MANUFACTURING - MOTOR INDUSTRY

1987

JAN - SEPTEMBER – DEC.

Battered SA car makers ready for '87 fray

(192) SM
5/1/87

By Jeremy Sinek

Like survivors of an artillery barrage, South Africa's car makers' have emerged from 1986 battered but thankful to be alive

They face the battles to come with some assurance that, provided the enemy does not get bigger guns, they are equipped to survive whatever 1987 may throw at them

As I wrote a year ago, the weaklings of the industry were picked off during 1985 Those remaining through 1986 are now determined, battle-hardened veterans who will not surrender easily At least, not unless ordered to do so by their political masters

If 1985 was a bad year, 1986 was close to catastrophic In the final count, the all-vehicle tally won't exceed 270 000 — 12 percent down on 1985's 305 000, which itself was 25 percent down on 1984's 406 000 And this from an industry geared to build 600 000 a year

A return to the halcyon days of 1981, when sales reached more than 450 000, now looks as imminent as Nelson Mandela's ascendancy to State President

The analogy is apt, for politics have shaped the destiny of South Africa's motor industry in 1986

It was politics that weakened the rand that inflated the cost of imported components that fuelled the spiralling prices that more than any other factor knocked the stuffing out of vehicle sales

According one estimate, the imported content of a car by value increased from about 44 percent in February (when the rand was worth 90 yen) to 55 percent in July when it had dropped to 60 yen

Largely thanks to arithmetic like that, a top-selling compact sedan which cost R13 135 in December 1985 costs R17 825 today — a hike of 36 percent A popular mid-size sedan has risen 32 percent from R16 925 to R22 275 over the same period, while a luxury sedan that has had a major model change in the interim period now costs a staggering 52 percent more than its 1985 equivalent

The best to be said about 1986 sales is that the second half was better than the first Stock shortages among some makers were said to have contributed to the anaemic average in the first five months of just under 14 000 passenger cars a month

The corner was turned in June, when nearly 16 000 cars were sold The average for June-November was a healthier 15 500

The slow emergence from recession was a factor in the improvement, helped along by the Government's mid-year stimulatory package that included an easing of the perks tax burden on company-provided cars

Relief on import and excise duties reduced cost pressures, as did a partial improvement in the exchange rates against the German and Japanese currencies

Manufacturers say they have absorbed much of the increases, but there were signs of serious buyer resistance after the last round of price hikes in October

The consensus is that increases over the coming year will be less than the rate of inflation. Already there has been a slackening in the pace of price rises, with no sign of the routine increase normally expected at the turn of the year

Other glimmers of hope are falling interest rates and prospects of a good agricultural season.

Having trimmed their fat over the year and absorbed the worst of the exchange-rate onslaught, the leaner, fitter industy has learnt to live with lower sales volumes

"Passenger car and commercial vehicle markets of say 18 000 and 9 000 units a month respectively could give very satisfactory returns to most of those companies quoted under the motor sector on the Johannesburg Stock Exchange," said Mr Brian McCarthy of McCarthy Group Ltd

Toyota, BMW, Mercedes and VW are among the companies who claim already to be trading in the black again, even if only on a marginal and month-by-month basis

Said Mr Peter Searle, managing director of VW SA "We won't show a profit for the whole of last year, but we were certainly profitable in certain months

"If we could just see something like a 10 percent improvement in the exchange rate we would be very profitable this year"

BMW claims it would still make money even at sales volumes 30 percent lower than at present. That's partly a reflection of higher profit margins in the upmarket sector, but the German company has also been a pioneer in the export of SA-made components which can offset shortfalls in meeting local content requirements

Executives do not seem much concerned about the possible impact of sanctions on imported components The growth of the world car concept means that the nominally German and Japanese-sourced cars we make here are also manufactured in countries as far afield (and as friendly to South Africa) as Taiwan and Argentina

Talks a year ago between GM and BMW came to nothing Short of complete shut-downs, no further painless rationalisation possibilities offer themselves

The recent GM "pull-out that wasn't" leaves South Africa still with seven car manufacturers producing 20 basic model lines in 165 individual variations.

That's an improvement on two years ago (10 manufacturers, 35 models and 225 variations) but it still offers poor economies of scale compared with, say Brazil, where five manufacturers produce almost three times as many vehicles in a year as South Africa.

The easy culling was done in 1985, with the Ford/Amcar merger to form Samcor and the withdrawals of Alfa Romeo and Renault from the SA market Further rationalisations were confined to fine tuning

Most notable of these was Ford's new light car — the Laser/Meteor — essentially the same car as the Mazda 323. The benefits of this "badge engineering" are already obvious. Combined monthly sales of these three have averaged 2 200 this year — compared with 800-odd Escorts and 1100-odd 323s in 1985 — and that higher volume is being achieved off basically one tooling-up investment instead of two

New-model introductions will be thin on the ground in 1987 and beyond Apart from BMW's launch of the low-volume new Seven Series, the only manufacturer due to renew its line-up is Nissan This Sanlam-backed company will renew its two main passenger car lines during the year

Most other car makers have already introduced their parent companies' most up-to-date models — and, given the ever more prohibitive cost of tooling up for new ones, it looks like they're going to be with us for a long time

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News 5/1/87 192

New-look GM seeks 10% more

PORT ELIZABETH — The new local management of General Motors took over today Full production will be resumed after a "warm-up" on Wednesday

The new-look team of bosses will be headed by Mr Bob Price, who takes over as chairman of the new company, the name of which has not yet been made known

Mr Price is due to return from a holiday with his family in America next week and the former managing director, Mr Bob White, is moving into a top-management post with General Motors in Detroit

Two new appointments will be Mr Willie van Wyk, who takes over as director of sales and marketing this month, and Mr Doug Walters, who becomes director of finance in February

Mr Keith Butler Wheelhouse is managing director, Mr I D van der Linde director of materials management and accessories, Mr André van Rooyen director of product development, and Mr George Stegmann director of personnel and public affairs

Mr Stegmann said the new management aimed to increase the company's market share by at least 10 percent in 1987

Several marketing strategies had been employed to make the new Monza one of the biggest sellers in the country

Sapa

Smoother ride ahead for GM's Bob White

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DAVID FURLONGER
Industrial Editor

☐ **WHITE . . . out of South Africa**

HAROLD WILSON once remarked that a week is a long time in politics. When Bob White boards his aircraft at Jan Smuts Airport tomorrow to return to the US, he will reflect that 18 months is a lifetime in the South African motor industry.

When White arrived here in July 1985 to take over from Lou Wilking as MD of General Motors, it was with the conviction that he could return the ailing company to its former glory.

Instead, he presided over its death as mounting losses and political pressures persuaded the world's biggest vehicle manufacturer to sell off its unwanted child to local management.

In the process, White was cast severally as hit-man, folk hero, villain and fall guy.

'Here to stay'

Once his appointment as MD was known, White's financial background prompted some observers to ask immediately whether his brief was to reconsider the SA company's viability. White said his job was simply to make GM more profitable

Despite early pronouncements that continued heavy losses could prompt GM to reassess its operation, White insisted GM was here to stay — for a few more years at least. In one interview, he gave himself up to 10 years at the helm.

Others weren't as confident — and White found himself fighting on all fronts to convince customers and dealers alike that GM was not about to abandon SA.

At one stage, GM refused to advertise in *Business Day* when this newspaper predicted, shortly after Alfa Romeo packed its bags, that Renault and GM would be among the next to go.

As late as last May, White called a special Press conference to announce GM was in SA to stay.

Those who know White doubt he was being untruthful. At that stage, they say, the company was still trying to retain a foothold.

Rationalisation talks had been held with BMW, White retained hopes of a local corporate partner and parent-company chairman Roger Smith was telling the world why US companies couldn't afford to quit SA

Then the rug was pulled out and GM announced it was leaving. Production would continue and jobs were safe under the new management, but GM had buckled under to political and financial pressures.

GM's life-or-death struggle should have been White's only problem But there were plenty more pressures in store.

White's time at the helm coincided with the worst decline in vehicle sales ever experienced by the SA motor industry. All manufacturers saw car sales plunge, but commercial vehicle sales — a traditional GM strength — went through the floor.

Folk hero

And the picture went from bad to worse when GM in the US announced it would no longer sell vehicles to the SA government

The gloom lifted briefly, and White became something of a local folk hero when he announced GM would give legal and financial support to any black workers who deliberately broke the laws barring them from Port Elizabeth's "whites-only" beaches.

The stand earned an angry response from Tourism Minister John Wiley, a call for a white boycott of GM vehicles from the HNP and the temporary adulation of his black workforce.

That adulation turned to fury late last year when a protracted strike resulted in GM dismissing many of its workforce. The pipe-smoking man of principle had shown he also had resolve.

White, now 57, can expect a quieter life in future, as part of GM's international operation based in Detroit. It can only be easier.

"I never thought, when I first came to SA, that so much would happen," says White.

"But I'm delighted that the transfer to new management has gone so smoothly and I believe the new company has a great future."

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Car price hikes to be less than inflation — VW head

STAR 8/1/87

By Jeremy Sinek

Motor vehicle prices should increase by less than the local inflation rate, says VW SA managing director Mr Peter Searle, in reaction to a reported statement by Mr Jan Cronje, director of the consumer council, that car prices would increase by 40 percent this year.

"If the exchange rate holds steady against the German mark, VW/Audi will be doing its utmost to hold price increases to between 10 and 12 percent this year," Mr Searle said.

There is similar optimism in the case of Japanese-sourced cars. "With a little bit of luck increases won't be much more than 12 percent for the whole year," said Mr Colin Adcock, managing director of Toyota.

Already there has been some slackening of the price rise spiral. So far only Nissan, with a modest three percent hike, has posted the normally expected turn-of-the-year increase.

The below-inflation rate of price increases should be possible, because the worst of the exchange-rate onslaught (which inflates the cost imported components) had already been absorbed by the end of last year.

Mr Adcock said: "The large increases up to the end of the year covered a 44 c rand, so we won't be in bad shape if it stays at 45-46 cents."

STEADY RAND

With the Reserve Bank looking able to maintain the rand steady at least until mid-year — helped by a downward trend for the dollar and a possble weakening of the yen — Mr Adcock predicted no major price increase to cover currency factors on imported components.

Similarly, the cost of local components would rise at less than the inflation rate because the cost of their own imported content would remain stable.

Mr Searle predicted that the swing towards smaller cars in 1987 would continue and that this, combined with low interest rates and readily available credit, would lead to a revival in the new car market.

Toyota's Colin Adcock predicts a modest five percent gain in car sales for 1987, while light commercials "might be a surprise, as farmers are feeling better and there could be some stimulation of the building industry".

But he believes the passenger car forecast could prove unduly pessimistic in view of the bond rate war.

"This could be a critical and interesting factor, as from April many people will benefit from a two percent drop in the bond rate.

"If this holds through the year, as it should, there is the potential for growth considerably better than five percent."

10/1/87

(192)

W/E Post

Wheels turn again as GM rehires 300 sacked men

Weekend Post Reporter

THE General Motors plant in Port Elizabeth swung back into full production this week with a full staff complement, including more than 300 of the 567 workers who were dismissed during the November strike

However, the company — which is now wholly South African-owned — is yet to acquire a new name

"We're busy researching a new company name and hope to make an announcement soon," the director of personnel and public affairs, Mr George Stegmann, said yesterday

The new company's chairman, Mr Bob Price, a former GMSA managing director, is due to arrive in South Africa at the weekend to take up his post

Meanwhile plans for the official public launch of the Monza in late January are going ahead

Mr GEORGE STEGMANN

The launch, originally scheduled for November last year, was postponed as a result of the strike, which halted production for three weeks in October and November

Mr Stegmann said the start of production on Wednesday took place in an atmosphere of great enthusiasm and goodwill

"It's now up to the management and the employees to work together for a better future for all."

The plant was producing 130 vehicles a day and for the moment there were no plans to employ more people

More than 300 people gathered outside the Kempston Road plant on Wednesday in the hope of employment, but any decision to take on additional staff would be determined by the success of the company's plans to increase sales by 10% this year

Asked whether former employees, included dismissed strikers, would get priority if more jobs became available, Mr Stegmann said it was company policy to give preference to retrenched employees

The company would not, however, re-employ any people who were involved in violence and intimidation during the strike, he said chases The present ceiling for this 100% subsidy, estimated to have cost taxpay-

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the major concern of black traders — barring their exclusion from "white

BUSDAY
14/1/87

Indaba report handed over with warning

THE KwaZulu government might have to rethink its attitude towards negotiation politics if government rejected the KwaNatal Indaba report.

This is the view of Dr Oscar Dhlomo, KwaZulu's representive in the four-man team, which handed the report to Minister of Constitutional Development and Planning Chris Heunis in Cape Town yesterday.

Heunis said at the ceremony it would be premature of him to react to the report at this stage.

But Indaba chairman Prof Desmond Clarence said later they were still optimistic about the report, even though three minority reports were included — one a combined effort by three major Afrikaans organisations. These placed heavy emphasis on race rather than on free association, while backing the concept of negotiation.

Clarence said Heunis was prepared to consider a test of Natal public opinion on the report .

He said the Indaba had not been disbanded and that it would be prepared to consider government suggestions or comments on it.

BUSDAY
14/1/87

A mediator for OK strike?

ALAN FINE

THE OK Bazaars and the Commercial, Catering and Allied Workers' Union (Ccawusa) confirmed yesterday that tentative moves to appoint a mediator to assist in ending the strike at the company are in the pipeline.

However, both parties are extremely cautious about the possibility of these efforts achieving their goal.

The OK strike is now almost four weeks old.

OK personnel director Richard Blackwell said. "Their (Ccawusa) lawyers are talking to ours to canvass all possibilities which may bring the dispute to a successful conclusion. Mediation is one of those "

Asked what conditions would have to be met for the OK to agree to this step, Blackwell replied that it would have to be satisfied that mediation held some hope of success

He added the OK had proposed mediation before the strike but the union had rejected the offer

Ccawusa spokesman Vivi Masina said the union had not actually proposed mediation

But it considered it "an extension of negotiation" and had always said it was

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BUSDAY
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Car-producers braced for the worst

DAVID FURLONGER

CAR-MAKERS are totting up sales figures for 1986, amid fears the result could be even worse than the most pessimistic predictions.

Industry figures to be released tomorrow are expected to show sales in December fell to about 12 500 — the worst monthly total of 1986.

The previous worst was November's 13 109, the lowest November total since 1967.

Industry sources say December sales will push the total for the year to about 175 000, compared with 204 000 in 1985 and 269 000 in 1984

Some optimistic industry officials predicted at the start of 1986 that car sales would stay around the 200 000 mark. But as the year progressed and prices went up by leaps and bounds, estimates came down.

Thumbs-down for SA from high-flyers

DAVID FURLONGER

US BUSINESSMEN who visit Africa are returning home with vivid memories of the continent's wildlife.

However, it is not the four-legged wildlife of the game parks they remember but the two-legged species — and the South African kind fare badly as a particular danger point in their listing

Among hazards encountered by businessmen flying to Africa are surly customs officials, unhelpful hotel staff, thieves and trigger-happy troops and police.

The latest edition of *International Update*, magazine of the International Business Aviation Council, says Africa creates more problems for business travellers than anywhere else in the world

Its findings — many relating to African airports — are based on first-hand experiences of US businessmen.

On SA, "Update" says US consular officials have had difficulties gaining access to Americans arrested since the emergency was declared and recommends that all Americans register with the US embassy or a consulate upon their arrival in SA.

"Exercise caution in photographing or tape-recording events that may be construed as being anti-government"

PRICE MOVES AT A GLANCE

REUTERS

KEY MARKET MOVEMENTS — JANUARY 12 to JANUARY 13

Gold			JSE	Previous			Latest		Johannesburg Stock Exchange		
$/oz	$/oz	R/oz	Krugerrand	$/R Comm	$/R Fin	DM/$	£/R	3 months B A	All Gold BD Index	BD Indust Index	JSE Ov'all Index
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LONDON CLOSE	LONDON AFTERNOON FIX					FRANKFURT CLOSE	LONDON CLOSE				

Cars sales crash as prices spiral

BUSDAY 192 16/1/87

DAVID FURLONGER
Industrial Editor

SALES of new cars are at their lowest level for 10 years — while truck and bus sales have plummeted to a 24-year low.

Motor industry figures released today confirm that 1986 was the year motorists finally gave up the unequal struggle against spiralling prices.

Industry officials say car prices have risen by between 85% and 93% in three years — more than double the rate of most pay increases.

National Association of Automobile Manufacturers (Naamsa) director Nico Vermeulen says that in an average year between 8% and 9% of the car population — currently estimated at 3,2-million — is replaced. In 1986, this fell to around 5%.

He says: "Vehicle manufacturers are conscious of the fact that new car prices have escalated to a level out of reach of most private buyers and it is recognised that a sustained pace of recovery in demand for new motor vehicles will have to reflect positive trends in real income."

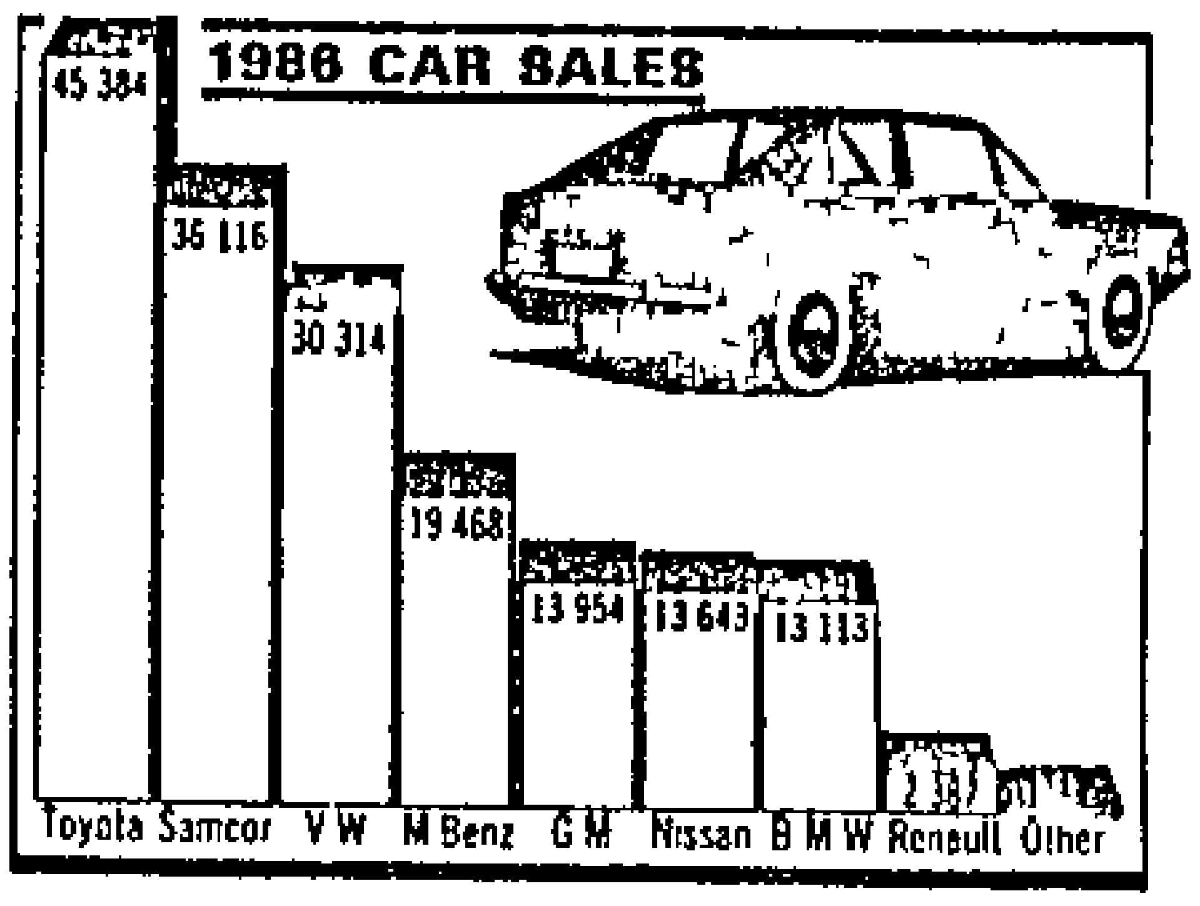
The latest figures show that car sales in December fell to 12 076, the lowest monthly performance for 10 years. The total number of cars sold in 1986, 174 453, was also the worst for 10 years and 14,6% down on the previous year's 204 000.

Only two manufacturers — Volkswagen and BMW — actually increased car sales in 1985, both by a few hundred The big losers were General Motors, which saw sales crash from 19 000 to 14 000, and Samcor with a drop from 42 000 to 36 000

Sales of bakkies and mini-buses held up relatively well — light commercial vehicle sales last year totalled 79 000, against 85 000 in 1985 — while medium commercials continued to struggle

Truck and bus sales, however, were a disaster — the total of 6 839 was the worst since 1962 and over 34% down on 1985.

Bad as the figures are, industry officials believe things can only improve. And they point out that with most manu-



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17/1/87 BUSDAY

New vehicle sales plummet

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⇦ ● From Page 1

facturers already operating at minimum staff levels, the figures are unlikely to lead to further lay-offs.

Instead, they say sales, which have lagged behind the recovery in other consumer sectors, will pick up as a result of lower interest rates, a slow down in price rises and the fact that many vehicles are in need of replacement.

Vermeulen says manufacturers hope to keep car price increases this year to around 12%, although this depends on the rand retaining its value against the yen and Deutschemark Industry officials point out that the rand's performance against the US dollar is largely meaningless in determining the price of imported vehicle parts.,

Nevertheless, they expect sales in all sectors to increase during 1987.

Rampaging mobs hit packed Natal beaches

2883 276 SMT 2/1/87

Own Correspondent

DURBAN — Violence on packed beaches in Durban and along the Natal South Coast yesterday left one person dead and scores injured, including nine wounded by birdshot.

Unruly mobs among 60 000 beachgoers kept the strong police force busy from about 11 am until 3 30 pm on beaches between the Blue Waters Hotel and the Blue Lagoon in Durban. Police used teargas and birdshot after crowds repeatedly robbed and looted kiosks

And, at Winklespruit, on the South Coast, commuters stoned a train and then ran through the Karavanna caravan park An Indian youth was stabbed to death at the railway station

In Durban, at Blue Lagoon and the Sunkist and African beaches, police and the army had their hands full dealing with looting, robberies and fighting

At 1 15 pm, with crowds still pouring on to the beach, staff at the Clover Leaf restaurant and the kiosk at the paddling pool fled when a mob tore down burglar bars and began looting

Police were on the scene within minutes and fired teargas in an attempt to disperse the mob. But the rioters stoned the police who fired birdshot, wounding nine people

At 2 45 pm, near the African beach, an Indian woman was stabbed in an arm

About 3 15 pm, lifeguards at the African beach locked themselves in the public changerooms to escape from a mob

Twelve people were taken to Addington Hospital Nine of them were treated for injuries and discharged and three were admitted

● See Pages 3 and 6.

16/1/87

CAR SALES FINMAIL (192)

A cold start

Early indications are that December car sales will be little or no better than November's And those were disastrous (*Business* December 12), producing the worst figures for any November since 1967

In early December, however, it seemed that fortunes were changing and there was encouraging movement on showroom floors.

But the rally petered out and the industry remains at a low ebb Yet there are some hopeful signs, and several factors could yet help the manufacturers, according to National Association of Automobile Manufacturers of SA president Peter Searle.

"The recent stability of the rand has made an enormous difference," he says "Few people realise a 1% devaluation costs manufacturers up to R40m "

In addition, he says the escalation of used car prices makes a second-hand buy far less attractive

GM marketing director Willie van Wyk agrees that many buyers will have second thoughts about buying a used car.

And there is now considerable pent-up demand In an average year 9% of the car population is replaced but recently this has been reduced to 6%-7%

Most manufacturers, including Mercedes and Samcor, predict a 5% increase in 1987 sales over 1986 — but they admit things will remain tough

GM executives are even more pessimistic, predicting new car sales of 180 000, an increase of only 3% on last year's low base

Mercedes is pinning some hopes on the outcome of this year's election, which it hopes will create economic stability and encourage more fleet buying ■

Motor makers whimper over December sales

STAR

192

16/1/87

By Jeremy Sinek

Motor manufacturers now know the worst

With December's car sales figure of 12 076 representing the lowest monthly total for nearly 10 years, 1986 went out with a whimper

The resulting full-year total of 174 453 cars was 14,6 percent down on 1985's already depressed performance of 204 322

Light commercial vehicle sales held up quite well in December, but medium and heavy trucks ended the year on a dismal note

Full-year sales of light, medium and heavy commercials fell by 7,4, 16,2 and 34,4 percent respectively, to give an all-vehicle total in 1986 of 264 676 — a 13,3 percent fall from 1985's figure of 305 327

To put that in perspective, in 1981 — its best year ever — South Africa's motor industry sold 453 541 vehicles of all types

The 1986 figure for heavy trucks and buses was the lowest for 24 years.

Low consumer and business confidence, and unprecedented price rises were cited as the main reasons for 1986's poor vehicles sales by Mr Nico Vermeulen, director of the National Association of Automobile Manufacterers (Naamsa)

Motor makers are still hoping for better things in 1987, especially in the first half A car sales figure of 185 000 to 190 000 seems expected now

This mild optimism is based on such positive factors as an improved business climate, reduced interest rates, a good agricultural season and falling bond rate, plus the likelihood of a stimulatory mini-Budget and big public service pay rises before the coming general election

Statistically, 1986 was a year in which the withdrawal of Renault and Alfa Romeo helped most of the remaining seven car makers post increased market *shares*, though only two — Volkswagen and BMW — recorded against-the-trend increases in the actual number of vehicles sold

By make, and in descending order of overall market share, the companies' fortunes went as follows

- Toyota sold fewer vehicles than in 1985 in all sectors except medium trucks Overall, its sales dropped by less than the market as a whole Only in light commercials did it experience a (marginal) drop in market share — from 39,6 to 39,3 percent

In 1986 Toyota accounted for 29,8 percent of all vehicles (26,0 percent of passenger cars) sold in South Africa Its Corolla and Cressida sedans were the top and third best-selling cars

Worthy of note

- Samcor's sales of passenger cars dropped in line with the overall market to result in a market share (20,7 percent), very similar to 1985's (20,6) Worthy of note is the performance of its same-under-the-skin Mazda 323 and Ford Laser/Meteor ranges which, if their sales are combined, displace the Cressida as the country's third best-selling car
- For the second year running, VW-Audi was the industry's rising star Despite the drop in the overall market, it sold 3,3 percent more cars in 1986 and 14,9 percent more light commercials.

Despite not competing in the medium/heavy truck sectors, VW is now South Africa's third-largest vehicle maker And its Golf/Jetta is securely established as number two top-seller

- Nissan has improved from fifth to fourth in the overall sales table

Nissan's strength is in the light commercial sector, where it lies second only to Toyota. In fact, Nissan sells more light trucks than it does passenger cars

- Nissan's gain has been GM's loss In its last year under American ownership, GM lost both sales volume and market share in all sectors As a result of selling 29 percent fewer vehicles than the previous year, it slipped from fourth (with 11,3 percent) in 1985 to fifth (with 9,2 percent) in the overall market
- Mercedes-Benz's sixth position in the all-vehicle sales league (with the same 8,4 percent market share as in 1985) is deceptive, since it does not sell in the important light commercial sector

In fact, Mercedes-Benz is the country's fourth-largest passenger car maker (with a market share up from 10,7 to 11,2 percent) and the leading manufacturer of medium and heavy trucks (up from 23,2 to 24,7 percent)

- Seventh and last in the overall league table is no disgrace for BMW, which has no commercial vehicle operation and whose cheapest car is currently priced at R22 540 Like VW, BMW bucked the trend to sell more cars in 1986 than 1985, increasing its share of the car market from 6,3 to 7,5 percent

Car prices already on the way up

192

18/1/87 · SUNTIMES

By Don Robertson

A BATTERED motor industry has begun increasing the prices of cars and light commercial vehicles

Price increases of 35% last year and 30% in 1985 led to a plunge in sales last year They were the lowest in 10 years

All manufacturers will have raised prices by up to 6% by the beginning of February

However, the January increases will be lower than the average last year Manufacturers fear that even if increases are held well below the inflation rate, it will be 18 months before the average person's disposable income will be sufficient for a new car

First time

An indication of manufacturers' concern comes from a marketing director who says this is the first time in the industry's history that all motor companies have not raised prices on January 1

But car-makers have no option but to increase prices because they have lost millions of rands in the past two years

A popular 1,3*l* car today costs R15 460 A buyer has to pay R433 a month over four years after a 10% deposit In addition, comprehensive insurance costs about R100 a month

To meet those payments a buyer must earn about R620 a month before tax at 40%

Last year's car sales were the lowest since 1977 at only 174 453 units — and down 14,6% on the 204 322 in 1985

Light commercial vehicles (LCVs) were also at a 10-year low at 78 934 units — and 7,4% off the 85 261 units sold in the previous year.

Heavy-truck and bus sales plummeted to a 24-year low of 6 839 compared with 10 430 in 1985

Luxury manufacturer Mercedes-Benz will raise the price of all its models by 6% tomorrow Prices of the Honda Ballade, made by Mercedes, will be increased by 2,3% for the 130 model and 6% for the 150i

Although December's total car sales fell by 7,8% from November, Mercedes-Benz recorded a 36% increase to gain its best-ever market share The improvement came largely from Honda Ballade and Mercedes 124 sales Its share of the car market last year rose by 0,5% to 11,2%, and it dominated the heavy-truck market with 35,5%

Nissan lifted prices by an average of 3% on January 1 Marketing director Stephanus Loubser says, however, it may be possible to hold increases to about 4% below the inflation rate this year But even if this is achieved , it will be about 18 months before the average person will be able to afford a new car

New Skyline

Nissan should benefit from a new Skyline which will be introduced in the second quarter of the year A new Langley will follow Finance for tooling, estimated at R140-million, has been negotiated

Toyota continued to set records in market share last year with 29,8% of the total — 26% of cars and 37,1% of light and heavy commercials Its Corolla alone held 17,5% of the car market It held almost 40% of the LCV market

Toyota will raise prices on February 2 Marketing director Brand Pretorius, although not disclosing the

● To Page 3

Abra
off
Neth

By David Carte

ROB Abrahamsen, posed chief execu of Nedbank, is retur ing to his native Net erlands to take up banking job.

Mr Abrahamsen starts new career as an adviser the Nationale Investe Bank, an investment headquartered in The at the end of this month

Since leaving Nedbank year ago, he has worked as stockbroker at Frankel Kr ger Inc He sought to ar loans between institu and blue- chip companies keener rates than th offered by banks

Profitable

He says "It was an which has proven profita overseas, but which was te porarily thwarted here by t decline in interest rates slack demand for money am grateful to the Fi for giving me an opportuni but I think I am a bank more than a broker"

Mr Abrahamsen chose from several number offer to him in SA and other c tries, including the US will not elaborate on the ot er offers

"I thought this offer cons tuted the most inter new challenge Nationale vestering Bank is unusual

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18/1/87 SUNTIMES

Argus, Caxton Hortors spin Waltons web

Business Times Reporter

WALTONS Stationers, Business Times Top Company for 1986, may become further ensnared in the control spiderweb connecting Argus, Caxton and Hortors.

Argus has 49% of Caxton, the magazine and suburban newspaper printer and publisher, and 50% of Hortors

In December, Hortors warned shareholders to be cautious in dealing with their shares as negotiations which could affect their value were taking place

It appears that Caxton is he has had discussions with Caxton

It appears that the discussions concern the 8% stake Hortors already has in Walhold and stationery operations in Hortors and in CTP that Waltons desires

Mr Robarts will not be drawn, but says his management team and that of Caxton "get on famously"

Merry Short, chairman of Caxton, says Waltons and Caxton have similar styles, have been similarly successful — and both have money

But he will not be drawn on the precise direction of negotiations between Caxton and Waltons

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18/1/87 SUN TIMES

Tractor sales slump to worst in five years

Business Times Reporter

1982

TRACTOR sales last year were the lowest in five years.

Sales of 4 746 were down by 33% on the 1985 figure of 7 061.

The South Africa Agricultural and Irrigation Machinery Manufacturers and Distributors Association says the outlook for 1987 is gloomy.

Manufacturers are looking at a 10% to 15% increase in sales this year

From a peak of 24 862 tractors in 1981, sales have fallen each year as the drought worsened.

Bill Hubbard, chairman of the association, says: "Burdened by huge debt repayments, farmers will need a couple of good seasons before they are able to buy new machinery."

Massey Ferguson was the largest seller in 1986, with 1 084 units, followed by Ford with 888 and Vetsak with 852.

Hopes ride high for car industry after '86 crash

192

19/1/87

BUS DAY

DAVID FURLONGER
Industrial Editor

MOTOR industry optimism that vehicle sales will recover this year from their 10-year-low appears to owe as much to the feeling that "things can only get better" as it does to business reasoning

Following the news that 1986 car sales were the worst for 10 years, and truck and bus sales the worst for 24 years, motor industry officials are unanimously predicting an increase in all sectors this year

Total car and commercial vehicle sales are expected to increase by an average 6%, with car sales predicted to rise from this year's 174 000 to between 185 000 and 190 000

"Guess-timates" at this time last year, for a 1986 car market of about 200 000, proved wildly optimistic Few care to consider what will happen if latest estimates prove equally wide of the mark

Business fears

"It has to get better," says the marketing director of one manufacturer "If it doesn't, we'll all go out of business."

Manufacturers have already cut employment to the bone Volkswagen MD and head of the National Association of Automobile Manufacturers Peter Searle said "We have reached the point where further lay-offs would damage the structure of the whole industry and cause problems for companies"

Manufacturers have also mothballed expensive plants as production runs at little more than half of basic capacity On a single-shift basis, the industry can produce 300 000 cars a year

Searle shares the view that sales will rise this year — courtesy of a stable rand Naamsa figures show that car prices have risen by up to 93% in three years as the rand's value has plunged against the yen and Deutschemark — the vital currencies when importing car parts from Japan and West Germany Last year alone, prices rose 35%

Searle expects prices to increase by about 12% this year — if the rand behaves itself

"It is the exchange rate that has been the problem If it remains stable, the chief problems will be local cost increases and wages"

The exchange rate isn't the only "if" Others are that consumer confidence continues improving, interest rates stay down, real disposable income starts catching up with runaway car prices, and fleet and company car managers start overdue replacement programmes.

Should none of these happen, and prices continue to spiral, there can be only one outcome — more companies in trouble Whether this would lead to further withdrawals, or agreements to share under-used manufacturing facilities, is a question no-one is willing to answer in an industry where the last two years have shown today's commitment to remain is tomorrow's farewell message

Taking the optimists' view, however, there appears some likelihood that sales will pick up this year When, is another matter

January is generally ignored as an indicator of how sales will perform during a year School and industrial holidays, with the inevitable slow build-up afterwards, make it a traditional go-slow month

"January is irrelevant I consider February the first real indicator," said Searle.

He expects sales in 1987 to follow the traditional pattern, remaining low in the first quarter If the gold price remains strong and agriculture performs as well as seems likely, this will boost performance later in the year.

Others, however, believe the improvement could come earlier — possibly the result of government stimulatory action before the general election

Stimulation

"Sales could be unseasonally weighted towards the first half of the year with stimulatory activity on the government's behalf," said BMW marketing manager John Jessop, whose company was one of only two — VW was the other — to sell more cars in 1986 than in 1985.

"Also, interest rates are down and if confidence remains, there has to be an element of natural replacement I think we could see an improvement earlier than many people expect"

Toyota marketing director Brand Pretorius warns that too much should not be read into December's dismal sales performance.

"There were practical reasons, notably that December is traditionally a slow selling month due to the model year-end, the limited number of selling days and limited fleet purchases caused by a combination of these two factors'

THE SORRY STORY OF 1986 . . .

CARS:

BMW — 3 Series 431, 5 Series 169, 7 Series 46, Other 1, TOTAL 647

GENERAL MOTORS — Opel Rekord/Commodore 205, Monza 312, Ascona 9, Kadett 536, TOTAL 1 062

MERCEDES-BENZ — Honda Ballade 1 102, M/Benz W123 Series 24, W124 Series 733, W126 Series 176, TOTAL 2 035

NISSAN — Langley/Pulsar 562, Skyline 341, Laurel 32, TOTAL 935

SAMCOR — Ford Laser/Meteor 597, Sierra 539 (FORD 1 136), Mazda 323 590, Mazda 626 282 (MMI 872), TOTAL 2 008

TOYOTA — Corolla 2 311, Cressida 1 188, TOTAL 3 499

VOLKSWAGEN — Golf/Jetta 1 603, Passat 173, Audi 500 112, TOTAL 1 888

OTHER — Lancia 2

TOTAL December 1986 — 12 076
TOTAL December 1985 — 19 170
TOTAL November 1986 — 13 109
TOTAL November 1985 — 17 501
TOTAL 1986 — 174 453
TOTAL 1985 — 204 322

LIGHT COMMERCIALS

GM 702, **LEYLAND** 17, **NISSAN** 1 072, **SAMCOR** (Ford 679, MMI 504) 1 183, **TOYOTA** 2 611, **VW** 427

TOTAL December 1986 — 6 012
TOTAL December 1985 — 7 253
TOTAL November 1986 — 5 971
TOTAL November 1985 — 7 050
TOTAL 1986 — 78 934
TOTAL 1985 — 85 261

MEDIUM COMMERCIALS:

GM 65, **M/BENZ** 14, **NISSAN** 15; **SAMCOR** (Ford 44; MMI 41) 85; **TOYOTA** 79

TOTAL December 1986 — 258
TOTAL December 1985 — 447
TOTAL November 1986 — 316
TOTAL November 1985 — 459
TOTAL 1986 — 4 450
TOTAL 1985 — 5 314

HEAVY COMMERCIALS:

ERF 11, **GM** 39, **HESTAIR-DENNIS** 3, **LEYLAND** 26; **NISSAN/MAGNIS** 26, **MALCOMESS** 2, **MAN TRUCK** 60, **M/BENZ** 172, **SAMCOR** (Ford 0, MMI 22) 22, **TOYOTA** 54

TOTAL December 1986 — 415
TOTAL December 1985 — 746
TOTAL November 1986 — 590
TOTAL November 1985 — 842
TOTAL 1986 — 6 839
TOTAL 1985 — 10 430

TOTAL VEHICLE SALES:

BMW 647, **ERF** 11, **GM** 1 868, **HESTAIR-DENNIS** 3) **LEYLAND** 43; **MALCOMESS** 2; **MAN TRUCK** 60; **M/BENZ** 2 221; **NISSAN/MAGNIS** 2 048, **SAMCOR** 3 298, **TOYOTA** 6 243; **VW** 2 315, **Others** 2

TOTAL December 1986 — 18 761
TOTAL December 1985 — 27 616
TOTAL November 1986 — 19 986
TOTAL November 1985 — 25 852
TOTAL 1986 — 264 676
TOTAL 1985 — 305 327

19/1/87 (192)

Tractor sales slow down

BusDay

DAVID FURLONGER

TRACTOR manufacturers are hoping for an increase in sales of up to 15% in 1987 after recording their worst performance for years

Final industry figures show only 4 746 tractors were sold last year, a drop of 33% on 1985 and of 80% on the peak year of 1981, when nearly 25 000 vehicles were sold.

Bill Hubbard, chairman of the SA Agricultural and Irrigation Machinery Manufacturers and Distributors Association, says despite improved summer rains and a good winter wheat crop, any recovery in tractor sales would be gradual.

"Burdened by huge debt repayments, farmers will need a couple of good seasons at least before they are again in a position to buy new agricultural machinery"

Leading manufacturers in 1986 were Massey Ferguson, with 1 084 sales, Ford with 888 and Vetsak with 852

Combine-harvester sales also moved slowly last year, with only 293 sold. Malcomess had 28% of this market, and Vetsak and John Deere 21% each.

Argus 2/1/87

Dealers see rise in used car prices

192

Staff Reporter

USED car prices will increase dramatically in the next few months, say city car dealers.

Prices are being pushed up by the critical shortage of second-hand vehicles as the countrywide slump in new car sales has resulted in fewer trade-ins, the major source of stock for second-hand dealers.

Dealers confirmed an incease was imminent because of short supply and big demand.

Some said they were already paying more for trade-ins

Last year, 174 453 new cars were sold in South Africa — about half the number sold five years ago

Mr John Barker, a director of Kempster Ford, Cape Town, said dealers were being forced to pay higher prices for used cars to induce customers to trade in their vehicles and buy new ones

"A man is inclined to hang on to his old suit which cost him only R100 if the price of a new suit is R500," he said

"An inducement is needed to effect a sale and this in turn has pushed up prices"

He said there had been a slight improvement in sales in the Peninsula this month

"December was the worst month in about 10 years and anything better than that is an improvement."

Mr Terry Sorour, managing director of Atkinsons Toyota, said sales slumped during December but the situation changed this month and there was a noticeable increase in "walk-in trade"

More people were unable to buy new cars and were looking for used ones

Mr Dudley Saville, joint managing director of the McCarthy Group, said a 15 to 20 percent rise in new car prices was expected this year

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Plan to fight Aids wins wide backing

Argus 2/1/87

Political Staff

MOVES by the Minister of Health, Dr Willie van Niekerk, to help curb the spread of Aids have met with approval

Dr Marius Barnard, Progressive Federal Party health spokesman, said today the measures announced by Dr van Niekerk should be effective in South Africa

Dr van Niekerk said yesterday there had been 41 cases of Aids in South Africa in the past five years leading to 28 deaths

The plan of action approved by the Minister includes a health education programme, surveillance of victims, tests for new victims, identification of groups at risk, services and counselling for victims, reaearch into new testing methods and the formation of a Government body to implement the plan

Dr van Niekerk said the plan was largely a continuation of the Aids control programme in operation for the past two years.

The plan had been drawn up by the advisory body of experts he had appointed two years ago.

The body had also established close liaison with organisations involved with high-risk groups which had started an education programme among homosexuals, the largest high-risk group

Dr van Niekerk said: "The success of these educational campaigns will depend on the change in behaviour of the high-risk population" has been in operation since August. Distribution of the company's products is now centralised, with 200 t of produce a day moving through the facility and 50 delivery trucks going to clients in the PWV area daily. Inventory is computer controlled.

Truck turnaround time, efficiency and effective use of staff has been vastly improved since the introduction of the system, even though it is not yet fully operational. The entire operation is run by about 300 people, including truck drivers

However, even such automated systems cannot solve the delivery problems at the back door of major food retailers (*Business* December 12 1986) Improving the warehousing capabilities of individual suppliers will not necessarily mean standardisation of order systems and package sizes or the orderly scheduling of deliveries Rather, it assumes the relationship between each supplying company and each retailer operates in a vacuum, and takes no account of the materials handling capabilities of the retailers

UPC, the company which last year conducted a distribution study on behalf of the Grocery Manufacturers' Association, recommended that manufacturers and retailers investigate the viability of centralised warehouses While admitting that a grand solution to the distribution problem is a long way off, it says a start could be made on standardisation by companies already supplying a variety of goods in a number of different package types and sizes

If the NPI really wants to contain handling and storage costs on behalf of the consumer, it seems its money might be better used on a co-operative study ■

23/1/87

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FINMAIL

DECEMBER VEHICLE SALES

CARS

	1985 Jan-Dec	% of Market	1986 Jan-Dec	% of Market	1986 Dec	% of Market
Toyota	**48 852**	**23,91**	**45 384**	**26,02**	**3 499**	**28,98**
Corolla	33 743	16,52	30 548	17,51	2 311	19,14
Cressida	14 922	7,30	14 751	8,46	1 188	9,84
Other	187	0,09	85	0,05	—	—
Mercedes-Benz	**21 842**	**1,05**	**19 468**	**11,16**	**2 035**	**16,85**
Honda	11 495	5,63	10 042	5,76	1 102	9,13
Mercedes-Benz	10 181	4,98	9 398	5,39	933	7,72
Other	166	0,08	28	0,02	—	—
Samcor, MMI & Ford	**42 188**	**20,65**	**36 116**	**20,70**	**2 008**	**16,62**
Mazda 323	10 879	5,32	9 780	5,61	590	4,89
Mazda 626	5 678	2,78	5 838	3,35	282	2,34
Escort	9 447	4,62	3 345	1,92	—	—
Laser/Meteor	—	—	8 006	4,59	597	4,94
Granada	679	0,33	250	0,14	—	—
Sierra	10 336	5,06	7 678	4,40	539	4,46
Peugeot	2 003	0,98	337	0,19	—	—
Tredia	3 118	1,53	882	0,51	—	—
VW	**29 341**	**14,36**	**30 314**	**17,38**	**1 888**	**15,63**
Golf/Jetta	22 306	10,92	25 843	14,81	1 603	13,27
Passat	4 858	2,38	2 851	1,63	173	1,43
Audi	2 177	1,07	1 620	0,93	112	0,93
GM	**18 973**	**9,29**	**13 954**	**7,99**	**1 062**	**8,79**
Opel Rekord/ Commodore/Senator	5 392	2,64	4 133	2,37	205	1,69
Opel Ascona	3 121	1,53	450	0,26	9	0,08
Opel Kadett	10 457	5,12	8 924	5,12	536	4,44
Opel Monza	—	—	447	0,26	312	2,58
Nissan	**13 870**	**6,79**	**13 643**	**7,82**	**935**	**7,74**
Skyline	4 173	2,04	4 592	2,63	341	2,82
Langley/Pulsar	9 106	4,46	8 421	4,83	562	4,65
Laurel	496	0,24	592	0,34	32	0,27
280 ZX	5	0,00	12	0,01	—	—
Other	89	0,04	26	0,02	—	—
BMW	**12 928**	**6,33**	**13 113**	**7,52**	**647**	**5,36**
5 Series	1 986	0,97	2 169	1,24	169	1,40
7 Series	1 008	0,49	763	0,44	46	0,38
3 Series	9 911	4,85	10 157	5,82	431	3,57
Other	23	0,01	24	0,01	1	0,01
Other	**174**	**0,09**	**74**	**0,04**	**2**	**0,02**
Jaguar	88	0,04	20	0,01	—	—
Range Rover	33	0,02	12	0,01	—	—
Mini	2	0,00	2	0,01	—	—
Lancia	43	0,02	40	0,02	2	0,02
Renault	**9 719**	**4,76**	**2 387**	**1,37**	—	—
Renault 5	719	0,35	1	0,01	—	—
Renault 9/11	8 945	4,38	2 370	1,36	—	—

Dec total **12 076 (37,01% down on *19 170 last year)**
Jan-Dec total ***174 453 (14,62% down on *204 322 last year)**
Nov total **13 109**

LIGHT COMMERCIALS
(Up to 5 000 kg)

	1985 Jan-Dec	% of Market	1986 Jan-Dec	% of Market	1986 Dec	% of Market
Toyota	33 762	39,60	31 031	39,31	2 611	43,43
Samcor, MMI & Ford	15 012	17,61	16 287	20,63	1 183	19,68
Nissan	17 163	20,13	16 681	21,13	1 072	17 83
GM	13 006	15,25	8 796	11,14	702	11,68
VW	5 106	5,99	5 868	7,43	427	7,10
Leyland	668	0,78	264	0,33	17	0,28
Mercedes-Benz	81	0,10	7	0,01	—	—

Dec total **6 012 (17,11% down on *7 253 last year)**
Jan-Dec total ***78 934 (7,42% down on *85 261 last year)**
Nov total **5 971**

MEDIUM COMMERCIALS
(5 001 kg to 7 500 kg)

	1985 Jan-Dec	% of Market	1986 Jan-Dec	% of Market	1986 Dec	% of Market
Samcor, MMI & Ford	1 985	37,35	1 457	32,74	85	32,95
Toyota	1 172	22,06	1 349	30,32	79	30,62
GM	1 013	19,06	759	17,06	65	25,19
Nissan	690	12,99	497	11,17	15	5,81
Mercedes-Benz	453	8,53	388	8,72	14	5,43

Dec total **258 (42,28% down on *447 last year)**
Jan-Dec total ***4 450 (16,26% down on *5 314 last year)**
Nov total **316**

HEAVY COMMERCIALS
(7 501 kg and over)

	1985 Jan-Dec	% of Market	1986 Jan-Dec	% of Market	1986 Dec	% of Market
Mercedes-Benz	3 204	30,72	2 430	35,53	172	41,45
MAN	620	5,94	463	6,77	60	14,46
Toyota	1 307	12,53	1 113	16,27	54	13,01
GM	1 396	13,38	745	10,89	39	9,40
Magnis/Nissan	1 225	11,75	888	12,98	26	6,27
Leyland	664	6,37	490	7,17	26	6,27
Samcor, MMI & Ford	1 020	9,78	364	5,32	22	5,30
ERF	315	3,02	154	2,25	11	2,65
Hestair	33	0,32	19	0,28	3	0,72
Malcomess-Scania	188	1,80	128	1,87	2	0,48
Foden	41	0,39	13	0,19	—	—
Int Harvester	169	1,62	32	0,47	—	—

Dec total **415 (44,37% down on *746 last year)**
Jan-Dec total ***6 839 (34,43% down on *10 430 last year)**
Nov total **590**

TOTAL INDUSTRY SALES
(Dec 1986)

BMW	647
ERF	11
Fodens	—
GM	1 868
Hestair	3
International Harvestor	—
Leyland	43
Malcomess	2
Man Truck	60
Mercedes-Benz	2 221
Nissan/Magnis	2 048
Samcor	3 298
Toyota	6 243
VW	2 315
Other Makes	2

Dec total **18 761 (32,07% down on *27 616 last year)**
Jan-Dec total ***264 676 (13,31% down on *305 327 last year)**
Nov total **19 986**

***Includes models withdrawn from the SA market.**

TYRE INDUSTRY 30/1/87

Under a cloud

F/M 192

30/1/87 F/M 192

Although the four big tyre companies have not had as rough a road to travel as their cousins in motor manufacturing, there is still considerable uncertainty about their future

The comfortable days of the price cartel, which finally disappeared a year ago, have been replaced by vicious price competition between General Tyres, Dunlop, Firestone and Goodyear, with companies announcing price rises independently. Most recently Firestone announced a 7%-9% increase on its brands

But preliminary estimates show domestic tyre sales increased 2% last year This growth was achieved in spite of the run on retreads, which now have 25% of the R800m a year market (*Business* October 3 1986) and a 15% decline in original equipment sales, which traditionally make up 35% of the market

An industry spokesman attributes the rise to the weak rand, which makes imports prohibitive. The local tyre business has thus come a long way since 1981-1984 when imports had to plug a considerable production gap

General Tyres MD Tony Versfeld says that if there's another boom year the local industry will not be able to meet demand "We aren't working far below capacity and our return on investment is so low that it's hard to justify additional investment," he says.

