Hartle said the performance had to be compared with its competitors, some of whose sales had dropped by as much as 7%.

The company was on target to achieve component sales of R300m, and it was set to make a “fairly substantial” announcement on exports later this week.

The group denied talk that it was preparing to retrench or offer voluntary severance packages to a large portion of its 6 000-member work force.

Responding to claims that its Christmas shutdown period would be extended, Hartle said Volkswagen would observe the normal shutdown from December 13 to January 5.

A number of the company’s competitors had extended this period, he said.

See Page 22
Porter chief sees rough ride for motor industry

LLEWELLYN JONES
Business Report

The motor industry is still facing very tough trading conditions, and there is no possibility of a major upsurge in the next year or so, says Bill Lynch, chairman of Cape-based Brian Porter Holdings.

Speaking at the company’s annual general meeting in Rondebosch, Cape Town yesterday, Mr Lynch said there was fierce competition in the industry and he ascribed much of pressure on profits to overproduction and competition from imported vehicles.

“Manufacturers are overproducing relative to the demand for vehicles. There are thousands of unsold units sitting in manufacturers’ yards,” Mr Lynch said.

He noted that the success of imported vehicles at the lower end of the price range had put a lot of pressure on the used car market, and on middle and top of the range vehicles.

“The used car market has been hardest hit,” he said.

Mr Lynch said he expected Brian Porter Holdings to show a reasonable increase in earnings in the current financial year as a result of the care the company had taken in keeping costs down and better asset management.
Slow sales send car makers on an extended holiday

Ingrid Salgado

SEVERAL car manufacturers are to extend their Christmas shutdown period after being hard hit by sluggish vehicle sales owing to the slowdown in the economy.

A longer shutdown is set to knock component manufacturers, many of whom have already reverted to a three-day week in the face of the poor sales.

The National Association of Automobile Manufacturers of SA (Namusa) said yesterday manufacturers were saddled with surplus stock. The inventory pipeline stood at four to six weeks, in some instances the figures were higher.

To counteract this effect, manufacturers had the option of either reducing working weeks or extending the traditional December-January shutdown. The latter option made the most sense as it did not disrupt the entire supply chain.

Chive Williams, the executive director of the National Association of Automotive Component and Allied Manufacturers, said reduced output in the face of fixed overheads had "severe implications" on the bottom lines of component manufacturers, who already traded on tight margins.

Sancor said it would bring its Christmas closure forward by a week, lasting from December 5 to January 3.

BMW had also extended its shutdown to four weeks but this was primarily due to plant expansion and facility changes, the company said. Employees would undergo training during this period.

Nissan SA is to shut down from December 12 to January 12. The group said this was not an unusual length of time. Four weeks worth of stock would be whittled down to one week when the company reopened.

Both Delta Motor Corporation and Toyota SA are understood to have extended their closures by a week.
MD's contract up for review

Holtmann may take rap for falling market share and labour problems

German car manufacturer Volkswagen will say this weekend whether Heinrich Holtmann, MD of the company's SA subsidiary, will stay on.

His three-year contract at VWSA expires next month and is unlikely to be extended.

Two other senior executives, financial director Wilhelm Kirchberger and technical director Burkhard Weikener, are also expected to be recalled to Germany after two years in SA. Both were still working this week at VWSA's headquarters in Uitenhage. Holtmann was in Germany.

VWSA denies management changes are the result of a crisis within the company. It says any changes are "scheduled." According to spokesman Matt Gemmrich, "Holtmann's contract is up for review."

Reports this week claimed the expected recalls are the result of financial losses, falling market share and labour troubles.

Gemmrich won't comment on claims that VWSA has lost R250m in 1997. The German parent says VWSA recorded a "positive balance" in 1996 but sources say the situation has deteriorated this year.

Despite strong Audi and Polo sales, last year's log leader is second behind Toyota.

The German parent may feel VWSA needs a firmer hand. By drawing VWSA into its global sourcing network, and helping with its export programme, VW in Germany may reasonably have expected its subsidiary to perform better.

David Farlinger

FINANCIAL MAIL - NOVEMBER 7 1997
Volkswagen secures R400m export order to the UK

ROY COKAYNE

Pretoria — Volkswagen South Africa (VWSA) had secured an order worth about R600 million to supply 5,000 third-generation Golf to the UK, said Henrich Holtmann, the managing director. "This is the biggest single export order of fully built-up vehicles from South Africa since VWSA’s shipment of 27,000 vehicles to China, worth about R750 million over three years, ended in 1995," Holtmann said last week.

He said the UK export order came after extensive discussions with VWAG in Wolfsburg, Germany, the parent company, and Volkswagen UK importers.