But, at the same time, Versfeld discounts the possibility of company mergers "There's some standard equipment but much of it differs radically from plant to plant," he explains, "and new factories cannot be built for less than R250m."

Inevitably, disinvestment is overshadowing the whole industry — it still has strong links with the US and there has been speculation that Goodyear SA "will be the next to go"

A Goodyear spokesman believes the company will stay in SA, but, he admits "things could change."

None of the other three companies would be directly affected by disinvestment but Firestone SA, a majority South African company since 1981 and now 75% owned by Federale Volksbeleggings, could lose out on know-how from its former US parent

And British-based Dunlop could face severe embarrassment in its home market because of its South African connection

Ironically, the disinvestment issue was first raised in the tyre industry In 1978, during the Carter administration, General Tyres US tried to seek assurances from its South African counterpart (in which it had only a small stake) that there would be no sales to the military and police.

These assurances could not be given by the local company, and the parent suspended technology transfer agreements and sought links with Uniroyal Europe and Continental.

MD Tony Versfeld says the change could not have come at a more opportune time "At that time the South African car industry became geared to European and Japanese cars — even GM and Ford began to source their cars from Europe

"And Europeans were also leading the new tyre technology in radials, and steel radials in particular."

At the end of 1986 Continental agreed to allow General Tyres to manufacture its premium tyres at the Port Elizabeth factory as the spearhead of the German company's penetration into the African market More than anything this shows the difference in corporate philosophy between the US and West Germany In tyres, as much as anywhere else, the Americans are losing out. ■

LONG HAUL AHEAD

192

FM 30/1/87

It may be difficult to believe, but SA's tractor manufacturers make the rest of the motor industry look positively buoyant In line with expectations (*Business* September 12), tractor sales are in the pits.

Last year the 10 tractor builders sold 4 746 units, 33% less than in 1985 sales and light years from the sales peak of 24 862 units in 1981.

However, manufacturers are looking at a modest 10%-15% increase in sales this year, says Bill Hubbard, chairman of the SA Agricultural and Irrigation Machinery Manufacturers and Distributors Association.

"Burdened by huge debt repayments, farmers will need a couple of good seasons at least before they are again in a position to buy agricultural machinery," he says.

The country's three top selling tractors last year were Massey Ferguson (1 084 units), Ford (888 units) and Vetsak (852 units). Sales of combine harvesters also dipped sharply in 1986 to 293 units.

Tractor sales in December mirrored the depressed state of the market — Massey Ferguson sold 103 of the 315 units sold, John Deere 64 and Vetsak 54.

Only a 5,5% cut in prices from fewer makes

Motor-makers change rationalisation tune

SIT 1/2/87

192

By Don Robertson

SEVERAL motor manufacturers have changed their minds and now believe that more rationalisation in the industry will have little effect on vehicle prices.

The change of opinion comes after repeated calls in the past few years by car-makers for a reduction in the number of manufacturers and models

Disruption

However, it is now estimated that rationalisation would reduce car prices by only about 5,5%

But not all manufacturers agree with the assumptions made by some members of the industry

Walter Hasselkus, managing director of BMW, says that although improved economy of scale could be achieved with fewer manufacturers, it would apply only in a "normal" market — 'a condition which has not occurred in South Africa for the past few years

Dr Hasselkus says the industry's problems have not been caused primarily by lack of sales volume, but by a severe disruption of cost structures because of the rand's collapse

"In 1985 when the car industry recorded a consolidated loss of more than R1-billion it would have made no difference to the bottom line if the cake had been divided among three, six or nine manufacturers.

"This is shown by the fact that nobody in our industry is better off financially than 10 years ago when South Africa had 14 manufacturers compared with the current seven"

The fixed production costs affected by volume represent about 11% of unit production, distribution and selling cost of the average car, he says

Job threat

"Assuming that by rationalisation of models and manufacturers this fixed cost could be halved while maintaining production volume, the cost of making a car would at most be reduced by 5,5%.

"This type of rationalisation will, however, cost the component industry, the vehicle-manufacturing industry and various supporting industries tens of thousands of jobs"

Spencer Sterling, managing director of Samcor, which has initiated the most significant rationalisation in the market by combining the manufacture of Ford and Mazda vehicles, believes that increased sales — caused by economies of scale through bigger volumes and lower prices — are the most important aspect of profitability

Bottom line

"Whatever your cost structure is, the moment you exceed the break-even point you get a disproportionate effect on the bottom line When volume flows through the product system, cost absorption is significant, but you cannot do that with only a 50% capacity utilisation"

As an example, he quotes a manufacturing line with costs of R400-million

"If fixed costs are 12%, this represents a tiny R48-million But with bigger volume, variable costs can be reduced and it is also possible to negotiate better prices from component manufacturers

"Further rationalisation will result in a reduction in car prices"

However, Peter Searle, managing director of Volkswagen and head of the National Association of Automobile Manufacturers (Naamsa), agrees with Dr Hassselkus, saying that rationalisation will not reduce prices.

"The effect of intense competition influences car prices to a greater extent"

He concedes that rationalisation would lead to better capacity use, producing a higher return on investment

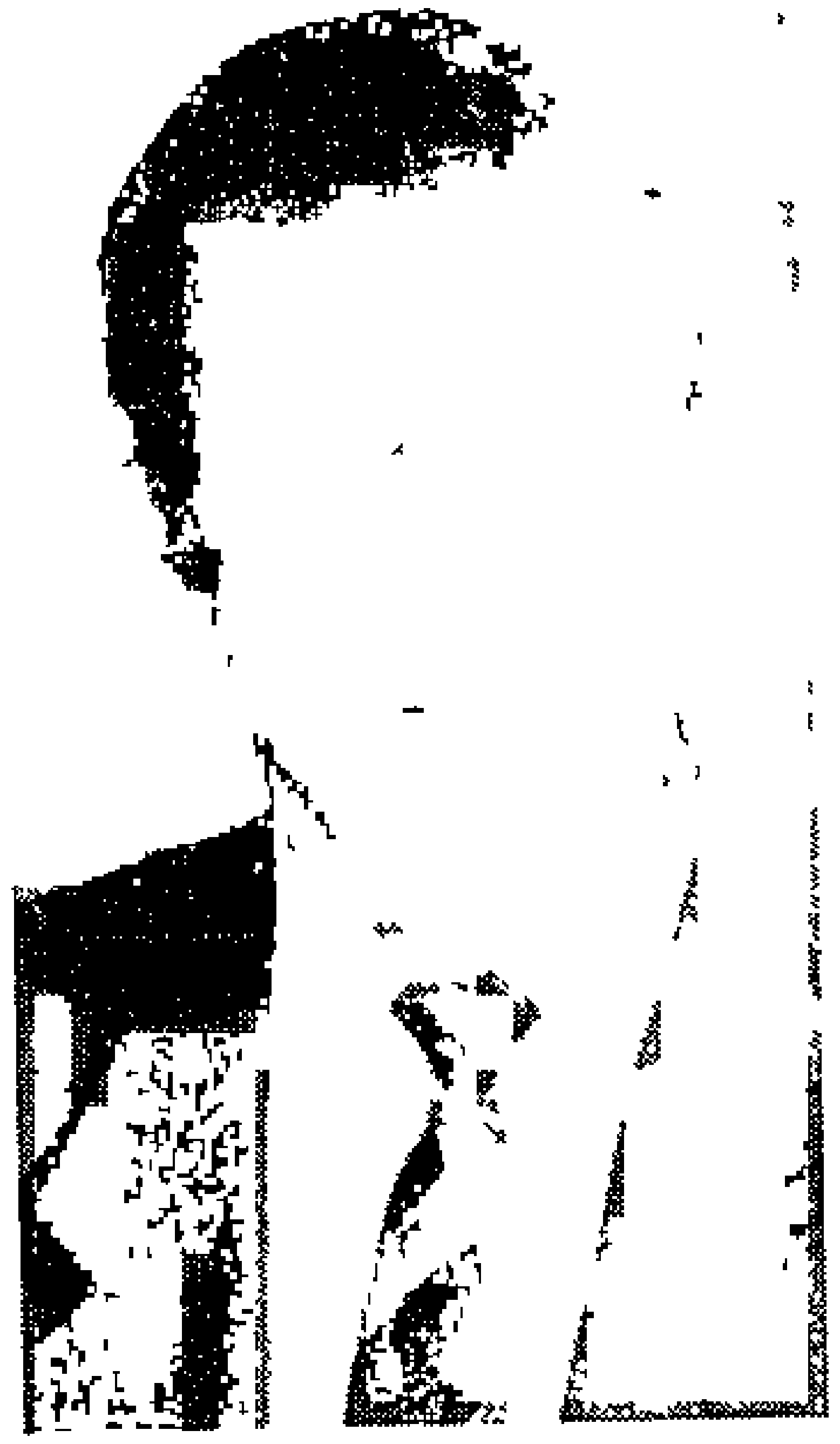
Australia

"This would help manufacturers to recover losses a bit sooner," he says

Stephanus Loubser, marketing director of Nissan, holds a similar view, although he believes bigger volumes are needed

"But if another manufacturer should disappear, it would not have much effect on prices To have any meaningful effect, we need a totally different industry, such as that in Australia where only five manufacturers exist"

The industry generally believes, however, that bigger volumes are needed It has been estimated that losses incurred by the industry since 1984 are probably more than the profits generated since the start of SA manufacture in 1926


Walter Hasselkus ... we need a normal market

2/2/87 B/Day

Why Nissan was driven to improve its image

192

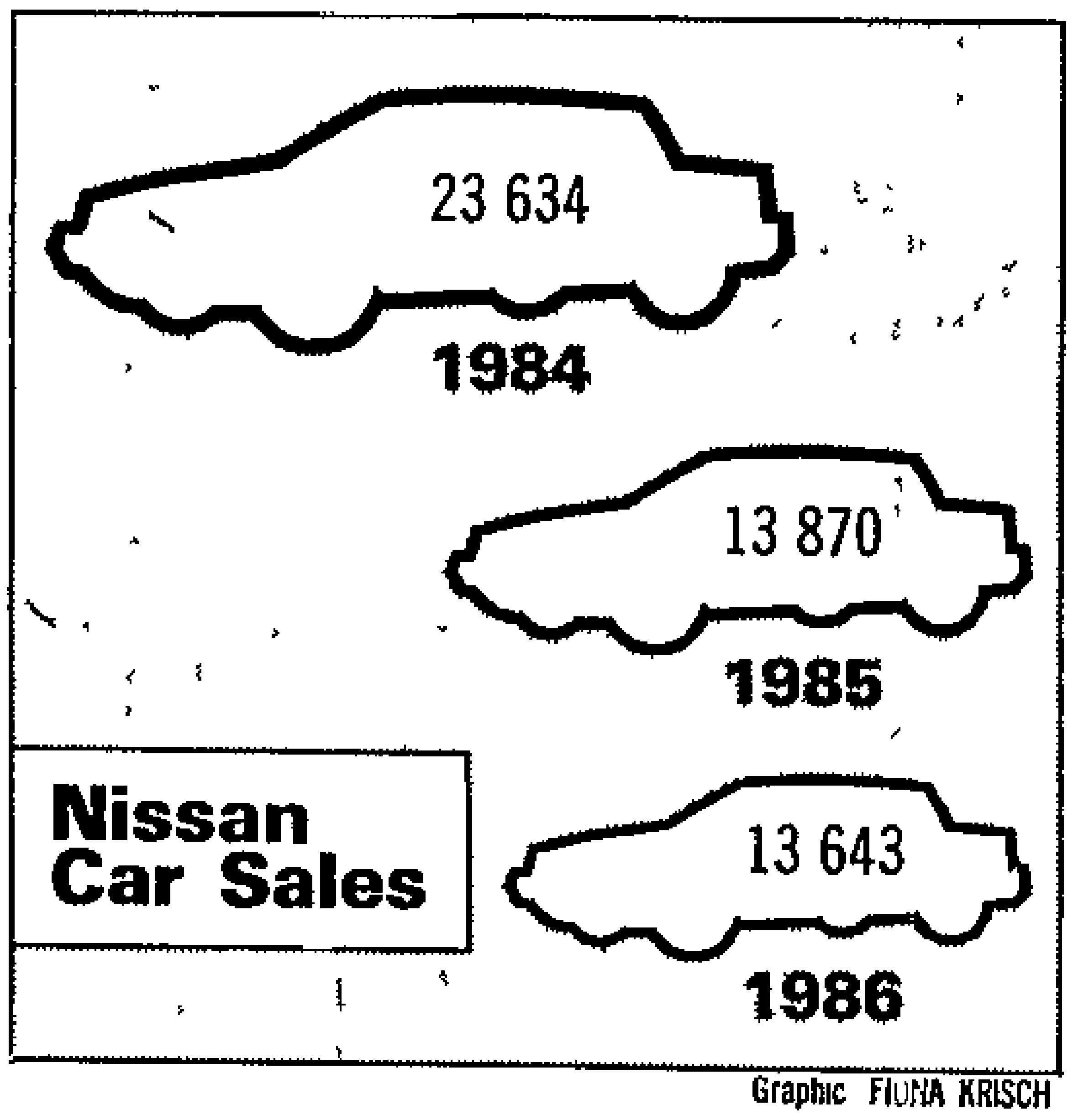
23

DAVID FURLONGER
Industrial Editor

"IT'S EASY changing the public's perception of you from positive to negative It's much harder changing it the other way."

That comment — by Nissan marketing director Stephanus Loubser — sums up simply the problem facing a company that has slid from the forefront of the South African motor industry to a place among the also-rans

Its comparative success in the commercial vehicle market pushed Nissan to third place in the overall vehicle sales table in 1986



Graphic FIONA KRISCH

But that is scant comfort to a company whose name internationally is founded on cars, cars and more cars

Only one SA company — BMW — sold less cars last year Market leader Toyota out-sold Nissan's 13 463 by more than three-to-one

Loubser, however, is convinced Nissan has turned the corner In a generally disastrous year for the SA motor industry, Nissan saw car sales in 1986 decline less than most rivals Its market share actually increased by just over 1%

He believes this modest improvement is the first fruit of the new image Nissan has been working on for two years

"In mid-1985, after intensive market research, we came to the conclusion that people were not considering Nissan when buying a vehicle They had lost faith in Nissan There was no confidence in the company and they were not convinced of the quality of our vehicles"

To combat this, the company switched advertising agencies and embarked on an intensive two-year advertising campaign to reposition Nissan cars in the market

Bates-Wells, the newly-appointed advertising agency, decided to capitalise on the positive point to come out of the market research exercise — that Nissan built good engines.

Positive side

"We had to tell people that the quality of our vehicles is above average, that we build bodies to last as long as our indestructible engines," says Loubser

The first phase of the campaign, to build Nissan's corporate image and highlight the positive side of its product, ran from October 1985 to October 1986

In phase two, which ends next month, the emphasis has been more on the product itself, notably the Exa and Skyline

From March, advertising will focus on Nissan's relationship with its customers — "We want to build a relationship to last as long as our indestructible engine"

It is not only advertising that will help pull Nissan around Marketing, customer service and — above all — an improved product are also vital ingredients.

Loubser is the first to admit that poor quality has contributed to his company's problems

"People have had the idea that, however good the Nissan engine, the body is terrible, that if you lean on it you will dent it"

That obstacle has been addressed, to the point where he states confidently that Nissan is at least as good as its rivals As part of the process, Nissan Japan has loaned the SA company 23 of its top engineers for five years to examine and correct local problems. The results can already be seen, says Loubser

"The quality of most manufacturers is fairly similar Mercedes is outstanding, but for the rest there is very little difference. It all comes down to the public's perception of you."

Attention has also been given to improving Nissan's dealerships and after-sales service, another area where Loubser concedes there have been problems

All these difficulties, he says, stem from the Seventies, when Nissan — Datsun, as it was then — was still Number One in SA

"It became too confident and lost touch with the changing environment. It had too many models and too many changes It tried to be too exciting and instead became confusing

"Also Nissan's perception of the market hasn't always been as good as it could It took the view that if something was selling well, you didn't have to advertise it It's a problem being Number One You tend to lose touch with the market"

Name change

The 1983 name change, from Datsun to Nissan, didn't help, either.

"Research showed people trust and know Datsun, but not Nissan That's why we've had a year-long corporate advertising campaign for Nissan The view of most people out there is that a company doesn't change its name for no reason We have to change that view"

It's not a South African phenomenon, however In Australia and the US, motorists — and even many dealers — have also resisted the name change

"We're overcoming this," says Loubser, "and this will be reflected in the future" He predicts Nissan's share of the total vehicle market will reach 16% this year, from 12% last

"Sanlam is in this business with us to make money and Nissan Japan to sell volumes. We're not here for the ride"

Cape Times 5/2/87 (19E)

Profits soar to R8,6m for blue chip McCarthy

Own Correspondent

THE McCARTHY GROUP has proved to be a blue chip in the motor sector, producing glittering results in tough times.

After maintaining profits in the previous year, the group's taxed profit shot up 83% to R8,6m in the six months to December from the previous comparable half-year's R4,7m.

The interim dividend has been raised to 15c, covered 3,4 times by earnings of 50,5c a share, from 10c, covered almost 2,8 times by previous interim earnings of 27,6c a share.

And, provided there is no change in market conditions, shareholders can expect similar profits in the second half of the year — which means they can look for a bottom line of about R17m against just over R10m in 1986.

With year-end earnings projected at at least 100c a share, a lift in last year's final of 15c is a possibility, if cover is lowered from 3,4 times. Dividend total was maintained at 25c in the past two years.

McCarthy, South Africa's largest car distributor, achieved its interim profit lift mainly on a substantial rise in used car and car-part sales, plus a satisfactory turnaround in truck rental.

Pushed by inflation, interim sales rose 21% to R627,9m from R517,9m. Last year sales surpassed the R1bn mark.

The group's ongoing cost-cutting programme resulted in a decline in expenses as a percentage of turnover. Interest paid fell by 17% to R3,3m (nearly R4m in the previous comparable half-year).

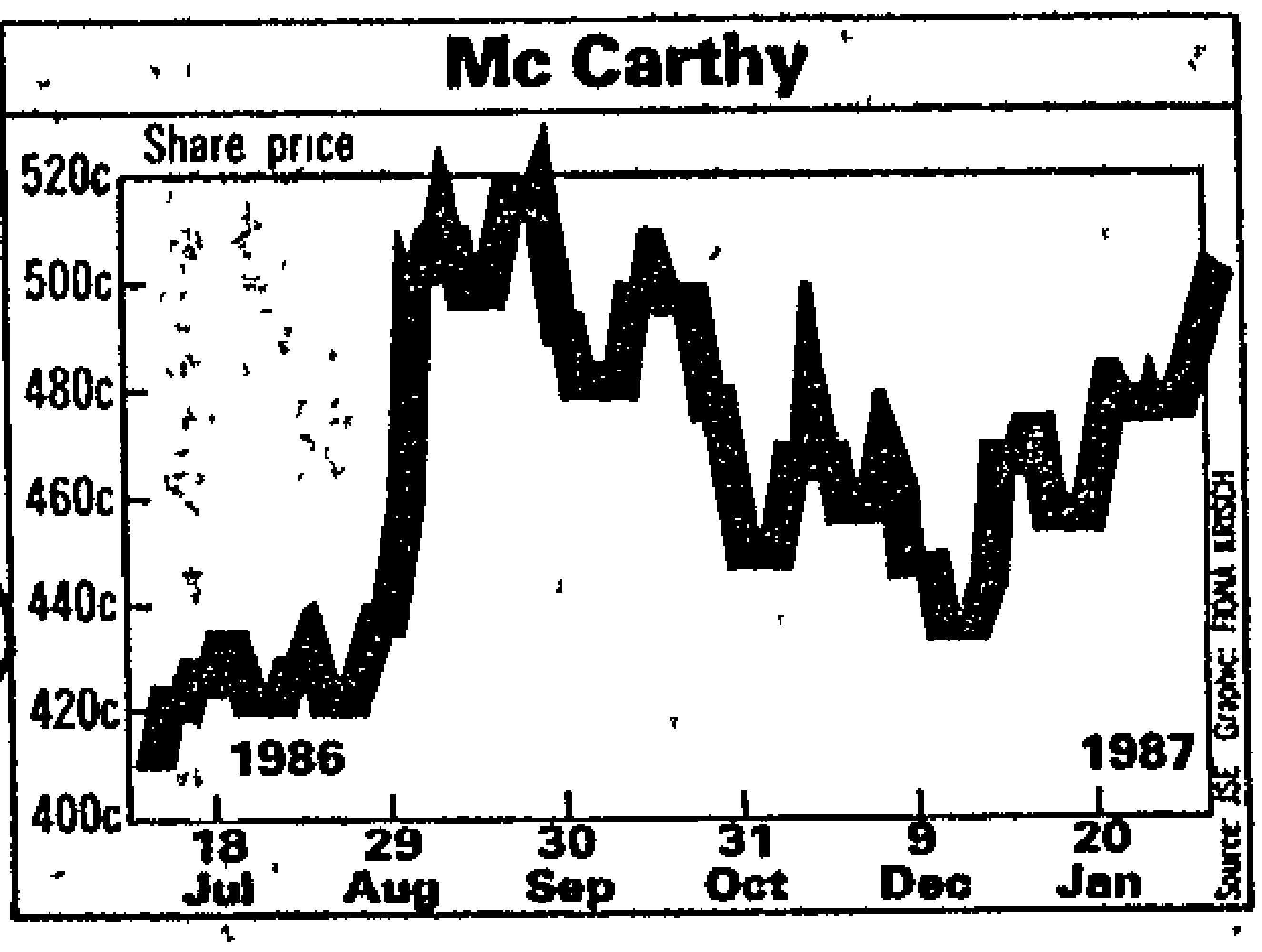
McCarthy shares firmed 10c to 505c yesterday. They are underpriced on current and projected earnings.

Looking at other motor company yields, McCarthy shares could surpass last year's peak of 530c, where potential earnings yield is still a high 18,8%.

Motoring blue chip rides high

B/Day 5/2/87

192



LIZ ROUSE

McCARTHY Group has proved to be a blue chip in the motor sector, producing glittering results in tough times.

After maintaining profits in the previous year (an achievement in itself because the going was rough in the first half), the group's taxed profit shot up 83% to R8,6m in the six months to December from the previous comparable half-year's R4,7m.

The interim dividend has been raised to 15c — covered 3,4 times by earnings of 50,5c a share — from 10c, covered almost 2,8 times by previous interim earnings of 27,6c a share.

More good news is that, provided there is no change in market conditions, shareholders can expect similar profits in the second half of the year — which means they can look for a bottom line of about R17m, against just over R10m in 1986.

With year-end earnings projected at about 100c a share, a lift in last year's final of 15c is a possibility, if cover is lowered from 3,4 times. Dividend total has been maintained at 25c in the past two years.

Well-managed McCarthy, SA's largest car distributor, achieved its interim profit lift mainly on a substantial rise in used-car and car-part sales, plus a satisfactory turnaround in truck rental.

Pushed by inflation, interim sales rose 21% to R627,9m from R517,9m. Last year, sales surpassed the R1bn-mark.

More important, at ground level, the group's performance was sound, considering the state of the new-car market. It improved market share, with new-unit sales declining by only 8%, compared with a 14% fall in national new-car sales. Sales of used cars rose by 6%.

The fact that used-vehicle sales rose in the six months shows that NcCarthy

● To Page 2 ⇨

McCarthy keeps to fast lane

⇦ ● From Page 1

192

concentrated a large amount of its effort on this market with successful results. Furthermore, it took advantage of the delay in the replacement cycle in the motor market and reaped the benefits in its parts operations.

The group's ongoing cost-cutting programme resulted in a decline in expenses as a percentage of turnover. Interest paid fell by 17% to R3,3m (nearly R4m in the previous comparable half-year)

McCarthy shares firmed 10c to 505c yesterday. They are underpriced on current and projected earnings. At the current market price, projected earnings put McCarthy on a PE of just over 5 — well below the current motor sector average of 8,4 — and a projected earnings yield of just under 20%.

B/Day

‘WORST YEAR’ IN MOTOR INDUSTRY

Leyland to break away from parent company

NM 22/12/87

Mercury Reporter

LEYLAND South Africa and its subsidiary, Leyland Vehicles, South Africa, are to buy out the company from the parent company, the Rover Group

In an announcement yesterday, the local company said against a backdrop of the worst year in the motor industry for more than 20 years, and with a proposal from local directors, it had decided to undertake the major reorganisation

The statement said Leyland South Africa intended to concentrate its future activities on the assembly, sale and service of buses, heavy trucks and Land-Rovers

It will maintain both its assembly facility at Blackheath and its existing heavy commercial vehicle retail branch network, including operations around the country

The sale of Land-Rovers and spares will continue to be handled by the existing dealer network

The company will also sell its car parts activity, Unipart, to an as yet undisclosed party

Managing director Brian Fuller said ‘While it is regrettable that the operation will entail further redundancies, we are confident that the proposed strategy will provide the best possible level of support to our customers throughout South Africa’

Car industry chief urges Govt to speed up reform

192 W/E Post 7/2/87

Business Editor

THE motor industry chief, Mr Peter Searle, has urged the Government to speed up its reform process after the general election in order to boost business and consumer confidence

The managing director and deputy chairman of Volkswagen in Uitenhage believes accelerated reform could put the motor industry on the road to recovery after years of depressed sales

"Once the election is behind them, it is hoped that the Government will proceed with the reform measures being urged upon them by the business sector," said Mr Searle, who is also president of the National Association of Automobile Manufacturers

Improved confidence, together with lower interest rates and a stable rand exchange rate, could, he believes, push passenger car sales up by nearly 15% over last year's 10-year low of 174 453

"The recovery from the current low level of sales is likely to be slow, but it could well gather pace during the second half of 1987 and car sales of 200 000 for 1987 are possible," he said.

"Just as the depreciation of the rand was the major factor in escalating vehicle prices, so conversely a stable rand aided by negligible overseas inflation could serve to hold down new car prices in 1987," he said

The depreciated rand increased imported vehicle component costs by 100% during 1985-86, resulting in price increases of about 60% over the same period

"For the motor industry to recover in 1987, the major emphasis must switch to holding down local component price increases and demands for wage increases to reasonable levels

"The industry has mostly absorbed the effects of the devalued rand, although at tremendous cost to sales levels and employment Local inflation shows no signs of abating and local cost and price increases are now overtaking imported costs as the major problem," he added

The legal requirements of Phase 5 of the local content programme and punitive duties force local manufacturers to obtain at least 66% by mass of components locally, and in an effort to minimise the full effect of the rand's collapse, many manufacturers have exceeded this requirement

"If we can now effectively control local costs, the signs for new car sales in 1987 are more positive as a result of the likely slowing down in imported cost increases and the improvement in disposable income arising from lower interest rates, aided by good availability of credit

"In addition, used cars are no longer such an attractive alternative as prices for late model used cars have escalated far more dramatically in recent months than have new car prices

"Late model used cars are now in severe short supply, which is likely to force up used car prices even further," Mr Searle said

He added that a backlog of demand now existed for new cars following the low sales levels of the past two years

"There are an estimated three million passenger cars in operation in South Africa The normal historical demand pattern is for new car sales to represent 9% to 10% of the total of cars registered — equivalent to a new car market of some 270 000 to 300 000 per year — as compared with less than 7% (200 000) in 1985 and 6% (175 000) in 1986

"Companies and individuals have tended to extend the replacement cycle on vehicles, but this cannot go on indefinitely" he said

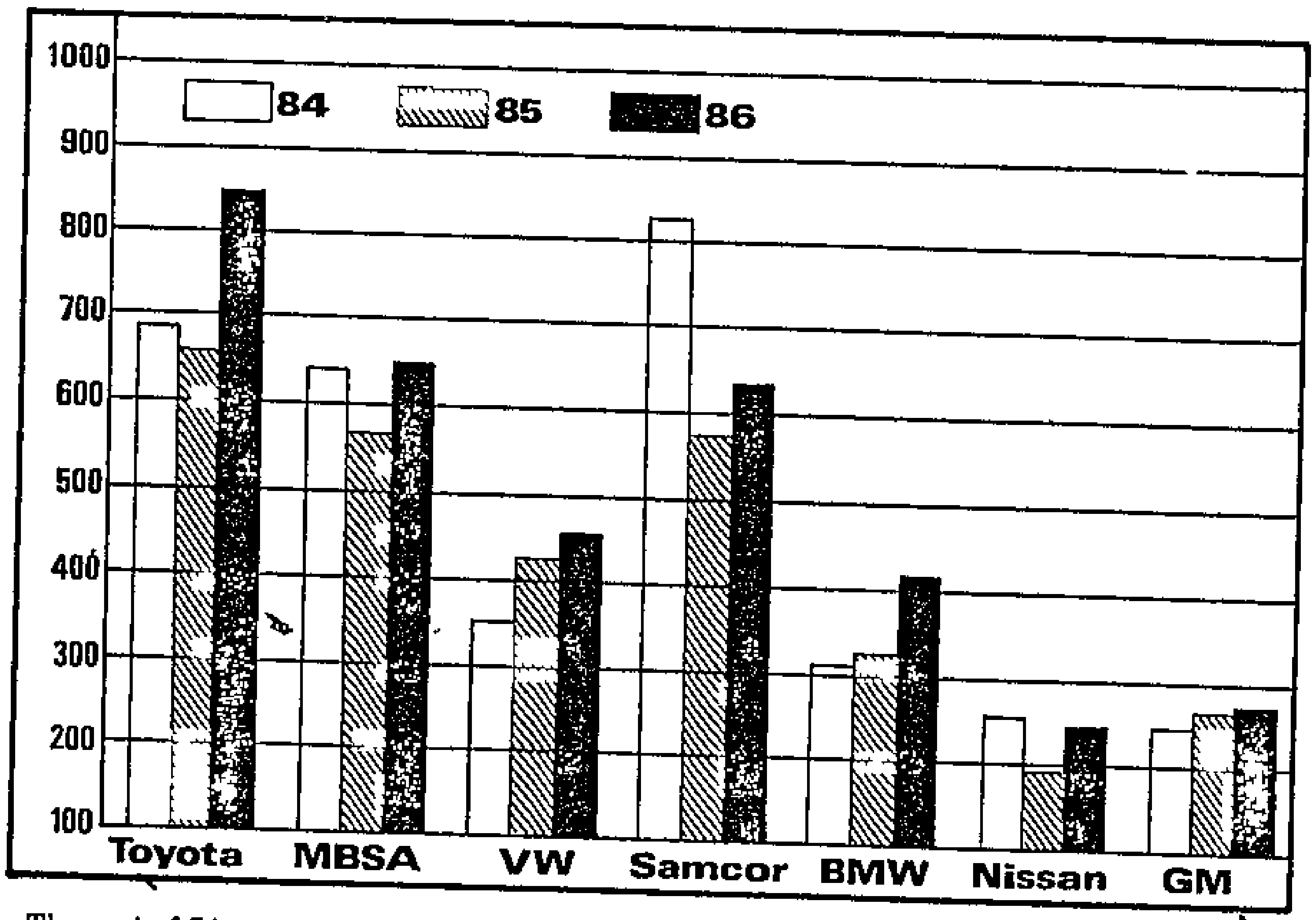
Mr Searle believes it will not be possible to continue holding salary and wage increases below the inflation rate, especially with a shortage of skills also likely to become evident.

Car-makers back in black as prices soar

192 [illegible] SIT 8/2/87

By Don Robertson

THE 35% increase in car prices last year lifted the industry's turnover by 13% in spite of the lowest number of sales in 10 years.



Consumer resistance resulted in a drop from 45% to 30% in sales of new cars to individuals Last year's new-car sales totalled 174 453 compared with 204 322 in 1985

Although many indviduals switched to small cars, luxury sellers Mercedes-Benz and BMW increased their market share

Figures prepared by Mercedes-Benz show car sales rose to R3,678-billion last year from R3,251-billion in 1985 and R3,618-billion in 1984

Profit

The increased turnover, excluding commercials, returned several manufacturers to a profit

It is accepted in the industry that Mercedes-Benz and BMW are back in the black, and Samcor has been running at about break even since June

Toyota, the only company listed on the Johannesburg Stock Exchange, reported a profit of R7,6-million for the six months to June 1986 It is still showing a profit Volkswagen is expected to be in the money soon

The turnaround follows estimated losses of about R1-billion by manufacturers in the past two years The losses will have to be recouped before a return on investments is again possible

The cost of SA components rose by about 21% last year Turnovers of component manufacturers are rising, and the higher prices lifted the value of retail sales These figures are not available

Components

The apparent disparity between the 35% rise in prices and the 13% rise in the value of sales is explained by the fact that prices were increased four times last year

Toyota gained 26% of the market, and lifted sales to R851-million — up 27% on the R668-million in 1985

Next was Mercedes-Benz with a turnover of R648-million compared with R576-million in 1985 Although Mercedes had only 11,2% of the car market, its sales results were boosted by the high price of the marque and additional income from Honda which added R188-million

Samcor, the Ford and Mazda manufacturer, recorded sales of R638-million compared with R583-million Last year Ford had 11,1% of the car market and Mazda 9,7%

Volkswagen recorded the highest percentage gain in turnover — 34% It sales rose to R569-million from R425-million in 1985 Volkswagen was one of only two companies which increased unit sales last year It held 17,4% of the car market

BMW, the other manufacturer to increase unit sales last year, reaped R412-million from cars compared with R326-million in 1985 It gained a 7,5% share of the car market last year — a record for the company

Nissan chalked up a 28% increase in turnover from a low base of R192-million in 1985 Sales in 1986 were worth R246-million and market share was 7,8%

Strikes

General Motors, affected by strikes and the change in control of the company, lost market share — holding only 8% But it raised turnover to R274-million from R263-million in 1985

The balance of total turnover was made up by Renault sales of R34-million compared with R120-million in 1985 Renault has withdrawn from the market

Jaguar sales by Leyland were R2,8-million compared with R7,8-million in 1985 Tak, which sells Lancias, had a turnover of R1,2-million

ROVER

Driving off

192

Britain's privatisation campaign has spilled over into SA with the announcement by the UK's Rover Group that it will sell its Leyland SA subsidiary to a local management team

While Rover is still State-owned, the vehicle manufacturer's policy is to hive off all activities that are not at the core of its business For example, the profitable Jaguar luxury car arm was sold two years ago

The depressed state of the South African vehicle industry, and the heavy vehicle sector in particular, means it would make sense for Rover to let the local subsidiary, which builds mainly Land-Rovers and trucks, to go free

Leyland SA's market has been shrinking and it has sustained heavy loses

But MD Brian Fuller, who goes back to Britain when the local deal goes through, says costs have been brought under control and he has every confidence that the management team will be able to rationalise the company successfully

It will be an uphill struggle, however, the heavy commercial sector, in which Leyland's activities are concentrated, experienced its worst year since 1962 last year

However, the company's market share increased from 6,3% in 1985 to 7,2% in 1986 and the January figures just released show they have held 8,5% of the market According to Fuller, the company's share in the over 20 t truck and bus sector increased by 50%, to 44 units, in the month

The new management team will consist of the present chairman and deputy chairman Ellis Rhodes-Harrison and Francois Jacobs and four members of the production team — John Dean, Mike Elsbury, Meier Grottes and Jack Massardo A new MD will be chosen from outside the team and the deal should be completed by May ■

year, and as a result proposals had been shelved

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Austin Rover aims to finalise sale by end-March

HAMISH McINDOE

AUSTIN ROVER, the British Leyland producer, is expected to finalise negotiations for the sale of its loss-making SA truck and bus operations to a Leyland (SA) management consortium by the end of March.

Another management team is believed to be negotiating the takeover of the local operations of British-owned parts and accessories producer Unipart, an SA subsidiary of Leyland's trading arm Associated Automotive Distributors.

Leyland (SA) chairman Ellis Rhodes-Harrison would not disclose the substance of the talks for the truck and bus division nor name the consortium's backer, saying it would be premature.

It was learned yesterday that the new company's six-member board comprises Rhodes-Harrison, Leyland MD Brian Fuller, deputy-chairman and President's Council member Francois Jacobsz, group financial director John Dean, technical director Jean-Jacques Massardo and parts director Mike Elsbury.

Fuller will continue to act as MD until he returns to Austin Rover in Britain later in the year.

Several non-board Leyland executives will be shareholders in the new company, which still has to be named.

On the sale of Unipart, he said there was more than one party interested in buying the company.

No indication of the future of Leyland's Land-Rover division emerged from Monday's dealer meeting in Johannesburg.

Dealers and management declined to comment on the outcome of the meeting.

Insurers are

Buy-out team aims to resurrect Leyland

192

By Don Robertson

LEYLAND products will continue to be sold in South Africa in spite of a sales plunge from nearly 23 000 units in 1964 to only 788 last year. Continued supply of Leyland vehicles is assured after a management buy-out by South Africans

Details of the buy-out have not been disclosed, but the new management team comprises six directors — non-executive chairman of Leyland SA Ellis Rhodes-Harrison, deputy chairman Francois Jacobs and financial director John Dean

The other three, all directors of Leyland Vehicles, are Mike Elsberry, Meiert Grootes and Jack Massardo

It is expected they will pay cash in a multi-million rand deal for Leyland SA and Leyland Vehicles

Leyland SA's wholly owned parts subsidiary Unipart, is also expected to be taken over by its management — marketing director Ken Parr, senior manager Eddie Brown, Jack Visser a former director of Leyland SA and a senior member of Putco, and Bernard le Roux a director of Leyland's trading arm, Associated Automotive Distributors

Leyland SA's managing director Brian Fuller ascribes the decline and fall of Leyland to the UK parent's shortage of cash to finance new models

Other motor observers say Leyland problems in SA are similar to those which have displaced it in international markets It was whipped by German and Japanese competitors

The long slide started in the bad old days before Michael Edwardes and John Egan moved to restore Leyland and Jaguar respectively Quality problems were legend in the late 1970s when the German and Japanese assault on world markets gathered momentum

Fragmented

In 1964, the SA company, operating under the Leyland, BMC and Rover names, had 11,96% of a fragmented car sector with sales of 17 172 in a market of 143 373

Its commercial vehicles held 10,6% of the market with sales of 5 609 out of a total of 52 618

By 1970, the share of the car market had fallen to 7% and commercials to 6,95%

But the crunch came in 1980 when car sales fell to 4 364 units for a 1,58% market share The commercial stake fell to 2,74% The total car market in 1980 was 277 058 Commercial-vehicle sales were 127 708.

The 1982 number of employees tumbled from 3 500 to the present 641 The labour force will be halved to about 300 after the buy-out

In 1983, the company stopped making cars in SA

Last year's car sales were only 34 for 0,02% of the market. Commercials, including the Land Rover, were only 754, or 0,84% of the market

The sale and import of luxury Jaguar and Daimler cars was transferred to Lindsay Saker last October Industry sources say Leyland has been losing money since 1973 and that accumulated losses have reached R50-million. Last year's losses are estimated at R15-million.

Mr Fuller, who is on secondment from the Rover group, says the problems arose in the 1960s and 1970s when the parent company ran into difficulties in the UK and had insufficient funds to finance the production of new models. The introduction of increased local content programme added to the cost of tooling in SA

"As a result, we lagged behind with product and had no chance of rejuvenating the models The same thing happened in the commercial sector

"At that time we had a virtual monolopy in the bus sector, but we became slack and lazy."

Mr Fuller says the company had been losing money for several years and a decision was taken in December to reorganise the group

"After the reorganisation had been shaped, the management team saw what impact it would have and decided to make the buy-out offer

"They believe they can have the company running profitably by the end of the year"

The commercial range was revamped in 1984 with the introduction of T45 heavy trucks and the company hopes to sell between 250 and 300 trucks and buses this year

Built to order

The company had a 6,4% share of the truck and bus market in 1985, but it rose to 7,2% last year although volumes were down in line with the market Losses were cut by half in 1986, says Mr Fuller

The new company will concentrate on heavy trucks and buses, but will continue to tender on smaller trucks, although these will be built to order only

It is intended to offer all remaining staff a share in the new company

Mr Fuller will remain in South Africa until the second half of the year to ensure the new company gets off to a good start, to recruit a new managing director and assure customers of continued support from the UK

Leyland to launch drive to cut costs

3/2/87

B/Day

(6)

HAMISH McINDOE

(192)

DRASTIC measures will be taken to put Leyland back in the black once Britain's Rover Group completes the sale of its SA truck and bus business to local management

Leyland will cut its workforce by half, narrow its vehicle range, shed its non-truck business and put several industrial properties on the market

This is Leyland's second effort in less than a year to pull its operations into line with the corrosive level of heavy commercial vehicle (HCV) sales.

It was learned yesterday that the Leyland management consortium is still looking for a backer to help finance the buyout

Leyland MD Brian Fuller told *Business Day*: "We haven't approached prospective backers yet This would have pre-empted last Friday's buyout announcement and we didn't want to run the risk of leaks.

300 jobs on line

"We realised that we could run the business and make it profitable on our own But Leyland will be a much smaller company than as it exists today."

About 300 jobs out of 641 will be lost by year-end

Fuller said retrenchments would focus on the Blackheath assembly plant and head office levels.

Vehicle production at the lighter end of the HCV market — specifically 13- and 16-ton trucks — will be quickly run down to allow Leyland to concentrate on heavyweight long-haul trucks over 20 tons.

It will continue to assemble Land Rovers from imported kits, with 1987 sales expected to maintain last year's level of 300 units.

Commercial vehicle sales make up 90% of Leyland's business but the HCV market crashed last year to about 7 000 units against more than 19 000 units in 1982.

Fuller dismissed suggestions that a separate management consortium was attempting to buy British-owned parts and accessories producer Unipart, an SA subsidiary of Leyland's trading arm Associated Automotive Distributors

"All I can say is that we are talking to a couple of organisations who want to take over Unipart."

The buyout deal is expected to be initialled by end-March

The Argus, Thursday February 19 1987 21

ARGUS 19/2/87 (192)

COMPANIES

Turnaround as Toyota posts R20-m profit

By TOM HOOD, Business Editor

HIGHER vehicle prices and a more stable exchange rate helped Toyota, the country's leading manufacturer, to stage a dramatic turnaround to a R20-million profit for 1986 from a R53-million loss

Trading profit soared to R34-million from almost R13-million in 1985 when a crushing foreign exchange loss of R58-million put the company into the red

Earnings of 505c compared with a 1 318c loss a year ago

Chairman Dr Albert Wessels says the dividend of 100c — up from 25c — could have been higher but it is being restricted in the light of the "comparatively modest results" and the need to create additional capital to fund the increased cash requirements as a result of inflation This dividend is five times covered

Total vehicle sales last year fell to levels last experienced 10 years ago and group sales dropped to 78 877 vehicles from 85 083 in 1985

This represented a fall of 7,3 percent compared with the 13,3 percent plunge in the total vehicle market Toyota's market penetration, however, improved to 29,8 percent from 27,9 percent

The rand-yen exchange rate fluctuated dramatically and ended the year on a low note and the result was a need to increase prices well above the level of domestic inflation, and this undoubtedly affected the size of the vehicle market

"Future price increases would be more realistic and should contribute to a more stable and modestly growing market for motor vehicles"

Toyata expected to maintain its position in the market and this year's profits would show steady growth if the country's economy continues to improve

No Sullivan code but social conscience will play big role

(192) EVE Post 20/2/87

Post Reporter

DELTA Motor Corporation will not be a signatory to the Sullivan labour principles for US firms operating in South Africa.

Announcing this today, the company's personnel director, Mr George Stegmann, said Delta would continue to have a social conscience and apply non-discriminatory employment practices

"We will still involve ourselves as far as possible in social programmes, but the extent to which we become involved will depend on how well we do financially," Mr Stegmann said

The Sullivan principles, drawn up by the Rev Leon Sullivan, set minimum labour practices for US firms in South Africa.

General Motors officially pulled out of South Africa on January 1, 1987, because of the sluggish economy and slow pace of apartheid reform.

Port Elizabeth, Friday, February 20, 1987

Michael Edwardes joins PE motor giant's board

New name is Delta

20/2/87
Eve Post
(192)

Post Reporter

GENERAL MOTORS SA will be known in future as Delta Motor Corporation — and the company has formulated a business plan which offers a "blueprint for success".

Post Reporter

FORMER British Leyland chairman Sir Michael Edwardes, 56, has joined the board of Delta as a non-executive director.

He received his BA Honours degree at Rhodes.

● See Page 9

Announcing this today, company chairman Mr Bob Price said the local management takeover of General Motors South African and the formation of the new company had been completed

"Our take-over team has formulated a business plan which, even taking into consideration the parlous state of the motor industry in South Africa, offers a blueprint for success"

The key factors for success were revitalisation of management, overhauling the company's operations, its financial structure, a reduction of manufacturing costs, continuity of product supply and technical support and an emphasis on marketing efforts

"Revitalisation of the management team was the first step," Mr Price said

"The nucleus of the take-over group consisted of a few youthful South African executives with plenty of motor industry experience"

The management group, headed by managing director Mr Keith Butler-Wheelhouse, included Mr Russ Oliveto (manufacturing and assembly), Mr George Stegmann (personnel and public affairs), Mr "Van" Van Der Linde (materials management and parts) and Mr Andre van Rooyen (product development and planning)

Mr Price gave the assurance that Port Elizabeth would remain Delta's headquarters in South Africa

He and a section of the marketing operation would be based in Johannesburg, but manufacture and administration would remain in Port Elizabeth.

Mr Price dismissed recent speculation about movements of staff to the Reef

"The limited movement of marketing staff is aimed at strengthening Delta's market representation in the Johannesburg area," Mr Butler-Wheelhouse said

"That is vital.

"It is the republic's major market and we have to re-establish contacts, eroded over the years, with major fleet owners and Government and industrial leaders.

"We need to reinforce our presence in the country, and we are counting on our chairman to spearhead that effort."