"VWAG had been fully supportive of the effort of VWSA’s management to increase exports from Uitenhage, he said. The first batch of 948 vehicles — all Golf GTi’s — have already been shipped to the UK and will be followed shortly by a further 900 GTi’s.

"The company will then gear up for full-scale production of the remaining vehicles, which will be badged as Golf 1600 CLs. Delivery date for the final shipment is April 1997," he said.
Samcor aims to boost car export revenue

ROY COCKayne

Pretoria — Samcor, the manufacturer and assembler of Ford and Mazda motor vehicles, aims to increase its car component export revenue to about R1.2 billion by 1999, Lewis Booth, the managing director of Samcor, said last week.

This represents an increase of more than 71 percent on Samcor’s estimated R700 million in car component export revenues this year.

Booth said Samcor’s car component export revenues had topped only R50 million in 1993, and the main growth had come from the export of catalytic converters and built-up engines.

He said Samcor had used this growth in exports to attract world-class suppliers to South Africa.

Booth said Samcor’s engine plant exported the 1.4 litre PTC engine to Europe for use in the Escort. Export volumes totalled 53,000 units last year, generating R20 million in revenue. He said a total of 66,000 engine units were expected to be exported this year.

Booth said Samcor exported 650,000 catalytic converter assemblies, consisting of 10 different converter assemblies, to Ford this year, which equated to 50 percent of Ford’s European requirements.

He said Samcor had warehouses in Europe to hold catalytic converters so they could be supplied on a “just in time” basis.

He said Samcor, in line with the motor vehicle development programme, needed a robust export business to enable it to offset the import duty on parts, kits and vehicles.

Booth said Samcor, in common with other motor manufacturers in South Africa, was attempting to ensure it was duty-neutral.
Volkswagen clinches R400-m deal to supply cars to UK

By Wilson Ramothata

VOLKSWAGEN South Africa has secured a R400 million contract to supply Britain with 5,000 Volkswagen third generation Golf GTIs.

The first batch of 948 vehicles has already been shipped from the assembly plant in Uitenhage, Eastern Cape.

Volkswagen corporate manager Raymond Hartle said at the weekend that 900 vehicles would be exported within the next few weeks.

Hartle said final delivery of 3,000 cars will be made by next April.

According to Hartle this is the biggest export order of fully-built vehicles from South Africa since VWSA shipped 27,000 vehicles to China in 1995.

“Our objective is to become an integral part of the Volkswagen group’s global supply chain and the source for both fully-built up vehicles and components for VWSA subsidiaries around the world,” Hartle said.

Over the past three years VWSA exported 27,000 second generation Jetta to Beijing, earning about R750 million in foreign exchange.

Ninety-six Audi A4 vehicles were exported to Australia.

Hartle said due to favourable feedback from customers 500 Audis will be exported to Australia next year.

VWSA will this year export components valued at over R300 million to Europe and South America.
Department and Toyota settle tax claim

ROY CHAYNE

Pretoria — The trade and industry department has reached an out-of-court agreement with Toyota South Africa on a R57 million claim related to the use of the now-defunct export duty rebate programme, Themba Rubushe, the director of communications at the department, said yesterday.

The agreement came after a similar settlement was reached with Nissan South Africa in September this year involving a R30 million claim.

Rubushe said he was not in a position to reveal any details about the deal. But he said the agreement reached with Toyota still had to be signed by Zav Rustomjee, the director-general of the department.

Rubushe added that negotiations were still continuing on claims submitted against Delta Motor, Samcor and Associated Automotive Distributors.

The department's claim against Delta Motor is for R37.7 million, while the claim against Samcor is understood to involve export credits it acquired from Toyota.

Negotiations have been taking place between the department and various motor manufacturers in an attempt to strike a compromise on claims against the motor industry worth more than R100 million related to a ceded export scam.

The claims relate to alleged fraudulent practices by a component manufacturer.
Daewoo still to decide on SA plant

ROY COKAYNE (1977)

Pretoria — Daewoo Corporation was still busy with a feasibility study on the proposed establishment of a $50 million car assembly plant in South Africa, Nick Bates, the public relations manager for Daewoo Motors South Africa, said yesterday.

The car producer is expected to make a decision on the investment before the end of this year.

Bates said Daewoo was still considering whether to establish a plant in South Africa, in view of the fact that the vehicle park in the country was only 260,000 units a year.

He said it was impossible to predict when a decision would be made.

Port Elizabeth, Rosslyn and Midelburg have all offered Daewoo a number of incentives, including free land, in an attempt to lure the South Korean manufacturer to invest in South Africa.

Tony Twome, a car industry analyst and director of Economatrix, said that unless the local manufacturing operations were used as a source for other world markets, the South African market would not be able to sustain nine manufacturers.