He said at this stage, no increase in Delta's workforce was planned

● The new name of the former General Motors South African — Delta Motor Corporation — was chosen from a short list of five

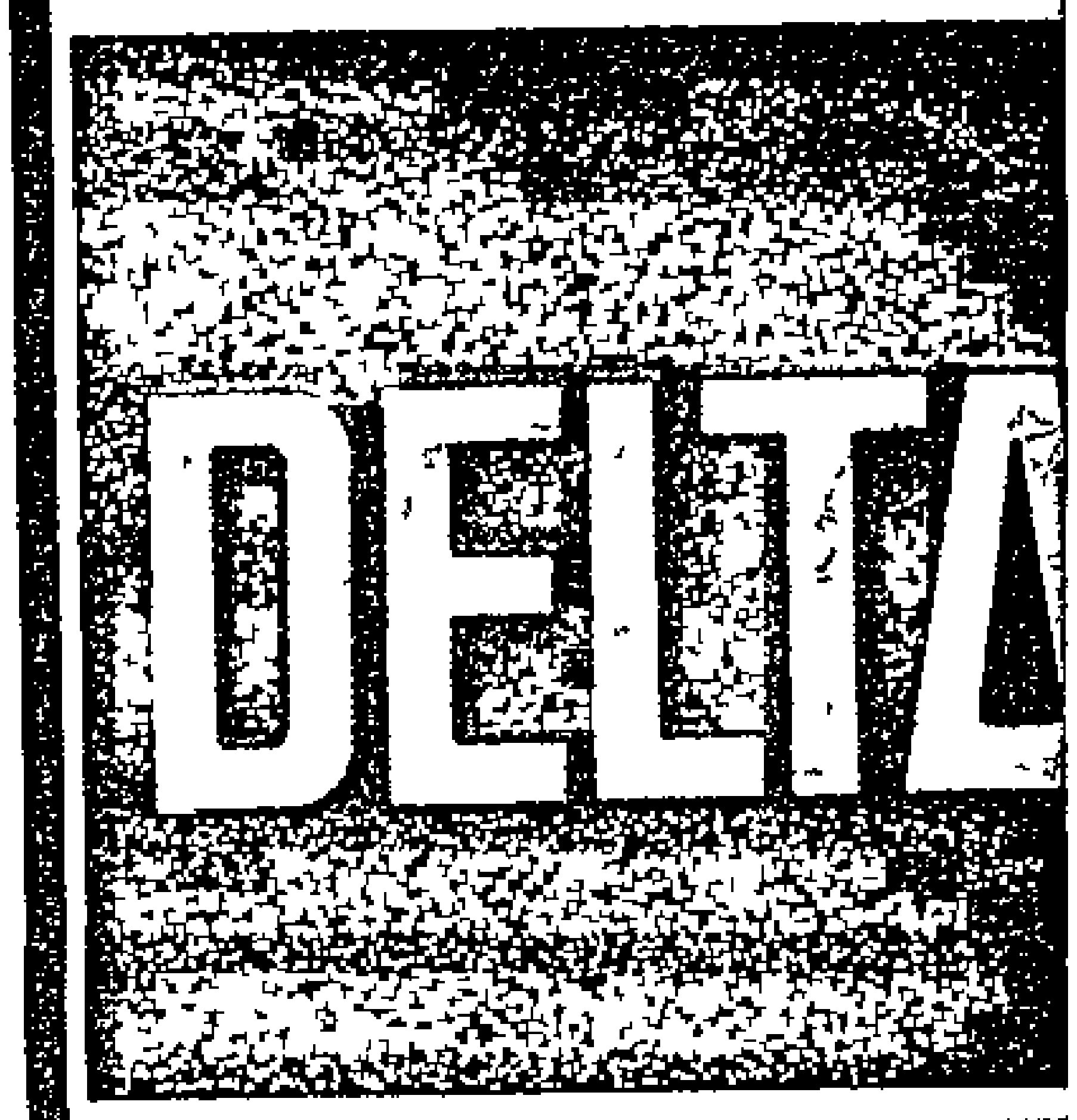
Mr Price said the management team felt the name should represent "something that was new and acceptable in English or Afrikaans without a translation being needed — a short name that could be used with parts and service"

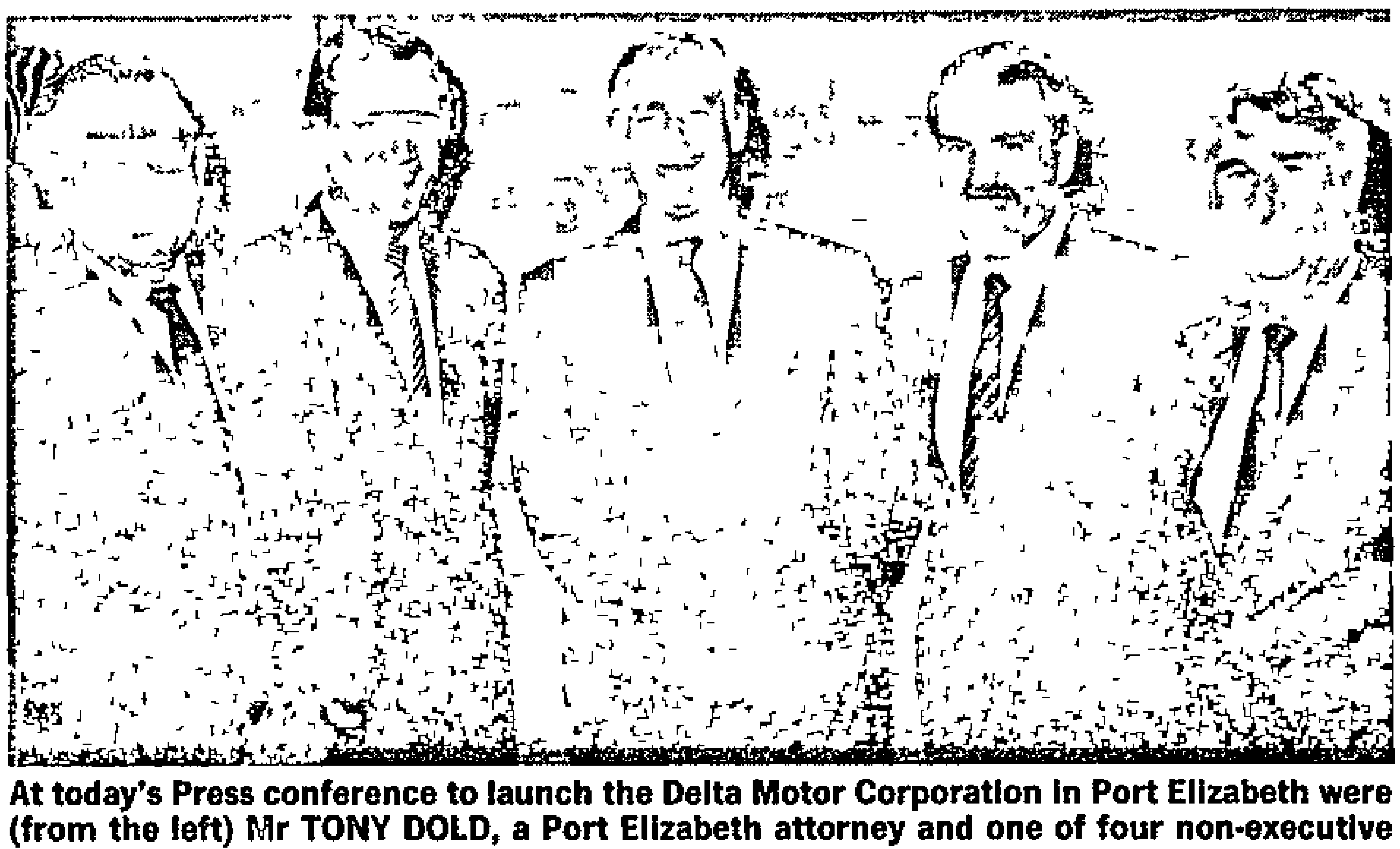
"We narrowed it down, eliminating the names until we got to six we thought suitable.

"Then we had to go to the Registrar of Companies to find if these names were available

"One was already registered That left five"

The design chose
for firm's new log





At today's Press conference to launch the Delta Motor Corporation in Port Elizabeth were (from the left) Mr TONY DOLD, a Port Elizabeth attorney and one of four non-executive directors named today, Mr WILLIE VAN WYK, sales and marketing director, Mr BOB PRICE, chairman of the company, Mr KEITH BUTLER-WHEELHOUSE, managing director, and Mr GEORGE STEGMAN, personnel and public affairs director.

ARGUS 26/2/87

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Ford UK 'to break trade link with SA'

The Argus Foreign Service

LONDON. — Ford UK is to cease trading with South Africa.

Present trade links of some R140-million a year — mostly exports to South Africa of spares and components for the Sierra range — are to be phased out.

Legally binding contractual arrangements will run their course, but will not be renewed.

This will leave Samcor — Ford SA until 1985 — without its British supplies of body panels, components and service parts for the Ford Sierra.

However, Samcor managing director Mr Spencer Sterling said today he had no knowledge of any planned interruption in supplies."

The move follows intensifying anti-apartheid pressure from trade unions and activists, but Ford UK says the decision to phase out its supplies to Samcor is based largely on commercial considerations.

It says the same applies to the cancellation last year of imports from South Africa of P100 pick-up vans.

A spokesman for Ford UK said yesterday: "It should be noted that our business with Samcor has been diminishing steadily for commercial reasons.

"Our decision, also, to cease importing the P100 pick-up vans from South Africa was because there had been a marked reduction in demand and sales diminished sharply."

However, conflict between Ford UK and the Transport and General Workers Union, whose members operate Ford plants, appears to have been decisive in speeding the company's decision.

Asked how the move might affect Samcor, the spokesman said: "It is undoubtedly possible they will be able to get alternative supplies.

Delta takes over from GM

ARGUS 20/2/87

By TOM HOOD, Business Editor

GENERAL Motors in South Africa has changed its name to Delta Motor Corporation

It will manufacture Opel and Isuzu vehicles and import Isuzu and Suzuki units from Japan

Sir Michael Edwardes, one of the biggest names in the international motor industry, has joined the board as a non-executive director

Mr Bob Price, the former managing director of General Motors South Africa who left General Motors Corporation to join the new venture, is to head the local management team.

Key factors

He outlined several key factors for the success of the new company's plans These included.

- Revitalisation of management,
- Overhaul of the company's operations and financial structure;
- Reduction of manufacturing costs;
- Continuity of product supply and technical support,
- Emphasis on marketing effort

"Our takeover team has formulated a business plan which, even taking into consideration the parlous state of the motor industry in South Africa, offers a blueprint for success," said Mr Price

The company today announced that its headquarters would remain in Port Elizabeth although a large part of the marketing arm would be based in Johannesburg

Sir Michael will be joined on the board by leading financier Mr Len Abrahamse, who is chairman of Syfrets and a director of Nedbank, Old Mutual and several other companies

Guidelines

Sir Michael, born in Port Elizabeth and former chairman of the giant UK motor manufacturer British Leyland, is present chairman of the Chloride Group PLC

The local management group announced today it would no longer subscribe to the Sullivan Principles, voluntary guidelines for American companies doing business in South Africa;

Also named as directors are Mr Noel Brian Webb, an attorney and partner in the Johannesburg firm of Bowman, Gilfillan, Hayman & Godfrey and Port Elizabeth attorney and consultant Mr Anthony Dold

Sir Michael, Mr Webb and Mr Dold were introduced to the dealer organisation in Port Elizabeth last night, when it was announced that they had joined the board They bring to the new company an impressive list of achievements in the world of big business

Sir Michael made a name for himself in Britain, where he played a major role in bringing about the recovery of British Leyland

He is non executive chairman and acting chief executive of the Chloride Group PLC and has also served as chairman of the British computer giant ICL, executive chairman of Dunlop Holdings in Britain and non-executive chairman of the Hill Samuel Group of merchant bankers in South Africa

Mr Price told dealers that the revitalisation of the management team was the first step The nucleus of the takeover group consisted of a few youthful South African executives who between them had plenty of motor industry experience

The group was made up as follows Mr Price, chairman, Mr Keith Butler-Wheelhouse, managing director, Mr Russ Oliveto, manufacturing and assembly; Mr George Stegmann, personnel and public affairs, Mr "Van" van der Linde, materials management and parts, and Mr André van Rooyen, product development and planning

Mr Stegmann said today that the company would "continue to have a very definite social conscience," despite ending attempts to adhere to the Sullivan principles.

Formulated by black American clergyman the Rev Leon Sullivan, the principles call for complete elimination of race discrimination in the workplace, training programmes and advancement for blacks, and projects to improve housing, transportation, schooling, recreation and health facilities for black employees

"Like many other South African companies, we will continue to apply progressive and non-discriminatory employment practices and exercise social responsibility in the community we serve," said Mr Stegmann

Motor company is finally named

21\2\8 Star 192

Delta Motor Corporation is the name that has finally been chosen for the former GM South Africa by the new local owner/management team which formally took over the company on January 1

And at the same time as announcing its new identity, the management buy-out team has identified four non-executive directors who have joined the new board.

SATURDAY STAR REPORTER

Among them is Sir Michael Edwardes, the diminutive dynamo who was largely responsible for turning around the ailing UK car giant British Leyland in the early '80s.

He is now chairman of the Chloride Group PLC.

Another big name is that of Mr Leonard Abrahamse, non-executive chairman of Syfrets Trust and a director of Nedbank and SA Mutual Life

The other two are both attorneys — Mr Noel Brian Webb of Johannesburg and Mr Anthony Dold of Port Elizabeth

The take-over team said it had formulated a business plan which offered a "blueprint for success", even in the currently depressed South African motor industry

Key factors in this would be revitalised management, an overhaul of the company's operations, financial structure, reduction of manufacturing costs, and emphasis on the marketing effort

The latter factor would involve chairman Mr Bob Price and a large part of the marketing operation moving to the hub of the country's major market in Johannesburg

SHORTLIST

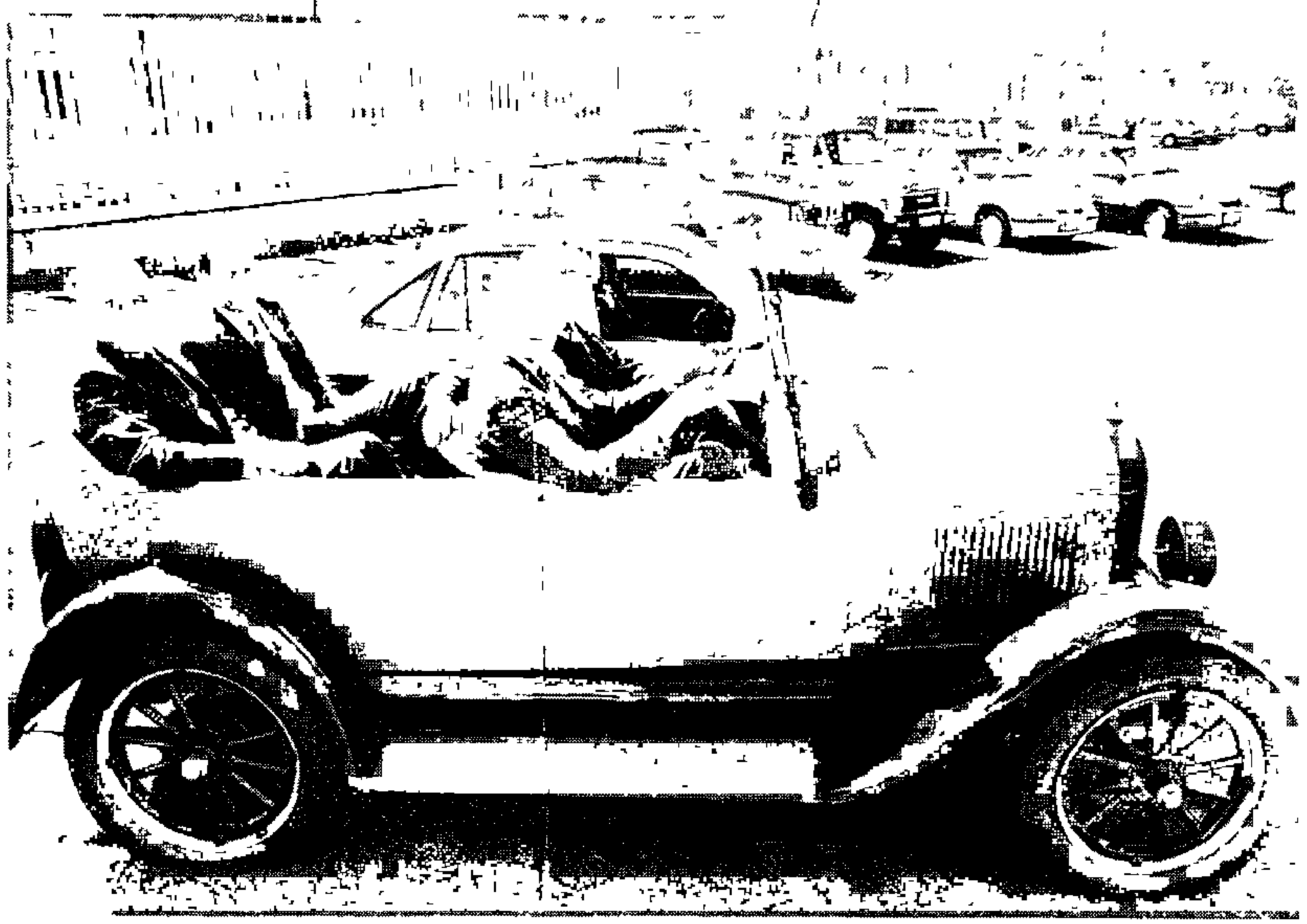
However, the managing director, Mr Keith Butler-Wheelhouse, gave assurances that the manufacturing operation would stay in Port Elizabeth, as would the administrative headquarters

The delay in choosing the company's new name — originally expected before Christmas — was attributed to the slow process of chosing a shortlist from as many as 350 possibilities and conducting research into their acceptability to the public

A shortlist of six had been submitted to the Registrar of Companies, which had rejected one

The final name was chosen by the board from the remaining five.

WEEKEND POST, FEBRUARY 21, 1987



A last moment of nostalgia for directors of the new Delta Motor Corporation as they sit in a Chevrolet built in 1926, the year General Motors South African was established. Behind the wheel is chairman Mr BOB PRICE and beside him is director of manufacturing and assembly Mr RUSSEL OLIVETO. Behind Mr Price is non-executive director and retired Port Elizabeth attorney Mr TONY DOLD and, beside him, sales and marketing director Mr WILLIE VAN WYK.

Delta deal is the fruit of months of hard talking

By BOB KERNOHAN

FASCINATING details of the background behind the formation of the Delta Motor Corporation — for 61 years General Motors South African — have emerged since the name of the new company was announced yesterday

Over seafood cocktail and rare fillet of beef, directors of the new company told yesterday of working 16 hours a day for weeks putting the multi-million-rand deal together

"You can tell how hard I've been working — I've played only one game of golf since the beginning of the year," said managing director Mr Keith Butler-Wheelhouse, a five-handicapper "That's unheard of "

Chairman and lifelong GM employee Mr Bob Price told jokingly of the "fist fights" which nearly erupted in the boardroom as the new team tried to decide on a name

"I wanted to call it Chevsa, but as there were no longer any Chevs on the lines, that one was turned down," he told a lunchtime Press conference.

Mr Butler-Wheelhouse revealed that 350 names had initially been considered.

"This was finally knocked down to six possibilities. We could not use one of these as it was already registered, so that left five

"The choice of Delta was unamimous "

He said that dealers' reaction to the new name had ranged from "delight" from newer dealers to "nostalgic regret" from some olders dealers, whose families had sold GM products for up to three generations

Talking about the appointment of several "big name" non-executive directors, Mr Price said they had not been chosen for their high profiles in the business world but because they could help the new company

And he revealed that internationally renowned executive Sir Michael Edwardes, who was not at the conference yesterday, had taken the initiative in approaching the new company to join the board.

"His relationship with the company goes back a long way — he learnt to drive in a Chev and his father assembled the first Vauxhall ever built in Port Elizabeth," said the tall American chairman

"Sir Michael also tried to hire me to join Leyland when we both worked in Britain

"The deal was attractive and left GM with two options — let me go by firing me or make me a vice-president

"They made me a vice president and Sir Michae says to this day that it's because of him that I got tha position "

Recalling how the 56 year-old Port Elizabeth born "strong man" of British industry had made contact, Mr Price said

"The day he read about the formation of the new company in the Financial Times in London, Sir Michael phoned up and asked 'What can I do to help?'

"Now he's on the board "

Personnel and public affairs director George Stegmann added his comment to the Sir Michael story

"He's so excited about the prospects that he's already trading in his (Leyland) Range-Rover for a (Delta) Isuzu Trooper!"

No secret backer, says Delta boss

WEP [illegible]

11/2/87

(192)

From Page 1

and Isuzu in Japan

Turning to the political front, where General Motors SA ran into problems last year when its last managing director, Mr Bob White, offered to pay fines for black workers if they used Port Elizabeth's segregated beaches, Mr Butler-Wheelhouse announced a new outlook.

"As a policy, we will be depoliticising our activities.

"Our business is to build and sell cars and trucks, not to alienate customers. We will not try to be anything which a vehicle manufacturer cannot be in a homogeneous society like South Africa"

Mr Price said Mr Jan Steyn, executive chairman of the Urban Foundation, would provide specialist assistance to Delta on its social responsibility programmes

"We are going to put the emphasis on Port Elizabeth and much of that is going to be on social and economic integration"

Responding to a question on whether Delta would be going public to generate additional capital, he said: "We would like to do that, not just to get more capital, but because there are other advantages."

a

BUSINESS TIMES surveys SHORT-TERM INSURANC

(192)

S/T 22/2/87

Panelbeaters and the rest take a beating

By Wren Mast-Ingle

THE panelbeating industry in South Africa, worth an estimated R365-million annually, is taking a battering

The anomalies in the repair business appear to be the result of a vicious cycle, panelbeaters, insurers and the average man being villains and victims

The poor economic climate has put pressure on the vehicle owner who seeks the most from his insurer and the panelbeater Insurers, vulnerable to fraudulent practices, have to contend with claims of collusion between assessors and panelbeaters

Panelbeaters say they struggle for payment from insurers and customers Many vehicle owners are uninsured and have to meet panelbeating costs themselves

Loaded

According to panelbeaters, the trouble starts with the insurance companies demanding more than one quote for repairs The vehicle owner can waste time running around seeking quotes In many instances the panelbeater will produce three

An example is a panel beater in Johannesburg who zips five quotes out of the company's typewriter — all of them on different letterheads

Some insurance companies opt for the lowest quote — which has been loaded in several ways. The vehicle owner often has "persuaded" the panelbeater that the excess must be built into the quote Because premiums are high, the vehicle owner asks for other damage to be repaired The repair bill not only bears these additional costs but the panelbeater's profits and often payment for the assessor

Millions

The focus is now on the assessor An independent asessor who wishes to remain unnamed to protect his business alleges. "Although I cannot offer exact statistics, many assessors have insufficent experience to do their job properly A background of panelbeating or a close connection with specific aspects of the motor industry is essential

"Assessors earn average salaries But millions of rands may be at the discretion of a single assessor in a year The system allows for temptation

"If the assessor cannot see that the excess and extra work are built into the quote, he is either incompetent or is turning a blind eye to malpractice With the three-quote system, he can use the lowest quote and nobody will point a finger at him

However, it is not all easy going for assessors They face problems, for instance, when a stolen car is recovered. If the vehicle is recovered after a couple of days, an assessor has to take the word of the owner about the extent of damage

The assessor I spoke to says. "On several occasions I was sure that false claims had been made but I had no proof

No say

"Often, the customer insists on a new part when the job can be done through repair An investigation should be carried out regarding replacement parts containing local content How can the right rear fender for a small car cost R850?"

Because of the agreement he signs with his insurer, the owner has virtually no say over his vehicle The insurance company often decides whether the vehicle will be scrapped, repaired or replaced — as well as the place of repair if this is the chosen option.

Willie Wessels, a Rustenburg businessman and owner of two panelbeating shops, explains problems on the factory floor "These begin when companies lower the original quote by design

"The panelbeater's first aim is to get the job and he often does so with a low quote He adds extras while work is under way

"All quotes carry a clause relating to 'unseen damaged quoted extra' There is no problem in increasing the quote as you go along This means the honest panelbeater must compete with unrealistic quotes to obtain business.

"Some panelbeaters advertise services they cannot provide One example is a firm which advertised a baking oven (a special technique) which it did not have The quote for a so-called bake-enamel finish can be low because the panelbeater does not carry the cost of an oven or pay for the space it occupies. By using a special paint, he can fool the layman — but in a few months the colour will begin to fade"

Backyard

Mr Wessels says many backyard panelbeaters use inadequate equipment They produce work detrimental to the panelbeating business These concerns do not register with the Department of Manpower and are able to employ poorly qualified staff at half the normal wage

"Unregistered panel beaters are also able to avoid GST payments and have a 12% advantage

"Municipalities are not always fair to the industry Panelbeaters are forced into isolated industrial areas and the policing of backyard operators is ineffective The backyard men get away with murder

"To add insult to injury, the genuine panelbeating industry has to pick up the pieces — it is blamed for poor workmanship and unsatisifactory work"

Know-how

Panelbeaters he says, should register with the Department of Manpower as well as the Motor Industries Federation (MIF) The MIF provides thorough investigation into complaints and the public should insist on dealing only with its members

Mr Wessels says 'Staffing a good panelbeating business is difficult Because of the scarcity of trained personnel, those with qualifications demand exorbitant wages, pushing up costs Incompetent people travel freely between jobs in search of more money

Mr Wessels says "It is extremely expensive to repair modern cars with their sophisticated electronics and computerised systems The know how and skills required are not generally availabe and soar For example, microcomputers are not checked and repaired merely replaced — as are many other electrical parts.'

Specialised paints which some motorists choose when buying a car contribute to expensive repairs These costs are shared by the man prepared to have a more common finish or less sophisticated electrical and electronics systems

Vehicle manufacturers say they satisfy demand The suggestion has been made that if insurers pitched premiums to differentiate between luxuries and essentials this demand might be influenced

Panelbeaters contend that the the cost of recovering money owed is sometimes high

Own work

Mr Wessels says "Having a car checked with the Automobile Association can also be problematical The AA's report is thorough and cannot be faulted But a test like this will include many problems that existed before a panel beating job The AA should work from a copy of the quote which the customer accepted and check that the work commissioned has been done competently"

What of the "in house" panelbeater where insurers do their "own" repairs?

Mr Wessels says "The practice of an insurance company having its own repairing facility leaves the public no recourse in the event of unsatisfactoy work" He argues that the threat of losing business if customers complain to the insurance company involved is sufficient to keep panelbeaters on their toes When the insurance company has its own facility, the competetive check does not exist.

Improvements

Industry observers suggest these improvements

- Replace the excess system with a minimum amount that is not claimable
- Eliminate the three quotes to reduce administrative costs, customer time and trouble it would also eliminate a loophole leading to a fraudulent practice
- Load premiums for people who insist on specialised paint and sophisticated equipment
- Although the MIF is improving labour relations, training should be broadened to include assessors and administrators connected with panelbeating
- Provide assessors with remuneration commensurate with the important role they play
- The law should specify whether the owner or insurer is contracting to have the vehicle repaired
- At the time of the quote, the vehicle owner the assessor and the panelbeater should agree on which new parts are to be used and where repairs will be undertaken
- Panelbeaters should register with the Department of Manpower as well as the MIF and the licensing authorities
- Panelbeaters should gear themselves to the needs of technological advances, such as computerisation of administration

Inflation

The average rise in motor insurance premiums in the past year — estimated at 60% — has been ascribed by one insurance company to the increase in crime and inflation — not so much to panelbeating costs

The assistant operations manager of Guardian National, Reg Rimmer, says premiums are simply a calculation of the cost a claim multiplied by the incidence

"Car repair costs have shot up on the one hand and the number of claims — traditionally so in a recession — on the other We have trained engineers as our assessors and a good working relationship with reputable panelbeaters"

The managing director of Johannesburg brokerage firm Asset Management Services Luchi Ficosecco, says the poor economic climate is the cause of higher premiums

"Fraudulent claims have jumped tenfold compared with better times in the economy Many insurance companies require that burglar alarms and break-in preventive devices are installed, once again adding to costs. Another problem is the disparity of premium rates among companies

"A factor which contributed to the AA Mutual Insurance's downfall was its 15% below average premium rate which attracted the income group generating most claims'

Computerised quotes

A COMPUTERISED quoting system in which assessors and panelbeaters work form a model sheet when appraising a vehicle is gaining acceptance

Neil Duddling, manager of Audatex, the company supplying the system, says that by placing crosses or ticks on the model sheet all information required for the quote is received through a microcomputer station

"In one operation both the insurer and the repairer get the correct price for the job The system eliminates money negotiations and largely prevents prevents fraud The overall result using this method will mean a stabilising of premiums"

R3 235 high or a R1 574 low

A TOYOTA Cressida which had been bumped was taken to 18 panelbeaters for quotes The qoutes ranged from R1 57 to R3 235 for the job

The most significant figures related to the supply of spares which should have had little variance. They ranged from R1 249 to R2 390

A panelbeater claims that the difference starts with the supplier who may or may not check the price of the spares being ordered

He says 'Often quotes come off the top of their heads because of the pressure of taking orders on the phone all day long and will result in a disparity of prices"

Labour showed a difference of R515 between the highest and lowest quotes and the cost of paint varied between R125 and R340 In some instances figures not shown in the table were unavailable

REPAIRER	SPARES R	LABOUR R	PAINT R	TOTAL R
Panelbeating City	1 557 92	185 00	225 00	1 967
Hulton Panel Beaters	2 032 73	255 00	180 00	2 467
Groblers Panel Beaters	1 537 12	197 00	160 00	1 894
Venturi Auto Bodyworks	1 249 25	205 00	120 00	1 574
Bramley Panel Beaters	1 498 66	145 00	300 00	1 943
Honeydew Toyota	1 481 24	500 00	175 00	2 156
Landmans Garage			250 00	2 406
Sallys Motors	2 390 39	565 00	[illegible]	3 235
Golden Rise Banel Beaters	1 580 05	494 00	[illegible]	2 [illegible]
Perfection Panel Beaters	2 112 0[illegible]	660 00	[illegible]	3 [illegible]
Steimar Auto Refinishers	1 760 27	392 00	[illegible]	2 [illegible]
Rapid Motors	1 438 34			2 [illegible]
Odes Auto Body Repairs	2 063 17	435 00	245 00	2 [illegible]
Gema Panelbeaters	1 563 50	345 00	340 00	[illegible]
Sillons Auto Services	1 614 63	294 00	190 00	[illegible]
Transvaal Panel Beaters	1 743 57	558 00	[illegible]	2 561
L & P Panel Beaters			[illegible]	[illegible]
Jimmie Hall				

Quality Tyres claims No 4 in world spot

192

22/2/87 ST

By Ruth Golembo

QUALITY Tyres has taken over its biggest retreading competitor, Trevor Holmes Tyres (Tyre Services).

Payment is 750 000 new shares and R67 000 cash.

The acquisition of Trevor Holmes Tyres' manufacturing division is retrospective to March 1986 and will boost Quality Tyres' 10,4c forecast earnings a share by 1c in the year to February 1987

Quality Tyres was listed on the Johannesburg Stock Exchange's Development Capital Market last October through a public offer of 2,1-million shares at 90c each. The new shares at 165c will bring the number in issue to 9,75-million.

Second deal

This is Quality Tyres' second takeover in two months and has made it a retreading giant. It has 70% of the Reef's passenger-vehicle retread market.

It concluded a manufacture and supply agreement with another major competitor, Safe T Tyres, last month.

In the year to February 1988, the acquisitions alone will boost forecast earnings a share by 68% — without taking any possible increase in the existing company into account.

The Safe T Tyres agreement is expected to increase earnings a share by 2,6c The Trevor Holmes Tyres' acquisition together with rationalisation of manufacturing operations will lift earnings a share by 4,5c.

Chairman Alex Hawes says the takeover has made Quality Tyres the fourth-largest car retreader in the world.

The acquistion of Tyre Services' factory facilties will expand Quality Tyres' manufacturing plant eightfold and double its passenger-vehicle tyre retreading output from 1 000 to 2 000 tyres a day.

It will also double its truck-tyre production.

Mining

Besides unit-cost savings and the increased production facility brought about by the takeover, Mr Hawes says the deal has placed Quality Tyres in a position to enter the earthmoving retreading sector.

Quality Tyres' factory facilities were too small to allow it to move into the growing industrial-tyre market — an important sector because of the increasing use of trackless mining.

Quality Tyres retreads and supplies new tyres to retailers. It does not own any retailers.

Success

It operates through 40 indendently owned Tyre Partner outlets with which it has distribution agreements

Mr Hawes says "We have a non-predatory view of the retail side of the industry. Part of our success is due to the separation of the manufacturing and retailing divisions."

Trevor Holmes Tyres managing director Trevor Holmes will join the board of Quality Tyres as an executive director Its retail and property divisions have been sold back to the vendor with effect from February 1 this year

Quality Tyres' shares started the week at 175c and put on 35c to 200c before slipping to 195c.

B/Day 23/2/87

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New logo for GM

GM DELTA

GM's new corporate logo, designed by Grapple Group 2 MD Kenny Saint, was launched on Friday.

Saint designed the new corporate indentity for Delta, the name by which GM will be known in SA from now.

According to Saint the new logo had to be reassuring in the face of uncertainty inherent in any change of control, while maintaining the loyality and commitment of the dealer network

"It was necessary the logo should not look like just another brand when displayed alongside those of GM's three existing marques it clearly had to evoke a corporate image It also had to retain its clarity reduced, enlarged and used in many different situations," he said.

Saint had just one week to come up with a new logo, and the Grapplegroup design was chosen just two weeks before the launch date.

Saint found GM was perceived by the marketplace as being strong, while at the same time the negative image was that of a company pro-disinvestment, monolithic and enervated Delta management wanted the corporate image to be perceived by the public as revitalised, experienced, committed and contemporary.

The Delta logo colour is a stronger shade of blue than previously used by GM, chosen to stress the continuity of Delta with the old GM, and the "A" in Delta is filled in with the same logo red used by the Isuzu and Suzuki brand logos.

Saint said the long hours put into the design were well worth it, and proved local designers were fully capable of a major corporate image design effort

Now that it has a name . . .

Delta must try to find favour with motorists

BDay 27/2/87

192

DAVID FURLONGER
Industrial Editor

FOR Delta Motor Corp, formerly General Motors, the easy part is over. The name has been changed.

Now comes the difficult part: convincing fleet-buyers and individuals its vehicles are more attractive under the new title than under the old.

MD Keith Butler-Wheelhouse and his team enjoyed an extended honeymoon since completing the local buy-out of GM's interests last month.

Now the name is in place, it is open season once again and Delta is a full member of the often bitter rough-and-tumble of the SA motor industry

To be judged kindly, Delta must reverse the steady sales decline suffered by GM in the last few years. Not all the blame can be laid at local management's door; unimaginative marketing, a blasé dealer operation and slowness in adapting to a changing market might have contributed.

But there were outside influences too. US legislation tied GM's hands in bidding for lucrative SA government contracts, while the lack of a local corporate partner limited potential for company fleet sales.

At a time when rising car prices have resulted in less than half of new vehicles being bought by private motorists, lack of access to such bulk-buying potential is a drawback.

Butler-Wheelhouse recognises this in his statement that Delta is to concentrate on bulk sales Unlike GM, Delta is not restricted in selling to the defence force or other government agencies, and will make a major effort to break back into the market.

Likewise, the decision to base chairman Bob Price and the marketing operation in Johannesburg is recognition that that is where fleet sales — as well as most of the country's motorists — are to be found.

All such ambitions are hopeless without acceptance of the corporation's new identity. It is one thing to change the name, another to convince people they should buy from someone they have never heard of before.

Delta does not face quite the same problem Nissan did. The names on Delta's vehicles are unchanged and customers will continue to buy Opel, Isuzu and Suzuki, as they have before.

Delta spokesman Mike Killeen says: "We believe the new name will help us shed the negative GM image. But it's no good just having a name. We must also get the message across that we build Opels and Isuzus."

Derek Christopher, handling the Delta advertising campaign for the McCann advertising group, says the priority of the present campaign phase is to convince potential buyers the products are as strong as ever, whatever the name of the company.

An imponderable in Delta's future is the role of newly appointed director Sir Michael Edwardes.

Most of Edwardes' reputation is based on his role at British Leyland and his tough attitude towards unions.

Bob White, GM's last MD in SA, showed he was no coward in dealing with the unions in Port Elizabeth.

Gas plan: govt leaves

New name creates row

26/2/87 (192) B/Day

MICK COLLINS

DELTA Motor Corporation, formerly General Motors, finds itself at the centre of a row over its new name which is currently the subject of a vast TV campaign.

A company listed on the Johannesburg Stock Exchange told *Business Day* yesterday it was taking legal advice on the use of the name Delta by the motor firm.

The JSE company, Delta Electrical Industries Limited, also asked the newspaper to refrain from using the Delta name and logo when referring to the motor corporation in Press reports

In a letter to *Business Day* Delta Electrical MD Graham Salter referred to various articles over the past three days relating to GM's name change.

"Delta Electrical Industries Ltd is quoted on the JSE Delta and its subsidiaries are well known, large and profitable and have a corporate image, built up over many years, of Delta. It is listed on the JSE as Delta and Press reports invariably refer to the group as Delta.

"We are taking urgent legal advice ... regarding the use by GM of the name and logo Delta for its corporate image, which we view in a very serious light.

"We have a duty to protect our shareholders the value of whose shares are quoted on the JSE and could be affected by confusion regarding results, Press releases or advertisments emanating from GM under the name Delta."

Delta Electrical's annual results are reviewed in today's edition of *Business Day* on the Companies page.

A spokesman for the Delta Motor Corporation in Port Elizabeth said the name General Motors had ceased to exist.

"We submitted the name and it was accepted by the Registrar of Companies.

"Our response to this allegation is that we have registered the name and are quite entitled to use it"

Cape Times 26/2/87

192/62

Row over GM switch to 'Delta'

Own Correspondent

JOHANNESBURG. — The recently-formed Delta Motor Corporation, formerly General Motors, has found itself at the centre of a row over its new name — currently the subject of a massive TV campaign.

A company listed on the Johannesburg Stock Exchange (JSE) informed our correspondent yesterday it is taking legal advice on the use of the name Delta by the motor firm. The JSE company is Delta Electrical Industries Limited.

Contacted late yesterday the MD of Delta Electrical, Mr Graham Slater, said his company was taking urgent legal advice.

A spokesman for the Delta Motor Corporation in Port Elizabeth said the name General Motors had ceased to exist.

"We submitted the name and it was accepted by the Registrar of Companies.

"Our response to this allegation is that we have registered the name and are quite entitled to use it."

GENERAL MOTORS

Enter Delta force

As SA's bent and battered motor industry limps back into profitability, the oldest assembly plant in the country is contending for pole position

(192) FM 27/2/87

In January, long-time lame duck General Motors (GM), now renamed Delta Motor Corporation, moved into its first "tiny" profits in years — and looks like repeating the performance in February But that is only after the US parent had cut free the South African subsidiary and paid up its outstanding debts in full

Restructured Delta, now trailing in seventh position in car sales, has emerged from the traumatic pullout of the US's GM "fighting fit" for the battle to secure its position as one of the country's leading motor manufacturers.

New chairman Bob Price, who cut his 35-year connections with GM to head the team negotiating the buy-out of the local company, reckons the organisation is among the traumatic pullout of the US's GM "fighting

Delta is in a break-even position on a throughput of 30 000 units a year and, he says, it is well on the way to its target of break-even at 25 000 units a year — "which is at least 50% better than our nearest competitor," says MD Keith Butler-Wheelhouse

"In January we made our first profit, albeit very small, for many years But that was a full year ahead of our self-imposed schedule," says Butler-Wheelhouse "We are working from day-to-day, living from hand-to-mouth Now we are driving down costs and cutting out waste and our next aim is to increase market share and go for improved profitability.

"We are determined to be in a good position to take advantage of any up-turn in the South African market "

Delta has secured long-term supply and technical agreements from the two main sources of vehicle kits — Opel of West Germany and Isuzu of Japan "They have continued to deal with us on the more-than-favourable terms we enjoyed as part of GM," says Butler-Wheelhouse

He says the takeover team, strengthened by board heavyweights Sir Michael Edwardes, former chairman of British Leyland and now chairman of Chloride, and Len Abrahamse, chairman of Syfrets Trust and a director of Nedbank and SA Mutual Life, has formulated a blueprint for success — "even taking into consideration the parlous state of the motor industry in SA "

Key factors are the revitalisation of management and the financial security of the company

Delta's Price ...
bidding for market share

"We are extremely fortunate to be able to start off without debt and the attendant heavy interest burden," says Butler-Wheelhouse "The company's high net worth assures the potential for borrowing, should this become necessary when the market recovers and increased working capital is required "

He says the "difficult task" of reducing the labour force has been largely achieved, and the plant, which will remain in Port Elizabeth, is running at about 60% of capacity.

Delta has already embarked on a R3m project to reorganise the press shop and increase the tooling capacity This will ensure that the company is able to manufacture the tooling required for its next model, avoiding the high cost of imported tooling

Another R2m will be spent on eliminating the capacity bottleneck in Delta's paint shop ■

seemed ambitious But I made it with a degree of confidence"

The re-positioning of the company has proved to be correct, he said

sulted in the R1,6m loss at December 1985 being transformed into a R14,8m

● To Page 2

yet

Delta row goes to court

2/12/87

BDay

MICK COLLINS

THE row between two of SA's top companies over a trade name will have a sequel today in the Pretoria Supreme Court, where an urgent application will be heard

The application has been brought by the JSE-listed Delta Electrical Industries against Delta Motor Corporation, formerly General Motors, over the use of the name Delta

A spokesman for top Pretoria patent agents and attorneys Adams and Adams confirmed yesterday that the case was to be heard, but would not comment further beyond saying the company was to represent Delta Motor Corporation

Earlier Delta Electrical Industries MD Graham Salter gave notice of intent and said the company was taking urgent legal steps as it felt it had a duty to protect its shareholders

Delta Motor Corporation is at present running a huge Press and TV advertising campaign after announcing its new name on February 20 The name General Motors was dropped after a local management buy-out from its US parent

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● To Page 2

Dispute over Delta name goes to court

2/12/87 BDay

● From Page 1

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The Companies Record in Pretoria discloses there are 188 companies listed under the name Delta.

A spokesman for a Johannesburg firm of attorneys said to register under the Companies Act, a company would have been given approval for its full name.

"It would also have to have approval for a translation as well as an abbreviated version of the name. I don't think the Registrar would have given approval for just the use of the name Delta on its own."

Registrar of Companies Ben Geldenbloem refused to comment on the case.

Car sales should rise by 9%, says Searle

193

Eve Post 5/3/87

By DENISE BOUTALL

CAR SALES would increase by 9% this year to 190 000 units, the managing director of Volkswagen South Africa, Mr Peter Searle, today told the Midland Chamber of Industries seminar on economic prospects for 1987

Mr Searle, who is also president of the National Association of Automobile Manufacturers of South Africa, said that, if the rand remained at its present value, vehicle prices would not increase by more than the inflation rate.

Increases could even be kept as low as 12% if local component price increases were kept at reasonable levels

Relatively low price increases would contrast sharply with the situation last year when the average price increased by 29,2%, bringing the average price increase since 1984 to 59%

Because of the high cost of re-tooling for new models, manufacturers would place greater emphasis on innovating around local models and the fight for the market share would dominate the industry's activities.

Sales would be helped by lower interest rates and by "pent up" demand as people were forced for replace their vehicles

Another growth area would be in the increased sale of minibuses to black taxi operators because of the deregulation of the taxi business

Only 5% of new vehicles were sold to blacks, but black vehicle ownership was increasing by 7% a year, with most of them buying used vehicles

Increased exports had helped offset a high import bill, but there was no clarity on the future of export incentives for the motor industry

Outlining the decline of the motor industry in South Africa during "an extremely testing time" over the past five years, he said sales had dropped from 269 000 units in 1981 to 174 000 last year

Since 1982 the number of jobs in an industry that once supported 250 000 workers had dropped from 50 300 to 30 400 in the manufacturing sector, from 100 000 to 50 000 in component manufacturing and by 30 000 on the retail side oard Bank of SA Ltd.

CAPE TIMES 6/3/82 (192)

Car models 'to change less often'

Own Correspondent

PORT ELIZABETH. — Car models would be kept in production longer than previously because of the escalating costs of tooling, Peter Searle, managing director of Volkswagen, said here yesterday.

Addressing a seminar arranged by the Midland Chamber of Industries in association with Standard Bank, he foresaw the likelihood of a further reduction in the present number of manufacturers

He was optimistic, however, that new car price rises would be sharply lower this year, at around 16 to 12 percent, and that sales would be up on last year, possibly by around 15 000 units

He said there had been significant rationalization in the passenger car industry from 16 manufacturers in the 1970s to the present seven manufacturers.

He said the SA market was still overtraded and even if all returned to profitability, the rate of return on the collective investment would still not be sufficient to fully justify new investments in products and facilities

Searle called on the government to formally clarify the the future level of export incentives for the motor industry and said the present ceiling expired at the end of the month

Delta's Aloes plant is 'healthy'

197 10/3/87 B/Day

Own Correspondent

PORT ELIZABETH — The future of the Delta Motor Corporation's locomotive plant at Aloes is assured, and it has almost a year of work on its books, Delta chairman Bob Price said yesterday

He said the plant represented a specialised working capability "that is considered a valuable asset to the country and which could be used in a number of ways including engineering-type work related to the recently announced Mossel Bay project".

Since its inauguration in 1974, the plant had built over 600 locomotives with a local content value of more than R126m, he added The plant is engaged on a contract for electric locomotives to be delivered to Sats by the end of this year or early next year.

Major shakeup at VW over foreign exchange fraud

(192) EPOST 10/3/87

FRANKFURT — The suspected foreign exchange fraud reported by Volkswagen is so large that more than one trader was involved in wrongdoing

The company's reported loss of 480 million marks (R572 million) in currency transactions aimed at hedging against fluctuations in the value of the US dollar has produced a major shakeup among senior executives

It has also threatened to delay Government plans to sell off its 20% share of VW's ordinary capital, says Finance Minister Gerhard Stoltenberg

Suggestions that several traders were implicated in the fraud followed weekend newspaper reports that prosecutors were transferring the focus of their enquiries to Frankfurt, where the bulk of foreign exchange is transacted in West Germany

The newspaper Welt am Sonntag said the investigation by State prosecutors was focussing on possible outside banking accomplices.

Stern said VW executives resisted repeated calls by chairman Carl Hahn for a financial controller to be appointed to the board It quoted him as saying "the main centre of the currency manipulation was outside the firm"

A senior dealer for a West German bank said "There is no way they could have hoped to get away with it It's too big"

Currency sources said the involvement of the Federal Criminal Office in Wiesbaden indicated that the investigation would lead outside West Germany.

Der Spiegel said the fraud came to light last month with the refusal of the Hungarian National Bank to honour what turned out to be a fake forward currency purchase contract.

Dealers said that, although VW had a reputation for doing little currency hedging, it would have been obliged to use the procedure to cover expected income from dollar sales.

As one of West Germany's most diversified multinationals, VW had exposure in a number of currencies and dealt with most banks in Frankfurt and also abroad, sometimes through currency brokers.

CAPE TIMES 11/3/87

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Vehicle sales show 10% boost

Own Correspondent

JOHANNESBURG — Motor industry officials were heartened yesterday by figures showing vehicle sales in February rose more than 10% on January

There was caution, however, that it was too early to predict a genuine recovery

Sales of new cars improved nearly 8% last month to 15 162 No one was happier than Eastern Cape neighbours Volkswagen and Delta Motor Corporation — VW because its Golf/Jetta range knocked the Toyota Corolla off top spot for the second month in a row, and Delta because its car sales shot up 39% compared to January Its Kadett range enjoyed a startling 67% rise

Total light commercial vehicle sales improved 13%, medium commercials 59%, and heavy trucks and buses 31%

Welcoming particularly the strong improvement in medium and heavy commercial sales the National Association of Automobile Manufacturers (Naamsa) adds the recovery is off a very low base

While warning against drawing too many conclusions from February's performance, Naamsa is guardedly confident growth will continue

It says March will tell whether a genuine upturn is on the way Assuming SA maintains its improved economic growth and that replacement demand for vehicles continues, Naamsa predicts "possible further modest sales gains in each of the sectors in the months ahead"

Other industry officials are more openly optimistic

Volkswagen MD Peter Searle, who is also Naamsa president, says overall vehicle sales improved 10,6% in February, against a traditional 2,5% increase over the same period He says the figures indicate "a steadily improving business climate and increasing consumer confidence in the economy"

Toyota marketing director Brand Pretorius says February's vehicle sales "can be seen as a barometer indicating that the economic situation is improving"

"They support other information we have pointing to the fact the economy is starting to move It seems there is light at the end of the motor industry tunnel at last"

11/3/8

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Wost

E Cape vehicle manufacturers lead February sales boomlet

By RALPH JARVIS
Motoring Editor

THE unexpectedly encouraging increase in motor sales in January has continued

February sales were 7,8% up and nearly 9% up on those of February, 1986

And in this optimism-generating market, the three Eastern Cape manufacturers — Volkswagen, Delta Motor Corporation and Mercedes-Benz — scored exceptionally well to claim a combined 38,2% of the passenger car market.

For the Port Elizabeth-Uitenhage area the news was even better

- VW's Golf/Jetta range took the best-seller title for the second month running
- Delta appeared on the best-five list for the first time with its Kadett-/Monza models This was only the second time in more than a year that the Kadetts had made this list, the last time being in July, 1986, when they were placed third.

Volkswagen extended its five-unit Golf/Jetta lead over the Toyota Corollas, recorded in January, to 39, headig the list with 2 595 units to the 2 556 Corollas, 1 157 Kadett/Monzas, 1 150 Toyota Cressidas and 1 035 Ford Laser/Meteors

In the passenger car market, Delta showed the biggest increases, coming in 39,5% up on its January performance and a fine 50% above its February, 1986, showing

Toyota once again headed the total passenger car sales list with 3 712 units, with VWSA and Samcor tieing for second place on 3 106 sales.