Twome said this equation was fairly obvious as the market was still some way away from the demand — which he put at 500,000 passenger and light commercial vehicles and 25,000 medium and heavy commercial vehicles a year — needed to sustain nine manufacturers.
VW boss warns of industry crash

THE motor industry is facing a structural and strategic crisis, according to Dr Heinrich Holtmann, managing director of Volkswagen SA, writes DON ROBERTSON.

In a hard-hitting address last week Holtmann called on government to make changes to the Motor Industry Development Programme (MIDP) and offer incentives to SA car makers.

He said after the reduction of import duties on fully-built-up cars from 115% to 57.5%, the number of imports had risen to between 20% and 25% of all new car sales.

The government also needed to stop illegal imports and address "the issues surrounding Hyundai's imports."

He said the size of the market was too small to support even the five largest local manufacturers and needed to be boosted to about 470,000 passenger cars from the current 270,000.

This could be achieved by introducing a compulsory roadworthy test for all vehicles every two to three years. This would outlaw many unroadworthy vehicles which in turn would stimulate the second-hand and eventually the new car market, Holtmann said.
300 jobs to go at Bosal Afrika

ROY COKAYNE

Pretoria – Bosal Afrika, an international car equipment manufacturer, would streamline its South African manufacturing operations at a cost of about 300 jobs to enhance its global competitiveness, Barry Peters, Bosal’s managing director, said yesterday.

Peters said the group, which employed about 1 700 people, was rationalising operations at a number of its nine plants throughout South Africa to avoid duplication and reduce costs.

Peters said the strongest impact of the streamlining exercise would be felt at Bosal’s five Pretoria plants.

He said the Uitenhage plant, which focuses on the supply of automotive components to original equipment manufacturers and the aftermarket, would not be a major part of the streamlining.

Bosal was looking at significant opportunities for export business from the this plant, Peters said. Bosal hoped to have finalised most of the streamlining by the end of this year, he added.

Peters said the retrenchments were still under discussion with the National Union of Metalworkers of South Africa (Numsa).

Dumisa Ntuli, Numsa’s public relations officer, said the union was opposed to any shop floor restructuring or rationalisation that sought to displace any Numsa members.

Peters said Bosal had been affected by increased imports of automotive components following the reduction of duties in terms of the motor industry development programme.

"While the country has been successfully increasing exports and has received a number of contracts, it must become more competitive to secure further international contracts," Peters said.
Motor industry's year-end breaks will be longer than usual

Lengthy shutdown a 'sign of more stress'  

ROY GOKAYNE

Pretoria — Most South African motor manufacturers are closing for a month, compared to the traditional three week year-end shutdown, indicating more stress in the motor industry, a Standard Bank industry survey showed.

The year-end shutdown at the various manufacturers ranged from 23 days for BMW and Volkswagen to the 37 days of Delta's Strandfontein plant, the report said.

The next longest shutdown after Delta's Strandfontein plant was 33 days by Toyota. The length of Delta's Strandfontein plant shutdown "is of concern and would seem to suggest that the company had built up a significant level of stock", the survey said. Delta's Kempton Park plant would be closed for 24 days.

The report said dealer sales had accounted for 79.3 percent of vehicle sales to date this year. Sales by manufacturers to their own employees, also called single sales, accounted for 9.6 percent, rental sales for 7.5 percent and government sales for 3.8 percent.

"The companies’ reliance on the different customer groups vary widely from firm to firm," the survey said. "Sancor is the most reliant on dealer sales, while Toyota is the least reliant, with dealer sales accounting for 89.5 percent and 75.2 percent of sales to date respectively."

"Toyota's relatively low reliance on dealer sales is the result of being a firm favourite of rental companies and government. Its sales to rental companies has accounted for 13.9 percent of sales."

The report said Daewoo was the most dependent on rental sales, accounting for 15.7 percent of its sales to date. By contrast, only 0.6 percent of Sancor's sales had been to rental firms. Standard Bank stressed that rental companies dealt with different motor manufacturers based on the attractiveness of deals. But it said dealing with rental companies had three main drawbacks:

First, rental companies, as a result of their bulk-buying capacity, negotiated significant discounts which eroded manufacturer profits.

Second, doing business with rental companies entailed a fair amount of risk for motor manufacturers, such as the risk that the "buy-back" price paid to the rental companies would be less than the market resale value of the cars.

Thirdly, the resale value of a particular marque might be impacted in the long term, because rental companies held cars for a short period, resulting in the used car market receiving a steady flow of cars from rental firms.
NEWS

Jobs 1.3% down in new vehicle industry

ROY COKAYNE

Pretoria — Employment in South Africa’s new vehicle manufacturing industry dropped by 1.3 percent, or 473 jobs, between July and September this year, according to the quarterly report of the National Association of Automobile Manufacturers of South Africa (Naamsa), released yesterday.

Employment in the industry totalled 37 412 in the last week of July compared to 36 939 in the last week of September this year, said Naamsa. This is a decline of 122 jobs, compared with the 37 591 people employed by the industry at the end of the second quarter.

The new vehicle manufacturing industry comprises the seven major original equipment manufacturers and a further seven specialist commercial vehicle manufacturers.

The report said production capacity utilisation for cars in the third quarter was 60.8 percent, a more than 9 percentage point drop compared to the 70.3 percent of the second quarter of this year.

Production capacity utilisation for new cars was at 82.1 percent in the first quarter of this year, compared to 78.9 percent for last year. The report said the supply and availability of raw materials generally improved in the third quarter of this year, but steel price increases “continue higher and more frequent than other price-related factors”.

Nico Vermeulen, the director of Naamsa, said trading conditions in the new vehicle market during the third quarter were extremely competitive and difficult because of general pressure on the disposable income of consumers, a further modest slowdown in economic activity levels and the prevailing, exceptionally high interest rates.

Vermeulen said “The challenging conditions in the domestic market are, however, counter-balanced by the industry’s growing export business which, both in automotive components and built-up vehicles, continues in a strong expansionary phase with aggregate value of exports of components and vehicles expected to exceed R6.5 billion during 1997, compared to an estimated R4 billion during 1996.

“The trend towards lower interest rates should, in due time, have a beneficial effect on the South African economy and the automotive industry.”
Gloom and doom in the motor trade

The business mood of the retail motor industry has dipped back into pessimism, said the Motor Industries Federation's quarterly Business Mood Indicator — probably caused by the market's slide.

But there were some good pointers emerging from the survey, according to an MIF spokesman. Eighty-five percent of the sample, which is used each quarter to establish the mood of MIF traders in different sectors of the industry, felt there would be no change or improvement in their businesses.

However, 52 percent believe the whole industry would recede over the next six months, while 56 percent cent said there would be no change, and 12 percent said there would be some improvement.

While the trend indicator is down on the previous quarter, it is just under two percent up on the same quarter in 1996.

The detailed MIF Business Mood Indicator showed that sales at the DIY industry division continued to have a drop-off in mood on the previous quarter.

Overall, the new-vehicle and dealer sector in the most bullish, while collection rates showed their greatest turnaround in mood from the last measurement taken in August.
Motor dealers take on manufacturers for bigger share of sales

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — Motor dealers were fighting for their lives and their rights, Brand Pretorius, the head of McCarthy Motor Holdings, said yesterday.

He said when one looked at sales figures released by the National Association of Automobile Manufacturers of South Africa, it appeared that the motor industry was holding its own. Passenger vehicle sales for the year to date were down just 0.8 percent and commercial vehicle sales were down 10 percent.

However, once the dealer figures were isolated a different picture emerged. Dealer sales of passenger vehicles dropped 3.8 percent and dealer sales of commercial vehicles dropped 5.7 percent on a year-on-year basis.

Pretorius said from these figures it was evident manufacturers were inflating their sales by charging their single-unit sales to the government, car rental companies and their own fleets.

Manufacturers were selling more vehicles directly, and just 72.5 percent of October sales had gone through dealers. Pretorius said there had been a steady drop in dealers' share of vehicle sales.

He said makes and dealers had contained price rises and enhanced the affordability of vehicles to where the average retail price of new vehicles had shrunk 2.06 percent in real terms and of used vehicles 2.97 percent between last year and this year. This was the result of buying down and restricted margins.

He said the fall in dealers' net profit percentages had gathered momentum since the beginning of the year, and margins were now at their lowest levels ever.

Pretorius said new car sales' contribution to McCarthy Motor Holdings' bottom line had declined from 38.2 percent in the first half of last year to 36.4 percent in the first half of this year.

Dealer rationalisation would continue to accelerate, and there probably would be 40 percent fewer dealers by 2003, he said.

Already manufacturers were rationalising their dealer networks and giving remaining dealers bigger territories.

Pretorius said relations between dealers and manufacturers were somewhat strained. Manufacturers were overstocked and pushing stock on to dealers, where high interest rates on vehicles which did not sell quickly seriously compromised liquidity. As a result, dealers were resisting.

"He said manufacturers were still demanding high franchise standards despite the enormous pressures under which dealers found themselves."
Retrenched motor workers in protest

ROY COCKayne

Pretoria — About 300 demonstrators protested outside the regional offices of the National Union of Metalworkers of South Africa (Numsa) in Pretoria North yesterday over their retrenchment by Nissan South Africa, the motor manufacturer, said Dumisa Ntuli, Numsa's public relations officer.