Under the heavy commercial section, the Eastern Cape's showing was even better, taking 49,2% of the market, of which Mercedes-Benz claimed 39,9% and Delta 9,2%

Overall, the statistics revealed changes of cars +7,8% over the January figure and +8,9% over the February, 1986, figure, LCVs +13,3% over January and +7,95% over the February, 1986, figure, MCVs +59,3% up on January, but −7,7% on February, 1986, HCVs +31,5% on January and +6,95% up on February, 1986

According to the National Association of Automobile Manufacturers of South Africa, the improved momentum in new car and commercial vehicle sales in January exceeded industry expectations

New car sales advanced to 15 162 units, while commercial vehicle sales recorded sales of 6 683 in the case of light commercials, 454 in the case of medium commercials and 677 in the case of heavy trucks and buses

The recovery in medium and heavy commercial vehicle sales were "off an exceptionally low base", accounting for the substantial jump in percentage terms

From a statistic perspective, March sales will be critical in determining whether the industry is experiencing a clear upturn and positive sales growth trend

"Naamsa's expectations of improved economic growth momentum during 1987 is reinforced by renewed replacement demand for new motor vehicles and this suggests possible further modest sales gains in each of the sectors in the months ahead," Naamsa said

PASSENGER CAR SALES

Manufacturer*		Units	% mkt	— % change on — JAN '87	FEB '86	Year to date Units	% mkt
Toyota	(1)	3 712	24,	3,7	+2,7	7 568	25,9
VW	(2)	3 106	20,5	+4,3	+23,8	6 083	20,8
*Samcor	(3)	3 106	20,5	+12,0	+7,7	5 878	20,1
M-Benz	(5)	1 525	10,1	+26,1	+34,4	2 734	9,4
Delta	(7)	1 373	9,1	+39,5	+50,1	2 357	8,1
BMW	(4)	1 255	8,3	+0,32	+18,9	2 506	8,6
Nissan	(6)	1 082	7,1	+8,6	8,2	2 078	7,1
Other	(8)	3	0,1	78,6	99,5	17	0,01
*Samcor Ford		1 719	11,3	+16,4	+31,0	3 196	10,9
MMI		1 387	9,1	+7,1	1,7	2 682	9,2

Top five models	
Golf/Jetta	2 595
Corolla	2 556
Kadet/Mnza	1 157
Cressida	1 150
Laser/Mete	1 035

Industry totals		
For Feb '87	15 162	
For Jan '87	14 059	;change +7,8
For Feb '86	13 913	;change +8,98
	29 221	
Comparable in '86	27 772	;change +5,22

*Indicating ranking in previous month

LIGHT COMMERCIAL SALES

Manufacturer*		Units	% mkt	— % change on — JAN '87	FEB '86	Year to date Units	% mkt
Toyota	(1)	2 489	37,2	+29,2	+0,12	4 416	35,1
*Samcor	(2)	1 584	23,7	+11,2	+18,2	3 009	23,9
Nissan	(3)	1 328	19,9	+3,2	-4,3	2 615	20,8
Delta	(4)	708	10,6	2,5	+34,3	1 434	11,4
VW	(5)	560	8,4	+9,8	+31,1	1 070	8,5
Leyland	(6)	14	0,2	39,1	30	37	0,29
*Samcor Ford		837	12,5	+25,7	+13,6	1 503	11,94
MMI		747	11,2	1,6	+23,9	1 506	11,96

Industry totals

Feb '87	6 683		Jan '87	5 898	;change +13,3%
Feb '86	6 191	;change +7 95%	Year to date	12 582	-change +8,4%

* Indicating ranking in previous month

MEDIUM COMMERCIAL SALES

Manufacturer*		Units	% mkt	— % change on — JAN '87	FEB '86	Year to date Units	% mkt
*Samcor	(2)	169	37 2	+79,8	17,2	263	35,6
Toyota	(1)	153	33,7	+50	+19,5	255	34,5
Delta	(3)	73	16,1	+55,3	14,1	120	16,2
Nissan	(5)	40	8,8	+110,5	+14,3	59	7,98
M-Benz	(3)	19	4,2	17,4	52,5	42	5,7
*Samcor Ford		44	9,7	+193	+51	44	5,9
MMI		125	27,5	+58,2	28,6	254	34,4

Industry totals

Feb '87	454		Jan '87	285	;change +59,3%
Feb '86	492	;change 7,7%	Year to Date	739	-change 19,2%

* Indicating ranking in previous month

HEAVY COMMERCIAL SALES

Manufacturer*		Units	% mkt	— % change on — JAN '87	FEB '86	Year to date Units	% mkt
M Benz	(1)	284	41,9	+47,9	+43,4	476	39,9
[illegible]	(2)	110	16,2	+6,8	6,8	213	17,9
Delta	(5)	74	10,9	+105	+13,8	110	9,2
Nissan	(3)	68	10,04	+6,3	19	132	11,1
[illegible]	(4)	35	5,2	-20,5	+2,9	79	6,6
*Samcor	(7)	35	5,2	+84,2	36,4	54	4,5
Malcomess	(9)	22	3,2	+120	+22,2	32	2,7
Erf	(8)	12	1,8	9,1	25	23	1,9
Hestair	(9)	6	0,9			6	0,5
*Samcor Ford	-	-			-	-	-
MMI		35	5,2	+84,2	+34,6	54	4,5

Industry totals

Feb '87	677		Jan '87	515	;change +31,5%
Feb '86	633	-change +6,95%	Year to date	1 192	-change +4,01%

* Indicating ranking in previous month

RANKING E CAPE'S SHARE*

	SA mnfrs Ex-Ec	East Cape manufacturers VWSA	DELTA	MERC	Total	Share (%)
Cars	18 047	6 033	2 357	2 734	11 174	38,2
Light Comm	10 078	1 070	1 434		2 504	19,9
Medium Comm	577	-	120	42	162	21,0
Heavy Comm	606		110	476	586	49,2
Total	29 308	7 153	4 02	3 252	14 426	32,9
% market	67	16 4	9,2	7 4	32,9	

* Aggregate for year to date

siness Report

THURSDAY, MARCH 12, 1987

CAPE TIMES 12/3/87

Ford, Mazda prompt price war

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Own Correspondent

JOHANNESBURG — A price war in new vehicle sales has broken out as Ford and Mazda dealers slash prices on small cars countrywide

In a major marketing move Samcor has cut its prices to dealers and most are passing on the savings to customers

The price slashing is seen as a bid by Samcor to push certain models and help sell itself out of the recession

Minimum deposit

Buyers can save R3 000 on a Ford Meteor 1300GL at R13 995 or R2 000 on a Mazda 323 saloon or 1600 sedan

"Anybody who can afford the R1 568 minimum deposit, which includes GST, can drive out with a new car Lower interest rates — down from 23% to 19% — mean 48 monthly instalments of R404," a Ford dealer said

On top of the discounts, some dealers are offering special trade-in offers while others are prepared to negotiate price deals on any model

Kempster Ford in Durban is offering Ford Laser automatics for R15 650 — a R2 500 discount while Rand Ford in Randburg is "open for negotiation on other model"

Sales manager Bill McMaster of Mazda dealer Roodepoort City Motor Group said "Samcor is cutting its prices to dealers We just reduce the prices accordingly This is a national campaign and Samcor is doing the advertising

"Some dealers will not fall in line with the factory price cuts but they will lose business to others We expect a price cut on a 1600 bakkie soon"

Discretion

Rand Ford sales manager Kobus Vosloo said "Prices are being cut on the Meteor to get it on the road It has been on the market for nine months. There is a price reduction of R3 000 until March 25

"Dealers don't have to cut prices They can use their discretion We are even open to negotiation on other models"

One dealer predicted a bitter fight among dealers for sales But the war does not appear to be spreading to dealers for other manufacturers Nissan, Honda and Toyota yesterday said they were not cutting prices

(192) FM 13/3/87

MOTOR COMPONENTS

Averting a crisis

The opening of the new August Laepple car body-pressing plant in East London — representing a R10m investment in a factory designed to produce components for 4 000 cars a month — might seem to come at an inauspicious time

The motor components industry has suffered severely from the downturn in motor vehicle sales A sign of the hard times is that membership of the National Association of Automotive Components and Allied Manufacturers (Naacam) has fallen from 170 at the beginning of 1985 to 140, and the industry is working at 40%-50% capacity

But the high cost of imports has helped increase the range of local component production, particularly of body panels, soft trim and seats, electrical systems and cooling systems

West Germany's Laepple established its first plant at Rosslyn in 1972, shortly before BMW opened in the area Its success has been tied to the fortunes of its car company cousins, BMW and Mercedes-Benz

As long as they continue to prosper the prospects must be good for Laepple. And there's always hope of increased local content The Board of Trade and Industry is already investigating ways to increase local content, probably by cutting rebates on import duty, though not through new mandatory local content measures

Naacam has dropped its demands for a 75% mandatory local content as part of an agreement with the motor manufacturers in the interests of peace in the troubled motor sector.

However, Naacam CE Denzyl Vermooten says there could be tremendous spinoff from a campaign to increase local content "Although by weight only about 34% of a car is imported, this represents 50% of costs, and if labour is excluded, 70% of total cost

"Unfortunately," he says, "there's little incentive to invest in the present socio-political climate Companies will be prepared to invest in high tooling costs only if they're more certain of the future"

Enhanced incentives, however, will not necessarily mean more business for local companies, many of which already provide 100% of certain components In addition, the resources may not be available to tool up for new operations which have normally been considered too sophisticated for the local trade

Most manufacturers believe local content has already gone as far as reasonably possible For example, the Citi Golf is now 80,3% locally made, the Nissan Pulsar and Toyota Corolla have a domestic content of more than 70%

One of the more radical solutions is to bypass overseas manufacturers by creating a South African car Automotive Products MD Keith Brighton says "In the motor industry in particular the excellence of First World product standards has forced the price beyond the capacity of Third World pockets

"We don't really need cars with fancy electronic gadgets — we need a car for the people, a box on wheels if necessary."

Such vision finds little support among many in the motor industry, but component manufacturers are nevertheless calling for greater standardisation and less change for the sake of change ■

VW dismisses foreign exchange head

(192) W Post 14/3/87

WOLFSBURG — The giant West German carmaker Volkswagen, which earlier this week said it may have lost millions of dollars in a currency fraud, announced yesterday that it had dismissed the head of its foreign exchange department

A VW statement said Mr Burkhard Junger had been dismissed with immediate effect Six other people were suspended

VW said on Tuesday it had had to make provision for losses up to 480 million marks (R520 million) because of the possible fraud

It has said that as a result of the suspected fraud, transactions in 1984 intended to cover it against future fluctuations in the exchange rate of the dollar might not have been completed.

It has called in prosecutors.

Yesterday's statement said "Burkhard Junger, 39, who had already been suspended from his duties in January, has been dismissed with immediate effect"

Those now suspended include the heads of the financial transfer department and central cash and currency clearing departments.

The transactions involved in the affair fell in their area of responsibility, VW said Company sources said they were not thought to have been directly involved with the currency transactions.

Meanwhile, the State Prosecutor's office in Brunswick, which is looking into the affair, said the West German Federal Criminal Office in Wiesbaden had joined the investigation and would be responsible for measures such as possible police searches

A spokeswoman for the office said prosecutors in the currency dealing centre of Frankfurt were looking into the possibility of taking over the case. — Sapa-Reuter

McCarthy plea for private car leasing

15/3/87 S17

By Don Robertson

THE motor industry — suffering from its lowest sales in 24 years in some sectors — is bitter about Government's attitude to its plight.

An impatient Theo Swart, managing director of the largest motor trading company, McCarthy Group, will ask the Government to reintroduce private leasing of cars and light commercial vehicles

Cash cow

He will also "oppose in the strongest terms" a proposal by the Board of Trade to offer incentives for the export of used cars

"There is a serious shortage of used cars in South Africa and if this proposal succeeds it will only cause more problems for the motor industry

"If used vehicles are exported from South Africa, many dealerships will be threatened The intentions of Government would also be in doubt"

Mr Swart says that if the export proposals are based on the the same incentives available for the export of components — R4 a kilogram — the export of a second-hand car could bring an additional R3 000 profit

"Although this is substantial, it will leave dealers in tatters"

Mr Swart, through the National Automobile Dealers Association (Nada) and the Motor Industries Federation (MIF) will also ask the Government to reduce general sales tax on the sale of second-hand cars to 5%

"GST on the sale of used cars is nothing but a cash cow for the Government On average a car is sold four times in its life, each time earning the 12% GST"

In 1985 the Government earned R1,5-billion from the motor industry through direct tax and GST and the money was important to the economy

Prices soar

In the past two years, car prices have soared by up to 75%, placing them out of reach of the individual About 80% of cars are bought by companies and the private market needs some stimulation, he says

"If private leasing were introduced, it could boost sales by 10% immediately"

Car sales in 1971 were 175 882 and after reaching a peak of 381 528 in 1981 were down to 174 453 last year

"We, the national dealers, are running out of patience and I want a quick answer from the Government to these suggestions," says Mr Swart

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New-look Delta on its way to breaking even

15/3/87 S17

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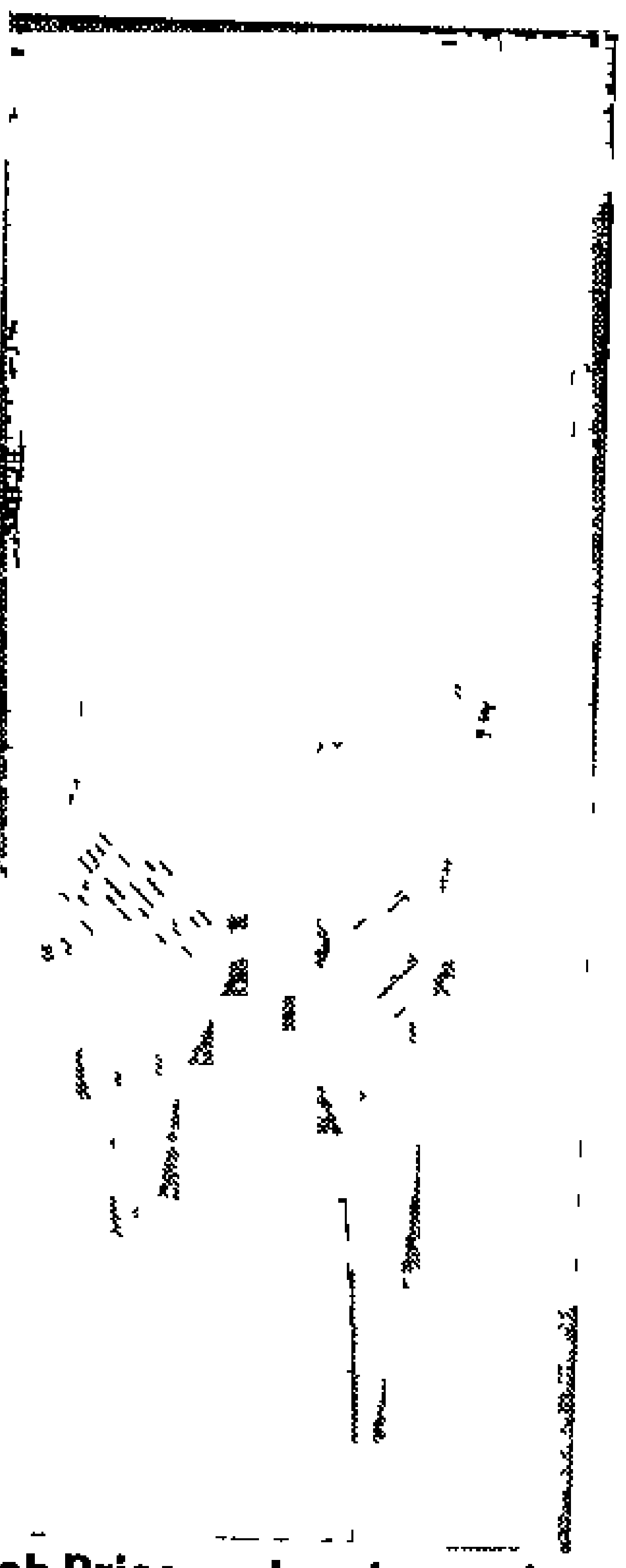

Bob Price . break even by next year

By Don Robertson

TWO months under its new management team, the Delta Motor Corporation is "looking good and is now probably the lowest-cost producer in the industry".

Bob Price, Delta chairman, says that although the company expects a loss this year "we could be in a break-even position by the end of 1988"

Management efforts have involved an overhaul of the company's operations, reduced manufacturing costs, ensured continuity of supply and technical support and strengthened the marketing effort

Mr Price says reduced manufacturing costs now mean that break even can be achieved with sales of about 25 000 units a year compared with the previous 33 000

Sales of the new Monza improved in February, but Mr Price is looking for better

"We expect Monza sales to cause a reduction in Kadett sales of about 1 800 this year, but we hope for Monz sales of about 8 000 for an overall improvement of 6 200 this year"

The company is also considering investments which will include passenger and commercial vehicles

"Provision has been made to take us through to 1988," says Mr Price

Support

Mr Price decsribes his plan as a "knife and fork" scheme in which "we will take something off an existing platform, without making a new one"

Although not giving a hint about the future model mix, Mr Price says the middle of the market is well served and, "we could go back into the top end However, we are looking at the total picture"

Motor-makers wait for March sales clue

ST 15/3/87

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By Don Robertson

MOTOR manufacturers are cautiously optimistic about prospects for 1987 after a modest improvement in February sales.

Car sales in February rose to 15 162 units from 14 059 in January Sales for the first two months rose by 5,2% to 29 221 from 27 772 in 1986

Light commercial vehicle (LCV) sales were also better, showing a 13,3% increase in February to 6 683 from 5 899in January for a two-month total of 12 582 compared with 11 605 last year

Medium and heavy truck sales rose to 454 compared with 285 and 677 compared with 515 respectively

However, most car-makers believe sales in March will give a clue to prospects for the rest of the year. Indications are that further modest gains can be expected in all sectors in the months ahead

Monza takes off

A feature of the February sales was the sharp rise recorded by Delta Motor Corporation, formerly General Motors, whose new Monza range took off

With sufficient stocks now available, sales of the Monza/Kadett rose to 47% to 1 157 from 785 in January. The figure was made up of 544 Kadetts and 613 Monzas Delta sales rose to 1 373 from 984 the previous month.

Another interesting aspect of the sales results was the continued strength of Volkswagen, its Golf/Jetta range outselling the Toyota Corolla for the second consecutive month Golf-Jetta sales were 2 595, pipping the Corolla by 39 units This gave Volkswagen car sales of 3 106 in February compared with 2 977 in January

Toyota was the only manufacturer to show a decline in sales — 3 712 in February compared with 3 856 in January.

Mercedes-Benz managed a 26% rise in volume in spite of a decline in Ballade sales — the improvement coming mainly from a better performance from the W124 range, which more than doubled to 650 units. Also in the luxury market, BMW held on to its rising sales trend.

New ranges

Improved Ford Laser/Meteor and Mazda 323 sales helped Samcor to an overall 12% improvement, giving it exactly the same figure as Volkswagen at 3 106 units.

Better volumes from Nissan's Langley helped to lift sales to 1 082 from 996 in January.

In the LCV market, Toyota continued to dominate with sales of 2 489 following the launch on its Hilux and Hiace ranges

Big upsurge in prices asked for used cars in Eastern Cape

EPost 17/3/87

192

By DEBBIE MARCH

SOME used cars are already selling for more than they cost new — and prices haven't stopped climbing yet.

The used market — certainly in the Eastern Cape — is moving up in keeping with runaway new car prices.

Because more and more people are searching for good used vehicles because they just can't afford new cars, a "critical shortage" of good "pre-owned" cars has resulted, according to salesmen.

Because of the astronomical prices of new cars, owners of reliable, well-cared-for cars were unwilling to part with them because of prohibitive replacement costs, hence they shortage of good used vehicles at "reasonable" prices.

And when dealers laid their hands on sound late model cars for re-sale, they were tempted to push up the price to such an extent that the car easily sold for more than its original price, they said.

General sales tax, with tax applying each time the same vehicles changes ownership, further aggravates the public's burden.

None of the five dealers interviewed expected any change for the better in the near future.

"It will continue to escalate until new car prices are stabilised, and that's going to take a while," Mr Tony Verwey, a used car manager, said. Another dealer, Mr Barry Levin, said there was no logical relationship between the price of new and used cars.

The chronic shortage of quality used cars meant that as soon as a car came in, it was sold, he said.

B/Day 23/3/87

Car man's call for help

(142)

MICK COLLINS

UNLESS government came to the rescue, the ailing motor industry would continue to slump, said the joint MD of the McCarthy group, Theo Swart, at the weekend.

Commenting on projected sales for 1987, Swart warned the industry was far from being on the mend despite the sector's improved February performance.

"The February sales increases have prompted optimism in some quarters. But let me assure you the motor market is as sick as ever and will remain so for the foreseeable future."

He said government should assist private buyers to re-enter the market.

"One such measure would be the reintroduction of private leasing of cars and light commercial vehicles."

Swart said the man in the street had been squeezed out of the market over the past two years.

"On the one hand his disposable income has diminished considerably, while on the other steady and steep price increases have put the purchase of a new car — and even a good used one — beyond his reach."

Swart added. "By once again allowing private individuals to lease vehicles, government will provide a welcome stimulant to the market. If this could be coupled with a reduction in sales tax on used cars — which, after all, attract sales up to four times in their lives — all the better."

Government, he said, did not have to wait for implementation of the Margo Commission report before taking steps to ensure that the motor industry — which employs about 250 000 people — starts to get on its feet once again.

He said the McCarthy group did not share the view that new car sales would exceed 200 000 units this year.

Delta cars top in local sales

(192) E Post 23/3/87

MOTOR manufacturers in the Eastern Cape, and Delta Motor Corporation in particular, appear to be getting strong local support.

Monza sales in the Cape were 6% above the national average according to February figures.

Elsewhere, Monza sales were below the national average, showing that Delta's support locally was good, according to Mr John Cuming, the company's marketing manager.

In the Transvaal, which accounts for 62% of the total market, Monza sales were 5% lower, while in the rest of the country, Monzas were 1% behind the national average.

Delta was also the number one selling manufacturer in the Port Elizabeth/Uitenhage area, according to Mr Cuming.

Toyota was second and Volkswagen third.

Delta sold 118 units in this area during February and 613 across the country, Mr Cuming said.

Delta: companies fight over use of the name

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CPost 25/3/87

Post Correspondent

PRETORIA — The wrangle over use of the name "Delta" to promote a corporate image continued in the Pretoria Supreme Court today

Delta SA Pty Ltd and Delta Electrical Industries Ltd brought an urgent application against Delta Motor Corporation, formerly General Motors South African, asking for an interdict to prevent DMC from using the word Delta in the promotion of its corporate identity.

Defence for the applicants, Mr D A Bregman (SC) made it clear they had no objection to the promotion of the name Delta Motor Corporation.

They objected to the use of the word "Delta" because the applicants have established a corporate identity in the word and as such have a reputation in the name

DMC admit that Delta SA Pty Ltd and Delta Electrical Industries Ltd have a right to continue using the name

DMC denies that the applicants have a reputation in the name Delta as a trading company in the sense of production and sales

Mr Bregman said the field of activity of the two companies is different, but consideration must be given to the extent to which the fields are separated in fact and the minds of the public

DMC concedes that the business activity of the applicants is that of investment or holding companies

DMC denies there is confusion or a likelihood of confusion by the use of the name Delta

Delta SA Pty Ltd and Delta Electrical Industries Ltd allege the business and financial community is likely to be confused and due to their activities, their image and identity are significant

They allege the use of the logo and name Delta by another person must obviously detract from their individuality

(Proceeding)

(192) E Post 26/3/87

Volkswagen SA celebrating production of 100 000th Audi at Uitenhage plant

THE champagne glasses clinked with pride at the Uitenhage plant of Volkswagen of South Africa recently when the manufacturer celebrated the production of the 100 000th Audi, the top-line model built by the company

It was another milestone for the company, which only recently celebrated its 40th anniversary in South Africa as well as the production of its millionth vehicle

Audi number 100 000, a white 500 SE, was the latest in a line which stretches back to 1968, when the Audi Super 90 was introduced into South Africa

This model was superceded in 1973 by the Audi 100

A new Audi 100 range followed in 1978, with the present 500 range being launched in 1983

The Audi 500 has established itself as a leading contender in its class

COURTS

Use of Delta 'had caused confusion'

26/3/87 (1/92) B/Day

THELMA TUCH

GENERAL MOTORS' use of the name Delta as a corporate logo, after it changed its name to Delta Motor Corporation (DMC), had created confusion in the financial community, the Pretoria Supreme Court was told yesterday.

This was submitted by counsel for Delta SA (Pty) Ltd and Delta Electrical Industries Ltd — the two applicants for an urgent interdict to prevent DMC from using the name Delta in the promotion of its corporate identity and as a logo

D A Bregman, SC, submitted to Mr Justice Curlewis that the applicants had acquired substantial goodwill and reputation with the name Delta.

"We have a significant, established reputation arising out of a distinctiveness we have achieved. We are seeking to eliminate any risk of confusion in the financial community," Bregman said.

It was submitted that the respondent had become associated with incidents of unrest at its PE plant when GM in the US decided to disinvest from SA and sell all its operations to local shareholders.

The repondent's use of the name Delta could mislead the public into believing that its business was connected to that of the applicants, Bregman said.

At this stage, he said, it was not too late to put a stop to DMC's publicity campaign through the Press and radio.

There was no need, he said, for DMC to choose a new name, but it should refrain from using the name Delta as a logo or to promote its corporate image.

Counsel for DMC, B Southwood, submitted the applicants provided no evidence to prove the reputation they claimed to have established.

He said the Registrar of Companies had approved the name DMC on January 27 and DMC had allocated more than R1m towards a campaign to make the public aware of its new name.

Southwood denied that either of the applicants had estalished a corporate identity in the name Delta He said there were more than 100 organisations listed in SA phone directories as having business names beginning with the word Delta. The second applicant, he said, was not even listed in the directory.

The hearing continues today.

Objector 'would have been chef'

PORT ELIZABETH — The Port Elizabeth Magistrate's Court heard yesterday that religious objector Phillip Gerard Wilkinson would have served as a chef when called up by Regiment Piet Retief last year.

That evidence was given by Commandant Bazil Dennis Turner, the regiment's chief administrative officer.

He was testifying in the case against Wilkinson, 22, of Robert Street, North End, Port Elizabeth.

It was alleged Wilkinson, who was classified as a religious objector and liable to render service (alternatively also to undergo training), failed to report for service when called up by Regiment Piet Retief on April 28, 1986.

He pleaded not guilty and said during April he had received a document dated March 25, 1986, which were call-up instructions for continuous training from Regiment Piet Retief. — Sapa.

Cricketers in loss

(192) BDay 27/3/87

R1m at stake in Delta name issue

THELMA TUCH

AN ORDER granted against Delta Motor Corporation (DMC) to prevent its use of the name Delta would cost the company more than R1m, counsel for DMC B Southwood told the Pretoria Supreme Court yesterday.

Southwood asked Mr Justice Curlewis to dismiss with costs an urgent application by two applicants — Delta SA (Pty) and Delta Electrical Industries — for an interdict to prevent DMC from using the name Delta in the promotion of its corporate identity and as a logo.

DMC — formerly General Motors SA — has invested up to R1m in a publicity campaign through the Press and television to raise public awareness of its name

Counsel for the applicants, D A Bregman, argued that DMC had embarked on the programme "with their eyes open" and must bear the consequences.

It was not entitled to spend the money in the first place, he said.

He submitted that DMC should use its full name, and not merely the word Delta, in its campaign to promote its corporate identity.

The applicants, he said, had no objection to the full name Delta Motor Corporation or its abbreviation (DMC) being used in this respect.

DMC's use of the word Delta without further clarification would lead to an erosion of the applicants' identity, he claimed.

It had already created confusion in the business community because it suggested some kind of connection between the applicants and DMC, he said.

Southwood responded that the applicants had established a limited reputation in a specialised area of the business community.

He denied that people would be confused by DMC's use of the name Delta.

"It is clear that the applicants and DMC operate in entirely different fields and their potential clients must therefore be completely different," he said.

It was, therefore, not possible for the applicants to be harmed by DMC's use of Delta, he said.

He argued that the applicants were holding companies operating through 13 subsidiaries.

As neither of the applicants traded in the conventional sense, the only people interested in them were shareholders.

The investor in shares on the Johannesburg Stock Exchange would be a very different person from a purchaser of DMC's motor vehicles, he said.

Judgment will be given today.

Delta does it: name is legal!

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E Post 27/3/87

By KIN BENTLEY

IT'S official — and legal! Delta Motor Corporation can use its name

An urgent application brought in the Pretoria Supreme Court by Delta SA (Pty) Ltd (DMC) and Delta Electrical Industries Ltd, for an interdict to prevent DMC from using the name Delta in the promotion of its corporate identity and as a logo, was dismissed with costs today

The court heard earlier that should the order be granted, it would cost the company more than R1 million which it had invested in its publicity campaign

Commenting on the ruling today, the managing dirctor of DMC, Mr Keith Butler-Wheelhouse, said "Obviously we are very pleased at the outcome of the case and particularly at the finding that we have not infringed the rights of either of the applicants"

He said "It was never our intention to cause any prejudice whatsoever to any other party"

Sapa reports from Pretoria that Mr Andre Gert van Rooyen, director of product development and planning at DMC, yesterday said in his answering affidavit in the Pretoria Supreme Court that DMC had allocated more than R1 million to promote its new name

He said searches in the trademark office revealed there were "numerous" companies trading under the name, Delta.

He said DMC's financial situation was extremely favourable and had started business without any outstanding debt create new wealth to overcome pover- as a whole"

Cape Times 27/3/87

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Judgment today in Delta wrangle

Own Correspondent

JOHANNESBURG — An order granted against Delta Motor Corporation (DMC) to prevent its use of the name Delta would cost the company more than R1m, counsel for DMC, told the Pretoria Supreme Court yesterday

B Southwood asked Justice Curlewis to dismiss with costs an urgent application by Delta SA (Pty) and Delta Electrical Industries Ltd for an interdict to prevent DMC from using the name Delta in the promotion of the company

'With eyes open'

DMC — formerly General Motors SA — has invested up to R1m in a publicity campaign to make the public aware of its new name

However, counsel for the applicants, D A Bregman, argued that DMC had embarked on this programme "with their eyes open" and must bear the consequences They were not entitled to spend this money in the first place

Bregman submitted that DMC should use its full name, but not merely the word Delta, in its campaign to promote its corporate identity

The applicants had no objection to the full name Delta Motor Corporation or its abbreviation (DMC) being used

But DMC's use of the word Delta without further clarification would lead to an erosion of the applicants' identity

It had already created confusion among the business community as it suggested some kind of connection between the applicants and DMC, Bregman said

Southwood saidf the applicants had established a limited reputation in a specialized area of the business community He denied that such people would be confused by DMC's use of the name Delta

"It is clear that the applicants and DMC operate in entirely different fields and their potential clients must therefore be completely different," he said

'Different person'

It was therefore not possible for the applicants to be harmed by DMC's use of the word Delta

He explained that the applicants were holding companies operating through 13 subsidiaries As neither of the applicants traded in the conventional sense the only people interested in them were shareholders, he said

The investor in shares on the Johannesburg Stock Exchange would be a very different person from a purchaser of DMC's motor vehicles, he added

Judgment will be given today

SEPP VAN HULLEN — pictured right — succeeded Jurgen Schrempp as chairman of Mercedes-Benz SA in January In his first full interview since being appointed, the company's former financial director — who returned last weekend from talks in Japan on Mercedes' relationship with Honda — talks about his plans for the company in SA

Mercedes to upgrade its black employees

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2/4/87

DAVID FURLONGER/Industrial Editor

***BUSINESS DAY.* What effect is the election campaign having on overseas perceptions of SA?**

VAN HULLEN Threats by P W Botha and Magnus Malan to cross the border into neighbouring African countries against the ANC are not helping at all.

Reading the newspapers in Japan, the comments on these speeches are terrible, extremely bad for this country Even those countries that deal with SA are moving away

I hope it is only electioneering, but in the outside world they believe that this is the commitment of the actual government. They do not believe this is election-talking.

DAIMLER-BENZ (D-B), your parent company, is under pressure in Germany for its South African operation Are you planning for all possible political options after the May 6 election?

THERE IS tremendous pressure in Germany on D-B, particularly by church groups. It looks like they are calling for some kind of boycott situation, like the Anti-Apartheid Movement in the UK.

In the case of D-B, you should not forget that on our supervisory board, 50% are employees or members of the unions

If D-B says we will definitely stay with our commitment in SA, this will double the pressure on these people Especially now, speeches like those of P W and Malan will heat up the situation, and that would be terrible for us

You can't just leave If you feel there should be a change — and that is our belief — then you have to do it internally, and not from the outside, where you can do nothing except hurt people It's out of your control and you have no chance to direct development.

WHAT CHANGES will you institute as chairman?

MANY OF the things I will do are those that Jurgen (Schrempp — former chairman) planned but had no time to do because he was pulled out so early.

One of the most important is to put more effort into upgrading black employees by preparing an equal basis for all races to start their career.

Blacks are in a worse situation because of their education We are looking at providing additional schooling for blacks to reach matric requirements they may have missed because of school boycotts and that kind of development.

This is particularly the case when you look at where most of the employees for our East London plant come from. the Ciskei, Mdantsane and Duncan Village We have a shortage of matric pupils to take over as apprentices at our training centre in East London

But not only our employees will benefit. We intend to offer education for people both inside and outside our company We are prepared to open our training facilities in East London to the outside

HOW DO you answer the accusation that big companies like Mercedes, who offer pay parity and other benefits for their black workers, don't do so because they want to, but because it keeps the unions and SA's opponents off their backs?

IN REALITY, business is business, and morals are only the second influential item If you don't provide equal opportunities for equal jobs, then you lose your staff And without blacks, you can't do anything here.

However, it must always always be a combination of business on one side and moral obligations on the other A company like ours with almost 5 000 employees cannot only look at business.

You are a social set-up, not just a business You have a certain responsibility to the community you work in By that, I mean you have social obligations to the individual groups living in such an environment.

WITH YOUR financial background, are there certain areas in which you think you can make substantial savings?

THIS COMPANY was an extremely fast-growing one It was always looking forward to increased markets in SA Now that has dramatically changed and we have to consolidate and adjust our company to the actual situation

That doesn't mean losing sight of possibilities for future improvement in the market, which I believe will be the case So you have to prepare yourself for the actual situation, but at the same time be ready for future expansion

Looking, for example, at our product range, we are limited to certain products in the passenger car and commercial vehicle areas If it looks feasible, we would like to expand that to models we have not yet in our range

In trucks, for instance, we are very strong in the heavy duties but very limited in the smaller sizes

YOU HAVE just returned from Japan. Did you talk to Honda about a new model range?

WE HAVE produced the Ballade for Honda since 1984 A product range like that has a life of four to five years When you start with a model range, you decide then to continue with the next range, otherwise it doesn't make sense to start

SO HONDA is definitely going to come in with a new model range?

I'M VERY much convinced that will be the case and that Honda will stay here with new models Let's put it another way I'm definitely not intending to withdraw from markets where I have a beautiful market share

WHAT ELSE did you discuss with Honda?

A MAJOR item was the sanctions situation Japan is being put under tremendous pressure from the US They are even talking about sanctions from the US to Japan

Part of the discussions with Honda involved continuing supplies of components to this country We also talked about whether we can supply Honda plants with components

That is the only way to overcome this sanctions philosophy — to prove that an internationally-linked industry cannot cut out one country from its international structure

You do that by finding not just one-way supplies but two-way supplies

If there were problems with components, could you source your parts from Honda outside Japan?

WE COULD, yes At the moment, we have no need of it, because it's always cheaper to get it all from one place But we plan for the worst.

WHAT CHANGES may we see in Mercedes' truck range?

WE ARE looking at the worldwide model range of Mercedes, which does not mean only Germany

We have sister companies in Brazil, Argentina and Spain, with their own engineering departments and own models

If we see a chance under acceptable conditions to expand our model range, we definitely would do it

WOULD YOU phase out existing models?

NOT necessarily The lifetime of a truck model in its basic engineering form is more than 10 years In commercial vehicles, there are many technical improvements over the lifespan of one vehicle

We have to decide in this country whether to follow each model change overseas, or every other one You can do that on a commercial vehicle because of its longer lifetime

It's a question of cost — whether you follow every changes, say every five or six years, or miss one out, so you can keep a range for 12 years with some adjustments

This gives your customers the chance to rationalise on after-sales service and parts

DO YOU foresee problems with continuing to receive components from Germany?

No, I don't. Of course, one also looks to see if one can change to local content if it's feasible

Because we have to consider — and I think I can say this on behalf of BMW also — that prices at the top of the market have reached a level where the question of affordability in this country comes in.

HOW DO you overcome that?

IF YOU look at the cashflow in SA, there is a lot of cash available which has to be spent somewhere If you don't invest into production, you invest it in consumer goods That's number one

Number two, if I look at price comparisons — for instance with Mercedes in Hong Kong or Japan — I must say we are rather cheap

Also, I think the whole range of financing schemes has not yet been used in this country Much more can be done

IS Mercedes-Benz SA in profit?

MONTH-BY-MONTH, we are back in profit, but we haven't recovered enough yet to make up for the losses that we, and every manufacturer, suffered in the last two years

However, if the market remains as it is, we will not run into another loss

WHAT IS your view of the SA vehicle market?

I AM more optimistic than many people

I believe car sales will increase this year to between 185 000 and 190 000, and that heavy commercial sales will be over 8 500 (from 170 000 and 6 800 respectively in 1986)

This is if the political situation doesn't worsen the economic situation again, and if inflation stays at around 16% to 17%

(192) CJ 6/4/87

AA plan to beat the tow truck pirates

Post Reporter

MEMBERS of the Automobile Association of South Africa will be able to call AA offices in all main centres in future to arrange for a tow-truck to remove cars damaged in accidents

The service — announced at the weekend — is effective immediately, according to the association's area manager in Port Elizabeth, Miss Rhoda Fourie

Previously the AA offered a tow-truck service only through its tow-in contractors in cases of mechanical and electrical breakdowns where the tow-in cost was refunded

This scheme — which excluded insurance risks — will continue.

The new service means that local AA offices will arrange for an AA contractor to send a tow-truck to an accident scene

The account will be for the member or his insurance company.

A member who requests the service will be given a code number, which will also be given to the tow truck driver

"Members should not allow a tow-truck operator to remove a vehicle unless he knows the code number," a spokesman for the AA warned

The scheme was aimed at safeguarding members against exploitation by pirates who often charge exorbitant fees irrespective of low quotes given at the accident scene, he added

"The time has come for motorists to fight back against the menace of pirate tow-truck operators by refusing to sign any paper unless it is from the operator of their choice."

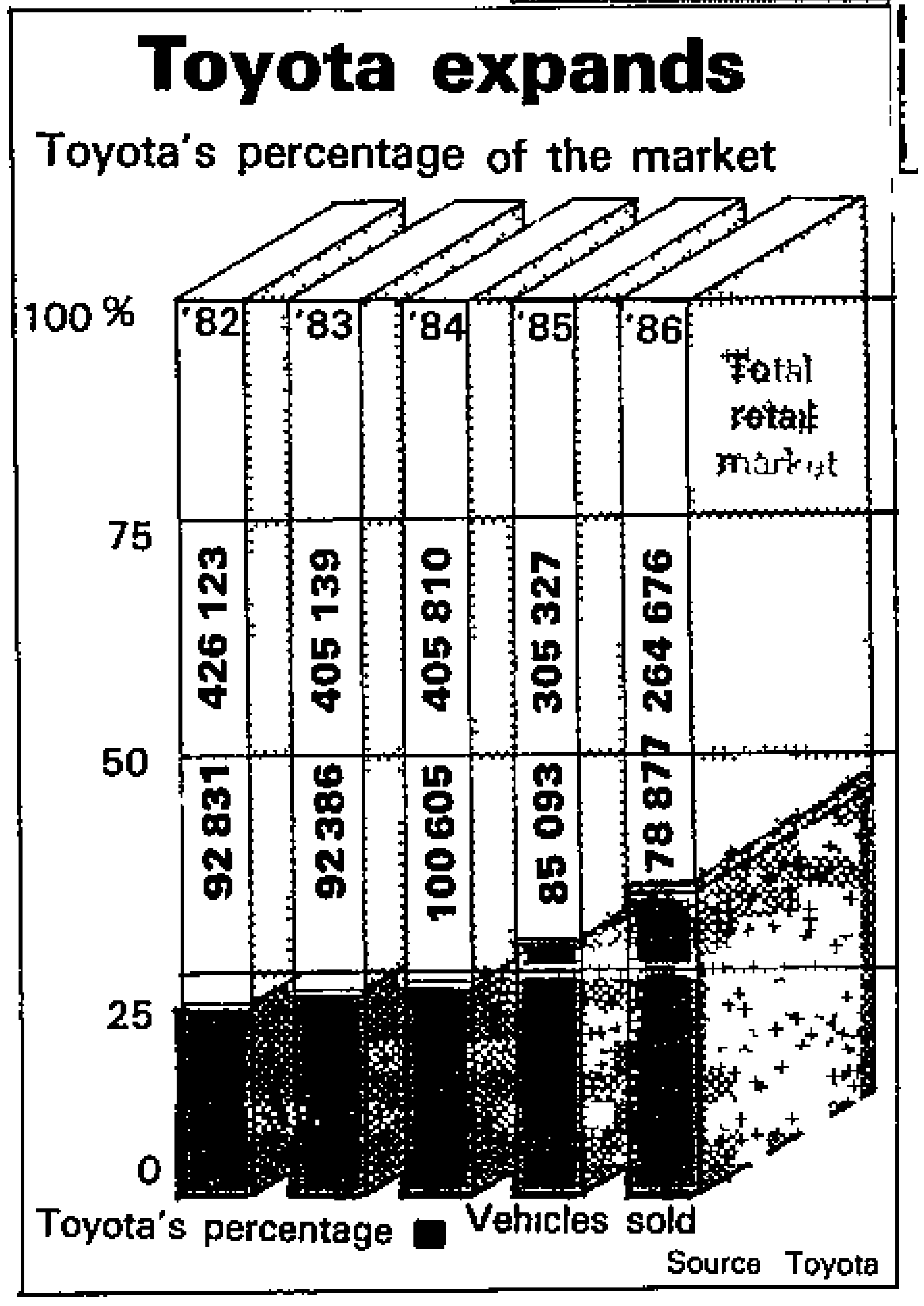
The AA also emphasised that no traffic officer or policeman had the right to select a tow-truck against the wishes of a member who insisted on an AA appointed tow-truck

Any attempt to do so or to recommend an operator on the grounds that "he works with us" or "he gives good service" should be reported to the nearest AA office or direct to Mr Eugene Roelofse, manager of the AA's Research Unit at ☎(011) 403-5700 or P O Box 596, Johannesburg, 2000 became a critical factor for the industry last year We changed our total stock and shipping patterns " He says that stock controls have been gradually tightened where 10 years ago 23 days' of local production stock was common, this has now been reduced below 10 days "In Japan, the ideal is three hours With our geographically spread facilities it would not be possible to achieve that here, but we could eventually get the figure below five days "

For Toyota, Adcock sees further improvements in asset management, and expects that the operating margin should continue to improve during this year At present, there are two reasons for expecting continued margin improvements One is cost controls, apart from asset management, Toyota has carried out both staff and plant rationalisation The other is the rand's rise against the dollar and the yen

For Toyota, the key exchange rate figure is the rand/yen cross rate through the dollar, at current rates, says Adcock, this figure of around Y72 is above budget and looking favourable for the group Fluctuations in either direction can have dramatic effects an average swing of Y4 to the rand over 12 months can, in theory, imply a R40m turnaround in trading profits, in practice it would not be so severe, because of control measures such as forward covering, but it would certainly be significant

Even more encouraging, Adcock is forecasting real growth in vehicle sales for 1987 At the beginning of the year, he says, there was every reason to assume that the weak retail buying of passenger cars in November and December would continue into 1987 However, consumers appeared to take heart when they realised that price increases were not continuing at the pace set towards year-end Indeed, with currency pressure on import costs easing, Adcock feels that vehicle price increases will moderate, and this year should rise at less than the inflation rate



Toyota expands

Toyota's percentage of the market

Source Toyota

Sales figures for February looked more positive Demand for new vehicles has also been encouraged by rising business and consumer confidence, good summer rains, the rising rand, improved political perceptions, last month's debt agreement and healthier prospects for economic growth

"I began to get quite bullish about a fortnight ago," says Adcock "Until recently the building industry, for example, had virtually bought no new vehicles Now we are seeing a fairly significant improvement in orders from them

"We are forecasting a 6% growth in vehicle sales foı the year In fact, I believe there is a very good chance that the industry could grow by as much as 8% But if it does, the real growth will come in the second half If demand picks up much before that, there will be supply problems Demand is already starting to outstrip supply "

This would, of course, be good news for the entire industry "Quite a number of motor companies were making losses last year," says Adcock "This year, I think most of the industry will be in profits Provided we don't have a major political upset (and that means the State of Emergency should continue), and the rand does not weaken again, then the industry's profits could look quite healthy in 1988 But I see a sustained improvement, rather than a sustained boom "

Toyota MD Adcock

But lead times that can be as long as five months — from ordering components to completion of the vehicle production — pose a dilemma for all manufacturers, particularly when they believe the market may be turning Stocks will have to be expanded again ahead of expected sales Bullish forecasts have proven brittle before in this industry Just 12 months ago, in his 1985 report, Wessels said he expected the South African vehicle market for 1986 would be about 6% higher than that of 1985 Instead, it was 13,3% lower

Important as they are, unit sales are not everything Another development that should help Toyota's profits is the export programme Like other manufacturers, the group is turning to exports, which have been made attractive by various incentives and the weak rand These are slowly being built up, and Adcock believes that they will become more material in future — provided the rand does not keep appreciating

Even with the rand around US50c, exports have started looking more problematic Longer-term, such plans are a dubious prospect unless SA's inflation rate is brought down "But I expect exports will make a very positive contribution to this year's results," Adcock argues "Two years ago, they did not exist "

Owing largely to successful asset management, by year-end interest-bearing debt had been brought down by R78m to total R193,2m, thereby easing the ratio of debt to assets from 58,9% to 49,7% It is, however, uncertain whether the group's interest bill will fall in the 1987 year

When sales volumes do increase, working capital will have to expand, and will reflect higher component and vehicle prices And, while the group has surplus capacity to meet market growth for the rest of the decade, capital investment will remain high Some R80m will be spent this year and R100m in the following two years, largely on retooling for replacement models There are also items aimed at efficiency improvements, and additional distribution facilities are needed to meet demand for replacement parts The effect of all this may be renewed upward pressure on borrowings, although gearing should continue to ease as shareholders' funds grow

But Toyota is ready to capitalise from any market upturn Internally, it is again running lean Dividend cover has been restored to the five times level which Adcock feels is essential for a motor manufacturer "We are in a highly cyclical business where high levels of capital investment are unavoidable," he says Indeed, gearing ran close to 60% when the group was hit by forex losses in 1985, had cover not been held to 4,6 times in 1984 it could have been worse

In the marketplace, Toyota has simply drawn further ahead Its market share grew in 1986 from 27,9% to 29,9% At this point, it is not difficult to argue that the share is cheap At R55, the price is 28% below net worth With only 4,1m shares in issue, market capitalisation is only 11,2 times net income, or R223,3m That, in theory at least, is all it would cost to buy 100% of a profitable company which has almost a third of SA's vehicle sales

In last year's poor market conditions, a dividend of 100c was paid If conditions do improve this year, it may not be unreasonable to expect a dividend of as much as 140c, suggesting a forward p e of about eight times Even if demand slackens again, Toyota, with its cleaner balance sheet, again looks an interesting investment

Andrew McNulty

METAIR 197 FM 10/4/87

Better focus

Activities: *Motor components manufacturer*
Control. *Weseco and Toyota jointly have a stake of 41,5%*
Chairman· *D C Stewart, managing director A D Plummer*
Capital structure: *5,7m ords of 50c Market capitalisation R72,4m*
Share market: *Price 1 270c Yields 2,5% on dividend, 8,5% on earnings, PE ratio, 11,8, cover, 3,3 12-month high, 1 550c, low, 900c Trading volume last quarter, 46 000 shares*
Financial: *Year to December 31*

	'83	'84	'85	'86
Debt				
Short-term (Rm)	0,08	0,1	3,1	0,2
Long-term (Rm)	1,2	0,09	0,07	0,9
Debt equity ratio	0,05	0,01	0,30	0,02
Shareholders' interest	0,63	0,72	0,77	0,79
Int & leasing cover	18,8	11,1	6,2	5,3
Debt cover	9,2	73,3	3,3	8,0

Performance

	'83	'84	'85	'86
Return on cap (%)	24,8	24,8	18,6	9,8
Turnover (Rm)	71,3	119,4	88,4	121,7
Pre-int profit (Rm)	11,2	19,7	11,9	8,0
Pre-int margin (%)	16,4	16,5	13,4	6,5
Taxed profit (Rm)	6,6	9 0	6,8	4,8
Earnings (c)	183,4	146,0	80,0	107,8
Dividends (c)	25	30	30	33
Net worth (c)	738	873	1 088	1 133

After a year of reconstruction, Metair has emerged looking stronger and better focused. Two divisions it was unhappy with were ditched, while motor air-conditioning company Dunair was acquired for R2,5m.