Thabiso Magede, Nissan's media liaison officer, said about 30 Sandawana members had protested outside the plant and had handed a memorandum to Nissan's management regarding the retrenchments without consulting their membership or disclosing all the relevant information.

Frans Tips, a representative of the retrenched workers, said they had not agreed to be voluntarily retrenched and had only signed a receipt for their retrenchment money. "The workers were pushed into accepting packages. We want Numsa to explain what happened."

Ntuli said these workers had accepted a voluntary retrenchment package offered by Nissan before Numsa had concluded its negotiations with Nissan.

He said Numsa had been able to negotiate an improved voluntary retrenchment package for workers who had accepted the offer after Numsa had concluded its negotiations with Nissan.

Ntuli said that the workers had accepted the voluntary package and that "it was not entirely the fault of the union."
Reduced tariffs hurt ADE sales potential

Johannesburg — The combined effect of reduced protection on engines and growing truck imports is expected to depress Atlantis Diesel Engines’ (ADE) sales potential and reduce units from 8 680 to 5 818 next year.

Khaya Ngquza, the chief executive of the Industrial Development Corporation (IDC), ADE’s main shareholder, said last week ADE had anticipated the erosion of protection by the Motor Industry Development Programme.

ADE would initiate a gradual phase-down of its engine assembly activity after the expiry of the contract to supply diesel engines to Cuba. It had already exported 392 units this year and a further 7 026 units are expected to be exported next year.

The company recorded a dramatic swing-around from the R40 million net loss last year, to record a net profit of R11,3 million this year. This improvement was supported by the increase in export earnings and improved operating cost controls.

"ADE had already embarked on a transformation process in 1991 to increase its productivity to become an internationally recognised automotive component supplier," Ngquza said.

ADE has export contracts with Perkins Engines of the UK, Daewoo and SsangYong of South Korea, Mercedes-Benz of Germany and Detroit Diesel Corporation of the US.

Its components exports increased from R69 million last year to R100 million this year and the company completed its R16 million capital expansion programme to service these contracts.

ADE was started in 1973 at Atlantis to manufacture, assemble and distribute diesel engines, components and aftermarket parts under licence from Mercedes-Benz of Germany and Perkins Engines Company of the UK.

IDC has an 87,5 percent shareholding, while Mercedes-Benz holds the remaining 12,5 percent.

ADE procures its forged diesel engine components from Atlantis Forge, a wholly owned subsidiary of IDC, which is managed by ADE.
VW changes tack to lure the top end of the market

Ronelle Burger

SA’s number two motor manufacturer, Volkswagen, has not only changed its top management but added new direction to its traditionally brand-based marketing operation, taking full-page informative, product-focused adverts in all major dailies.

“We have introduced new products at the top end of the market. Both the Golf GTi and the Jetta CLs have been improved,” said marketing director Graham Hardy.

“We are moving away from selling simply on price. We are focusing attention on what we believe are the inherent product advantages of the Golf and the Jetta. Under-the-skin German engineering ‘Under-the-skin’ because it is not always visible. This campaign is an effort to make it more visible.”

Comparing this campaign with its start-of-year Chico ads, Hardy said the Chico campaign targeted entry-level car buyers while the latest campaign addresses the “key company car and company car allowance market”, representing 85% of local demand.

“We are trying to ensure that we still get our share of the fleet and professional market,” Hardy said.

In the past Volkswagen focused more on marketing the brand. The current campaign was a tactical move with the emphasis on “really communicating the product advantages”.

The company set aside R5m for above-the-line marketing — virtually all of it spent on full-page, upfront adverts in the country’s major dailies. Below-the-line efforts included the “test-drive-for-keeps” promotion, fleet briefings with major customers and 5,000 direct mail packages. Hardy said the campaign had been well received and Volkswagen expected to see the effect on sales early in 1998.
Cape firm's diesel deal sparks row

Jobs in jeopardy

RENE DU PLESSIS
MOTOR J REPORTER

Diesel engine rebuilders say they face ruin and the loss of thousands of jobs countrywide because of a decision by Atlantis Diesel Engines to go into competition against them.

Angry private sector rebuilders accuse ADE of unfair business practices and using taxpayers' money to compete against them.

At issue is the decision by the Cape-based ADE to remanufacture engines itself in competition with smaller companies which have to buy parts from ADE to do the same job.

Import restrictions and regulations introduced by the previous government forced private rebuilders to buy and supply mainly ADE components.

The small rebuilders have called on the ministers of finance and trade and industry and the Competition Board to step in on their behalf.

But ADE is fighting back, saying it is not subsidised by the Government and is well in the black through its own efforts.

The company has shown a profit of more than R11-million for the past financial year, said managing director Ron Shires.