Having lost patience with its troublesome divisions, Metair sold its 50% interest in the unprofitable Concorde Foundry for R1,3m, thereby taking a loss of R1,42m. It also sold its 40% interest in Wesglas for R7,026m, after Wesglas shareholders failed to agree with Metair on the need to increase the company's capital

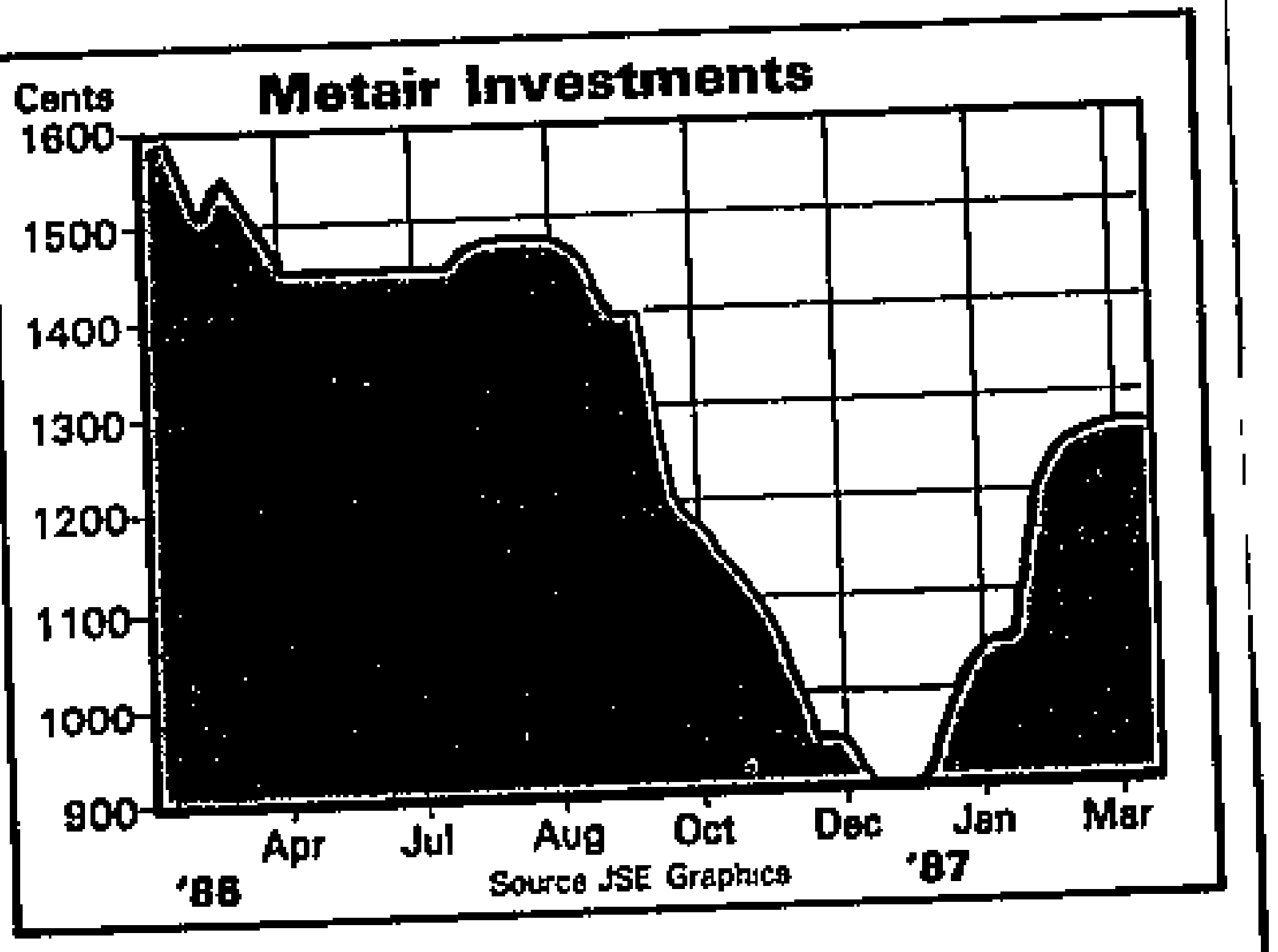
With R12,4m raised in a rights issue last year, "the customer base has been broadened, new markets have been established, new products introduced and successful inroads have been made into the export field," says chairman Douglas Stewart The balance sheet shows R8m cash on hand at end-December, and the group is "actively seeking new investments"

Export sales are increasing, and eventually management would like to see a maximum 25% of turnover derived from abroad This would enhance the contra-cyclical sales profile Metair is looking for With its drive into exports, and the acquisition of Dunair, Metair aims to reduce dependence on original equipment component sales, which closely follow sales of new cars Metair was once heavily exposed to this extremely cyclical market.

In another important change of direction, the group has loosened its bonds with former controlling shareholder Toyota, which was also its main customer. Realising the potential dangers in corporate nepotism which might have resulted in other car makers withholding business from Metair, Toyota and its pyramid Wesco sold shares to leading financial institutions, thereby reducing their joint holding from 76,5% to 41,5%.

Restructuring costs were incurred, but the sharper focus on replacement components had favourable results Metair's earnings a share recovered last year to 108c, having plunged in 1985 to 80c

The Raylite battery subsidiary performed well, although Stewart says margins were thin in this market and Raylite's profits were "slightly below those of 1985" Armstrong Hydraulics did extremely well, ending the year "with the best results recorded in its history" Supreme Spring Systems has given much attention to developing its export market, and towards production of land-cultivating tools for agriculture "Significant" costs were incurred in the first six months, and Stewart says the company could see significantly improved profits this year



Source JSE Graphics

Dunair is also expected to lift its profits following the closure of its Brits factory, and the transfer of production to Metair subsidiary Smith's existing factory in Pinetown.

For the current year, Stewart expects new vehicle sales to rise above "the disastrous level of 1986" This should boost that portion of Metair's business which still relies on new car sales At the same time, the replacement market should remain reasonably buoyant "There appears to be every justification for taking an optimistic view," Stewart concludes

At 1 270c, and on a p e ratio of 11,8 times, the share has the highest rating in the motor sector, and seems to reflect management's optimism

Neville Glaser

Delta in line for Govt contracts

(192) 15/4/87 EP

By RALPH JARVIS, Motoring Editor

THE Delta Motor Corporation in Port Elizabeth is in line to win certain several large Government contracts.

In its first bid for Government business, the new company has been nominated in all categories in which it has tendered

This was announced by the managing director of Delta, Mr Keith Butler-Wheelhouse

Addressing the quarterly luncheon of the Port Elizabeth and Midlands branch of the Institute of Estate Agents of South Africa yesterday, Mr Butler-Wheelhouse said the company had submitted its first Government tender in many years in January.

"This was adjudicated this month and we were nominated in every category of goods and passenger vehicles in which we put in a bid."

Delta is the only manufacturer nominated in some categories and looks certain to win those contracts

However, the extent of the orders will be known only in about a month's time

"But we're going to get more Government business coming to Port Elizabeth this year than GM had in the past 10 years," Mr Butler-Wheelhouse said

He said this work included components as well as the conversion of special vehicles for Government use

MD optimistic over future

People's expectations in PE as well as around the country had become more optimistic thanks to the news of the Mossel Bay gas project as well as the emergence of Delta as a viable, market-driven manufacturer and distributor of automotive products based in Port Elizabeth

"I get a very positive vibe about PE at the moment People are saying it is on the mend We're a runner who has stumbled but we're back in the race

"We're a long way behind some of the other runners but the expectations are very much higher than they were a few months ago

"With VWSA doing very well and our creeping up in the race, the important thing is the supplier base in the city

"We at Delta are the biggest single employers in the city, with 3 000 or 4 000 people But the supply industry is around five times that in direct employment

"So there are probably 20 000 people employed from cutting keys for our lockers to supplying automotive components

"Multiply that by the number of people involved in the families dependent on those workers and you will see it is vital that the motor industry does well

"It is in the supply base that you will begin to see people coming back to PE to re-open companies that were wound down"

He said Delta's first quarter had been profitable In February the company had increased sales over January by 17% and the March figures were 18% up on February

BTR DUNLOP 192 FM 17/4/87

Moulded together

Activities: *The group is involved in manufacturing and trading Principal products are tyres, tubes, conveyor belts, industrial hose, rubber mouldings and extrusions, diesel engines, fluid transmissions, automotive engine components, vinyl flooring, carpets, sports goods, mattresses and foam products*

Control: *BTR PLC (UK) holds 53% of equity*

Chairman: *P Fatharly, managing director C R Hooper*

Capital structure: *23m ords of 50c Market capitalisation R316m*

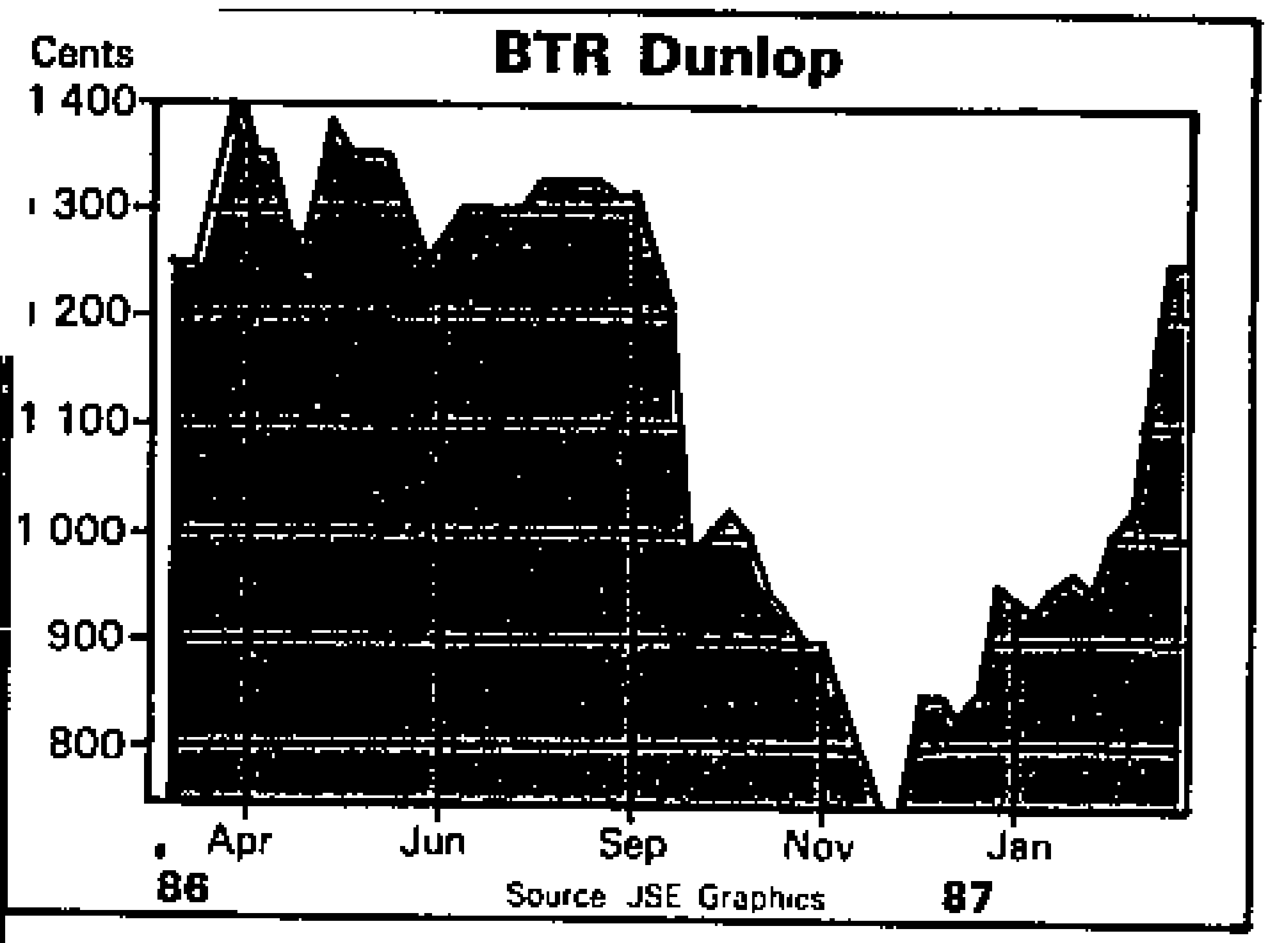
Share market: *Price 1 375c Yields. 5,5% on dividend, 6,3% on earnings, PE ratio, 14,5, cover, 1,2 12-month high, 1 400c; low, 750c Trading volume last quarter, 195 000 shares*

Financial: *Year to December 31*

	'86
Debt	
Short-term (Rm)	25,5
Long-term (Rm)	1,1
Debt equity ratio	0,18
Shareholders interest	0,59
Int & leasing cover	8,6
Debt cover	1,24

Performance

	'86
Return on cap (%)	14,6
Turnover (Rm)	355,6
Pre-int profit (Rm)	36,5
Pre-int margin (%)	10,3
Taxed profit (Rm)	20,0
Earnings (c)	86,5
Dividends (c)	75
Net worth (c)	632



Source JSE Graphics

BTR DUNLOP'S BREAKDOWN

	Sales (%)		Trading profit (%)		Assets (%)	
	1985	1986	1985	1986	1985	1986
Engineering and industrial	35	51	34	48	35	56
Motor	50	35	58	35	52	32
Consumer	15	14	8	17	13	12
	100	100	100	100	100	100

Fifteen months have passed since the merger of Dunlop SA and BTR SA During this time, management has been hard at work reorganising and seeking better efficiencies from these diverse holdings MD Clive Hooper says that the rationalisation programme is "virtually complete and has resulted in a much stronger group, particularly regarding engineering and industrial, which now generate 48% of the group's profits from 56% of the assets "

The group consists of three operating divisions Tyres, Industrial Products and Consumer and Reef Included in the latter are flooring, power products, sports, Dunlopillo, Rubber and Wheel and Laursens

Product and sales administration, rationalised and carried out through the computerised Dunlop head office, is expected to be more effective This should aid efficiencies of the industrial products division, which embraces BTR's Sarmcol factory in Howick, and the Dunlop factory in Benoni Factory facilities have been rationalised in these operations The acquisition since the year-end of Gates SA — a distributor of local and imported industrial products — should improve customer service

Another area which saw rationalisation was the tyre division, where a number of workers were made redundant. Hooper says that the replacement tyre market reflected 5% growth last year, although imports of new tyres and used casings were maintained at 1985 levels New vehicle sales fell a further 13%, leading to a correspondingly lower original equipment tyre maket However, sales for the first quarter of 1987 have looked more propitious for the year. Hooper says "1987 growth prospects are limited, and satisfactory profits will depend on the ability to restore margins in a competitive market "

Management seems to hold out more optimism for the other two divisions, which could perform well in an improving economy Production capacity is currently close to 70%, compared with a possible level of 85-90% once the economy picks up A new plant is to be commissioned in the first half of this year This suggests that, in these divisions at least, turnover and margins are set to improve in the short term It also lends some support to prospects of chairman Peter Fatharly's target of a 20% return on equity and dividend growth in line with inflation being realised

Absence of pro-forma financial figures for 1985, means the 1986 results cannot be compared directly with any previous performance But any improvements from here will be off a low base set in 1986 Hooper says "On a comparable basis to 1985, the increase in sales was 15% — which represents a negative real growth of 3% " Attributable profit rose by 12% to R19,9m, but earnings a share fell by 14%, owing mainly to the issue of an additional 5,3 million shares as part of the merger deal

Gearing is low at 18%, and the group has considerable funding capabilities should these be needed — as they may well be Says Fatharly "The group sees its growth opportunities in manufacturing and marketing especially where the technological and capital content is significant It intends to take advantage of any suitable acquisition opportunities which present themselves in the coming year "

On the outlook, Fatharly says that while little improvement is expected in the economy in 1987, the group is soundly based to capitalise on growth opportunities The market has pushed the share price up from its December low of 750c to 1 375c At this level the historical dividend yield is 5,5%, well above the average for the industrial sector It suggests investors are waiting for more tangible evidence that the group is set to perform

Dave Edwards

VOGELS

Income only

Activities· *Base minerals investment company Main investments are in tin (Rooiberg and Union), coal (Gold Fields Coal), zinc (Zincor), lead (Black Mountain) and copper (O'oKiep and Palabora)*

Control: *Gold Fields of SA owns 49% and New Wits owns 21% of issued capital*

Chairman: *B R van Rooyen*

Capital structure: *18,4m ords of 2,5c. Market capitalisation R61m*

Share market: *Price· 330c Yields 9,1% on dividend, 13,0% on earnings, PE ratio, 7,7, cover, 1,4 12-month high, 400c, low, 270c. Trading volume last quarter, 731 000 shares*

Financial: *Year to December 31*

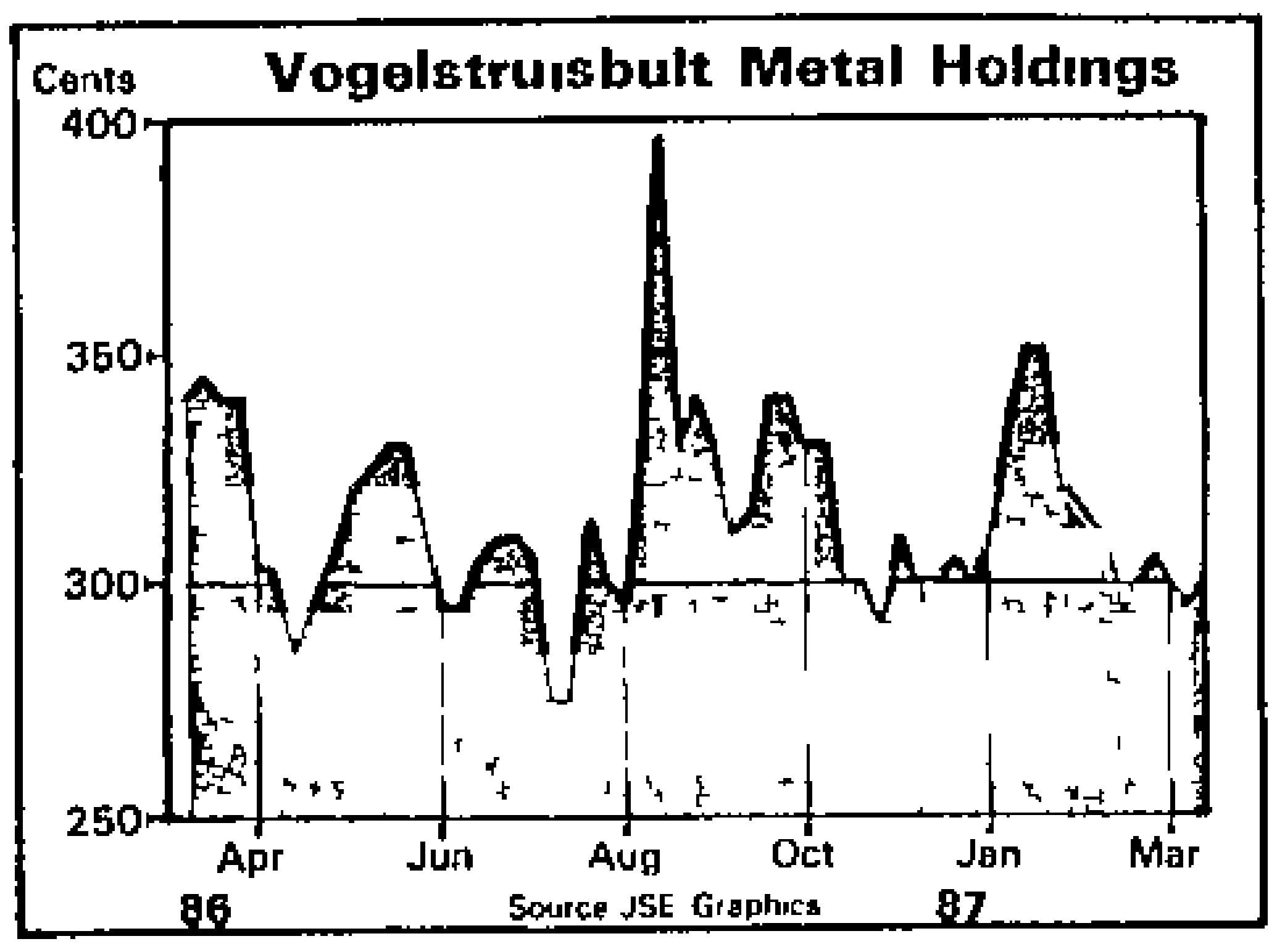
Performance

	'83	'84	'85	'86
Pre-tax profit (Rm)	4,7	(0,1)	9,5	8,5
Dividend income (Rm)	4,2	4,2	8,0	7,2
Earnings (c)	28	(1)	52	43
Dividends (c)	16	16	30	30
Net worth (c)	378	386	578	516

Vogels' share price has been weak since mid-1985 It has moved in a narrow band, reflecting investors' continuing disenchantment with base minerals, the main focus of the investment portfolio Other mining holding companies with a spread into precious metals have been in greater demand

Vogels' performance depends mainly on the fortunes of Zinc Corporation of SA (Zincor) and Gold Fields Coal which together contributed 74% of income last year Zinc prices peaked in 1985 and fluctuated wildly at lower levels in 1986, and although Zincor was able to maintain its dividend, the payout may come under further strain this year if product prices continue to fall.

Coal profits are being depressed by escalating production costs, increased rail charges, weak domestic demand and falling export prices Dividend income from Gold Fields Coal fell to R2,3m (R3,1m) Partly offsetting this was increased income from the investment in Black Mountain, which resulted from conversion of a loan into shares and, to a lesser extent, income increased from Palabora, Sasol and Tsumeb Overall, dividend income from both listed and unlisted companies fell 11% last year and the market value of investments fell by 13%



Source JSE Graphics

Although the company now has a minor interest in Northam Platinum, this does not indicate it is prepared to venture far outside of investment in base minerals, and this will hardly affect short-term prospects. Says chairman Bernard van Rooyen "The shareholders expect us to continue our historical investment policies and for this reason it would be wrong to change direction."

Tin problems

Pre-tax income was again supported by an amount of R1,1m from the sale of waste rock, an activity which has been pursued since 1984 But problems at Rooiberg tin, where the A and B mines are run on a care-and-maintenance basis following the collapse of the international tin price, resulted in a write-off of R900 000 Despite a fall in taxed profit to R8,5m (R9,5m) the dividend was again maintained at 30c a share

Continued strength of the rand and oversupplied commodity markets abroad mean there can be little confidence in short- to medium-term profit growth for the company However, Van Rooyen expects the dividend will again be maintained in 1987 At 330c, the share offers a historical and prospective dividend yield of 9,1% and therefore does have near-term attractions for investors who are interested in income

Dave Edwards

R50m for Nissan from Sankorp

BDay (192) 23/4/87

DAVID FURLONGER
Industrial Editor

NISSAN is to receive an estimated R50m in new capital from Sankorp.

Sanlam has approved a recommendation by its investment arm — which owns 100% of Nissan — to recapitalise the vehicle manufacturer.

Industry sources say Sanlam will pay at least R50m into the company. Sankorp and Nissan have declined to confirm the figure.

The recapitalisation comes as Nissan is spending about R140m on launching three new model ranges. The Skyline replacement comes out in June, followed in the next few months by new Langley and bakkie ranges.

Sankorp chief executive Marinus Daling and Nissan chairman Peter Whitfield insist the money is not an emergency measure to shore up the company in the face of its spending programme and after two disastrous years for the industry in which every manufacturer lost money.

The improved market climate this year has enabled Nissan to start trading profitably again on a monthly basis and the company is expressing confidence it will show a profit for the year. Officials say the new capital will strengthen the balance sheet and provide additional working capital for expected growth.

Daling says: "Competitors may construe this as a rescue. It's anything but that. The reason is that we have confidence in the company to make profits in the future. But we must allow them the opportunity and this capital will help do that. We would only put further capital into a company like this if we were satisfied there was a good profit potential in the company."

Whitfield says "The money will basically be used in the short-term to reinforce the financial structure and pay back borrowings. In the longer term, it's needed to help provide adequate revenue for working requirements

● To Page 2 ⇨

Sankorp to give Nissan R50m in new capital

(192) BDay 23/4/87

⇦ ● From Page 1

"You also need to maintain a certain ratio of your own funds to borrowed funds This recapitalisation improves the situation sooner than might otherwise have been the case."

Plans to recapitalise Nissan have been under consideration for several months. The final decision was taken after Sankorp and Nissan SA concluded a recent agreement with Nissan Motor Company of Japan. At this stage, however, no-one is saying what the agreement entails.

Sanlam and Sankorp took control of Nissan in 1984 by acquiring a majority stake in the Messina holding company They bought Nissan wholly out of Messina the next year

NO JOY FOR CAR PRICES

Speculation that car prices may come down as the result of the stronger rand, seems premature While the weak rand may have led prices upwards, the reverse does not appear to apply

Peter Searle, president of the National Association of Automobile Manufacturers of SA (Naamsa), says the rand has only strengthened against the dollar, and not against the other major currencies He expects price increases of about 12,5% this year

"SA's motor imports are primarily sourced from Japan and Germany, and the rand has not strengthened against the Japanese yen or the German mark"

Mercedes PRO Delene McFarlane adds that a short-term gain in the exchange rate is not much use "With Completely-Knocked-Down (CKD) kits coming in months ahead, we need a long-term recovery before it can filter through"

And, points out BMW spokesman Mike Brand, the industry bears the full brunt of domestic inflation — currently running at around 18% a year — even though the imported component may have been stabilised by the rand's recent movement

McCarthy Group joint MD Theo Swart says there is no way that price reductions are possible "The firmer rand to some extent cushioned the price spiral, and we are now looking at price increases of 10%-15% instead of 20%-35%."

Adds Swart. "Anybody who believes that prices are about to come down, is living in a fool's paradise"

(192) FM 24/4/87

DELTA MOTOR CORP (192)

Back in gear FM 24/4/87

Delta Motor Corporation (DMC), which started trading on its own account at the beginning of the year, has shown a profit every month so far It is already several million rand in the black

This is in sharp contrast to its predecessor, the luckless General Motors South Africa (GMSA), which accumulated a loss of several hundred million before its American parent body decided to divest

In the first quarter of this year, according to National Association of Automobile Manufacturers of SA (Naamsa) figures, DMC sold 3 909 cars — which is 45,4% up on the 2 688 sold by GMSA during the same period in 1986 The 2 728 commercial vehicles and trucks DMC sold in the first quarter was 30,7% up on last year's 2 088

Also DMC's share of the car market has moved up from GMSA's 6,4% to 8,5% And its share of the truck and commercial vehicle market is up from 10,1% to 11,6%

Marketing Director Willie van Wyk says apart from improved market conditions, DMC's turnaround can be ascribed to General Motors paying all GMSA's debts and allowing the new company to start with a clean slate, totally debt free

It is also, he says, a leaner company with a lower cost base Salaried staff is down a third to about 530 and it now needs to sell 2 000-2 200 new units a month to break even According to Van Wyk GMSA had to sell a lot more

Like its competitors, DMC is clearly benefiting from the improved demand for motor vehicles But it is the new, aggressive spirit at its PE headquarters which is credited most for its increased share of the car and commercial vehicle sectors

Wisely, DMC is making full use of its new-found freedom to tender for government business, primarily with the SA Police and Defence Force GMSA's US links precluded it from that business Vehicles sold to the police and army are never reflected in Naamsa statistics

"Although no exact volumes are available yet, nominations in the various categories of police and army business have exceeded expectations Early indications are that Delta products have been reasonably successful in the State tender," says Van Wyk

In the short term, the acceptance that DMC is a South African company here to stay, as well as the introduction of the new Opel Monza "has helped our sales turnover," he adds

As part of its long-term strategy DMC is relocating its marketing arm to "the fleet-intensive PWV area "

FIN MAIL 25/4/86.

~~from R32m in 1984. A similar 20% increase in turnover is slated for this year.~~

~~The spadework for a self-medication division in SA started four years ago and CG has now drawn up a list of some 12 established over-the-counter drugs on the market that it hopes to add to the division's product portfolio.~~

~~Head of CG's pharmaceutical division Johann Niehaus stresses that the company intends to stay clear of high-abuse areas, such as central nervous stimulants.~~

~~Late last year, CG bought Salusa 45, a multi-vitamin tonic, from Noristan for an undisclosed sum, and the next product launch is expected in 1987 ■~~

TRACTOR SALES (192)

A rocky road

While SA's beleaguered motor industry gathers breath for a new call for help in the wake of record low first-quarter sales, another sector of the trade is also seeking urgent relief

The R300m a year tractor manufacturing sector has reported an "absolutely disastrous" 59% drop in tractor sales for March Last month, only 320 units were sold against 779 in March last year

First quarter sales of 1 131 were 42% below last year's 1 984 units "And last year we were already in a very depressed market," says Rob Phillips, president of the SA Tractor Manufacturing Association (Satma) and group director of industry market leader Fedmech

Phillips says the new farm machinery market was worth some R600m last year, of which the tractor industry made up about 50% Farm machinery parts sales are valued at around R300m a year

To cap it all, March tractor sales were 22% below February's 410 units. February sales, in turn, were 41% down on the same month last year when 700 units were sold "The decline is accelerating," Phillips tells the *FM*.

Satma vice-president and John Deere MD Bill Hubbard, agrees that the 1986 market outlook is "terrible," adding that the industry has scaled down sales expectations for the year from 6 000 to some 5 500.

Scaling down

He says tractor sales fell from the 1981 high of 24 862 units to 7 061 last year. "We have always maintained that an average year would yield about 12 000 units, but after the latest figures expectations for 1986 are now being scaled down even further," says Hubbard.

Phillips tells the *FM* that the March sales' plunge represents the industry's deepest trough and both the industry and government will have to take urgent action to stop the rot.

"As a first step, government should abolish the 10% import surcharge levy on imported farm machinery parts This would boost the industry and help farmers who are increasingly relying on repairs to existing machinery to survive savage input cost increases," he says.

Another fiscal step suggested by Phillips is the abolition of 12% GST on farm machinery and tractors.

"Farmers, struggling with debts of R11,5 billion, have to fight sharply rising input costs, while the tractor and farm machinery industries face a disastrously shrinking market. Total industry employment has already fallen by two-thirds — from 1980's 100 000 employees to the current 33 000 workers," adds Phillips.

With 12 manufacturers in a shrinking market there should also be scope for rationalisation because plant utilisation is inevitably running at low levels

But most local manufacturers are either backed by multi-nationals or are subsidiaries of powerful local groups.

Fedmech, part of the Federale group, has already rationalised operations by replacing its dealer network with inhouse dealers Most others are sitting out the recession and relying on their backers to see them through while cutting costs. But, faced with the heavy sales fall and grim future prospects, some of the weaker manufacturers might decide to pack up.

"A lot will depend on government's response to industry's request for tax relief," says Phillips, but "meanwhile, it is a matter of grim survival for many." ■

(192)

BDay 28/4/87

Re-tooling costs will hit Toyota

DAVID FURLONGER

TOYOTA must find R180m in the next three years to finance re-tooling and other manufacturing needs

Chairman Albert Wessels says in the annual report spare manufacturing capacity is sufficient to cope with likely market growth to the end of the 1980s. But Toyota will need extra cash to pay for tooling to meet local content requirement

Approximately R80m is needed in the next year and R100m in the following two years

The cash is required for tooling to meet local content targets for new and replacement models, general manufacturing innovations and replacements, and additional distribution facilities to cope with increasing demand for replacement parts

The debt asset ratio was 50% at the end of 1986, he says, compared to 58% in 1985. Stock value fell by R21m and current assets by R30m, "which demonstrates the outstanding work that has been done with regard to the management of working capital"

Toyota recorded a net profit in 1986 of R19,9m, compared to a R55,4m loss the previous year. Wessels describes the pre-tax income of R34m as "reasonable".

models, general manufacturing inno- "reasonable"

Cape Times 28/4/87

'New car sales will break 200 000 barrier'

192

Own Correspondent

JOHANNESBURG — Continuation of the economic upturn will push new car sales comfortably through the 200 000 barrier this year, says McCarthy Group joint MD Theo Swart

The prediction is the most optimistic yet. Most analysts have predicted a market of between 185 000 and 190 000.

"This year should see the market return to the levels of 1985, when 204 000 cars were sold," Swart said yesterday. He added the buying would be led by fleet owners

"The stability of the rand, the sustained gold price increase, and the recent upturn in company profits, will all inject confidence, and there is no doubt that long-overdue fleet replacement will now take place," he said.

He said 80% of new cars were bought by fleet owners The remaining 20% was the preserve of "the man-in-the-street who has not been a factor in the market for some time, because of lack of disposable income".

He said the industry was making representations to government that would make it easier for individuals to buy cars One suggestion was the re-introduction of private leasing. By doing away with the need for an initial lump-sum cash outlay, it would make vehicles more affordable

Swart said that as fleet-owners replaced vehicles they had held on to for so long, the used car market would pick up

Few Delta salesmen will move

(192)

CP 29/4/87

By MICHEL DESMIDT

ONLY a "small number" of the Delta Motor Corporation's 40-strong sales and marketing department will be relocated to Johannesburg.

Delta's director of personnel and public affairs, Mr George Stegmann said most of the sales staff would remain in Port Elizabeth

He was responding to disquiet over a delayed decision to relocate some of the sales and marketing staff to the Reef

No decision has been taken since management is reviewing what will remain in PE. Consideration is being given to logistical aspects such as office space and the provision of communications and office equipment

Mr Stegmann said a consultant had been appointed to investigate all facets of the relocation, "including the people side to make sure the interests of staff are protected".

Staff would be warned in time and all personal circumstances, such as finance, housing and schooling, would be taken into account.

"The objective is to make the move as smooth as possible, taking into consideration all the factors," he said

The decision to bolster the Johannesburg regional office earlier this year was to strengthen the company's presence on the main Reef vehicle market

"By strengthening our marketing effort in Johannesburg we hope to increase sales which will lead to further success and provide more jobs in Port Elizabeth."

People were being kept informed and the director of sales and marketing, Mr Willie van Wyk, had last met staff at the end of March

Delta's lease on the present Rosebank premises expired in September and extra office space had to be found to accommodate the influx of staff.

Mr Stegmann said both chairman Mr Bob Price and Mr Van Wyk were based in Johannesburg

30\4\87 142 B\Day

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Delta stops building heavy Isuzu trucks till business revives

DAVID FURLONGER
Industrial Editor

DELTA Motor Corporation is to stop assembling super-heavy Isuzu trucks.

MD Keith Butler-Wheelhouse says the company will sell off remaining stocks and will order no new ones until the market shows signs of recovery

The trucks affected are in the 20-tons-and-above range.

Says Butler-Wheelhouse "Sales volumes have been disastrous in the very heavy area of the market. Vehicles in this segment had their worst selling year in 1986 since the industry started keeping records in the early 1960s"

Butler-Wheelhouse is happier with Delta's performance in other sectors of the commercial vehicle market The company is due to introduce a new Isuzu one-tonner range in 1989, and is ready to bring its WFR panel van and 16-seater bus range into its local content programme. They were previously imported fully built-up from Japan

The 1989 one-tonner update is of a range that has been a traditional strength of General Motors and — since January — Delta. Unlike many of the leisure and light bakkies on the market, the Isuzu pretends to be nothing but a workhorse And, says Butler-Wheelhouse, that is where the sales are

"Some 60% of the entire truck market is in the one-ton area Of the one-ton pick-ups, 60% are of the petrol, one-ton, 1600, plain-Jane, vanilla category. That's what the business is about The others — the two-litre, the 4x4, the King Cab, the King Kong, the whatever — they are all minute individually compared to the workhorse bottom-of-the-range model."

Butler-Wheelhouse is less happy with Delta's car sales "We're better than we were last year but we're still shy of where we thought we might be"

Part of the reason is competitors' discounting, and part because of stock shortages in some models

Delta must also continue to overcome the lack of confidence stemming from GM's disinvestment and doubts about the company's future

"Indications are that our crisis of confidence is coming to an end Late last year we were in desperate trouble People didn't know if GM were going to pack up altogether and pull out, whether they were going to sell the business to us, or what was going to happen. People stopped buying from us in anticipation, waiting to see what would happen.

"Now, it seems we are seen as a runner who's back in the race

"One of the important things we've had is the vote of confidence on government business. Because GM could not bid for police and military business, the government took a dim view of that when they bid in other categories

"We're back on the buying list again We've received some very significant orders from two or three of the major departments and we'll do more government business this year than the old GM did in the last five years"

Butler-Wheelhouse is also encouraged by the fact that the company is making money — something GM failed to achieve in its last five years. Of course, it helps that, in leaving the country, GM paid off all its debts and left the new managers with a clean balance sheet.

"After three or four months of trading, we are in the happy position of owing no one any money I am confident we can make it through the year without having to borrow any money. We have our cost bases trimmed to the point where, even at the low volumes that we're doing, we are able to make a profit And we have made a small profit every month, after taking everything into account.

"I think that's very significant in a company that hasn't made money in the last five years, that we've been able to turn around so quickly."

Solid performance predicted

Year-on-year car sales improve

Cape Times 11/5/87

192

JOHANNESBURG — Commenting on the latest (April) new-vehicle sales figures just released, the Director of the National Association of Automobile Manufacturers of South Africa (Naamsa), Nico Vermeulen, said that “notwithstanding the fewer number of trading days in the month, sales of new cars and commercial vehicles recorded another solid performance

“Sales, on a daily basis, were about 8% higher in April than in March,” he pointed out.

New car and light commercial vehicle sales bettered industry expectations and April's new car sales, at 16 252 units, were marginally down (3,7%) on the March total, but a gratifying 14,2% up compared to the corresponding month last year

Corresponding month

Light commercial vehicle sales, at 7 729 units also marginally down on the March sales, were nevertheless 29,6% higher than the corresponding month last year

“The fundamentals for further improvement in new vehicle sales in the months ahead currently appear better than at any time in the past three years,” says Vermeulen

“The short-term outlook for the car and light commercial vehicle sectors of the industry remains decidedly bullish and it is clear that pent-up replacement demand for new motor vehicles is now being satisfied as the economy recovers

Stock shortages

“The higher-than-expected demand for new motor cars and light commercials has, however, led to stock shortages on various manufacturers' product lines

“Medium and longer term prospects depend on the performance of the economy, monetary and fiscal policies, trends in disposable incomes and socio-political developments

“Barring any deterioration in the rand's international exchange rate (particularly versus the German mark and Japanese yen) and in view of government's commitment to revitalise the economy, we expect that new car and commercial vehicle sales will strengthen in unit terms by between 8% and 12% in 1987 compared to 1986 ” — Sapa

Industry still overcrowded, says car chief

192

12/5/87

BDay

DAVID FURLONGER
Industrial Editor

THE drastic rationalisation of the vehicle-manufacturing industry has come to an end — at least for now.

SA Motor Corporation (Samcor) MD Spenser Stirling believes the market is big enough for no more than three mass manufacturers and one prestige name But while the rationalisation of the last three years has seen the number of car-makers cut by nearly one-third to its present seven, he doubts that the number will shrink any further in the foreseeable future.

Declining sales since 1984 have seen the disappearance of Alfa Romeo, Renault and Peugeot, Ford has thrown in its lot with Samcor, and General Motors has sold out to local management

Says Stirling "We are left now with the major competitors. Mergers are at an end, so the only way for the field to reduce further is through the withdrawal of another manufacturer, and I don't see any of the current ones withdrawing "

Latest industry figures confirm the recent revival in vehicle sales, and nearly all manufacturers are reporting month-by-month trading profits after two years in which the industry as a whole is estimated to have lost as much as R1bn.

While no one is putting a figure to these profits, they agree that they are below levels needed for a realistic return on investment — nor are they likely to be so when the market picks up further

A lot of the financial recovery has been achieved as much by improved cost-management as by increased sales Fixed costs and overheads are down, as are wage bills. At Samcor, for example, the 4 000 workforce is one-third of the 12 000 employed by Ford and Amcar combined before the merger.

Further industry rationalisation would benefit both manufacturer and motorist, says Stirling

"The reason why rationalisation would be very good in a market this size is that that volume throughputs would increase The higher the volume, the lower the cost per unit "

In theory, break-even points would come down and margins would be less tight

"Companies would have the opportunity of absorbing escalating costs better, instead of passing them all on to the public through increased prices It would also allow them to introduce more innovative marketing programmes, which also benefit the consumer " have the potential to become the biggest shaping our future."

CAPE TIMES 16/5/87

192

Ford will retain Samcor interest

DETROIT. — Ford Motor Company planned to retain its minority interest in the South African car firm Samcor despite of pressure to quit the country in protest against apartheid, chairman Donald Petersen said on Thursday.

Petersen told shareholders at the company's annual meeting that the South African Motor Corp (Samcor), in which Ford owned a 42% stake, had recently become marginally profitable after several years of losses

His remarks came during debate on shareholder proposals to force Ford to withdraw from South Africa unless the white-led government moved quickly to end its system of racial separation

Petersen said a Ford withdrawal would almost certainly cause Samcor to fail and thereby cost 4 500 South African workers their jobs

He said the ripple effect would cause the loss of another 11 000 jobs by South Africans.

Since Samcor was emerging as a viable company it would be "difficult to cut the life support for a company on which so many people depend in a country where there is so little help for the unemployed"

Petersen said Ford, its directors and management abhorred apartheid, considered it an inhumane system and constantly discussed the question of what to do in South Africa

"There are good reasons for withdrawing (but) equally compelling reasons for remaining," he said

The company's decision about its future in South Africa would be determined by considerations other than profitability, he said.

Ford, the second largest US car maker, merged its loss-making Ford South Africa Ltd subsidiary with Anglo-American Corp's Sigma Motor in 1985 to form Samcor, which manufactures and markets Ford vehicles as part of its product line — Sapa-Reuter

INDUSTRY B|Day 192 20/5/87

Improvement in car sales expected

DAVID FURLONGER
Industrial Editor

VEHICLE manufacturers believe the motor industry is ready to enjoy a period of sustained growth if the rand remains steady,real disposable incomes can rise faster than vehicle prices and the economy can sustain 3% real annual growth.

The National Association of Automobile Manufacturers (Naamsa) remains confident, however, that the market growth of the last few months will continue

It says in its annual report "Barring any further deterioration in the rand's international exchange rate and taking into account government's resolve to revitalise the economy, the industry remains optimistic that new car sales will show further modest improvements from current levels, in line with the expected enhanced momentum in economic activity levels during the months ahead.

"Commercial vehicle sales, particularly at the lighter end of the commercial vehicle spectrum, should also strengthen."

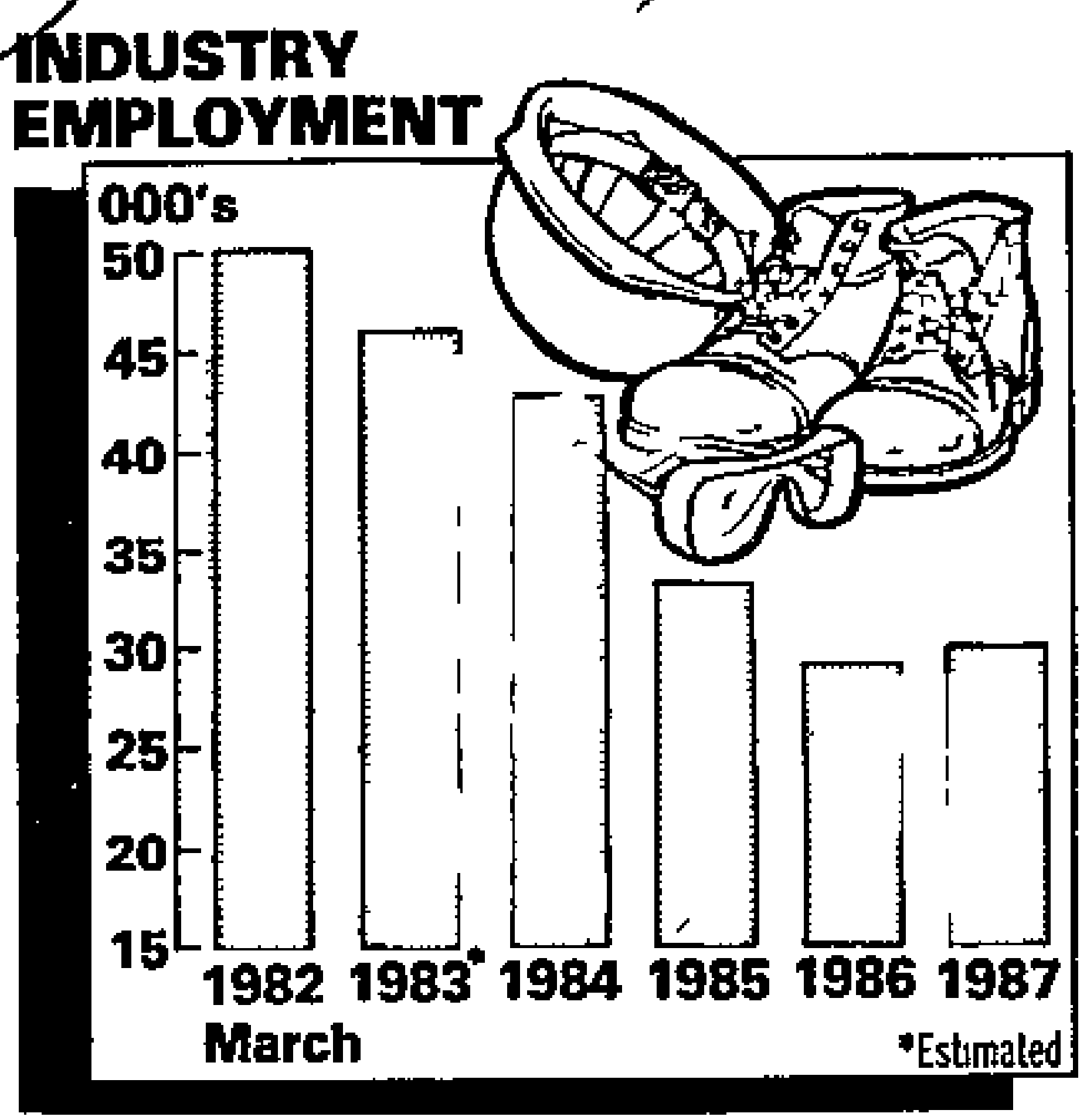
While it expects 1987 to be another difficult year, it says "The fundamentals for moderate growth in new vehicle sales during 1987 and 1988 currently appear better than at any time during the past three years "

Any recovery, however, is off a low base, and the annual report paints a depressing 1986 picture of an industry with its back to the wall

New vehicle sales declined for the fifth year in a row At 264 676, sales of cars and commercial vehicles were 15% down on 1985 and represented the lowest annual total since 1977.

Clear indication of the depressed industry mood is that motor assemblers reported total new investments of less than R36m last year, little more than one-tenth of the 1983 figure of R332m and well down on the R149m of 1985

Industry employment last year was down to 29 178, compared with the 1982 peak of more than 50 000. In the first three months of 1987, employment picked up slightly to 30 057.



Source NAAMSA Graphic JOHN McCANN

Even with the recovery of recent months, Naamsa points out that sales levels are little better than they were in the early 1970s Nevertheless, there is cause for optimism

The new vehicle market is showing "welcome resilience", particularly for cars and light commercial vehicles.

This momentum "may be atributed to a combination of factors — including the moderate improvement in general economic conditions, a more stable currency, some employment growth, the positive influence of official measures to stimulate the economy, continuing low interest rates, pent-up replacement demand for new motor vehicles, and aggressive marketing and sales campaigns by vehicle manufacturers".

Motor spares worth R3bn

THE automotive spare parts industry has almost trebled in size in the past six years in line with the extended life of most cars.

Business Times Reporter

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Industry estimates put spare parts sales at R3-billion at present compared with R1-billion in 1980, and indications are that the industry will continue to boom

In the past five years, the life of a vehicle has almost doubled — from about 11 years to 20 years and the effect on the replacement parts market has been dramatic, says George Santana, chairman of the Autoquip group, suppliers of automotive accessories and tyres

Mr Santana says "It started with the recession in the early 1980s when people found they could not afford to replace their cars as often as they had in the past

"Then with the collapse in the value of the rand causing new-car prices to soar, the average motorist postponed his purchase again

'Instead he replaced parts and accessories for his car or bought a used car and invested in parts and accessories to maintain it

Great Potential

"Although the spares market has grown impressively, we believe it has enormous potential. It is estimated that in 1986 only 5% of the car total was replaced There are thousands of car owners in the market for parts and accessories."

SA's double-digit inflation will keep pressure on new-car prices.

Mr Santana is also optimistic about the potential of the growing black market

He says "The urban black is becoming increasingly independent of mass transport systems and is a proud motorist who is prepared to spend money to keep his vehicle in top condition We expect significant growth in this market"

FIN MAIL 25/4/86 .

from R32m in 1984. A similar 20% increase in turnover is slated for this year.

The spadework for a self-medication division in SA started four years ago and CG has now drawn up a list of some 12 established over-the-counter drugs on the market that it hopes to add to the division's product portfolio.

Head of CG's pharmaceutical division Johann Niehaus stresses that the company intends to stay clear of high-abuse areas, such as central nervous stimulants.

Late last year, CG bought Salusa 45, a multi-vitamin tonic, from Noristan for an undisclosed sum, and the next product launch is expected in 1987. ■

TRACTOR SALES (192)

A rocky road

While SA's beleaguered motor industry gathers breath for a new call for help in the wake of record low first-quarter sales, another sector of the trade is also seeking urgent relief

The R300m a year tractor manufacturing sector has reported an "absolutely disastrous" 59% drop in tractor sales for March Last month, only 320 units were sold against 779 in March last year

First quarter sales of 1 131 were 42% below last year's 1 984 units "And last year we were already in a very depressed market," says Rob Phillips, president of the SA Tractor Manufacturing Association (Satma) and group director of industry market leader Fedmech

Phillips says the new farm machinery market was worth some R600m last year, of which the tractor industry made up about 50%. Farm machinery parts sales are valued at around R300m a year

To cap it all, March tractor sales were 22% below February's 410 units February sales, in turn, were 41% down on the same month last year when 700 units were sold "The decline is accelerating," Phillips tells the *FM*.

Satma vice-president and John Deere MD Bill Hubbard, agrees that the 1986 market outlook is "terrible," adding that the industry has scaled down sales expectations for the year from 6 000 to some 5 500

Scaling down

He says tractor sales fell from the 1981 high of 24 862 units to 7 061 last year "We have always maintained that an average year would yield about 12 000 units, but after the latest figures expectations for 1986 are now being scaled down even further," says Hubbard.

Phillips tells the *FM* that the March sales' plunge represents the industry's deepest trough and both the industry and government will have to take urgent action to stop the rot

"As a first step, government should abolish the 10% import surcharge levy on imported farm machinery parts. This would boost the industry and help farmers who are increasingly relying on repairs to existing machinery to survive savage input cost increases," he says

Another fiscal step suggested by Phillips is the abolition of 12% GST on farm machinery and tractors

"Farmers, struggling with debts of R11,5 billion, have to fight sharply rising input costs, while the tractor and farm machinery industries face a disastrously shrinking market Total industry employment has already fallen by two-thirds — from 1980's 100 000 employees to the current 33 000 workers," adds Phillips.

With 12 manufacturers in a shrinking market there should also be scope for rationalisation because plant utilisation is inevitably running at low levels

But most local manufacturers are either backed by multi-nationals or are subsidiaries of powerful local groups

Fedmech, part of the Federale group, has already rationalised operations by replacing its dealer network with inhouse dealers. Most others are sitting out the recession and relying on their backers to see them through while cutting costs. But, faced with the heavy sales fall and grim future prospects, some of the weaker manufacturers might decide to pack up.

"A lot will depend on government's response to industry's request for tax relief," says Phillips, but "meanwhile, it is a matter of grim survival for many " ■

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The motor industry showing more drive

Volkswagen was one of only two car manufacturers to increase its sales in 1986. Largely through the strong performance of its Golf/Jetta range, its market share is still rising and the company appears to have recovered from its quality-related setbacks of a few years ago. VW MD PETER SEARLE — who is also president of the manufacturers' organisation, Naamsa — was interviewed on the prospects for the motor industry and VW's place in it. Industrial Editor DAVID FURLONGER reports.

BUSINESS DAY: How strong is the recovery in the vehicle market?

SEARLE It's looking better, largely as a result of the stabilisation of the rand against our two key currencies — the yen and deutschemark There has been stability there for the last six months, which has also helped us get some stability back in our costing and pricing. I think most manufacturers have turned the corner now

The industry is improving, but we always have hanging over us the spectre of a further drop in the value of the rand at some stage Any drop in value impacts us enormously A 1 pfennig drop in the value of the rand against the deutschemark means anything between R3m and R4m in costs to VW

HOW STRONG will car sales be this year?

ANYWHERE between 190 000 and 200 000 A lot depends on May and June, which are traditionally critical months in the whole socio-political area A lot also depends, of course, on what happens in Barend du Plessis's Budget — whether government is prepared to let the economy run and continue to go for growth

IS THERE anything in particular that motor manufacturers want to see in the Budget?

WE ARE very concerned at the effect of GST on a high-ticket item like a car. On a bar of chocolate, perhaps it doesn't nake too much difference But the com- ination of going from 6% to 12% GST ince 1984, while at the same time the and has more than halved in value and ar prices as a result have doubled, has een dreadful We've had a doubling of GST on a doubling of car prices.

It's had a disastrous effect on the bility of the man-in-the-street to afford a car The motor industry gets blamed or this, but things are really beyond our ontrol The value of the rand, the level of GST and the fact that disposable ncomes have been seriously eroded ave had a drastic effect on our business, on the viability of investments, on prospects for future investments, for mployment levels and the economic onsequences for a region like the East-

four years If you've got any fight left, you must make it known

MANUFACTURERS say they are back in profit this year. How big are the profits?

WE ARE still not at a level of return on our investments that is satisfactory. But if the car market were to get back to the 250 000-a-year level, car manufacturers would then be in a very healthy state in terms of return on investment At the current rate, people are profitable but it's not terribly exciting.

FINANCIALLY, how is VW performing?

WE HAVE been operating profitably on and off for the last nine months, but solidly over the last three to five months We are operating above break-even but we still have low capacity utilisation, which is why we believe there is need for greater rationalisation in the industry. Capacity utilisation of virtually all manufacturers is still quite low

In this industry, one looks generally at a return of 3%-5% on turnover. We are nowhere near that at this stage, [illegible] h we are [illegible]

put the bigger engine in the Microbus. That all took quite a lot of time By 1984, we had most of it in place, but our market share had dropped to 10% as a result of the number of customers we'd let down during the previous three to four years It takes a long time to get your customer confidence back.

It was only when we started on our Towards Excellence programme with our top management, and then cascaded it down the company to the shopfloor, that we were able to focus on certain core values which we think VW traditionally stands for and which perhaps we'd lost sight of

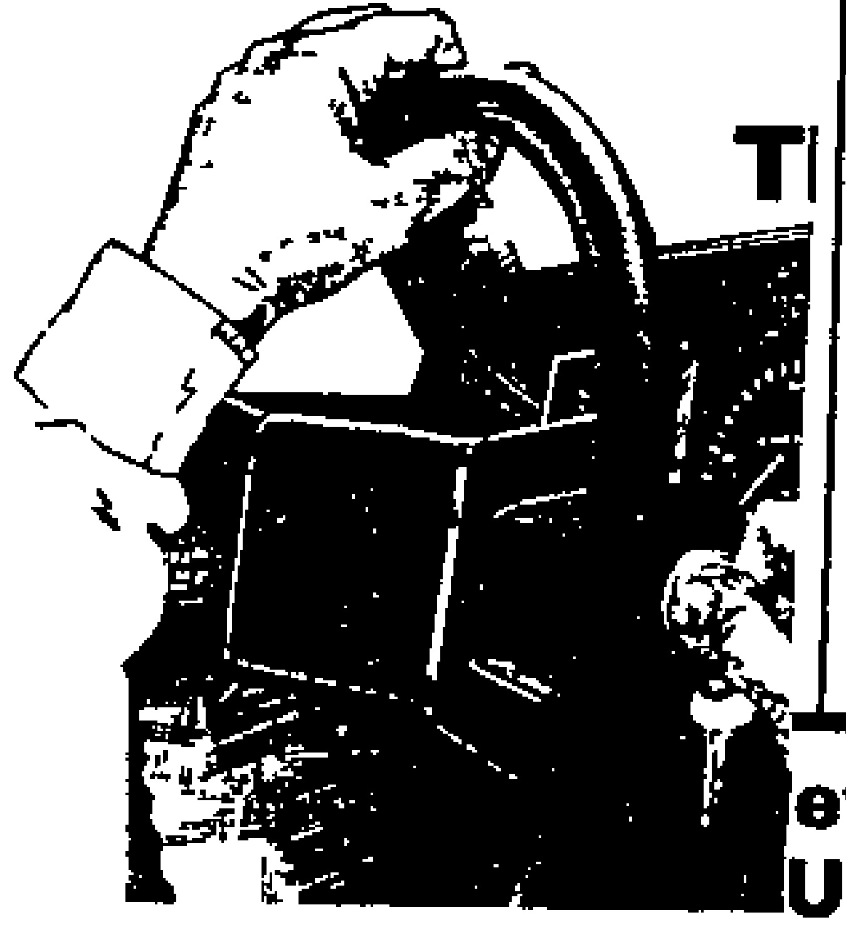
Towards Excellence is based on the book "In Search of Excellence" and is really a management and leadership programme, based on how to go about achieving excellence, how to get people fired up with a vision of where you want to get to and what more steps are needed to get their commitment I came across the book and thought this is the glue with which we can stick the whole thing together and focus everybody's attention on what's important in the business. As a result, we are far more cohesive and co-ordinated.

HOW FAR along the road towards excellence are you?

HALF-WAY. We're not number one yet in people's trust and confidence in the industry, but we're number one in terms of improvement. I want to be number one in customer satisfaction.

VW IS a vital employer in an area that's had more than its share of unemployment and unrest. What are you doing to ease the situation?

IT'S INTOLERABLE the way people



VW car sales

1984	**28 418**
1985	**29 341**
1986	**30 314**

Source: NAAM

are developed; that they ca fruits of their labour It's make sure they can enjoy and, if we're going to have community in this area in that we play a part in that d

We are playing a direct local black high school, b computer systems, video s minals — physically assisti education We are doing th coloured and white schools have found even the white don't have computers and v puter-driven company T sters must have compute

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WHY SHOULD the motor industry receive special benefits?

IT'S A question of bringing home to the authorities an awareness of certain problems in a major sector of SA's industrial development The motor industry is a major employer, and I think it is necessary to point out the economic consequences of the industry's plight.

Other sectors of the economy have not had so many body-blows as the motor industry I think we have had the worst of all worlds over the last three to

And substantial losses over the last three years will have to be recovered How long it takes depends on how quickly this economy can pick up, but I expect it to take anything from two to three years

VW SEEMS to have recovered from its serious problems of the early Eighties. How has this been achieved?

WE SPENT R250m on facilities and training and on updating our product range There was the new Audi and Golf/Jetta, we updated the Passat and

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BUSINESS IN PROFILE

30/5/86

WEEKLY MAIL

General Motors in Port Elizabeth recently caused a stir by supporting workers defying beach apartheid. Now, in the second of our series on business leaders, managing director BOB WHITE talks about trade unionism, the role of business in political change and the Sullivan principles.

Name? Robert A White

Date and place of birth? April 6, 1930; Chicago, USA.

Where were you educated? University of Illinois (B Sc Accountancy); Harvard Graduate School of Business (Executive Development Programme)

What position do you hold in your company? And in other companies, societies or organisations? Managing director, General Motors SA (Pty) Ltd (GMSA)

Value of assets under your control? R300-m to R400-m (balance sheet assets in South Africa)

Number of people in your employ? 3 500

What is the attitude to trade unions in your company? What is the state of your relationship with these unions? Consistent with GM operations elsewhere in the world, GMSA respects the principles of "freedom of association" in matters of employee membership in trade unions and acknowledges the right of its employees to engage in union activities, including the formation of a union. GMSA enjoys good relations with the unions represented at the company.

What role do you see for your company in the process of change in South Africa? GM will continue to press strongly for peaceful change in South Africa and will pursue all constructive alternatives which have any reasonable prospect of rectifying this country's racial policies. At the same time, GM will try to run its business in a manner which promotes the welfare of its employees, dealers and suppliers. I believe that through adherence to sound operating principals, GM has the opportunity to continue to be a positive force for change in South Africa.

What are your most immediate concerns about government economic policy? Are there any immediate changes you would like to see in this policy? Political uncertainty, the enactment of sanctions and trade boycotts, and the suspension of credit by foreign banks have caused considerable erosion of confidence in the South African economy. These events serve to demonstrate the extent to which economics and politics in the South African economy have become inextricably linked. Measures introduced by government to stimulate the economy have done little to restore consumer confidence and, as I see it, an economic recovery in real terms will not occur until there is more significant movement on the political front.

What is your attitude to positive discrimination? As a signatory to the Sullivan Principles, GMSA has initiated a number of programmes aimed at increasing the number of black employees in the workforce and at preparing black employees for supervisory and management positions. A limiting factor continues to be inadequacies in the education available to blacks in this country and, to overcome this problem, GMSA has implemented a wide range of training and development programmes to better equip black employees with the necessary skills and capabilities.

Are you happy with the Sullivan Code? What changes would you like to see in it? There is no doubt that the Sullivan Principles have had a catalytic effect in accelerating the pace of change in South Africa. However, I'm not altogether pleased with the manner in which the principles have been implemented in all instances because I believe black South Africans have not been given sufficient opportunity to input in to the Sullivan programmes.

What is your attitude to disinvestment? What are you or your company doing about the issue? GM believes that the people who would be significantly hurt by disinvestment would be the very people Americans seek to help, the black people of South Africa. If American companies were to leave South Africa, the American leadership role would be greatly diminished, and the progress made to date could be reversed.

Clearly, GM intends staying here, so we must have a strategy that ensures that it is going to be possible. GM Corporation's chairman, Roger B Smith, was a founder member of the US Corporate Council on SA, comprised of the chief executive officers of major US corporations with subsidiaries in South Africa. The Corporate Council is actively consulting with both the South African government and influential South African businessmen to develop programmes which combine political and economic initiatives which can hasten progress towards meaningful reform.

Despite 7,5% sales drop in May

Motor industry is 'confident'

Cape Times 10/6/87

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From MICK COLLINS

JOHANNESBURG — In spite of a 7,9% dip in May sales compared with April, the motor industry is confident it has sloughed off the cheerless conditions which have gripped it for the past three years

Overall sales dropped by 2,8% compared with the January/April monthly average — but easily topped those of May 1986 by 9,4% At the same time, year-to-date figures were up 12,5% on the first five months of last year

All market sectors shared in the May decline, passenger vehicle sales of 14 812 units dropping from April's 16 253 units

Director of the National Association of Automobile Manufacturers of SA (Naamsa), Nico Vermeulen, said the lower level of sales in all four sectors had to be viewed in the context of the relatively high number of public holidays during the month

Added to this were stock shortages in certain car product lines and more particularly in the case of various light commercial vehicle models

Pre-buying in March and April and the absence of special sales offers and incentive schemes in May had also contributed to the lower levels

"Overall, the underlying technical trend remains positive and while the figures are below expectations, the gradually improving economy — reinforced by replacement demand for new motor vehicles — should ensure 1987 new vehicle sales exceeded 1986 levels by between 8% and 12% in unit terms," Vermeulen said

Nissan marketing director Stephanus Loubser said he did not see May sales as a sign that the market is declining but rather as a technical adjustment "There are signs that companies' interest is returning and fleet sales are on the increase."

Toyota marketing director Brand Pretorius said the figures were "a little disappointing"

"They show that the vehicle sales market continues to be somewhat hesitant, volatile and uncertain and that we are still on the uphill road to recovery"

Motor industry out of reverse gear

W/t Argus 13/6/87 (192)

By DEREK TOMMEY, Finance Editor

AFTER three extremely difficult years, marked by falling sales and sharply rising costs, the motor industry has at last reached calmer waters

Most of the survivors of these terrible times have stopped losing money and are even beginning to make marginal profits, says Mr Nico Vermeulen, director of Naamsa, which represents the motor assemblers

And for the first time since 1984 the industry has stopped contracting and has started to expand again, though only on a small scale.

DRASTIC ECONOMIES

One reason for the industry's return to health has been the drastic economies that it has made.

In an unprecedented bout of fat trimming, plants have been closed, production lines consolidated and many people sacked

Employment in the industry, which totalled about 50 000 in 1982, fell to a low of 29 178 last December

However, it had risen to 30 087 at the end of March and could reach 30 500 at the end of this month

The result is that the industry is far leaner and trimmer — and is costing far less to operate than has been the case for many years.

The other reason for the industry's recovery has been the extremely sharp increase in car prices These increases have come in dribs and drabs so that the buying public is not fully aware of the rises.

But cumulatively they have pushed up the consumer price index for vehicles from 186,9 in May, 1985 to 253 in May 1986, and to 327,7 in April this year.

In other words car prices have risen almost 30 percent in the past 11 months and more than 75 percent in the past 23 months.

COVER COSTS

So although sales of new vehicles have shown only a slight improvement, the motor industry's revenues have soared and the industry is again able to cover its costs.

However, new car sales are still lagging.

In the first five months of this year 77 161 were sold, which was some way up on the 69 774 sold in the first five months of last year, but still below the 83 187 sold in 1985

Commercial vehicle sales have done slightly better.

In the first five months of this year they amounted to 40 366 compared with 34 779 in the same period last year and 40 060 in 1985

But sales still have a long way to go to return to the levels of the boom years.

At current rates the industry expects to sell between 185 000 and 195 000 cars this year — which is well below the record 301 528 sold in 1982

Increasing sales, therefore, is the area where the industry will concentrate this year, for any increase in turnover in present conditions will produce sharply higher profits.

The stock market has got wind of this and shares of motor companies have soared

Since the end of January Schus shares have risen 167 percent, Toyota shares 65 percent, Saficon 63 percent, McCarthy, Brian Porter and Sakers by more than 50 percent and another four by more than 40 percent

Mr Vermeulen said that the industry hoped that price increases this year would be limited to about 12 percent which would narrow the gap between consumers' incomes and car prices.

But the industry is not relying on hopes

It has launched a major drive on the corporate market, and is liberally spending on advertising and sales promotion

This week Schus, which is based in Cape Town, was flying potential buyers from Cape Town to Killarney by helicopter for a trial drive in the new Nissan Skyline.

Dealers report that the Skyline was selling like hot cakes and waiting lists exist for the top models in the range, said Mr Stephanus Loubser, marketing director of Nissan South Africa.

The Government will be closely watching the efforts to boost car sales for there are hopes that the motor industry could play an important role in pulling South Africa out of the recession

INCREASE EMPLOYMENT

In 1982 the industry and its suppliers employed about 120 000 people

Today the number of around 75 000 to 80 000, said Mr Vermeulen

Any big surge in demand for cars would greatly increase employment. It might even lead to increased local manufacture.

Manufacturers have exploited import replacement opportunities to the full, he said

But owing to small runs there were many parts that did not pay to make locally

☐ **STERLING ... "Samcor is in good shape"**

Samcor will ride out bumpy road

B/Day 18/6/87

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DAVID FURLONGER
Industrial Editor

ANGLO AMERICAN, it seems, simply isn't fated to enjoy a smooth ride in the motor industry. Just as its investment seems to be coming right after several years of frustration, its Samcor partner — Ford Canada — has confirmed it wants to pull out of SA. It is uncertain at this stage whether the workforce will accept Ford's offer of a 24% stake in Samcor Ford, with a 42% share of the company, is unsure of its next step if the unions reject the offer, as they have hinted they might

Whatever the outcome, it is an interruption Anglo — with its 58% controlling interest in Samcor — could have done without.

In theory, say analysts, Anglo could welcome a bigger share of what is becoming a profitable venture, particularly if it picks up Ford's remaining 18%. In practice, they say, it has benefited from the partnership.

Struggled

Prior to 1985, when Samcor was formed, Anglo — through its Amic investment arm — had struggled for some time to make its motor industry involvement pay.

Sigma Motor Corporation became Amcar in the early Eighties in the hope that a change of name would lead to a change of fortune for the struggling company. But the Sigma stigma could not be shaken entirely, and Anglo/Amic was glad to pitch in with Ford Canada to rationalise their vehicle manufacturing operations

Both were functioning well below capacity and losing money, their vehicle ranges were similar and it made economic sense to merge.

Sense, that is, unless you were from Port Elizabeth — in which case Ford's decision to transfer nearly all its operations to Samcor's Silverton plant near Pretoria meant the loss of thousands of jobs and a huge dent in the Eastern Cape economy

Having achieved the merger, albeit as the motor industry was sinking towards the depths of a depression, Anglo might have hoped it could concentrate on selling vehicles

But almost immediately, the Ford connection caused problems elsewhere for its new Japanese partners, Mazda and Mitsubishi There were fears that Ford's unacceptability in parts of the Middle East would spread to the two Japanese manufacturers because of their SA link with the American company It took several months and action by the US government to remove the threat

Next, it was the turn of the fourth Samcor foundling — Peugeot — to suffer. At the same time as its fellow French car-maker Renault was leaving, Peugeot announced it, too, was abandoning the overcrowded local car market

Industry slump and Samcor's decision to stop production of Mitsubishi cars notwithstanding, the company has appeared to settle since those traumatic early days It is second only to Toyota in overall vehicle sales

MD Spencer Sterling told me recently. "Samcor is in good shape The merger was traumatic for our people, but we have come through We made our first profit in June last year, and in the first quarter of this year we are in the black We had a very good first quarter and increased market share each month, and made very good money doing it

"We were actually ahead of schedule in coming from the red We had budgeted for losses in 1986 and break-even in 1987. Now this year there should be a reasonable profit — at the very least, we will meet our shareholders' expectations."

If the merger was traumatic, how will Ford's latest announcement affect Samcor — and Anglo's investment?

Sterling agrees with analysts that there is likely to be an immediate impact on sales of Ford vehicles Even with US assurances that supplies of vehicles, components and back-up will continue, uncertainty over the company's future is certain to affect sales

'Up-front'

However, analysts expect any reaction to the Ford announcement to be temporary

"There's bound to be some effect on sales," says Sterling. "But if we are up-front about the negotiations and Ford's plans, it should be kept to a minimum

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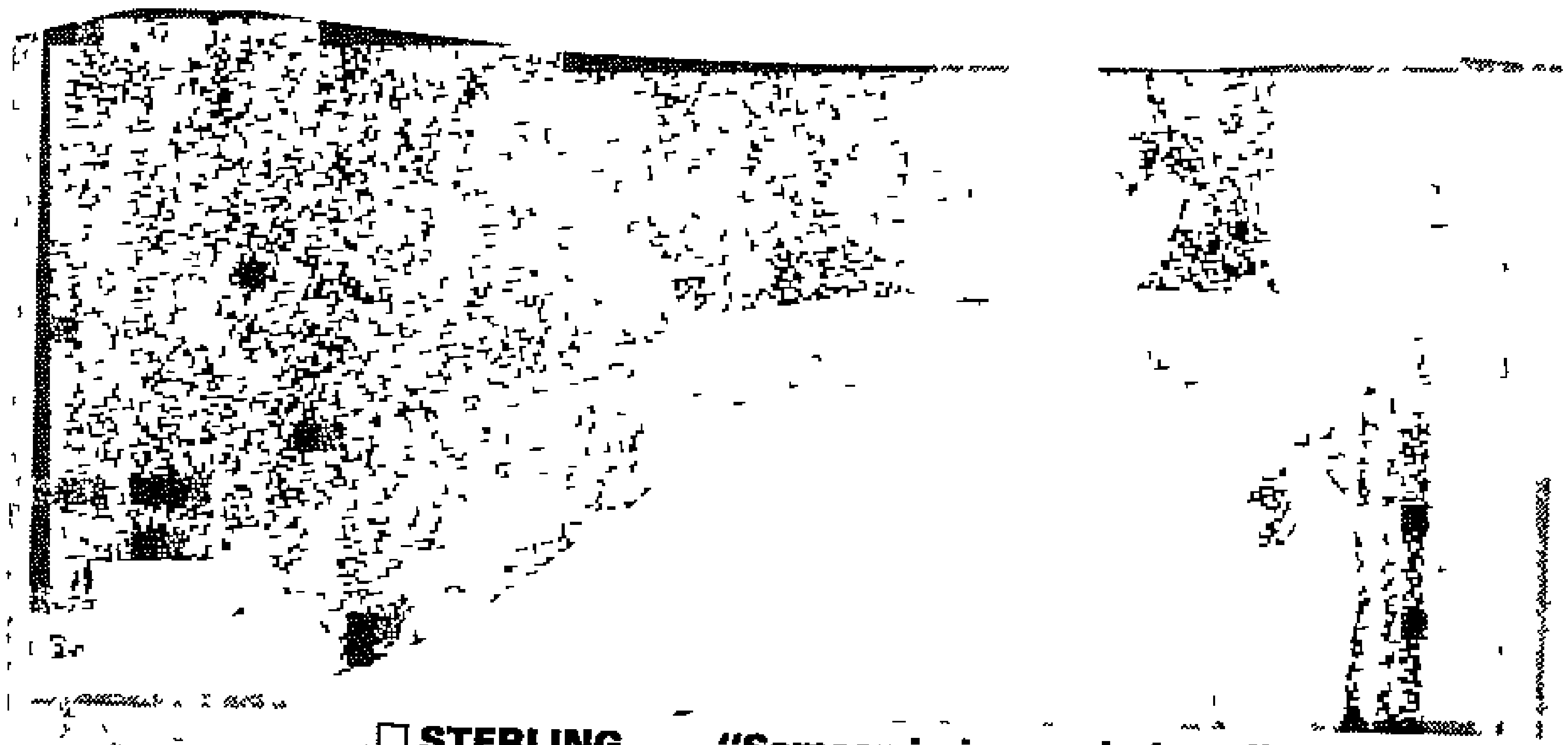

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BDay 18/6/87

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UK ELECTION

The spoils divided

Prosperous Britain has given Margaret Thatcher a famous victory It is one which promises to change the face of British politics For Thatcherism and the prosperity it has brought to ordinary people stands out as a shining example of privatisation Yet, in spite of her 101 majority in the House of Commons, Thatcher's triumph poses a great challenge how to unite a nation palpably divided along economic lines

That is the most striking feature of the election which returned Thatcher to 10 Downing Street for a record-breaking third consecutive term Only Lord Liverpool (1812-1827) has matched that achievement But, geographically, Thatcher's kingdom has shrunk The sea of Conservative blue starts at a line drawn west from the Humber estuary to the Welsh border and curves south to the Bristol Channel It is the same line which marks the divide between high and relatively low unemployment, house prices and income levels

So it's Maggie again But the Tories' victory after so much achievement cannot conceal the fact that the LK has been fairly neatly split into two socio-economic, indeed geographic, factions The challenge she faces now remains profound

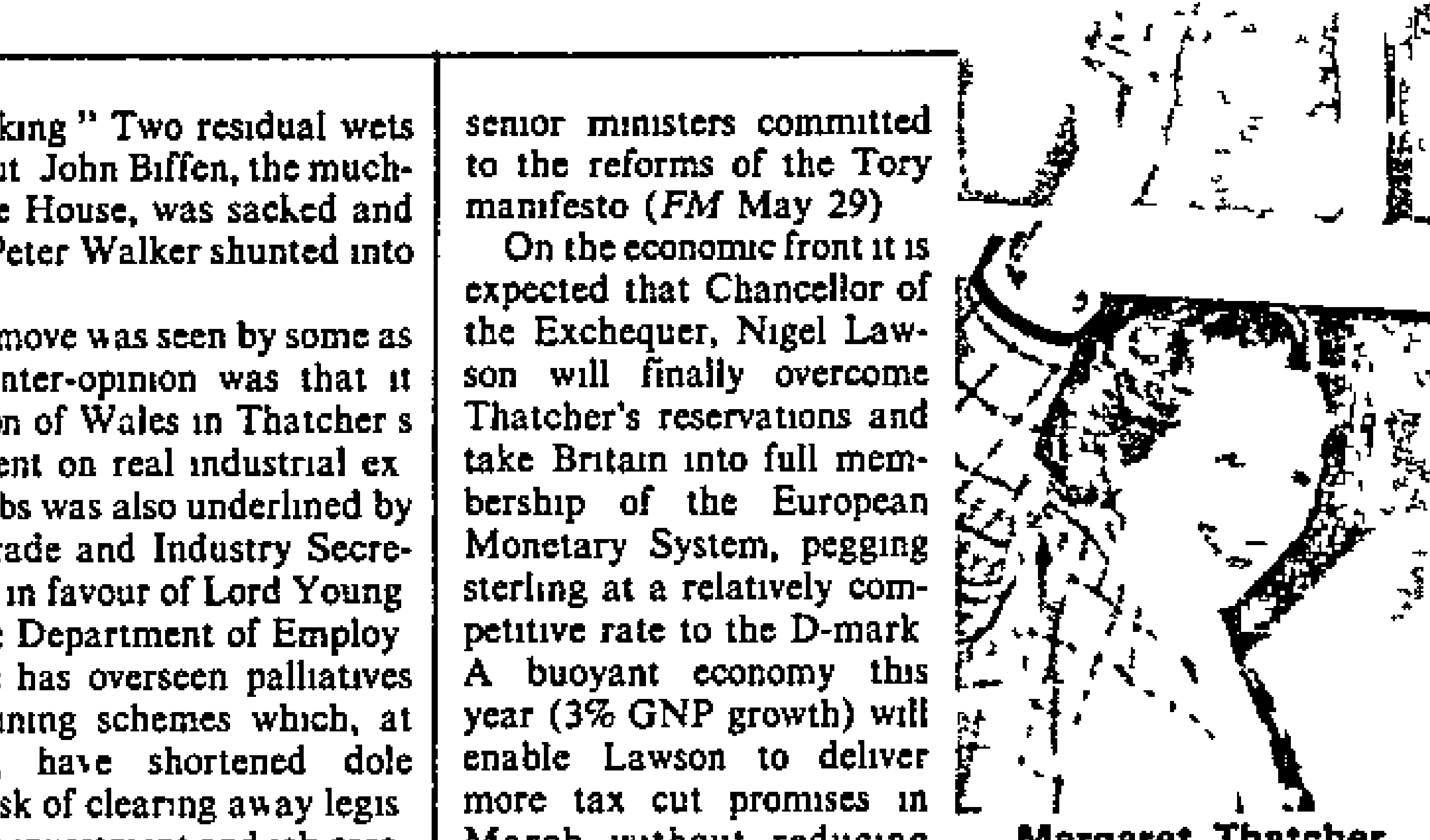
This is where Labour made all its gains in a TV-dominated campaign that was won hands down by the soft-centre imagery of socialism portrayed by its leader Neil Kinnock Such was the hammering suffered by the Tories and the Liberal-Social Democrat (SDP) Alliance in Scotland, the north of England and Wales that a regional parliament of the 273 MPs elected would produce a Labour government with an overall majority of 67

The converse is true of the Midlands and south, where 295 Conservative MPs face a combined opposition of only 65, mainly from inner-city areas of discontent many with high immigrant populations which saw the election of three Afro-Caribbeans and one Asian — the first black MPs since the Twenties British political analysts have been almost unanimous in ascribing Thatcher's win to the pocket-book vote, where worries about increased taxation subordinated concerns over unemployment, education and hospital waiting lists — all issues which looked like costing the Conservatives dear

Hence Thatcher's immediate promise to concentrate effort on the inner cities and the shape of her new Cabinet with the Victorian message "No slacking " Two residual wets have been wrung out John Biffen, the much-liked Leader of the House, was sacked and Energy Secretary Peter Walker shunted into the Welsh Office

While Walker's move was seen by some as demotion, the counter-opinion was that it marked an elevation of Wales in Thatcher s priorities The accent on real industrial expansion and real jobs was also underlined by the dropping of Trade and Industry Secretary Paul Channon in favour of Lord Young He moves from the Department of Employment — where he has overseen palliatives such as youth training schemes which, at least temporarily, have shortened dole queues — to the task of clearing away legislative hindrances to investment and job creation And the sensitive portfolio of Health and Social Security with its £31 billion budget has been given to a Tory high flier, John Moore (who first entered parliament in 1979), in place of Norman Fowler, who has borne the brunt of criticism for hospital closures and treatment waiting lists Fowler goes to Employment

For the rest Thatcher will carry on with senior ministers committed to the reforms of the Tory manifesto (*FM* May 29)



Margaret Thatcher

On the economic front it is expected that Chancellor of the Exchequer, Nigel Lawson will finally overcome Thatcher's reservations and take Britain into full membership of the European Monetary System, pegging sterling at a relatively competitive rate to the D-mark A buoyant economy this year (3% GNP growth) will enable Lawson to deliver more tax cut promises in March without reducing spending despite weak North Sea oil revenues The main threat is external a recession in the US which would affect the whole world But if growth falters, the consensus among City economists is that Lawson will have enough in hand to pull some Keynesian rabbits out of the hat without a dangerous increase in borrowing as a proportion of gross domestic product

Domestically Thatcher has nominated housing — giving council tenants the right to opt out of local authority control and deregulating private rents to encourage more lettable development — and education for immediate action in the next parliament Education, where the Tories remain locked in a long, damaging battle with the teachers, will prove the most controversial as Thatcher seeks what is basically a return to differential schooling with parents exercising choice and control

No change is needed in defence or foreign policy Foreign relations barely rated a mention in the campaign When SA was raised it evoked the now standard responses and Thatcher can be expected to stick as close to her guns as possible when she comes under pressure from the Commonwealth in Vancouver in October and at the next Group of

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SIR MICHAEL EDWARDES

Bringing it all back home

Sir Michael Edwardes, chairman of Chloride UK and saviour of British Leyland, is increasing his involvement in SA He recently accepted a post as non-executive director of Delta Motor Corporation (formerly GM) a decision which was roundly criticised by the anti-apartheid lobby This week he spoke to the *FM*.

***FM* Why did you agree to join the board at Delta, and what will your role be?**

Edwardes There were three main reasons With unemployment in Port Elizabeth running at a high rate I felt that for GM to pull out and for the company to come to an end, would be disastrous for the eastern Cape and Port Elizabeth This was considerably fortified by the fact that I was born here and grew up here And thirdly I am interested in special situations, recovery-type problems Not only were GM pulling out but they were pulling out of a company which hadn't made a profit for some years It was with my experience in these situations that I thought I could contribute The work I did at British Leyland, Dunlop, ICL and Chloride is all in the general area of managing change

How is the Delta shaping up under its new management?

We ve been running at a profit since the company was formed There are some encouraging signs For example, at the end of May, market share in car sales went from 6,9% to 8,8% and LCVs from 11,1% to 13,2% The management team is extremely impressive Non-executives were concerned at the first board meeting that there should be very tight disciplines that things should be done in a proper way We needn't have had any concern As you know, the company started out debt-free, but even with an appropriate debt ratio the company is profitable So it isn't the debt-free angle — the cost base has been cut That's the way one's got to operate in this business This is not an easy market I think government over the years has encouraged far too many people to come in in the first place We at Delta are determined that if there has got to be further rationalisation, we are not part of it

There have been suggestions that the South African motor industry is beyond redemption. Do you see it getting back to healthy levels of profitability in the near term?

There is no question that if there was less capacity than there is — and by that I mean a lot less — it would be a healthier industry Whether the industry as a whole will get back to high profitability — the answer, I think, is no It follows from that, the only companies who are going to be profitable are the ones with superbly good management It's fair to say that those companies who have got good management teams will do well over the next five years and those who haven't, won't

You predicted at the *FM* Investment Conference in 1985 that sanctions would be an automatic consequence of government's failure to introduce meaningful reform Is there any solace in being proved correct?

None at all I don't happen to believe in sanctions I don't believe sanctions are the right course I was in Rhodesia during the UDI situation I was on the Tobacco Export Promotions Council which had to act "illegally" in this respect In other words, I have been at each end of this thing, at the receiving end in the case of Rhodesia and in the UK, as chairman of at least one public company, I was very much involved in having to follow the British government's legal situation at the time All of my experience in this area tells me that sanctions are totally unhelpful Leaving aside whether they serve a purpose, they don't actually work either

What, in your view, has been the effect of the net capital flight from SA as a direct result of disinvestment pressure over the past two years?

I don't have the quantum of this in my head SA isn't short of capital There are two things that make me sad about disinvestment First of all it is a very sad thing — from SA's point of view — that these powerful, technologically advanced international companies are moving away On the other hand it is a very sad thing that these same multinational companies haven't got the guts to stay put to stay engaged and put in effort to influence events here in the right direction I'm involved in the Chloride group and we've made the positive decision to stay invested in this country and if anything, to invest more I just do not believe that walking away from the problem does anything for SA, black or white

There appears to be some indication that the worst of the sanctions-disinvestment issue is behind us Do you see more problems ahead?

I think we are at great risk of fooling ourselves on that one We are in a period of quiescence at the moment But I would expect the anti-SA lobby to become more vocal again in due course On the other hand, there are other people — responsible people — who are sympathetic to SA, who understand the complexity of our problems, who nevertheless want reform to continue I think if reform does not go forward at a reasonable pace, you're going to have these people building up a head of steam And that is far more serious Countries like Germany and Britain who have been SA's good friends over the last couple of years, will want to see progress at least in areas of equitability I don't think any responsible people are talking about one man, one vote What we're talking about is a situation where standards are maintained in this country — and they haven't been maintained in a lot of Africa — but at the same time there is fairness shown to everyone, whatever race or colour

It has often been said that a developing country like SA needs foreign investment Can local management buyouts like the GM deal really provide an acceptable alternative to foreign technical know-how?

I think the answer to that is no I'm differentiating between the fact that there is liquidity in this country which is a form of money and is certainly adequate for what needs to be done But then you come down to the quality of money and the quality of investment and so forth It is much better that there should be a proper mix of local money and hard currency investment Getting the technology is one thing, it's different from being part of the world at large

What has been the general perception abroad about the swing to the right in the SA elections, and the reimposition of the State of Emergency? For the first time the Afrikaner Right is the official opposition

I think it surprised me There are people abroad who are very informed about the situation in this country, and I would say most of them were fairly surprised at the way the election went There is, however, a very interesting situation now Where you had a government in power and an opposition to the left of it — with the world at large perceiving that the initiatives are coming from the left — suddenly the government in power becomes somewhere around the middle and the opposition is on the right. So from the world's point of view, by definition, the government has the potential, as we move along from here, of at least being more moderate than the alternative This is a fair summation It is now being said that the interface between the Western world and Cape Town becomes the government, rather than the opposition

Do you see a real opportunity in this for government to accelerate the pace of change and be seen to be accommodating black political aspirations?

IN MY OPINION

As I have said to people who don't know SA very well, the reforms which this present government has put into effect in these last few years have been simply dramatic So you start from saying that The tremendous disappointment that was felt after the Rubicon speech was as much as anything due to the fact that there was a tremendous build up of expectation which was then dashed Now the psychological expectation is somewhat less than pre Rubicon and that must give an opportunity It's like negotiating with the unions in Britain If you say no wage increase for two years, and then you offer 3% — it's tremendous In the days when wage increases were 15% and 16%, if you'd offered 9% it would be considered outrageous Well, SA is in exactly the same situation vis-à-vis the world and reform

Government has said that with the strength of its overwhelming mandate from white voters behind it, it is going to engage blacks more directly in dialogue. Do you see any prospect of an internal accommodation in SA?

I would be optimistic that if the government set about meaningful discussions with the various racial groups in this country, that there would be progress I think people who are not in this country should have a limited influence on these things I'm not saying that they do have, I'm saying they should There are people outside the country who do have a point of view that is worth listening to But I'm saying that at the end of the day this is an issue between the races of SA and the government which is in control And that's where the debate has to be ■

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(122)

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***FM*· Why did you agree to join the board at Delta, and what will your role be?**

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Theft 'costing millions'

P12

Motor industry 'dragging its feet'

Cape Times 22/6/87

From MICK COLLINS

WITH bottom line profits being eroded, the car rental industry has lambasted motor manufacturers over the lack of anti-theft devices in vehicles.

But the motor industry has reacted saying it is doing all it can about a problem which it says is universal. Rental Association says the motor industry has ignored the problem which is costing car rent firms millions.

"The motor industry should have taken on the responsibility a long time ago," says chairman of the SA Vehicle Rental Association, Noel de Villiers.

"They have been prompted repeatedly. A solution has got to be found."

Avis MD Tony Langley says his company lost nearly R1m in the last seven months due to theft. "While we do carry comprenhensive insurance there is a high excess to pay." A breakdown of Avis losses shows that in the period June 1986 to April 1987 a total of 63 vehicles were stolen including 23 Volkswagens and 20 Toyotas.

Imperial Car Hire director Maureen Jackson says the company has been hit, with thefts rising by 40% over January to May. "We have been asking manufacturers to help In five months theft cost us nearly R500 000. Now we are fitting our own devices The statistics have dropped dramatically."

A Nissan spokesman says the company has been testing devices for months."Our intention is to fit all cars with anti-theft measures. The first results are good. If we can get costs right, I believe we will solve the problem over the next few months."

VW's GM public affairs Ronnie Kruger says: "Any easy solution will be an easy solution for a thief. We are developing a system which will be available next year. In the meantime, we will be engraving identification numbers on all vehicles, probably before the end of the year."

Toyota marketing director, Brand Pretorius, says the company is restricted by franchising agreements but further developments are in the offing from Japan. "In the meantime, we can offer motorists four different options which we have tested extensively. They range in price from R150 to R750."

Samcor group MD Spencer Stirling says the company has been evaluating systems but has not yet found one that has an acceptable level of reliability.

"However, we are consulting with specialist electronics companies in the development of a suitable system for fitment on the assembly line."

He says a system for numbering windows is under development and could be instituted before year end.

Boost for Delta

Big VW share in Govt orders

EP 28/6/87

(192)

By MICHEL DESMIDT

INSTANT success has greeted Delta Motor Corporation's return to the Government market.

So far this year they have sold 1 500 vehicles to the Government since reversing the company's stand (under General Motors) not to tender for government contacts

The fledgling corporation has added real muscle to the Eastern Cape drive for government orders, matching Volkswagen's performance of securing firm orders for 1 119 vehicles since March, with the promise of 300 to come this year

Delta has not hesitated to compete for its share of State purchases and an aggressive marketing campaign has paid dividends

Mr Andre Van Rooyen, Delta's director of product development and planning, said the corporation had succeeded in reducing its cost base through careful rationalisation and was now in a position to offer its products to government departments at lower prices.

This factor, together with the company's new status as a wholly-owned South African company, had resulted in a considerable increase in sales to government departments, including the police and SA Defence Force

"Delta also recognises the importance of the 5% regional development tender preference which applies to companies located in the PE-Uitenhage area

"The recognition of this preference in the adjudication of tenders is playing a major part in increasing the competitiveness of manufacturers such as Delta, which have elected to remain in the Eastern Cape "

The distance from the major Reef market and the location of the Tender Board in Pretoria were not proving a disadvantage to Eastern Cape manufacturers since they enjoyed a rail rebate on finished products

Mr Ronnie Kruger, VW's public affairs manager, said during 1985-86, State orders amounted to only 145 units, with 462 passenger cars being sold to parastatal institutions However, the total figure since March was 1 119

The Minister of Transport Affairs, Mr Eli Louw, said this week that in the three financial years between March, 1984, and March, 1987, the State had purchased 3 172 units from Samcor, 2 595 from Toyota, 1 521 units from Nissan and 224 from Mercedes-Benz

The then General Motors reaped only 1 040 government sales in this period, due largely to the fact that as an American company it was barred from selling vehicles to the military and police

● See Page 2

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Car buyers on long waiting lists

Motor firms left standing amid rising demand

DAVID FURLONGER

AFTER wallowing in the doldrums for the past four years, the motor manufacturing industry has been taken unawares by a sudden economic surge.

Despite repeated warnings by economists, many manufacturers are struggling to meet rocketing consumer demand and most have long waiting lists

BMW has a waiting list for every model starting at two to three months, while the new Seven Series, to be launched tomorrow, has a waiting list that stretches into next year, says BMW communications manager Mike Brandt.

Toyota, South Africa's top manufacturer, has several models short on stock at dealer level Public relations manager Flip Wilken says· "Dealers are buying from one another to help customers "

SAPA reports Nissan public relations manager John Elford as saying the demand for the new Skyline range is phenomenal Nissan has doubled production to meet the delay, which on certain models is up to three weeks

There is an equally big demand for the Nissan 1400 bakkie

Samcor, makers of Ford, Mazda and Mitsubishi, had shortages of passenger and light commercial vehicles across the board in May, but stepped up production and should be in a position to meet all demand in July, says Samcor public relations manager Rubin Els.

Volkswagen has launched a recruiting drive for extra workers because of the increased demand for VW/Audi products

Volkswagen MD Peter Searle says the upward trend in motor-vehicle demand will be sustained in 1987 and into 1988, with steps being taken to increase production.

"With waiting lists for virtually every model in our range, this is the logical step to take," he says

"We estimate that the passenger-car market in 1987 will be 200 000 units — up 15% on last year — and a similar improvement in 1988 is possible "

All manufacturers have waiting lists for many of their models

The shortage seems to have been caused by manufacturers cutting their stock holdings, which, with today's interest rates, are extremely expensive, and living on a hand-to-mouth basis

"Manufacturers are scared that if production is increased, the demand will drop off and they will be left holding large numbers of stock," says one industry source

In the motor manufacturing business, it is very hard to slow down or step up production in the short term

One example illustrating the shortage is Mercedes-Benz, which has a waiting list of three to six months, depending on model, said the company's public relations manager Dalene McFarlane

Mine timber needs

PRETORIA — The timber industry is confident of being able to meet the long-term demand for mining timber, Hunt Leuchars and Hepburn CE Neil Morris said yesterday

He told a mining timber symposium at the CSIR that the supply-and-demand situation would be delicately balanced during the next three to five years

Political comment in this issue by Ken Owen Newsbills by Trevor Bisseker Headlines and sub editing by Michael Allwright All of Times Media Ltd 11 Diagonal Street, Johannesburg

Long wait for new BMWs

29/6/87 B/Day (192)

DAVID FURLONGER

BMW will build only about 100 a month of its new 7-Series cars, despite an order-book already stretching well into next year

BMW intended to keep a permanent waiting list for the new cars, said marketing director Vic Doolan at the weekend.

"We will under no circumstances build more cars than we have orders for"

There are two models in the range. the 735i at R120 000 and the 730i at R102 000 The 735i goes into full production in August and the 730i in October

Doolan said it was intended to maintain present prices until the end of the year

MD Walter Hasselkus described the new product as "more on a locally assembled than locally manufactured car"

Many of the components were coming from West Germany but because the existing 3-Series had a high local content level, BMW could meet the 66% local content requirement

Hasselkus announced Doolan had been appointed CE of BMW Canada from later this year John Jessup succeeds him

B|Day

24/6/87

McCarthy will back Samcor

(142)

SA's biggest motor vehicle distributor has thrown its weight behind the SA Motor Corporation (Samcor) in the wake of Ford's announcement it is to dispose of its shareholding in Samcor.

"We have no doubt the Ford name is in SA to stay and will retain our investment in the franchise," said joint McCarthy Group MD Theo Swart yesterday

"Not only are we are convinced that the Ford franchise is here to stay but we will soon be holding talks with Samcor with regard to increasing the McCarthy involvement in the Ford franchise," he said

Grosvenor Motors, the Ford arm of McCarthy's, has been associated with Ford since 1946

It was a great pity a multinational like Ford would no longer have a direct financial interest in SA, he said

"However, Samcor has long-term supply, technical and management agreements with Ford and we don't expect any problems.

"We are convinced our investment in the Ford franchise will continue to be a sound one," Swart said — Sapa

Motor firm strike ends

30/6/87
WP
192

Post Reporter

THE three-day-old strike by 40 Volkswagen factory workers was called off late this morning and normal production at the Uitenhage plant will resume tommorow.

Volkwagen's manager of public affairs Mr Ronnie Kruger said the workforce of 6 000 had agreed at a report-back meeting with officials of the National Automobile and Allied Workers' Union (Naawu) to call off the strike which began on Friday.

Although the decision was made soon after 11am, many workers had drifted home and it had been too late resume production today.

Mr Kruger said although the strike by 40 paintshop workers began as a pay demand, the agreement struck with Naawu did not concern wages A statement concerning the agreement would probably be released tomorrow after consultation with the union.