At stake in the war is the market for rebuilding large commercial vehicle engines, such as those used in long-haul lorries and bigger delivery vehicles.
400 Delta employees choose severance

ROY COKAYNE

Pretoria — Delta Motor Corporation, the motor manufacturer, had accepted the applications of about 400 employees for the voluntary severance package the company offered in October this year. Ed Emmett, the manager for corporate communication at Delta, said yesterday.

Emmett said the response from employees to participate in the offer had been very positive. It included both salaried and hourly paid employees.

"The majority of the separations will be completed by year-end, with the remainder being phased over the next few months," Emmett said.

He said previously that the severance package offer was an attempt to reduce Delta's staff complement by 400, but stressed the package was voluntary to all permanent Delta employees and there was no compulsion to apply for or accept it.

He said the terms of the package were better than those prescribed in the Labour Relations Act and the National Bargaining Forum (NBF) agreement, and "thus far we've had a very positive response."

Explaining the reasons for the offer, George Stegmann, the director of human resources at Delta, said the South African motor industry was grappling with enormous challenges and pressures, including increased foreign competition and deteriorating market conditions.

"Against this background, Delta, like the majority of automotive manufacturers in the country, had to deal with the reality of reducing its production build schedules," he said.

Stegmann said the company had found itself in a situation where it had surplus manpower levels as a direct result of this.

He said Delta initiated the offer of a voluntary separation package to permanent employees to address this surplus without resorting to enforced retrenchment.
CI Caravans to shut Pinetown plant

SHIRLEY JONES

Durban — CI Caravans, which manufactures Sprite and Gypsy caravans, would close its Pinentown plant and rationalise its production facilities at its sister Jurgens caravan plant in GaRankuwa in the North West Province from February, Vincent White, CI’s marketing director, said this week.

He said the decision to shut the plant after 37 years in Pinetown hinged on the synergies created through having all caravan manufacturing based in a single centre and the fact that 70 percent of the caravan market was on the Reef.

White said the production line at the Jurgens factory was being modified to accommodate CI’s Sprite and Gypsy products. This would boost production volumes for all three ranges and peg product price increases, thanks to significant savings in overheads and production costs.

White would not divulge how many jobs were on the line. He said some staff would relocate to GaRankuwa while others would be transferred to the CI Canvas plant which would remain in KwaZulu Natal.

White said when production ceased in Pinetown, CI would have built up sufficient stock to ensure a ready supply to its dealer networks throughout the busy year-end holiday season.
EXPORTS OF SOUTH AFRICAN-PRODUCED VEHICLES CONTINUE TO SKYROCKET

Pretoria — Exports of South African-produced vehicles continue to boom, in contrast to the depressed conditions in the domestic market, the National Association of Automobile Manufacturers of South Africa (Naamsa) said yesterday.

Figures released by Naamsa showed that South African vehicle exports rose by 63.3 percent, or 5,841 units, in the first 10 months of this year compared with the same period last year. Total South African-produced vehicle exports between January and October this year totalled 15,073 units compared to 9,232 units in the same period last year.

Car exports rose 122 percent, or 4,543 units, to 7,592 units in this period compared with last year. Medium and heavy truck exports rose 54.5 percent, or 321 units, to 910 units, while light commercial vehicle exports rose 17.3 percent, or 577 units, to 6,312 units.

— Roy Cokayne
IDC prompts ADE to unbundle

SHERIJE BRIDGE

Johannesburg — Atlantis Diesel Engines (ADE), the Cape-based diesel engine manufacturer, planned to unbundle into five business units after an Industrial Development Corporation (IDC) announcement that it would reduce its holding in a number of its subsidiaries, ADE said yesterday.

The restructuring is expected to attract third-party investors, including black investors.

ADE, which has held a diesel engine monopoly in South Africa, is also positioning itself for the advent of increased international competition brought about by the government’s Motor Industry Development Programme, which lifts protective tariffs on diesel engines.

This move, combined with growing truck imports, was expected to reduce engine assembly from 8 600 units to 5 600 next year.

The company has, however, reported an increase in export earnings.

[Date: 12/08/97]
Sasol to build a rare gases plant in Secunda

Johannesburg — Sasol, South Africa’s fuel-from-coal producer, said last week it would go ahead with its plans to establish a R50 million krypton and xenon extraction plant at Secunda and was taking steps to commercialise the production of beta-carotene for the global market.

The announcements reflect Sasol’s strategy to reinforce its competitive advantage through a co-ordinated and focused programme of globalising operations further.

Construction of the krypton and xenon plant at Sasol Synthetic Fuels, to open in mid-1999, will boost Sasol’s production of the gases by 4.9 million litres of krypton and 1.3 million litres of xenon a year.

The new plant brings Sasol’s total marketable production to 9.5 million litres of krypton and 2.5 million litres of xenon a year.