☐ **JESSUP ...** "We will always keep supply behind demand levels"

1/7/87

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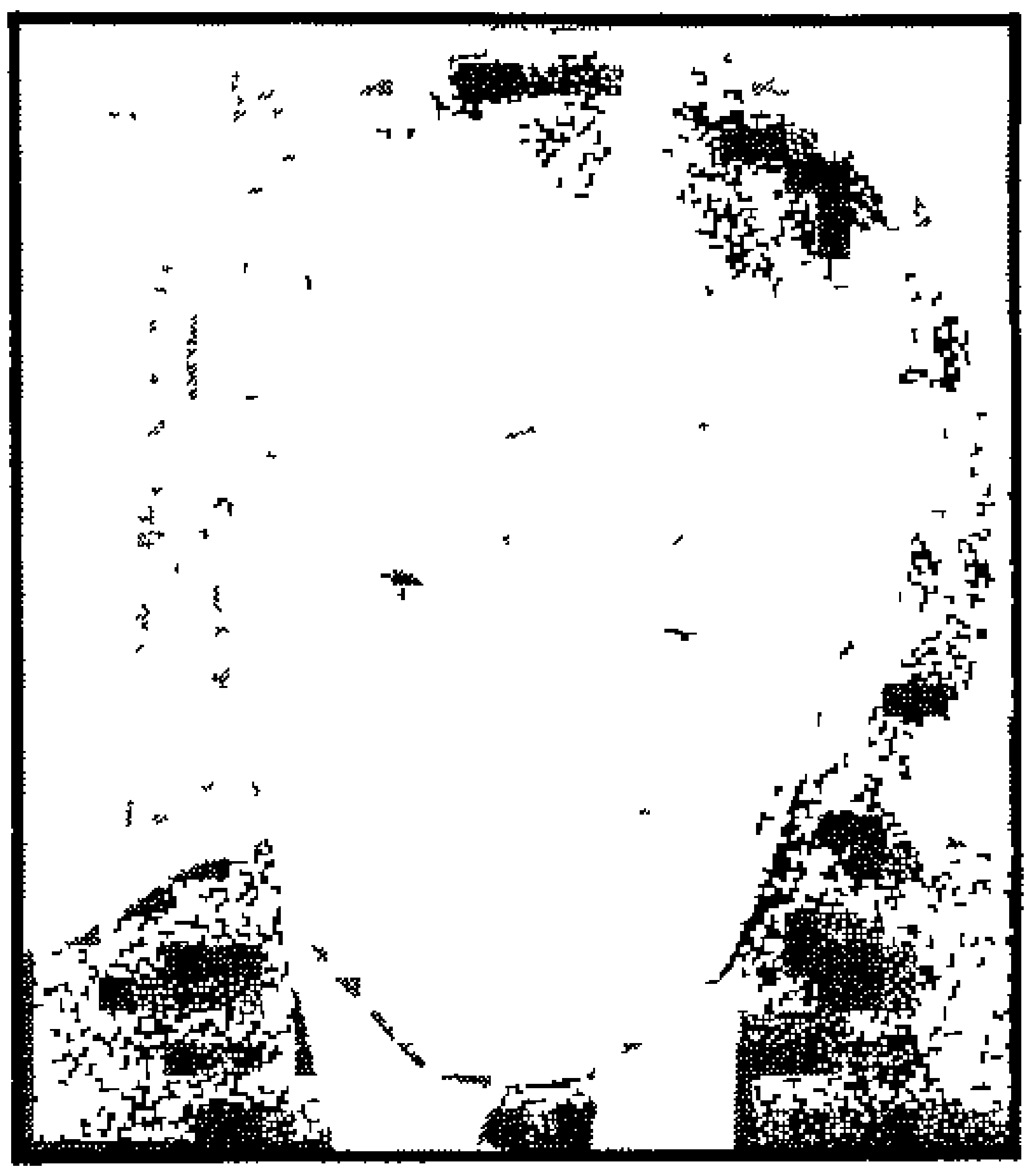
BDy

☐ **DOLAN ...** "It's like starting from scratch again"



New man behind BMW's marketing

DAVID FURLONGER/Industrial Editor

MEETING BMW's new marketing director John Jessup, one is reminded of the old joke about the bed-ridden young man lending a room-mate his new clothes for a night on the town and saying· "At least my clothes are having a good time"

The same might be said of Leyland The Cape-based truck-maker may have had its problems, but at least its former employees are enjoying themselves.

Jessup is the third ex-Leyland man in a row to be appointed BMW's marketing director The first, Ron Meacham, left Leyland for BMW in the early Seventies and is now CE of BMW Australia

Ambition

His successor, Vic Doolan, made the switch in 1977 He leaves SA next month to become CE of BMW Canada

He is replaced by marketing manager Jessup, who left Leyland in 1974 Previously, he worked for Volkswagen and General Motors

It's hard for 40-year-old Jessup to look too far ahead when he hasn't even moved into Doolan's chair yet — the promotion is effective from September 1 — but he is aware of what lies ahead for successful marketers

"People from here tend to be promoted into executive positions overseas," he says "At this stage, it's very difficult to think of the next step

"If the company needed me in another operation, they might send me. I would do it, but always with the intention of coming back here"

Jessup's more immediate ambition is to continue the progress BMW has achieved since the Seventies, when it sold little more than 1 000 cars a year. This year it expects to sell 15 000.

Order books on some of its models, including the new Seven Series flagship range, reach well into next year.

"We will always keep supply behind demand levels," says Jessup "For us, it's not a question of market share but of customer satisfaction and maintaining value and desirability of the vehicle"

Jessup is sometimes credited with being the brains behind many of BMW's innovative marketing ploys waiting lists, reduced interest payments, in-house insurance scheme and anti-theft security systems have all been features of BMW strategy

To credit him, says Jessup, is to underplay Doolan.

"Vic and I have worked well together because he is so innovative I've been able to take his innovative ideas and make them possible."

For Doolan, the appointment as CE of BMW Canada is to turn back the clock nine years The Canadian operation is an import/distribution centre, so it is Doolan's skills as a marketer that are in demand

Competition

The Canadian car market is about four times that of SA, but BMW sells only about 5 000 cars a year.

Where the SA competition comes from Mercedes-Benz, BMW Canada must also contend with Jaguar, Volvo, Saab and US limousines

Just as BMW operated off a low base in SA when Doolan joined the company, so does his new company, which is less than two years old

"It's like starting from scratch again," he says. "It's a different market but the experience I've had here should stand me in good stead The trick is not to make the same mistakes" [illegible] 3/7/87

Motor-worker wages to go up

192 [illegible]

Own Correspondent

JOHANNESBURG — Minimum wages of 22 000 motor-industry workers are going up in the next few weeks

BMW yesterday joined other major manufacturers in increasing wages for hourly-paid staff before August 1 BMW offered NAAU workers an immediate 14,6% increase and a further 15% on July 1 next year

CAPE TIMES 2/7/87

Mercedes shuts down after strike

192

Own Correspondent

PORT ELIZABETH. — Mercedes-Benz shut down its East London plant last night after union officals and management failed to resolve a strike which started on Monday.

By yesterday 300 workers — the entire paintshop workforce — had downed tools.

The paintshop forms an integral part of the assembly lines and the company closed the other departments, according to a statement released last night.

Although management yesterday accepted worker demands, agreement could not be reached on a date to implement extended shifts. Workers want to start the longer shifts immediately, but the company wants to start on July 6.

Shorter hours had been introduced because of the decline in sales, according to a company spokesman.

The strike is the second to affect the Eastern Cape motor industry this week. Production at the Volkswagen factory in Uitenhage stopped over a wage dispute — also involving paintshop employees. Production was back to normal yesterday.

☐ Daimler-Benz to stay — Page 7

Cit. Times 3/7/87

Motor-worker wages to go up

(192) [illegible]

Own Correspondent

JOHANNESBURG. — Minimum wages of 22 000 motor-industry workers are going up in the next few weeks.

BMW yesterday joined other major manufacturers in increasing wages for hourly-paid staff before August 1. BMW offered NAAU workers an immediate 14,6% increase and a further 15% on July 1 next year.

ARGUS 3/7/87

7 000 on strike at Volkswagen and Mercedes

192

Argus Bureau

PORT ELIZABETH. — About 7 000 Eastern Cape workers at Volkswagen in Uitenhage and Mercedes-Benz in East London are on strike.

Volkswagen strikers who resumed work on Wednesday after a three-day stoppage walked out again a few hours later.

The strike was sparked by objections to a new colour-matcher being paid extra money.

Workers demanded equal pay for equal work and downed tools last Thursday. They returned briefly and then walked out again leaving 4 500 hourly-paid employees without work.

The Mercedes plant is expected to reopen on Monday after 340 paint-shop workers, demanding longer hours, closed the plant which employs 2 460.

Yesterday an agreement was reached between company officials and the National Allied Automobile Workers' Union that workers would return for normal hours on Monday.

About 1 000 Cadbury workers in three provinces went on strike yesterday in protest against the company's decision to sell its fleet to outside cartage contractors, leaving 52 drivers and assistants redundant from next Friday.

days after a runaway mental patient
the front court of Buckingham Palace.

CT Tms 3/7/87 A2

Merc factory strike over

EAST LONDON. — The Mercedes Benz factory here, which was closed on Wednesday after a work stoppage, will reopen on Monday. An agreement was reached between representatives of the National Allied and Automobile Workers' Union and the company, company officials said yesterday. The 800 workers would return to resume normal working hours.

Cape Times 9/7/87

New car sales record healthy 16,3% surge

192

Finance Staff

JOHANNESBURG — New car sales in June surged by 16,3% to 17 231 units — the highest since December 1985 and 9,3% up on June 1986

Prospects for further improvement in the months ahead appeared better than at any time during the past three years, industry sources said yesterday This was despite earlier fears of poor June results

The increased sales figures of cars and light commercial vehicles, released by the National Association of Automobile Manufacturers (Naamsa), reflect increased consumer confidence levels, but low medium and heavy commercial sales confirm the fall in Assocom's business confidence index making the outlook for the second half-year uncertain

June and July are traditionally strong selling months for the industry, but the figures are considered a healthy improvement on the May total of 14 812 units

Light truck sales at 8 027 units recorded a rise of 9,6% compared to the May sales

Toyota was again top of the log with 4 347 units, followed by Volkswagen with 3 284 units Samcor, with its dual Ford/MMI range, was in third spot with 3 137 units

Toyota regained top individual spot with sales of its Corolla reaching 3 016 units — narrowly outpointing last month's leader Golf/Jetta which recorded sales of 2 899 for June

Nissan increased its Skyline sales by 156,6% from 392 in May to 1 006 last month with the launch of the new Skyline range

Naamsa director Nico Vermeulen said the general recovery had gained further momentum

"Aggressive marketing strategies, including special sales incentives by various manufacturers and innovative financing packages, the introduction of new models and vehicle replacement demand pressures all contributed to the strong gains"

Sales of medium and heavy trucks and buses at 448 and 508 units respectively, remained depressed

busines
lected investors AA Mutual Life took 1,5m shares — a 12,5% stake

Cape Times 9/7/87

192

VEHICLE sales for the **Delta Motor Corporation** in Port Elizabeth, for the first six months of 1987, were up 35% on last year The new Opel Monza helped to increase the Delta market share by 78,5%, while the Opel Kadett maintained previous sales levels Between January and June, Delta sold 8 251 new vehicles

CAPE Times 10/7/87

192

Dashed hopes on truck, bus sales for June

Finance Staff

JOHANNESBURG. — Hopes for a recovery in truck and bus sales have been dashed with the release of June sales figures

Sales of medium (MCV) and heavy (HCV) commercial vehicles remained depressed with the two sectors continuing to lag the overall recovery in total vehicle sales.

Tender sales

Chairman of National Association of Automobile Manufacturers (Naamsa) heavy vehicle division, Bert Wessels said the figures were lower than anticipated and blamed a dearth of tender sales which are traditionally government-led and account for about 30% of the market

"We also had stock shortages on certain models," Wessels added

But industry sources said serious inroads by remanufacturing and reconditioning shops had also contributed to the slump.

"Replacement costs on new vehicles are high. Now that trucks are coming to the end of their commercial life we expect a pick up in new sales, said Wessels.

Compounding low sales were June financial year-ends, which saw budgets dry up.

New budgets now being worked on will hopefully include provision for medium and heavy vehicles, he said.

Log leader for HCV sales for June was Mercedes Benz with 228 units. Sharing second place were Nissan and Toyota with 74 units each

Next best was Delta with 55 heavies followed by MAN with 30 and Leyland with 20 units. Samcor/MMI sold 14 and ERF 11. Hestair had to settle for bottom of the log with two units

Total June HCV sales were 508 units compared with 595 for the corresponding period in 1986. The previous month's sales were 535 units

However, combined sales for the first six months of 1987 were slightly up at 3 490 compared with the first six months of 1986 when 3 476 units were sold.

Optimistic

Wessels said dealers were reporting a good level of inquiries and were optimistic that sales for the next six months would be 6% to 10% up on the 1986 figures

"I hope this has been the lull before the storm."

Toyota led the MCV sector with 171 units, followed by Samcor with a total for its Ford/MMI ranges of 147

Delta was next best with 61 units and Nissan took fourth place with 49 vehicles.

Total June MCV sales were 448 units compared with 307 in May and 390 in June 1986

However, total sales for the January to June 1987 period were down to 2 250 units compared with the previous year's total of 2 347 for the same period

12/7/87

Cpres

Sagwu hails SACC man

By SELLO SERIPE

THE South African General Workers' Union this week hailed the appointment of the Reverend Frank Chikane as general-secretary of the SA Council of Churches.

The union spokesman said Sagwu, which is not affiliated to either Cosatu or the National Council of Trade Unions, hoped that Chikane would follow in the footsteps of his predecessors, Dr Beyers Naude, and Archbishop Desmond Tutu.

The spokesman also condemned those responsible for the bomb-blast at Wilgespruit Fellowship Centre last Friday and pointed an accusing finger at the "system"

"Those responsible for this barbaric act knew that the centre is utilised by workers' unions and many other extra-parliamentary organisations and their main objective was to prevent us from continuing with our resistance against the system," he said.

"But," he added, "we warn them that whatever act they exercise to suppress our resistance will not deter us from rejecting exploitation and oppression"

Sagwu is currently engaged in negotiations with eight companies in a bid to be recognised.

It has over 3 000 members in the PWV area and has been recognised by five companies since its inception in March last year.

12/7/87

Cpres

Dispute settled

THE dispute between workers and management at Mercedes Benz, South Africa's car manufacturing factory has ended with 2 800 workers returning to work this week.

The dispute had started when 29 workers downed tools in the paint plant demanding the abolishment of short time, which led to the brief closing of the plant.

The company had agreed to return to normal shift hours in the paint plant shop after discussions with workers' representatives.—Elnews.

Swazis net R500

THE RECENT crackdown by the Swaziland Customs and Excise Department on Swazi motorists using SA registered cars in the country netted the Swaziland government over R500 000 in sales tax in the past two weeks.

The Minister of Finance, Sibusiso Dlamini, told Parliament the government's warning to Swazi motorists to re-register their cars in S
for importing
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112

50% SA parts minimum is likely

Heavy vehicle makers in dark on local content

DAVID FURLONGER
Industrial Editor

VEHICLE and component manufacturers are still waiting for the Board of Trade and Industry to publish recommendations on a local content programme for heavy commercial vehicles.

Motor industry officials had expected the BTI to publish its findings in June, but a board spokesman said yesterday no decision had been taken He declined to say what was causing the delay, but added discussions were "in the process of being finalised"

Some form of local content requirement looks certain The most likely, according to some manufacturers, is a minimum 50% local content requirement in which each component is allocated a percentage based on a predetermined mass/value-related formula.

Such a deal may not necessarily bring major benefits, however. The locally-produced Atlantis Diesel Engine (ADE), which must already be fitted in all heavy trucks, is worth about 27% under the formula

"There are other components which one could assume as being in place locally — for instance, tyres and glass," says Denzyl Vermooten, director of the National Association of Automotive Component and Allied Manufacturers (Naacam) "When you look at it, we may not be far off the 50% already"

The BTI is also considering a joint recommendation by Naacam and the National Association of Automobile Manufacturers (Naamsa) for amendments to the existing 66% local content requirement for cars and light commercial vehicles

While the 66% will stay intact, the new plan calls for changes to the incentive system under which manufacturers are rewarded if overall local content of their product rises above 66%.

The higher the local content, the less the duties payable by manufacturers on their product According to industry sources, the new recommendation is for "enhanced" incentives to beat the 66% limit.

"Vehicle manufacturers favour a formula under which higher local content is encouraged through incentives rather than penalties," a manufacturer said

The BTI confirmed yesterday it had received the recommendations and was considering them

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Cheap-fee plan for legal advice

HELEN WISHART

THE Transvaal Law Society has introduced a cheap-fee system to help give people readier access to attorneys

The special fee for half-hour consultations with attorneys taking part in the scheme is R25 — compared with about R60 for general consultations

The scheme is aimed at providing advice on whether to go ahead with legal action, and what steps to take And, although it is aimed at helping people with financial difficulties, there is no means test involved

BUSINESS IN PROFILE

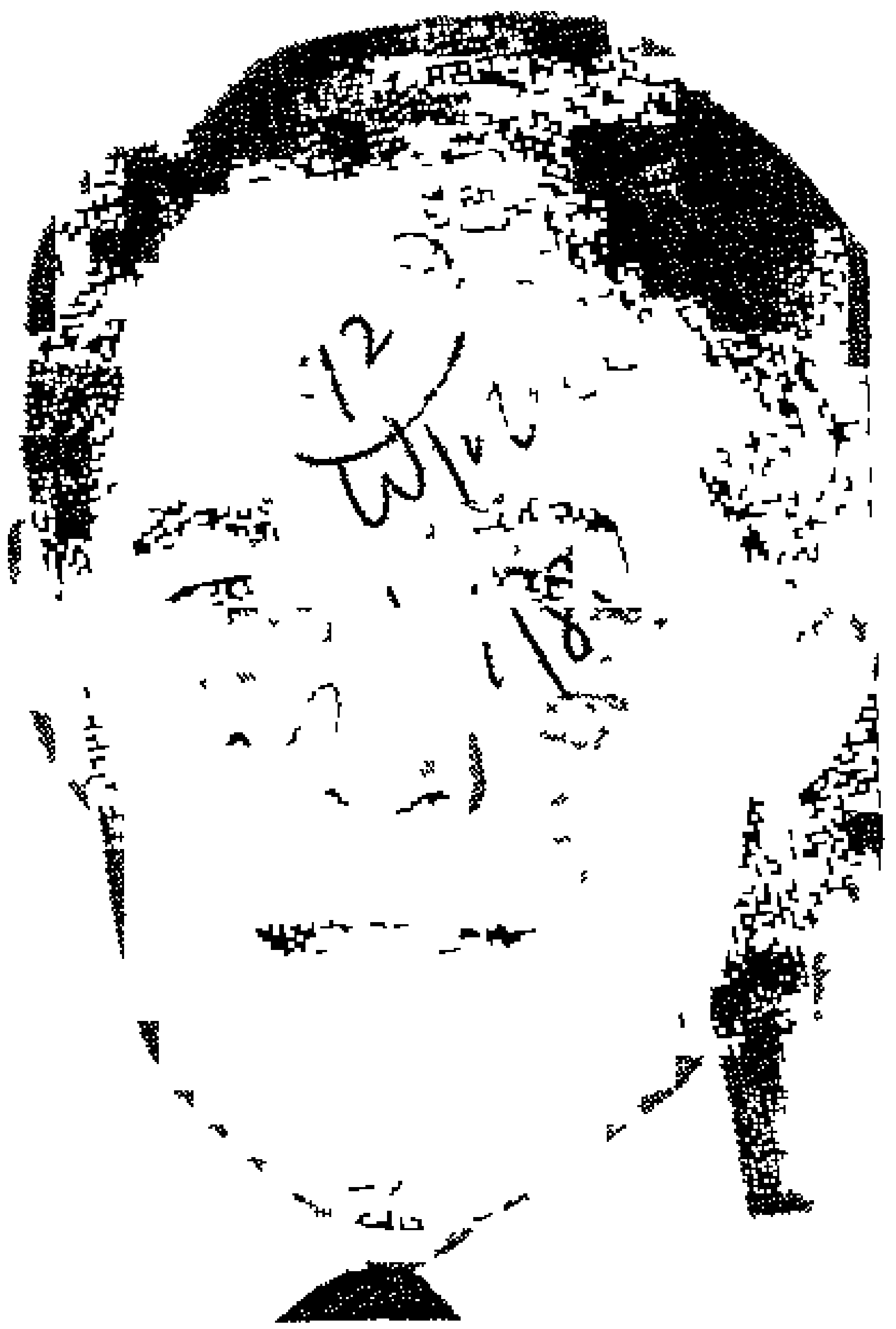
By HILARY JOFFE

QUALITY TYRES' Alex Hawes was a little shocked when he found out that 25 000 jobs had been lost in the motor industry over the last two years But unemployment is not his problem he says Productivity is

He wants his workers to earn R1 000 a month minimum — but in return they must understand the company's priorities

Hawes is vice-president and chairs the Motor Industries Federation, Southern Transvaal, and the Motor Industries Employers' Federation.

In contrast to the motor manufacturers represented in the National Association of Automobile Manufacturers, the MIF represents the sales and service side of the motor industry — the car, spare parts and petrol dealers, the retreaders and repairers, and so on. According to MIF figures, the industry now employs 150 000 people, compared with 175 000 to 180 000 two years ago


MIF chairman Alex Hawes

On business priorities: The principle responsibility of business is to make money. The next responsibility is it's got to look after the following people, and in this order Its customers, its shareholders and its staff. The only reason we're in business is our customers. But we have to look after our staff Business is just people I can have the best or the worst equipment in the world but people make it happen — nice happy contented people, motivated, honest Those are the people we're looking for And they are not easy to find.

On the Quality Tyres' share ownership scheme: When we went public in October last year, everybody on the staff was given a share allocation (though length of service was a factor). Some of those guys don't understand it and we are not too keen to make them understand it too much now — because as the share grows their payoff gets better. So we're just waiting for the share to go up Then he can really get a meaningful payout in the company, or he can have a nice stake invested. We want everybody to have a meaningful and quantifiable involvement in the company But we have other programmes we want to put into place

What other programmes? I'm on a kick right now. This company is on a kick right now.

We want R1 000 a month minimum wage And we're very determined to put that in place We've started already in one of our plants. Overnight their take home pay jumped Our theory is this:

We are committed to quality and we don't think we can inspire anybody to think in that aspect if take home pay is less than R100 a week We pay quite well compared to the industrial council rate but now we going to pay phenomenally. In order to do that we've now got to sell them an abstract called "What is your responsibility?" We asked all our people what their expectations were and told them ours We want better quality personnel. The good news is we give you what you want The bad news is you've got to give us what we want.

Now this is a philosophy which we are going to work through from the top to the bottom. If we're right — and I'm sure we're right — we're going to change this industry. And maybe some other industrialists will start thinking the same way

What has the response of your employees been so far? They're a bit confused because you mustn't forget in one branch in order to put that in place I've discharged 25 people. There's a nasty side to everything We did a skills survey with service and skills in mind and those guys that didn't shape we discharged Unemployment is not my problem Profitable effective rewarding fulfilling employment is my problem That's my responsibility.

What have been the results of the scheme? I think it's good We're going on this kick to make better products and give better services. We'll only know if this thing works once we look back over a few months If having nice happy people is a payoff, we've achieved that with those people who have remained But that's not what the exercise is about

one's got to be able to say its meaningful because people do their job better and they understand the needs of the company better That's the payoff

On prospects for the motor industry: My theory says that all workers should be paid their productivity package — with people employed at a very high level of reward and that is still economic for me There's no point in being the biggest payer and not being competitive If my productivity theory is correct — and we really get to a productivity-reward system — that will have an enormous ripple effect in our industry We've got a pent-up customer called the underpaid black man who's dying to enter into this industry by buying a motor car. And if we get productivity packages rolling then we will find a boom in this industry — and in all consumer industries

On labour relations in the motor industry: The motor industry has for many years has a tripartite agreement between the Employers' Association and three unions which fell under the national industrial council agreement for the motor industry That's in an enormous state of flux.

One of those unions, Motor Industry Combined Workers' Union, is in a state of flux because of their amalgamation into Numsa. Micwu have done well under the umbrella of the industrial council But with the merger they now have to decide Will they be in, will they be out? We're waiting for them to come with where they stand.

(192)

28/7/87

Leyland gets new name

B/Day **HAMISH McINDOE**

LEYLAND (SA) yesterday got a new MD and a new name.

The Elandsfontein-based truck- and bus-maker is now called Associated Automotive Distributors (AAD) — formerly the name of Leyland's trading arm handling its Land-Rover franchise and British spare-parts producer Unipart.

New MD Noel Williams, 42, was not recruited from the motor industry, but his experience in the recession-hit consumer durables sector should equip him well for the task of pulling AAD out of the doldrums.

After an eight-year stint as MD of Abercom-owned Harvey Tile, SA-born Williams has been practising as a corporate strategy consultant.

He succeeds Brian Fuller, who returned to Britain last Friday to head the Rover Group's international operations.

Williams would not say yesterday how far Leyland's management buyout had advanced since Fuller disclosed last month that two SA banks had offered credit lines to relaunch its Anglo-Dutch parent's truck and bus operations here.

Leyland's heavy commercial vehicle (HCV) sales in June dropped by about 1% to 20 units compared with the same period last year. June sales for all 15 HCV manufacturers were 508 units against 595 previously.

Leyland (SA) is owned by Dutch vehicle-manufacturer DAF and Britain's Rover Group. The two companies merged their truck and bus divisions in April.

Toyota increases income fourfold

31/7/87 B/Day

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DAVID FURLONGER

TOYOTA increased attributable income more than fourfold in the first six months of this year

In line with other major vehicle manufacturers' boasts that they are operating more profitably than they have for years, Toyota increased turnover by 30% and doubled its operating income.

The company's interim report shows attributable income of R32,8m in the six months to June 30, compared with R7,59m in the corresponding 1986 period. Toyota has declared an interim dividend of 120c after paying nothing in its 1986 interim Earnings a share of 806,95c are up on last year's 186,76c.

Chairman Albert Wessels describes the dividend as "conservative", but says the company must leave sufficient capital for future tooling and expansion costs

The 30% rise in turnover to R831m from R644m is an indication of the strengthening market for new cars and commercial vehicles. Sales this year are about 12% higher than in 1986 and this, combined with reduced overheads and low level of new investment, is putting companies back into the black

Toyota's share of the overall vehicle market fell from 30,2% in the first half of 1986 to 28,4% this year — proof, says Wessels, "of the extremely competitive conditions which prevailed".

"Discounting in order to maintain or increase market share was common during this period. Toyota, however, maintained its view that a reasonable return on shareholders' funds was equally important. However, this should not be construed as saying that profits are more important than market penetration or growth. The fundamental objective of Toyota is continuous growth but, as in

● To Page 2 ⇨

Everything is still going right for Toyota

31/7/87 B/Day

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⇦ ● From Page 1

the past, without sacrificing profitability."

Group operating income came to R50,3m, compared with R24,3m last year. The results are also helped by sharply reduced interest charges, from R17m to R8,5m, although this is cancelled out by a R9,4m tax bill

Wessels believes that with the rand-yen exchange rate showing more stability than it has for years, the company's performance will improve further in 1987.

He says. "At this stage, it appears likely that the level of market improvement so far experienced will continue for the rest of 1987 I believe that the trading results for the second half will be better than those reported for the first six months."

8 Cape Times, Friday, July 31, 1987

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Business Report

R32,8m profit for Toyota SA

JOHANNESBURG — Toyota SA returned to its previous years' profitability in the six months ended June 30 by showing an attributable profit of R32,8 million

It declared an interim dividend of 120c (nil) on earnings of 806,95c (186,76c) a share

Indications are that this figure could improve in the second half of the year

Another achievement the past six months was the decrease in Toyota's total debt/shareholders equity ratio from 59/41 to 46/54

With the interpretation of the figures it should be taken into account that Toyota paid less tax because there are still credits for income tax purposes

The chairman of Toyota, Dr Albert Wessels, said that when deciding on the size of the dividend, it was taken into account that investors have to be paid a decent return on their investments

At the same time the confidence of financial institutions also has to be taken into account as far as the acquisition of future loans is concerned

Dr Wessels says it is also important that the confidence of Toyota's main suppliers in Japan be protected to ensure that they do not lose interest in SA as some other motor manufacturers already have

Another important factor which was taken into consideration is the provision of adequate capital for growth and expansion in the future — therefore the relatively high dividend cover

Turnover for the six months increased from R643,8m to R830,5m — an increase of 30% despite an increase of only 12,2% in the total vehicle retail market.

Totoya's market share decreased slightly from 30,2% to 28,4% which clearly illustrates the extremely competitive conditions which prevailed

Group operating income amounted to R50,3m (R24,3m)

Looking ahead Dr Wessels says "at this stage it appears likely that the level of market improvement so far experienced will continue for the rest of 1987 I believe, that the trading results for the second half will be better than those reported for the first six months"

The first half of 1987 saw an increase of 12,2% in the total vehicle retail market compared with the same period in 1986

Shareholders and financial institutions will appreciate the significant reduction in the level of interest bearing debt and the ratio of total debt to shareholders equity when compared with the position a year before

An interim dividend of 120 cents per share (1986 nil) is declared which will be payable to shareholders registered in the books of the company at the close of business on 21 August 1987

Non-resident shareholders' tax of 15% will be deducted from dividends where applicable

The dividend will be paid on or about September 18

(192) DD 6/8/87

Work stoppage at motor plant

Dispatch Reporter

EAST LONDON — The Mercedes-Benz of South Africa plant here closed this week following a dispute with the National Union of Metal Workers of South Africa (Numsa)

The plant was still closed yesterday.

A Numsa spokesman, Mr Viwe Gxariso, said the plant closed on Tuesday morning after a dispute over hourly wages and short time.

A work stoppage by some 300 workers occurred in H plant — the chassis and body shop division — on Monday

It had spread to some of the other divisions on Tuesday, and production was suspended.

A Mercedes-Benz spokesman in Pretoria said production at the plant had been "temporarily suspended" because of industrial action "by some employees which is considered by the company as unlawful

"On Monday, August 3, approximately 250 employees stopped work and demanded that the company suspend payment wage increases agreed at the Industrial Council, and that additional increases of wages and conditions surrounding the hours of work are negotiated," the spokesman said.

He said workers were demanding they suffered no loss of earnings as a result of the reduction of the working week from 44 hours to 43 hours.

They were also demanding a minimum hourly wage of five rand

Management had offered an increase of 20c an hour which placed workers on R3,70 or R3,75 an hour.

"It is not even a living wage but a step forward," Mr Gxariso said.

The union wanted last-shift workers to be paid for the nine hours they used to work and not the eight hours recently introduced for the shift

The Mercedes-Benz spokesman said the company had been part of an Industrial Council agreement with the automobile manufacturing industry in the Eastern Cape for wage increases and conditions of service in 1987.

"Mercedes-Benz of South Africa indicated that it had bargained in good faith and was not obliged to bargain beyond the agreement already reached at the Industrial Council.

"The company urged employees to return to work and this has been ignored "

The company has requested an urgent council meeting to resolve the issue, the spokesman said.

EL car workers face dismissal

192

DD 8/8/87.

Dispatch Reporter

EAST LONDON — Striking Mercedes Benz of South Africa workers here would be dismissed if they did not return to work on Monday morning, a company official, Mr W. I. Gardiner, said yesterday.

The company, whose East London plant was closed on Tuesday morning after a dispute with the National Union of Metalworkers of South Africa (Numsa), was granted an interim interdict yesterday calling on striking workers here not to continue their work stoppage

The order was granted after an urgent meeting of the Industrial Council

In an advertisement in today's Daily Dispatch, Mr Gardiner said the plant would reopen on Monday at normal starting times and begin production

"We regret that employees who have wanted to work have been prejudiced by the unlawful action of a few

"If the striking employees do not return on Monday, August 10, 1987, they will be summarily dismissed," Mr Gardiner said

A Numsa spokesman here, Mr Viwe Gxarise, said talks had been held with members of the industrial relations division of the company yesterday but there had been "no change in attitude".

"Our strike is not illegal because our demand for our workers is just," Mr Gxarise said, adding that inflation had increased, but the company wanted to reduce working hours with a loss of earnings to employees and would not meet an hourly wage demand of R5.

Management had offered an hourly increase of 20c which would place employees on between R3,70 and R3,75

Mr Gxarise said this week that workers would not return to work until their demands were met.

קייפ טימס 8/8/87 192

Mercedes ultimatum

EAST LONDON. — Striking workers of Mercedes-Benz of South Africa could be dismissed if they did not return to work on Monday morning, a company official, Mr W I Gardiner, said yesterday.

Grandstand finish for motor-makers

By Don Robertson

SOUTH Africa's R5-billion a year turnover motor industry is set for a great finish to 1987.

Demand for new cars and light commercial vehicles (LCV) continues to increase, more workers are being employed and production is rising

Stockbrokers are now tipping motor-related shares

For the first time in the past four years, more people are being employed each month and it is predicted that the trend will continue

Double shifts

Some manufacturers have been working a nine-hour shift Others are working a double shift in certain sectors, also for the first time in many years

The June quarterly report from the National Association of Automobile Manufacturers of SA (Naamsa) shows that employment rose marginally in the first two quarters Since December an additional 1 376 workers have joined the work force

In the quarter to June, use of production capacity rose to 60,1% from 56% at the end of December last year and 51,8% in December the previous year

This reflected improved sales and the fact that export orientated-manufacturers are working at high capacity

Until the beginning of this year the motor industry had suffered from its worst depression — losses were bigger in the past two years than profits made since the industry began about 20 years ago — but prospects are looking much brighter

Toyota's 332% increase in interim profit figures — from R7,6-million in the six months to June last year to R32,8-million this year — has given the best indication of how the industry is shaping

Toyota chairman Albert Wessels says the second half of the year will be even better

All other manufacturers also report that they are making profits

In the first six months of this year, new-car sales rose by 10,3% compared with the first half of 1986 from 85 543 to 94 392 LCV sales have risen by 18,5% to 43 607 from 36 771 Medium and heavy truck sales have, however, failed to get off the ground

Naamsa also reports that the price of imported and SA components in the past quarter remained fairly stable because of the improved value of the rand and low inflation abroad European-based components increased by an annual 5,5% in the three months, while local components rose at an annualised 13% compared with 19% in the previous quarter

Shortages

Executive director Nico Vermeulen says the continued recovery in vehicle sales has been influenced by several factors, including pent-up replacement demand, an improved economic outlook, the stable rand, low interest rates and aggressive marketing and sales programmes by manufacturers

Stock shortages have developed, but it is expected that the problem will be resolved in the third and fourth quarters

Since the Toyota results were published on July 31, the motor industry index on the Johannesburg Stock Exchange has risen 15,5%, Toyota's share price gaining 40%

Merc workers go on strike

9/8/87

192

CP Correspondent

WORK at the Mercedes Benz factory in East London has come to a halt following a work stoppage revolving around demands for a living wage.

The spokesperson for the company in Pretoria said production had been temporarily suspended as a result of industrial action the company regarded as unlawful.

According to a Numsa spokesperson, the dispute started in one section of the plant on Monday and subsequently spread through the factory.

The workers are demanding an increase of R5 an hour and a reduction of the working week to 43 hours without loss of pay.

Management and workers deadlocked on Tuesday and the company's call to workers to return to work was ignored.

The company spokesperson said the matter was being referred to the Industrial Council. – Elnews.

Political comment and newsbills by ZB Molefe; headlines and subediting by Jon Swift, all of 204 Eloff Street Ext, Johannesburg.

11/8/87

188 workers fired by EL car plant

(192) DD

Dispatch Reporter

EAST LONDON — A total of 188 workers were dismissed from the strike-hit Mercedes-Benz of South Africa plant here yesterday.

Workers were given an ultimatum to return to work yesterday morning or face dismissal

A company spokesman, Mrs Delene MacFarlane, said workers returned to the plant yesterday morning but did not resume production

"Mercedes-Benz of South Africa issued a statement advising the small number of employees who had taken strike action that, unless they returned for duty when the plant opened today, they would be dismissed

"The ultimatum was not adhered to and, in addition, workers did not commence work.

"Mercedes Benz of South Africa have, therefore, had no alternative but to dismiss the 188 striking workers"

Mrs MacFarlane said the plant would open for production today and all attempts would be made to get employees to return to work.

The regional director of the National Union of Metalworkers of South Africa (Numsa), Mr Les Kettledas, said he had no knowledge of the workers being dismissed

Management had called a meeting with shop stewards yesterday but the talks had broken down as three stewards were informed they had been dismissed

The workers would return to the plant today but he was unsure that they would resume production, Mr Kettledas said.

The plant closed on Tuesday last week when some 300 workers in the chassis and body shop divisions downed tools in demand for higher wages and in protest against the introduction of short time

The strike later spread to other divisions of the factory, a Numsa spokesman, Mr Viwe Gxarise, said last week

Motor plant still shut

DD 12/8/87.

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EAST LONDON — The Mercedes-Benz of South Africa plant here remained closed yesterday after the National Union of Metalworkers of South Africa (Numsa) and the company failed to resolve a week-long dispute

A large number of workers went to the factory but did not work

A total of 188 striking workers were dismissed when they ignored an ultimatum to return to work on Monday.

A company spokesman, Mrs Delene MacFarlane, said yesterday no more workers had been dismissed

Asked whether the dismissed workers would be reinstated, she said· "A dismissal is a dismissal."

Mrs MacFarlane said the union had demanded further wage increases and changes to the working hours agreed on at the Industrial Council.

"The company has stated its willingness to negotiate on issues agreed at the Industrial Council

"As stated earlier to Naawu (the National Automobile and Allied Workers' Union, an affiliate of Numsa), the company again indicated that it had bargained in good faith and was not obliged to bargain beyond the agreement already reached at the Industrial Council," she said

Mrs MacFarlane [illegible] the factory would remain open for production today.

Union officials could not be contacted for comment yesterday — DDR

Mercedes-Benz says it's staying in EL

92

DD 3/8/87

Dispatch Reporter

EAST LONDON — Mercedes Benz of South Africa had no intention of disinvesting from South Africa, a company spokesman, Mrs Delene MacFarlane, said yesterday.

Mrs MacFarlane said that the strike-hit assembly plant here would also not be relocated from East London.

The plant has been closed for eight days as a result of a dispute with the National Union of Metalworkers of South Africa (Numsa)

Mrs MacFarlane said there was "no chance" that the company would disinvest and denied that the plant might relocate to another city

It was more likely that the head office would be moved from Pretoria to East London than the plant being relocated to another city

The plant was "open for production" yesterday but workers who arrived at the plant did not resume production, Mrs MacFarlane said.

Production at the plant stopped on Tuesday last week after workers in the chassis and body work division went on strike demanding an increase in hourly wages and that there should be no loss of earnings as a result of the introduction of shorter shifts.

The Numsa regional organiser in the Eastern Cape, Mr Les Kettledas, said the strike had started when the company refused to negotiate with shop stewards at the plant

A total of 188 workers were dismissed on Monday for ignoring an ultimatum to return to work. Among those dismissed were the Numsa branch chairman, Mr Nonyukela, the vice-chairman, Mr Tom, and an executive member, Mr Nkanjeni All three were shop stewards at the plant

Mr Kettledas said that when the company was granted an interdict restraining the union from participating in the strike, and when the company refused to negotiate with any delegation which included the dismissed shop stewards, the workers had told the union not to negotiate with management until further notice

The workers had also resolved that any meeting should be at the request of management They would then decide "who, if any, will represent them", Mr Kettledas said

Numsa had also informed the German Metalworkers' Union, which was active at the Stuttgart factory of Daimler Benz, of the "anti-union attitude of the South African company which refuses to participate in the most basic practice of collective bargaining with its employees".

A further development in the strike was a meeting yesterday of the joint shop stewards of Mercedes Benz, Volkswagen and BMW, the German motor companies in South Africa, where discussions took place on how to bring the strike to a speedy resolution and on the development of future solidarity action with workers in German companies operating in South Africa in which there were disputes

"This company will have to adopt enlightened South African industrial relations practices if it intends to avoid continuous conflict with its employees," Mr Kettledas said

The dispute has been referred to the Minister of Manpower, Mr Pietie du Plessis, for a decision

14/8/87

Mercedes move for interdict rejected — union

Dispatch Reporter

EAST LONDON — The Industrial Court has dismissed an application by Mercedes-Benz seeking to interdict the National Automobile and Allied Workers' Union (Naawu) from inciting or participating in the strike at the company's assembly plant here, a union spokesman said last night

The spokesman, Mr Les Kettledas, said in a statement that, as a result of the application to the court and the company's refusal to meet a delegation which included dismissed shop stewards, the workers had refused to allow any of the union's leaders to meet the company and had demanded that the company should deal directly with the workers, who would decide how to deal with the it

Mr Kettledas said the Industrial Court's decision "clearly confirms the criticisms of the union that Mercedes management has not attempted to address the problems confronting it".

Instead, it had "run for shelter" to the courts and the Industrial Council.

"We hope the industrial relations management of the company will now get their show together and get down to serious negotiations on how to resolve the dispute at the company"

Mr Kettledas warned that the union would consider withdrawing its leadership in disputes in which companies "ran secretly without adequate notice" to interdict the union, as had been done by Mercedes-Benz

"The result of this will be that the companies will then have to negotiate with all their workers or negotiations and the industrial relations system will collapse."

Mercedes-Benz spokesmen could not be contacted last night for comment on the union's statement.

A spokesman for the company, Mrs Delene MacFarlane, said earlier she was unable to comment on whether the firing of workers had been done on a selective basis but stressed the company had only dismissed 188 "believed to have been responsible for the strike".

More than 2 600 workers are now on strike at the plant, where production lines came to a halt more than a week ago rorism

Martha Mahlangu,

tries of the two bodies will be expected to ask their communities to sign the petition forms and send them to Botha to plead with him to spare the lives of our compatriots," said Lekhoro.

Albertina Sisulu said it would be a first degree murder should the 32 compatriots hang

"The Geneva Convention says no political prisoner should be sentenced to death and if Pretoria turns a blind eye to that clause, this would be murder," she said

She said no parent would venture to kill his or her child even though the child had caused serious embarrassment to the family

A second bomb scare

CP Correspondent

STANDARD Bank staff in Church Street, Grahamstown, evacuated their building on Wednesday after a bomb threat

The evacuation was the second in a week, both at midday

A security guard at the bank said the threat was made on the phone at about 12 15am.

The bank manager refused to comment and the police also did not have any comment on the matter – Albany News Agency

188 strikers get the sack

16/8/87

C/Press

(192)

CP Correspondent

CONFUSION reigned at East London's Mercedes-Benz plant on Tuesday when management announced that 188 workers had been dismissed

However, National Union of Metalworkers of South Africa officials said they had not been informed of the dismissals

The company had issued an ultimatum for the workers to end their strike, which had started on Monday, and return to work by Tuesday morning or face dismissal

The workers ignored the ultimatum and the company then announced it had dismissed 188 workers

A company spokesperson, Delene MacFarlane, said it had been decided to dismiss the 188 workers because they were considered responsible for the strike

The company had "no choice but to expel them", she said, adding that it was hoped the other workers would return to work There are an estimated 2 800 workers at the plant

However, yesterday morning workers at the plant were again refusing to return to work Instead, they were waiting for management to approach their representatives for talks

MacFarlane could not say whether management would initiate talks with Numsa, the union representing the workers

Workers in one of the Mercedes Benz plants went on strike last week in support of demands for a minimum hourly wage of R5

Late last week, the company obtained an interdict against the union in the Industrial Court, restraining it from participating in the strike and simultaneously issued the ultimatum to return to work on Monday

On Monday, a planned meeting between management and Numsa failed to materialise when management informed the union's negotiating team that three of its members – senior shop stewards – had been dismissed – Elnews

'Forced' ANC funeral

By MARTIN NTSOELENGOE

ALEXANDRA township "comrades" allegedly forced a family to bury their son in the township as an ANC soldier, instead of in the homelands, as they wished

This was revealed before Judge FH Grosskopf in the Rand Supreme Court this week by the dead man's brother

Appearing in court are seven Alexandra men and a 17-year-old youth on charges of high treason, sedition or subversion All have pleaded not guilty to all the charges

The accused are Ashwell Mxolisi Zwane, 2O, Vusi Andries Ngwenya, 2O, Andrew Mafutha, 22, David Mafutha, 19, Arthur Selby Vilakazi, 24, Albert Sebola, 21, Piet Magano, 28, and the 17-year-old youth

The dead man's brother, who may not be named, said after his brother's death comrades came to their house and told him that his brother died as an unrest victim and must, therefore, be buried as an ANC soldier

He said his father was very upset about the comrades' decision

Under cross-examination by the prosecutor, E du Toit, he admitted that his brother died of natural causes

He said on the day of the funeral, his brother was buried with 17 others at a mass funeral held at the Alexandra cemetery

16/8/87

Another State witness said that, after his brother had died from teargas fumes, comrades came and told his sister-in-law that her husband would be buried as an ANC soldier

He said at the eve of the mass funeral, comrades put up a tent and also brought plastic chairs

C/Press

Later they were told that there would not be any night vigils at any of the victims' houses, but a joint service would be held for all those who had died at the Roman Catholic Church

The case is proceeding

Officer fined R1 500

CP Correspondent

A PORT Elizabeth policeman, Constable Winston Owen Vencencie, 24, was fined R1 500 or 12 months in jail plus one year conditionally suspended in the Port Elizabeth Regional Court this week

Potsdam funeral disrupted

CP Correspondent

CISKEI police disrupted the funeral of a Potsdam community leader last weekend, according to Black Sash officials who witnessed the incident.

Sue Power, chairperson of the Sash's Border region, described how mourners at the funeral of Zola Nozewu, allegedly murdered by vigilantes, were first teargassed then sjambokked without warning.

She added there was no reason for the disruption as the funeral was "most orderly".

Ciskei police PRO Colonel Avery Ngaki confirmed that teargas was used twice at the funeral, but claimed the funeral crowd had been dispersed when they became rowdy.

He denied Power's claim that there had been no warning and that people had been sjambokked. – Elnews.

On the road to bigger profits

Car makers expect to earn R200m

17/8/87

B/Day

192

DAVID FURLONGER

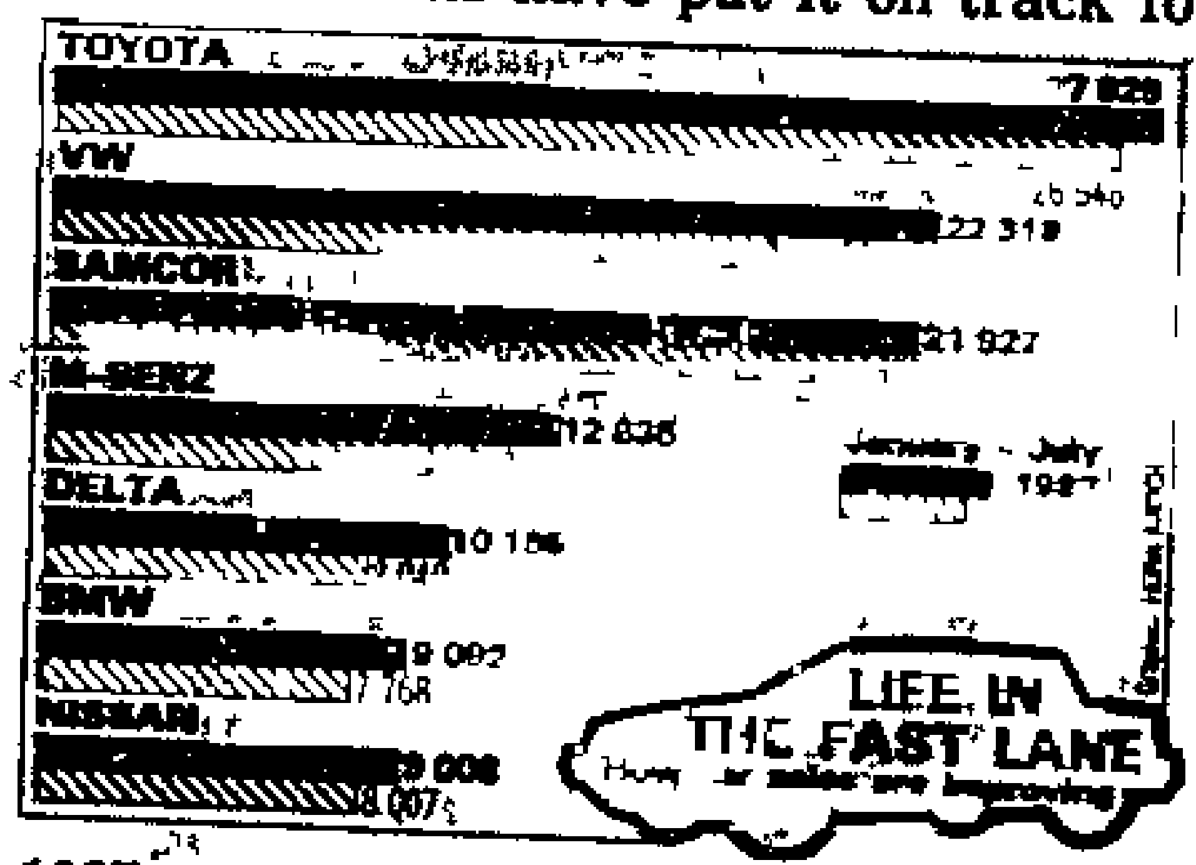
VEHICLE manufacturers expect the industry to earn up to R200m in profits this year.

But profits — while welcomed after years of heavy losses — fall well short of levels required to secure manufacturers' futures.