Alfonso Niemand, the communications manager at Sasol, said that almost the entire production would be exported.

The world market for krypton is estimated at 40 million litres a year, with xenon at 6 million litres a year. Worldwide demand for these rare gases is increasing, with both being used in light bulbs, double-glazed windows and high-precision lasers.

Niemand said there was a growing demand for xenon in particular, which was finding wider uses in healthcare and electronics.

Air Liquide, the French gas company, has been awarded the design, construction and commissioning contract for the extraction unit as well as an exclusive contract for the marketing of these rare gases.

Niemand said Sasol was considering the commercial production of beta-carotene, following the successful running of a pilot plant at Sasol Technology in Upington.

Beta-carotene is a naturally occurring antioxidant that is used in vitamin supplements and health foods.

IDC prompts ADE to unbundle

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ADE, which has held a diesel engine monopoly in South Africa, is also positioning itself for the advent of increased international competition brought about by the government’s Motor Industry Development Programme, which lifts protective tariffs on diesel engines.

This move, combined with growing truck imports, was expected to reduce engine assembly from 8 800 units to 5 818 next year.

The company has, however, reported an increase in export earnings.
Atlantis Diesel Engines accused of unfair competition

ROY COKAYNE

Pretoria — A complaint of unfair competition by Atlantis Diesel Engines (ADE) had been lodged with the Competition Board by the Engine Remanufacturers' Association (ERA), Ludwig Bohmann, ERA's spokesman, said yesterday.

Bohmann said ERA, one of 12 constituent associations of the Motor Industries' Federation, had also recently lodged letters with Trevor Manuel, the finance minister, and Alec Erwin, the trade and industry minister, appealing to them to prevent ADE from competing unfairly.

"ADE is a quasi-government organisation in which the majority of shares are held by the Industrial Development Corporation," said Bohmann.

"A recent newspaper article in the Cape quoted ADE as saying it did not levy surcharges on old engines which had been stripped and found to be damaged, and that it always replaced components with new parts.

"This is against ordinary industry practice and it could tilt the playing fields heavily in the direction of ADE.

"ADE's price list is ridiculous, and we don't know how it maintains profitability."

Bohmann said if ADE was not stopped, "many independent automotive engineering establishments will be threatened and may have to close. Customers will then suffer too."

Pierre Brooks

Pierre Brooks, the chairman of the Competition Board, confirmed yesterday that the board had received a complaint of unfair competition against ADE.

He said the complaint had been referred to both ADE and the Industrial Development Corporation.

Johan Liebenberg, the director of investigations at the Competition Board, said the board had received responses from both ADE and the Industrial Development Corporation, but it was not satisfied with these responses and had requested further information.

Liebenberg said the board would only be able to decide whether to launch a formal investigation into alleged unfair competition by ADE once it had received this additional information.

Ron Shires, the managing director of ADE, said yesterday that if the facts were examined it would be clear there was no foundation for the claims.

Shires said ADE did not receive any subsiudisation at all. He said that the claims made against ADE were that it was competing against the private sector with public sector money, but that "this simply is not true."
R1,1bn boost comes with the new top management

Changes under the outgoing MD have taken the company only half way An expanding export programme promises new markets

Volkswagen SA (VWSA) plans to invest R1,1bn in its Uitenhage plant outside Port Elizabeth over five years. More than half will be spent on new car ranges and the rest on upgrading facilities.

MD Heinrich Holtermann says the investment is proof that the German parent company is committed to its SA operation. Volkswagen SA (VWSA) has been under pressure to increase its local content, and the investment is seen as a move to strengthen its position in the local market.

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Holtermann himself won't be spending the money. However, he returns to Germany in January, after three years as MD. He will be accompanied by finance director Wolfram Kohnke and technical director Burkhard Weilheimer.

Burkhard Weilheimer says that the company's export strategy will be strengthened with the new investment, and that the company will be able to weather any future downturns in the local market.

Carrier Crawler market share

Carrier, the US$60bn a year heating and air-conditioning arm of the US$35bn a year US-based United Technologies, has returned to SA to test the climate a decade after its first foray.

Before its departure it held 65% of the market.

It has invested R100m in a new plant in Pampiersfontein, which it is looking to turn over R200m in 1998 in its first years, with an annual output of 44,000 units.

The US company has bought Fiacom and Amana Manufacturing, which makes commercial air-handling and refrigerant equipment.

The company has a reputation for being the world's leading supplier of air-conditioning and refrigeration equipment.

Dodson

Dodson is another story. The company has been struggling to keep up with demand, and has invested heavily in new production lines.

BPF

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General Motors stake will add finance, know-how and global links

Boosted Delta could become export leader

ROY COKAYNE AND JACK DEVES

Pretoria—General Motors' (GM) purchase of a 49 percent equity stake in Delta Motor Corporation would benefit Delta by providing it with access to finance, know-how and a link with GM's phenomenally large global network, Tony Twine, a motor industry analyst and a director of Econometricx, said yesterday.

"It has become an increasing necessity for local motor manufacturers to have a major foreign shareholder, without which they are unlikely to be able to get into export markets," Twine said.

The deal was announced on Wednesday but Delta said that by mutual agreement between the parties, specific details of the transaction would not be disclosed, nor were details provided of the terms of disinvestment and the management buyout of GM South Africa in December 1995.

In terms of the agreement, Delta, a private, non-listed company, will continue to trade in South Africa as Delta Motor Corporation under its current South African management team and GM will have only minority representation on Delta's board of directors.

Twine expressed the hope that GM would use its South African presence as a production platform for exports rather than as a demand platform to push extra product into South Africa.

He said if GM pushed more product into South Africa it would not benefit anyone and would "further fragment an already highly fragmented market." Twine believed GM's reinvestment in Delta would also improve Delta's competitiveness internationally.

Wille van Wyk, the managing director of Delta, said the purchase of a 49 percent equity stake by GM constituted a vote of confidence in Delta and the long-term future of South Africa.

The stake would probably have cost between R60 million and R80 million, according to industry sources.

According to Delta sources, a powerful factor influencing negotiations for the deal was Delta's strong performance after GM quit South Africa in 1986, when sanctions bit hard and social unrest was rampant.

After GM left, Delta acquired the R35 million Corsa plant in Struandale. Today Delta holds 17 percent of the South African vehicle market.

General Motors recently announced that Cadillac and Chevrolet models would become available in South Africa next year.

Van Wyk said "The alignment of Delta with GM will allow wider access to automotive expertise and leading-edge technologies, closer supplier and purchasing synergies, and the opportunity of growing our export trade into Africa and globally in terms of automotive components and fully built-up vehicles."
BMW to underwrite insurance on its cars

SA CAR manufacturer BMW is to offer and underwrite comprehensive insurance to its customers in conjunction with the specialist insurance company Guardrisk in what is being seen as a pilot project for the international group.

BMW new business development manager Erich Papke said the company's main aim was to facilitate sales of its cars. Research had shown rising short-term insurance premiums were exacerbating car ownership costs, which in turn were deterring customers from buying BMWs.

However, Papke said the insurance scheme also had to become profitable in its own right. The car manufacturer was carrying the risk, while splitting the profits with its dealers, who acted as brokers, he said.

Within five years BMW anticipated between 30% and 50% of dealership income could be from insurance profits.

The target market for the policies were BMWs produced since last year which had been fitted with the electronic drive-away protection system BMW was looking for market penetration of 15% to 30%, Papke said.

He said this was the first time BMW had underwritten insurance, instead of finding an underwriter to provide a product which the car manufacturer then distributed. "We've put in money and capitalised an element of a cell using Guardrisk's licence and we actually do the underwriting, so BMW carries the risk and operates fully as an insurer."

The scheme complied with financial regulations, since the underwriting was done through Guardrisk's captive cell system.
Motor industry to remain depressed

Lucia Mutikani

The motor vehicle industry would remain depressed with total new vehicle sales volumes expected to fall at least 3% to 365 000 next year from this year’s estimated 366 000, industry sources and analysts said yesterday.

They said they expected most manufacturers to scale down operations. Many manufacturers went on an early annual shut-down last week in an attempt to normalise stock levels.

Passenger vehicles slumped ‘almost’ a third to 16 605 units last month from 23 677 in November last year, the lowest level since 1991.

‘Things are very tight for the industry at the moment. There are too many manufacturers in SA manufacturing too many models,” said Ray Brand, an economist with Standard and Poor’s NMS.

“These latest sales figures hinted that we are going to get some of the manufacturers producing fewer models, and perhaps some will find it is not possible to produce.” He said although sales were expected to pick up towards the end of next year, the increase would be only marginal.

Similar sentiments were echoed by a number of analysts who said there were no economies of scale because of the large number of manufacturers. One analyst said no dramatic upturn in demand was expected next year McCarthy Motor Holdings CEO Brand Pretorius, while agreeing that the prospects were bleak, said he could not forecast a catastrophe because the current base was still significantly higher than that experienced in the late 1980s and 1990s.

“In overall terms, I would believe that total new vehicle sales for 1998 will be down about 3% on the 366 000 estimate for the current year to 365 000. But the split will not be an even one. It will be a tough first half, with an improvement in trade conditions over July to December.”

He said the decline in the domestic market would be partially compensated by an increase in export volumes. On the prospect of price wars, Pretorius said the market would remain competitive.