Executives of the seven major manufacturers say they need a return on investment of 25% to satisfy shareholders and generate cash for re-investment.

If the R200m is achieved — and at least one manufacturer believes the figure may be closer to R125m — it will represent less than 10% of the industry's combined assets of more than R2bn.

Every manufacturer claims to be trading profitably this year. Industry sources say Toyota is the only one to publish its figures and recent impressive interim results have put it on track for 1987 profits of about R75m.



Using Toyota as a marker — and no one else is expected to come near its financial performance — managing directors of three rivals believe R200m is a likely figure for the industry as a whole.

Samcor MD Spencer Stirling says the total is small in relation to the industries' needs.

"There are three points to make about any profit this year. First, what return does it offer on assets, and will it encourage shareholders to keep their money in?

"Second, the industry has to redresss the losses of the last few years And third, we need profits to fund new model programmes, plant maintenance and investment

"We all have to remain competitive. I would guess that over the next five years, the industry will have to find over R1bn for investment in new models and maintenance — and that at 1987 prices."

Sources estimate industry losses in the last three to four years at about R2bn. Where there are profits this year, they are due less to improved sales than to better asset management and cutting of overheads.

The steadier rand has also kept down manufacturing costs, restricting price increases for imported components from West Germany and Japan.

But one can go only so far with cost cutting Officials agree local sales and

● To Page 2

Car makers may earn R200m this year

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● From Page 1

the tapping of export markets remain key to longer-term income. It will be some time before local sales reach levels needed to generate consistent profits

The National Association of Automobile Manufacturers of SA (Naamsa) predicts steady market growth from now until the early 1990s.

But Stirling warns "We will see improvement this year over 1986 and further improvement in 1988. Whether we will see anything substantial after that is debatable

"Unless we get our inflation rate under control, the rand will be debased further and we will be back into a price spiral that could kill us. For that reason we must be cautious of forecasting too much long-term growth."

Cape Times 17/8/87 (192

Profit, gloom for car manufacturers

Own Correspondent

JOHANNESBURG — Vehicle manufacturers expect the industry to earn up to R200 million in profits this year

But profits — while welcomed after years of heavy losses — fall well short of levels required to secure manufacturers' futures

Executives of the seven major manufacturers say they need a return on investment of 25% to satisfy shareholders and generate cash for reinvestment

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The managing director of Samcor, Mr Spencer Stirling, says the total is small in relation to the industry's needs

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R2 billion losses

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But one can go only so far with cost-cutting Officials agree that local sales and the tapping of export markets remain key to longer-term income It will be some time before local sales reach levels needed to generate consistent profits

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DD 20/8/87

Mercedes strike talks deadlock

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Dispatch Reporter

EAST LONDON — Mercedes-Benz of South Africa (MBSA) and the National Union of Metalworkers of South Africa (Numsa) reached a deadlock yesterday in their attempts to resolve a two-week dispute at the plant here

A spokesman for MBSA, Mrs Delene MacFarlane, said in view of Numsa's refusal to accept anything less than the union's original demands the "negotiations have come to a standstill"

The regional organiser of Numsa, Mr Les Kettledas, said the MBSA offer had been rejected by the workers and "the company has refused to negotiate further on the settlement of this dispute"

"This attitude by Mercedes-Benz has been reported to the workers, who decided they would return to the factory every day to hear the company's response to their demands," he said

Mrs MacFarlane said a final offer had been made to the union yesterday in an attempt to reach a settlement

"The final offer tabled included the implementation of an across-the-board increase approved at the Industrial Council earlier this year, part compensation for the reduction in working hour from 44 to 43 hours, an additional wage increase over and above that agreed at the Industrial Council and the reinstatement of the 188 dismissed employees "

The union had rejected the offer and demanded that the company continue negotiations, Mrs MacFarlane said.

She said the company believed its offer was fair and reasonable and viewed its outright rejection by Naawu (the National Automobile and Allied Workers' Union, a Numsa affiliate) as "confrontational"

Mr Kettledas said the company had refused to pay the workers for the period of the dispute and refused to compensate in full for the reduction in working time

MBSA had offered half of the wages lost for the reduction of working time and had offered increases below the demand of R5 per hour

"The effect of the company's offer on wages is that six categories of workers, by far the majority of the company's employees, would be earning less than R5 per hour "

The offer had been rejected by the workers, Mr Kettledas said

"If the company is serious about bringing this dispute to a speedy resolution, it should review its position and continue with negotiations as it is not in its interests to stop attempts through negotiation to end this dispute "

Mr Kettledas said a joint meeting of shop stewards from all motor factories would be held on August 22 and 23 to report on the MBSA strike

It would also be decided at the meeting what action would be taken in support of workers who were in dispute with other motor companies and parts manufacturers, Mr Kettledas said

Sewing machines for convicts

LONDON — Convicts at Dartmoor prison are breaking into the 20th century after sewing mail bags by hand for 100 years

Officials say inmates at the grey, granite prison in southwest England will use sewing machines instead of thimbles to give them work experience Sapa-

Mercedes faces stock shortage

DD 18/8/87

JOHANNESBURG — Mercedes-Benz and Honda dealers are running short of stocks as the two-week-old strike at the Mercedes-Benz's East London plant shows no sign of ending.

The strike is also threatening next month's launch of the new Mercedes Benz 230TE station-wagon. Although the launch itself will go ahead as planned, Mercedes-Benz says few of the new vehicles have been built.

A spokesman says the plant was already short of all vehicle stocks after good industry sales in July. There was only one working day this month before the strike began on August 4.

Mercedes-Benz cars and trucks, as well as Honda cars, are affected by the production stoppage.

A dealer said yesterday: "Mercedes car supplies in particular have always been tight. This strike has made it critical."

The situation will extend already long waiting lists on some models.

"Waiting lists vary from model to model," said the spokesman. "On the six-cylinder models, it's about six months. The situation in East London will aggravate the wait." — DDC

21/8/87 FM

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MOTOR INDUSTRY

Shortages loom

Should the current demand upswing in the new passenger car market continue, local manufacturers could be facing critical stock supply bottlenecks (*Business*, August 14)

The unexpected surge in buyer interest in new passenger vehicles, coupled with long lead times for parts supplies from offshore manufacturers, seems to have caught the industry off guard.

Last month's 18 937 passenger car sales was the best in two years and 10% up on June's 17 231. It was also well up on the previous month's total

"At the beginning of the year, we forecast a total market of some 180 000 units. Since then we have had to change our forecasts But from the date we increase our parts orders from Japanese suppliers, it can take four to five months before they finally find their way into a new car," says Toyota MD Colin Adcock

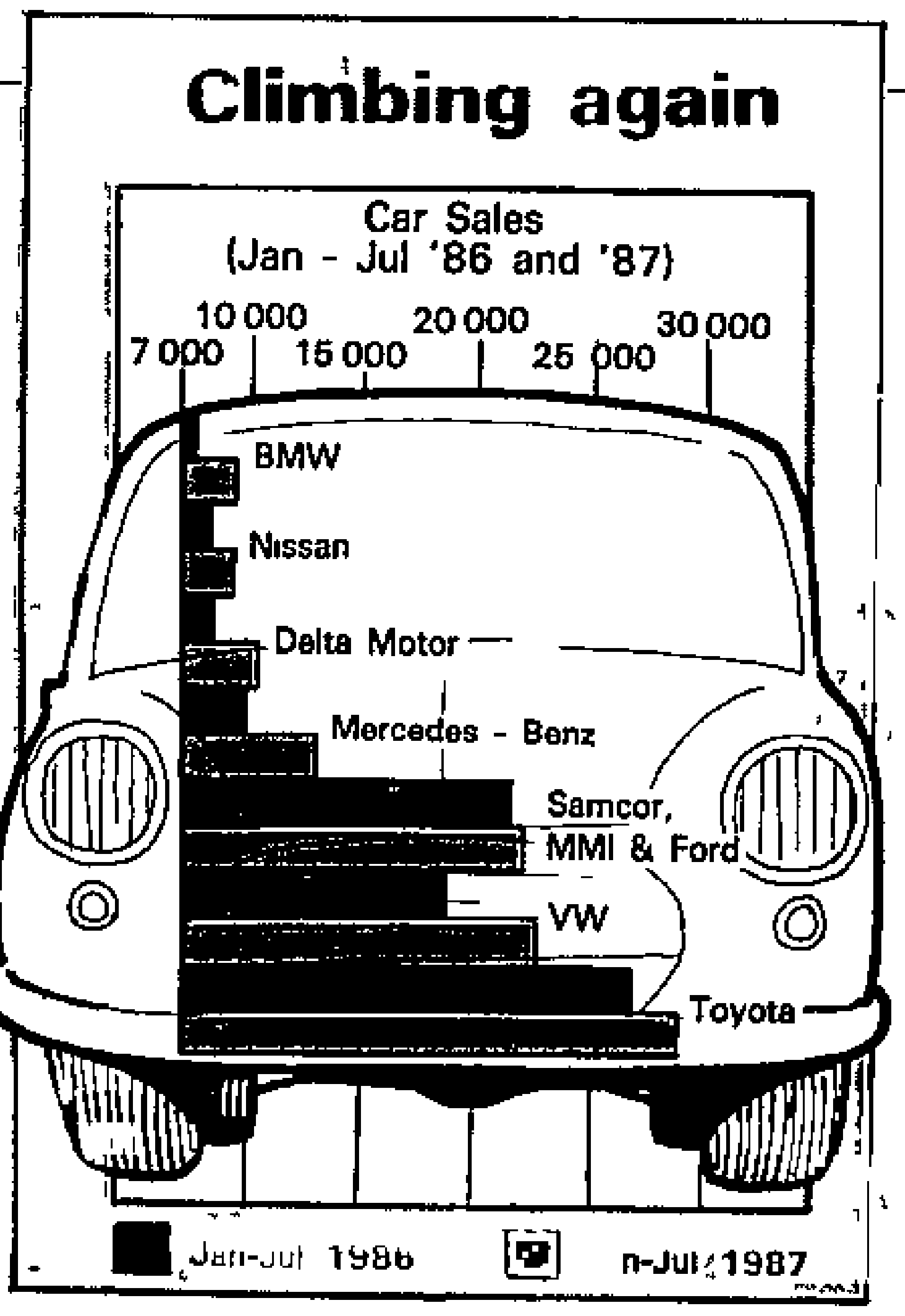
"This means you cannot react all that quickly to sudden demand increases and can find yourself short of stock I think the market this year could go to 200 000 passenger cars — but it could have gone even further were it not for stock shortages across the industry."

Volkswagen is also apparently critically short of stock and if the upswing continues the situation will be exacerbated Samcor sales and marketing director Les Brown says the group is experiencing shortages on certain models and on light commercial vehicles (LCVs). July LCV sales were the best in three years

Nissan MD John Newbury says there is a tight stock situation, but Nissan is still able to deliver. "The upswing came much quicker than anticipated," he notes Newbury predicts that with the recently introduced new Skyline and a new Langley on the way in October, "the company could push market share from its current 10% level to 13%-14% by the end of the year"

But the real star performer is Delta's Monza July sales shot up 72% above June with over 1 000 units sold for the first time since introduction — evidence that the new team at Delta is performing better than the previous owners, GM But stock shortages could halt the run, warns sales director Billy van Wyk, adding that while Monza is already sold out to the end of August "it has not affected Kadett sales at all"

The luxury end of the market also has its problems Merecedes-Benz has a strike at its East London plant and expects possibly disastrous August sales And BMW marketing manager John Jessup says while it is the company's marketing strategy to maintain low stock levels, the continuing upswing and the July phenomenon has virtually cleared BMW out of stock "No doubt some of our dealers are holding stock But we have been extremely tight on stock for the past nine to 12 months," he says.


Climbing again

Motor industry consensus is that the upswing will continue Toyota marketing director Brand Pretorius says in the medium term this is no flash in the pan VW MD and current Naamsa president Peter Searle believes the principal reason for the upturn is that increases in new car prices this year are unlikely to be above 12%, against an inflation rate of around 17% "So, relative to inflation, cars are actually becoming cheaper," he observes

However, the heavy commercial vehicle (HCV) market remains as depressed as ever. The July sales jump from June's 508 to 658 is "not significant," says Mercedes-Benz heavy vehicle division chief Adolf Moosbauer "One government tender can move the market by 100 vehicles in a month In fact I recently revised my 1987 HCV sales forecast down from 8 000 to 7 500 We expected to sell over 700 HCVs last month, but that just did not materialise" ■

…gistrate's Court here on Thursday on their charges.

CAPE TIMES 22/8/82

Mercedes not running

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EAST LONDON. — The Mercedes ~~Benz~~ of South Africa plant here remained closed yesterday as the dispute between the company and the National Union of Metalworkers of South Africa continued for its 16th day

Mercedes strike continues

EAST LONDON — The Mercedes Benz of South Africa plant here remained closed yesterday as a workers' strike entered its 21st day.

A company spokesman said yesterday that the position was unchanged.

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The company was awaiting feedback from shop stewards of the National Union of Metalworkers of South Africa (Numsa), who met in Durban over the weekend to discuss the issue.

● There have also been no negotiations between post office officials and the Post and Telecommunications Association since talks reached a deadlock situation in Pretoria last week.

A post office spokesman said over 1 600 workers had been hired in the Eastern Cape and the Witwatersrand to replace 1 600-odd employees fired for refusing to return to work. — DDR.

Editorial opinion P8

DD 21/8/87

Sowetan. 25/8/87

(192)

Mercedes strike continues

MERCEDES Benz's East London plant remained closed yesterday because of a wage package dispute with the National Union of Metalworkers of SA.

Workers started a work stoppage on August 4, and the company later dismissed 188 striking employees.

A shortage of stock has developed in showrooms countrywide, but a company spokeswoman in Pretoria declined to quantify the shortage. — Sapa.

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C/Press

Merc strike still on

CP Correspondent

THE East London Mercedes Benz plant entered its fourth week of closure due to strike action this week

The work stoppage, which has brought production to a standstill, began over a demand for higher wages.

Talks aimed at resolving the dispute reached a deadlock last week when the union rejected management's final offer.

Shop stewards from all motor manufactures met in Durban last weekend to discuss the issue

According to the National Union of Metalworkers of South Africa, shop stewards resolved to put pressure on their respective managements to intervene in the Mercedes Benz workers' strike

It had also been decided that workers at other plants would take action in the absence of a solution

The company's spokesperson, Delene MacFarlane, said production was still at a standstill.

Asked whether there was any possibility of negotiations being resumed, she said she could "not speculate on that at this stage at all" – Elnews.

30/8/87

S Times

30/8/87

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Strike costs Mercedes 2 000 vehicles

By Don Robertson

THE month-long strike at the Mercedes-Benz plant in East London has resulted in a loss of production of more than 2 000 vehicles.

Negotiations between the company and the National Automobile and Allied Workers Union (Naawu) are at a standstill, and it is likely that vehicle deliveries will be affected for some months.

The strike by 2 600 workers began on August 3 after Naawu's rejection of a wage increase negotiated by the Industrial Council consisting of Mercedes, Samcor, Delta and Volkswagen earlier this year. In these negotiations it was agreed that on August 1, wages would be raised from a minimum of R3,50 an hour to R3,70.

In spite of the earlier agreement, Naawu demanded an increase in minimum wages to R5 an hour. At a meeting on August 18, Mercedes-Benz agreed to lift the minimum wage to R4 an hour, to reinstate 188 workers and to partly compensate workers for a reduction in working hours from 44 hours a week to 43.

At the time, Mercedes-Benz viewed Naawu's rejection of the offer as confontrational and indicated that negotiations had come to standstill.

Since the strike began, 1 100 Honda Ballade, and 800 Mercedes-Benz cars have been lost and between 200 and 300 commercial vehicles.

Marketing director Peter Cleary says that after the strike is resolved it will take between five to six days to "clean" the plant before cars can be despatched and another 10 days for pre-delivery service

He believes it will be at least three weeks before sales can be resumed. Even if the strike ends soon, sales in September will be severely restricted.

The strike has resulted in the indefinite postponement of the launch of the Mecedes 230te station wagon.

Business Report

Record total dividend of 43c

McCarthy doubles attributable profit

Cape Times 31/8/87

JOHANNESBURG. — The McCarthy Group has had its best-ever year — doubling attributable profit from R10,4m (60,7c a share) to a record R20,5m (120,1c a share) in the year to June 30, 1987.

And shareholders reap the rewards with the highest-ever dividend distribution — a final of 28c making a record total of 43c (2,8 times covered) for the year.

Outstanding results

The company — SA's largest motor vehicle distributor — achieved these outstanding results in a year in which national dealer sales of new vehicles fell by 1%.

In fact, McCarthy increased its market share for the third time in succession — from 11,4% to 11,7% — which means that one out of every 8,5 new vehicles (cars and commercials) now sold in SA come from the McCarthy stable.

One of the main reasons for the company's strong performance was its stringent control of costs, which rose by only 9% — or just over half the inflation rate.

Another reason was a 28% increase in turnover, which was R290m up at R1,3 billion.

Operating profit rose by 74% from R24,3m to R42,3m, reflecting an increase in operating margins — which went up from 2,4% to 3,2%

Interest bill

The interest bill came down from R7,2m to R6,3m, taking pre-tax profit from R17,2m to R36m — an increase of 109%.

The tax man's takings more than doubled from R6,7m to R15,4m, while minority interests accounted for R88 000 (R105 000 previously).

The results are well ahead of forecast. At the halfway stage, chairman Brian McCarthy pointed to a more or less unchanged second half.

In fact, second half earnings rose from 50,5c to 69,6c, thanks to a more buoyant vehicle market in which the group increased its new unit sales by 6% over the first half. — Sapa

Car firm makes pay plea following 23 days of strike

ARGUS 1/9/87

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The Argus Correspondent

JOHANNESBURG. — Mercedes Benz has made personal appeal to its 2 600 workers to end a strike which has crippled its East London plant for 23 days.

Among offers made to workers in letters sent to their homes is a wage increase on a sliding scale over and above the 20c an hour increase offer ratified by the industrial council and the reinstatement of 188 workers dismissed on August 10.

The letter gave workers until 10am today to respond to the offer whcih would take minimum wages to R4 an hour.

The National Automobile and Allied Workers Union has demanded a minimum wage of R5 an hour.

The strike has meant lost production on 2 000 Mercedes Benz and Honda cars and 250 lorries, but a spokesman for the company declined to say what the strike had cost in financial terms.

The plant loses production of 110 to 120 cars and 11 to 15 lorries every day.

Mrs Delene MacFarlane, public relations manager, said today there had been no response yet to the offer to workers.

The strike has aggravated Mercedes Benz's already long waiting period for buyers.

Mrs MacFarlane said a price increase had been planned before the strike began It would have to be introduced when the dispute was resolved.

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Briefs

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Sowetan

STRIKING Mercedes-Benz of South Africa workers in East London have been informed individually by letter that if they do not go back to work by 10am tomorrow, the company's final pay rise offer will be withdrawn.

"We have put forward a final offer which has been rejected by the National Union of Metalworkers of SA. We believe this offer is extremely fair," MBSA spokesman, Mrs Delene MacFarlene, said last week.

2/9/87

* * *

THE Chemical Workers' Industrial Union and various Transvaal companies recently reached settlement in the "living wage campaign", the union said yesterday

Settlement has been reached with the following companies

- At Vulco Latex in Johannesburg, a settlement covering 250 workers was reached "just in time to avert a legal strike" which was due to start the next day, the union said An increase of R29 per week or R125 per month was agreed upon, giving women workers on the bottom grades a percentage increase of 29 percent Six months maternity leave was agreed with two months on full pay May Day and June 16th were granted as paid holidays and Sharpeville Day would replace Workers' Day Shift allowance was improved to 17,5 percent
- At Reel Chemical in Boksburg, the new minimum wage agreed upon was R4,20 per hour - or R800 per month minimum wage May Day and June 16 were given as holidays and Sharpeville Day would be swapped for another leave day
- After a two-day strike, 300 Twins-Propan workers at the Durban and Wadeville plants settled their dispute Increases of between R145 and R150 per month were agreed upon bringing the minimum wage to R740 per month Maternity leave was increased to 4 months with 2 months on full pay May Day and June 16 were also recognised as holidays, the union said — Sapa.

2/9/87

NR645 3/9/87 [illegible] [illegible] [illegible] 192

Car workers say no to pay offer

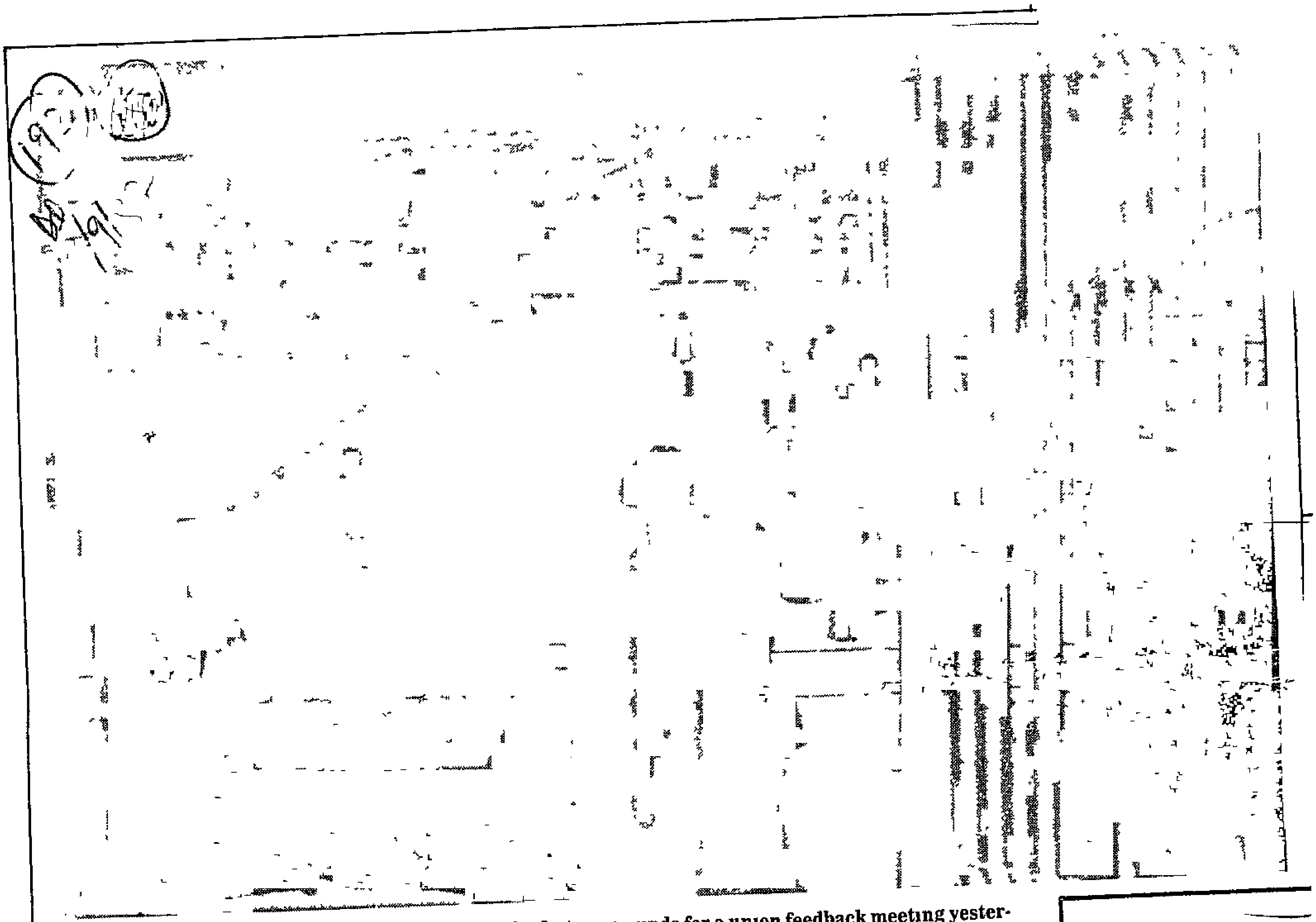
PRETORIA. — Mercedes Benz employees have rejected a company offer on wages and hours of work.

Company spokesman Mrs Delene MacFarlane said the company was, however, prepared to continue to seek settlement of the dispute.

A further meeting with National Automobile and Allied Workers Union officials and employee representatives had been proposed and was scheduled for Friday morning.

The rejected offer included a wage increase over and above the one agreed at an industrial council sitting earlier this year, immediate implementation of an across-the-board increase, reduction in weekly working hours from 44 to 43, and the reinstatement of 188 employees dismissed for allegedly instigating the strike.

Mercedes Benz has lost production of 2 735 cars and heavy vehicles as a result of the strike by 2 800 employees. — Sapa.



Striking Mercedes-Benz workers gather inside the factory grounds for a union feedback meeting yesterday Pressmen were kept out by security guards.

Mercedes strikers reject final offer

Daily Dispatch Reporter

EAST LONDON — The strike at the Mercedes-Benz of South Africa (MBSA) plant here remained unresolved yesterday as workers ignored a company ultimatum to accept a final pay offer

However, the National Union of Metalworkers of South Africa (Numsa) and the company agreed late yesterday afternoon to continue negotiations tomorrow

Hundreds of employees, who have been on strike since August 4, gathered at the trimline plant on the West Bank here this morning for a Numsa feedback meeting

The company has suffered a production loss of 2 735 cars and heavy vehicles as a result of the strike

The scene was peaceful as workers gathered in the grounds of the plant

Company guards maintained tight security, and the Daily Dispatch was refused entry to the premises

Union representatives, who met with the management on Tuesday afternoon, reported that MBSA had refused to accept a workers' demand of an hourly pay rate of R5.

A company ultimatum to accept a wage offer of R4 an hour, and an offer to reinstate 188 workers dismissed for refusing to return to work, by 3 pm yesterday, was rejected, Numsa's branch chairman, Mr Viwe Gxarisa, said

An MBSA spokesman, Mrs Delene MacFarlane, said the company was "disappointed" that employees had rejected the offer

"As a consequence the company has withdrawn its offer but is prepared to continue to seek a settlement of the dispute."

She did not disclose what new offer would be put to the union

A meeting to continue negotiations was scheduled for tomorrow morning, she said

Mr Gxarisa said the union was "looking forward" to the talks, and as had been stated before, wanted a resolution.

Workers were adhering to their demands that the hourly wage be R5, that striking workers be compensated for lost earnings, and that there be no loss of earnings owing to the working week being reduced from 44 to 43 hours

4/9/87

at a lower rate, rather than using a high tax rate of 35% on a narrower base of say R500 000

The ball is now clearly in government's court. With Steyn's clear support for mineral beneficiation already on record, it would be unwise to delay the scrapping of the *ad valorem* tax much longer ■

MERCEDES STRIKE

FM

R150m down drain

Calculations show that the four-week strike at Mercedes-Benz's (MB) East London manufacturing plant has already cost the company close on R150m in lost vehicle production.

An MB spokesman says to date production of 2 000-odd passenger cars and some 250 heavy commercial vehicles has been lost With MB monthly passenger car production split fairly evenly between Mercedes-Benz and Honda cars, an average price of R65 000 a vehicle is assumed for purposes of calculation — though, of course, commercial vehicles come in closer to R200 000

According to *FM* sources, MB's final offer to the National Automobile and Allied Workers' Union (Naawu) in the middle of last month was rejected Naawu demands full financial compensation for the fact that MB has cut working hours from 44 to 43 per week in line with market demand Naawu is also calling for a minimum wage for all employees of not less than R5 an hour

MB says it agreed to reinstate 188 employees who were dismissed for failing to return to work following an earlier ultimatum, to partly compensate workers for the hour lopped off the weekly roster, and also to a minimum wage of R4 an hour This offer was rejected by Naawu.

The company has now sent out letters to all workers restating its final offer to each employee. The new deadline for workers to indicate acceptance of the offer and return to work was due to expire as the *FM* went to press.

Naawu is an affiliate of the National Union of Metalworkers of SA (Numsa) and is the representative union at Samcor, Delta and Volkswagen as well.

As with the recent mine strike, there could well be political undertones to the union action aimed at hitting at the producer of the country's most prestigious motor cars The company, understandably, offers no opinions.

MB has recently experienced quality control problems with its new W124 car series, but this is apparently unrelated to the strike which completely halted production at the plant. The quality control problems apparently relate to the company having to adapt to new manufacturing techniques demanded by the W124 range ■

Sowetan

7/9/87

Naawu to

192

NATIONAL Automobile and Allied Workers Union officials will meet Mercedes Benz management representatives today after the company threatened to dismiss 2600 striking workers at its East London plant.

92 B/day 2/9/87

Mercedes issues 'Go back' order

MICK COLLINS

MERCEDES BENZ has given a return to work ultimatum to its 2 600 striking black East London workers

Management representatives told National Automobile and Allied Workers Union (Naawu) officials at a meeting on Friday that employees who did not return by Wednesday would be fired.

"Both parties expressed the genuine desire to secure a voluntary return to work," a Mercedes Benz statement said

The company re-affirmed its offer to reinstate 188 dismissed employees if there was a general return to work within the time limit

The union was requested to reconsider its position in an attempt to arrive at a settlement

Naawu would consult with its members and meet again with management today

The statement confirmed the company's position concerning the withdrawal of its offer on wages and hours of work tabled on August 18 single — Sapa-RNS

10 7/7/87

New bid to end Mercedes strike

EAST LONDON — Representatives of Mercedes-Benz of South Africa (MBSA) and the National Union of Metalworkers of South Africa (Numsa) will meet this afternoon in an attempt to end a month-long strike at the plant here

Some 2 800 striking employees have been given until Wednesday to return to work or face dismissal

Talks to resolve the dispute, which has cost the company some R150 million, broke down last Friday.

The company last week withdrew an offer to pay a minimum hourly wage of R4 and to reinstate 188 workers fired for refusing to return to work.

The union is demanding a minimum hourly wage of R5, that there be no loss of earnings owing to the working week being shortened and that workers be paid while on strike — DDR.

(192) STAR 7/9/87

Talks resume on Mercedes strike

Labour Reporter

Representatives of Mercedes-Benz and the National Union of Metalworkers (Numsa) will meet again today to try to resolve the 29-day strike by about 2 800 workers at the company's East London plant

A company spokesman said today's meeting was a sequel to one on Friday in which both sides "expressed the genuine desire to secure a voluntary return to work"

Strikers, who had been given until last Wednesday to return to work, have been issued with a new ultimatum to return on Wednesday morning or be dismissed

Numsa members are striking to back demands for a R5 hourly minimum wage, as against a management offer of R4 Other demands are a shorter working week without loss of pay and payment of workers for the duration of the strike

Strike at car firm: Talks resume today

ARGUS 8/9/82 92

The Argus Correspondent

JOHANNESBURG — Talks between Mercedes Benz management and the National Union of Metalworkers are due to resume today in a bid to end the four-week strike at the firm's East London plant

According to a union spokesman, the union made proposals for resolving the dispute yesterday Management was expected to respond to the undisclosed proposals today

At yesterday's negotiations, management again tabled its offer, withdrawn last week, to reinstate 188 workers dismissed last month and to increase the hourly minimum wage to R4

The union has demanded a minimum of R5 and a reduction of working hours without loss of pay

Post offices

The strike by about 2 800 workers is believed to be costing Mercedes between 110 and 120 cars and 11 lorries a day in lost production

● More than 4 000 postal workers have returned to work after settlement was reached in the disupte with the Post and Telecommunications Workers Association last week, a Post Office spokesman said

The spokesman said post offices in the townships of Daveyton and Tembisa were expected to reopen today He said Soweto post offices will also open today

● About 600 members of the National Union of Mineworkers stopped work at the Optimum colliery yesterday, the union said A mine spokesman confirmed the stoppage but said workers had returned to work after talks with management He could not say what the cause of the stoppage was

Picture HANNES THIART, The Argus

MARITIME MINIATURE: Ahoy there . little Sarah Gilbert, 5, of Rondebosch, encounters a model masterpiece at the maritime exhibition being held at a Claremont shopping centre until September 19

Matie SRC president

Education Reporter

STELLENBOSCH University's new students' representative council president is Mr Francois Beukman, 21, a political science honours student

Mr Beukman was one of three candidates nominated for the presidency of the 12-strong SRC following last week's student elections

His vice-president is Mr Hein Brand, 22

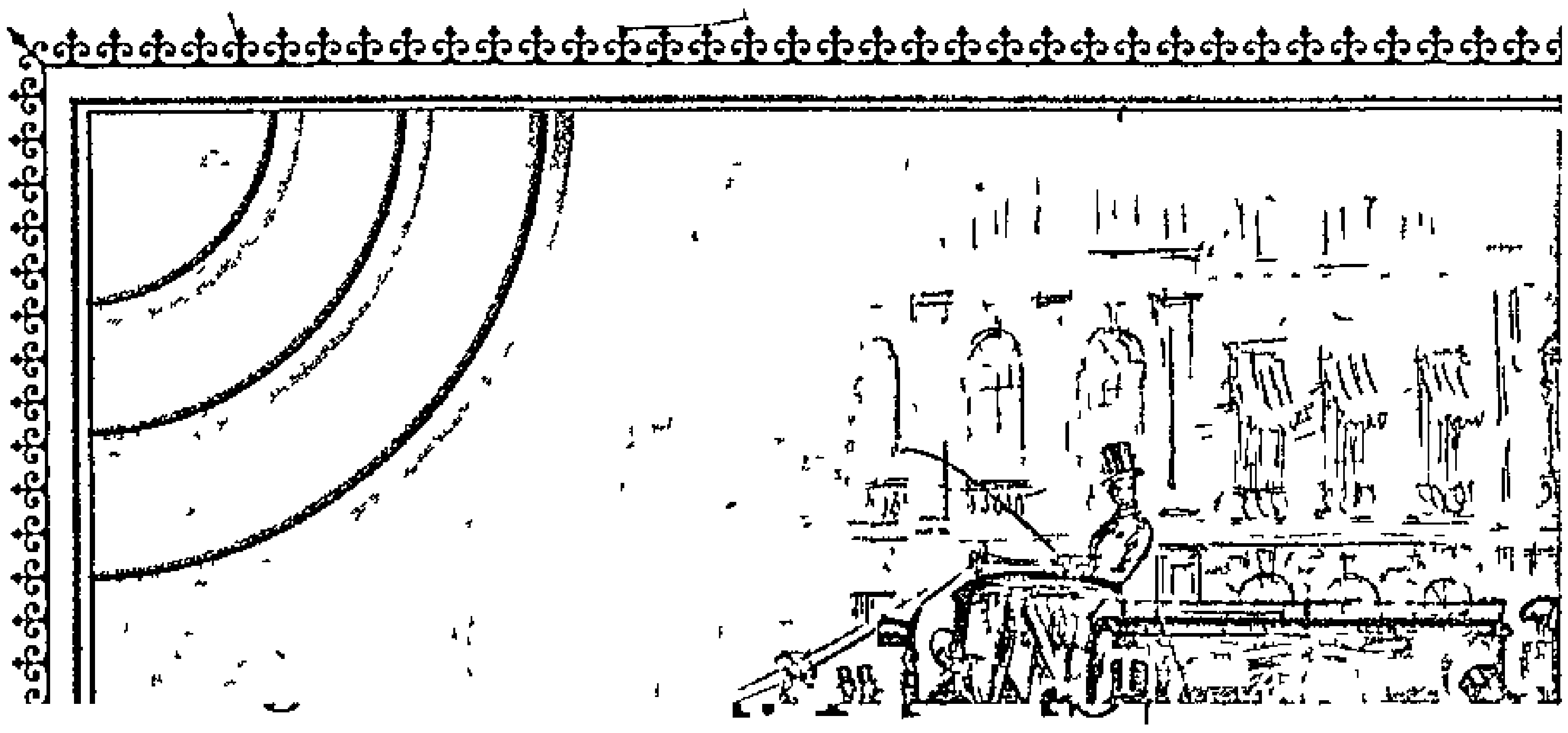
MacDonald killings: Dissident is shot dead

Argus Africa News Service

HARARE — Zimbabwean security forces have killed a member of the dissident gang which murdered former Springbok rugby player Andy MacDonald and his wife Netta

The dissident, shot dead in a contact, had in his possession Mrs MacDonald's handbag and her husband's knife

The MacDonalds were ambushed at the entrance to their Figtree smallholding west of Bulawayo in Matabeleland on August 18



DD 8/9/87

192

MBSA relents on wage offer

EAST LONDON — Mercedes-Benz of South Africa (MBSA) have reintroduced their offer of a R4-hourly minimum wage and the reinstatement of 188 dismissed workers, a National Union of Metalworkers of South Africa (Numsa) spokesman said late yesterday

The company withdrew the offer last week and some 2 800 striking employees were given until Wednesday to return or face dismissal after negotiations to resolve the month-long dispute broke down and workers ignored an ultimatum to return to work

A spokesman for MBSA had not responded to requests for comment by the time of going to press

Numsa's regional organiser, Mr Les Kettledas, said that in talks with company representatives yesterday the union had put forward further proposals for the company to consider and a response was expected at a meeting this morning

9/9 27 80

D-Day dawns for strikers at Mercedes

by BARBARA HART

EAST LONDON — Some 2 800 workers at Mercedes Benz of South Africa (MBSA) stand to be dismissed this morning after 11th hour talks to end a five-week strike here ended in deadlock yesterday afternoon

Representatives of the National Union of Metalworkers of South Africa (Numsa) and the company met for over three hours at the giant Mercedes Benz plant on the West Bank yesterday but failed to reach agreement on a minimum hourly wage rate

The company said last night it would stand by its ultimatum that employees return to work by 7 30 am today or face dismissal

Numsa's regional organiser, Mr Les Kettledas, said workers would go to the plant but would not resume work as agreement had not been reached on wages

The workers would hold further discussions at the plant this morning and, although no talks were scheduled with management, the union hoped an acceptable agreement would be reached

Mr Kettledas and the union's local chairman, Mr Viwe Gxarise, were excitedly greeted at about 4 pm by the 1 000 workers gathered in the plant grounds

Security guards prevented the press from entering the grounds

At 5 15 pm the workers ran chanting out of the premises

No incidents were reported and the crowd dispersed peacefully

Mr Kettledas said the union had put proposals to the company in an attempt to reach an agreed settlement to the dispute

While management had agreed that employees would not suffer a loss of earnings owing to the working week being reduced from 44 to 43 hours, it had "refused to reconsider its ultimatum to the workers and the dismissals" of workers who do not resume work this morning

There was also no agreement on wages

In a statement last night, MBSA, which injects R120 million annually into the Border economy, said it had agreed to reinstate its previous offer on wages and that employees would be compensated for reduced working hours

"The company, in an attempt to reach a final settlement of the dispute, made a gesture to the union in order to come to a resolution

"The offer to compensate fully for the reduction of working hours from 44 to 43 was made, as well as a proposal for a planned reduction in working hours to 40 hours per week over the next two years

"Full compensation would be paid for the reduced hours

"The wage package offered, including the compensation for hours

Company stands by strike deadline

of work represents a minimum monthly income for the lowest grade of employee in the company of R752 per month

"The union delegation stated it would report back to its members but found the company's package to be inadequate," the company said

Striking Mercedes Benz SA workers stream out of the plant gates yesterday following a meeting between management and union representatives

Photograph by MARLENE NEUMANN

Soviet satellites launched

MOSCOW — The Soviet Union launched six satellites into orbit on Tuesday with a single booster rocket.

The satellites, Cosmos 1875 to 1880, carry scientific equipment to explore outer space — Sapa-AP

192

Mercedes set to sack 2 800 today

Labour Reporter

MERCEDES-Benz is set to dismiss about 2 800 employees today after talks failed to resolve the month-long strike at the company's East London plant.

A company offer on wages and hours of work was yesterday rejected by the National Union of Metalworkers of South Africa (Numsa).

The strikers were given an ultimatum on Friday to return to work today or face dismissal.

Mercedes-Benz said last night in a statement that the ultimatum would be implemented.

The threat came after two days of talks between company and union representatives at which Mercedes-Benz reinstated a previously withdrawn offer on wages and compensation for reduced working hours.

The offer was for a R4 hourly minimum wage and the reinstatement of 188 workers dismissed earlier in the strike.

According to its statement, the company offered to compensate fully for the reduction of working hours from 44 to 43 a week and proposed to reduce working hours to 40 over the next two years.

Full compensation would be paid for the reduced hours.

Mercedes-Benz said the wage package offered represented a minimum monthly income for the lowest grade of employee of R752 a month

The union delegation said it would report back to its members but found the package to be inadequate.

STAR 9/9/87

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Mercedes meets union

Mercedes Benz of SA management met the National Union of Automobile and Allied Workers Union (Naawu) this week in an attempt to settle the wage dispute at the East London plant

No agreement was reached

Mercedes Benz said the company re-stated its previous offer on wages. The union delegation said it found the package inadequate — Sapa

192

EPH 10/9/87

Fired staff can apply

By KEITH ROSS

EAST LONDON — About 2 800 striking workers who were dismissed by Mercedes-Benz in East London yesterday are free to apply to the company for re-employment

This was disclosed today by a company spokesman, who declined to give any further details of the company's recruitment programme

"Former employees are free to apply and we are at all times open to negotiation with the workers' union," she said

The workers were dismissed when they ignored an ultimatum to return to work yesterday morning

They had been on strike for five weeks demanding higher wages

Their demand for a R5 minimum hourly wage was met with a final offer from the company of R4,04 The offer included an adjustment to compensate workers for a reduced working week

But a meeting held by the National Union of Metal Workers of South Africa (Numsa) at the plant yesterday decided not to return to work until the company agreed to demands for R5

A Numsa spokesman said the union was still open to negotiation, but no further talks with the company were scheduled

He criticised the company for ending negotiations when progress was being made

EL car plant fires 2 800 workers

192

10/9/87

by BARBARA HART

EAST LONDON — Some 2 800 workers were fired from the Mercedes Benz of South Africa (MBSA) plant here yesterday when they ignored an ultimatum to return to work by 7.30 am.

The giant motor manufacturing plant, which injects R120-million into the Border economy annually, has been closed for over five weeks following a wage dispute

Industry sources estimate the strike to have cost the company some R150-million

Protracted negotiations between the National Union of Metal workers of South Africa (Numsa) and the company for an agreed settlement have been unsuccessful

On Monday the company, after again failing to reach an agreement on a workers' demand of a minimum hourly wage of R5 issued a final ultimatum for employees to resume work by 7 30 am yesterday — or face dismissal

MBSA's final offer was a minimum wage of R4,04 per hour which includes compensation for a reduction in working hours

In a statement yesterday, the company said employees had not started work in accordance with the ultimatum "and as a result non returning workers have been dismissed '

"The company's recruitment programme will be announced in due course "

A spokesman declined to say when the recruitment drive would begin, or when the factory was expected to resume production.

Over 2 000 workers met at the trimline division of the plant yesterday morning, and after initially being barred from entering the grounds held a three-hour meeting with union officials

It was decided not to resume work until the company agreed to pay a minimum of R5 an hour

The workers streamed from the plant and ran chanting across the Buffalo River bridge to the Buffalo Street bus terminal after the meeting

With open hands held aloft they called "Five rand an hour, five rand an hour"

Traffic police and about five police vehicles monitored the situation No incidents occurred and no arrests were made the Border police liaison officer, Major Trevor Haynes, said

Numsa's regional organiser, Mr Les Kettledas, said the workers would return to the plant this morning to discuss the situation

He again criticised the company for "ending the negotiations when progress was being made"

He denied that the union was the cause of the protracted negotiations and the final breakdown claiming the company had at times withdrawn items from the negotiating table which had had to be reintroduced at later discussions

"The union wants a negotiated settlement Yesterday (Tuesday) showed that the negotiating process is possible " Mr Kettledas said, referring to agreement reached on compensatory payment for reduced working hours

Numsa was prepared to continue negotiations, but no further discussions were scheduled

Mr Kettledas said the West German metalworkers union, I G Metall, after hearing of the dismissals yesterday, had expressed support for the workers

It had not indicated whether it intended acting on behalf of the union, he said

Numsa's branch secretary Mr Viwe Gxarise, said the issue would be raised in West Germany and on other international forums

Mercedes-Benz s holding company, Daimler-Benz, is based in Frankfurt, Germany

Some of the 2 800 dismissed National Union of Metalworkers members stream across the Buffalo River bridge from the Mercedes-Benz plant on East London's West Bank after striking workers failed to meet a return-to-work deadline yesterday

Defiant open hands held aloft indicate the workers' demand for a five rands an hour minimum wage

Pictures by Marlene Neumann

10/9/87
Sowetan
192

2 800 Merc strikers sacked

MERCEDES - BENZ (South Africa) yesterday dismissed 2 800 workers who did not meet a return-to-work deadline at its East London plant.

Recruitment of new workers will be announced in due course, management said in a statement yesterday.

The dismissals followed a six weeks' strike by the members of the National Union of Metalworkers of South Africa (Numsa) who downed tools demanding a R5 an hour basic wage. Management offered a R3,96 minimum which the union rejected.

East London's Numsa secretary, Mr Viwe Gxarisa, said workers were locked out when they reported for duty at 7.30am yesterday — the deadline set by management.

8 EPost

11/9/82

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Support for EL workers

By KEITH ROSS

EAST LONDON — A pledge to whip up massive overseas support for 2 800 dismissed Mercedes-Benz workers in East London was made today by a West German MP, Mr Willi Hoss.

Mr Hoss, a former shop steward at Daimler-Benz in Stuttgart, was at the Mercedes plant to address a mass gathering of dismissed workers

The workers, who had been on strike for five weeks, were dismissed on Wednesday when they failed to meet an ultimatum to return to work

Their dismissal, after asking for a minimum hourly wage of R5, was described by Mr Hoss as a scandal He said the conditions under which workers lived and worked was also a scandal.

He said Mercedes-Benz's refusal to accede to the workers' demands was particularly shocking after the company had announced a record year

Management stands firm on wages

Meeting fails to break Highveld lockout impasse

192

B/day

ALAN FINE

DEADLOCK in the lockout of more than 2 000 workers at Highveld Steel yesterday remained unbroken after a meeting between management and National Union of Metalworkers of SA (Numsa) representatives.

Another meeting is scheduled for today.

A union source said management "refused to budge" from its previous wage offer of 41c to 76c an hour increases. Numsa is demanding 75c across-the-board.

The source said at a report-back meeting later workers resolved to "go forward" and ignore the dismissal deadline set for 3pm today unless there was an acceptable change in the company's stance at today's meeting

Earlier Numsa head office sent a telex to Highveld noting a company statement that it was open to discussion and saying the union was open to consideration of "any reasonable proposal for the ending of the dispute and lockout"

Responding to reported Highveld allegations of intimidation, Numsa said it was unable to comment on unsubstantiated allegations.

"If you send details of specific incidents, we will investigate and take appropriate action We are, however, informed by our members that no intimidation has in fact taken place and so we specifically deny your allegations," it said.

A Highveld spokesman said as far as the company was concerned there had been no new developments yesterday. Management could not be contacted later to comment on the allegations of intimidation

Numsa hints at return to work

ALAN FINE

IN THE first indication of a possible return to work by 2 800 Mercedes-Benz employees, a National Union of Metalworkers of SA (Numsa) spokesman warned of increased conflict if they returned involuntarily

Fred Sauls said members "would have to return, voluntarily or otherwise" But he added the union did not wish to be responsible for the consequences of non-agreement

Mercedes has said it plans to begin recruiting a new workforce on Monday if the workers did not respond to an offer of re-employment.

Cape Times 11/9/87

Fired workers to meet at plant daily

192

Own Correspondent

EAST LONDON — Fired Mercedes Benz of South Africa (MBSA) workers decided yesterday morning to return to the plant daily till the company resumes negotiations with the union

Some 2 800 employees were dismissed on Wednesday after lengthy negotiations to resolve a five-week wage dispute failed to reach an agreed settlement

In other developments yesterday, a West German metalworkers' union, Ig Metall, sent a telegram of support to workers, and a West German parliamentarian addressed the former employees at the plant

The workers met at the administration block after being refused entry to the trimline, where they have met since the strike began They decided to meet every day at 7 30am till the company agrees to re-enter negotiations with the National Union of Metalworkers of SA (Numsa)

The president of Ig Metall, Mr Franz Steinkuehler, yesterday sent a telegram to Numsa's office here condemning the company for the dismissals

"We regret and condemn again the company's habit to use the ultimate threat of dismissals during a bargaining process," he said

Yesterday's meeting was addressed by a left-wing member of the West German parliament Mr Willie Hoss, of the Greens Party, told the workers that their dismissal for striking "fits neatly into ruling apartheid politics".

"This monstrosity reminds me of the behaviour of early capitalist employers," he said The mass dismissals had "colonialist characteristics which fit neatly into apartheid politics", Mr Hoss, a former shop steward at the Daimler-Benz plant in Stuttgart, West Germany, said

FM 11/9/87

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MARKET MOTOR GROUP

Riding Toyota

Market Motor Group (MMG) derives broad benefits from its involvement in used cars, repairs and parts service — but its Toyota new car dealership must be a major reason for the 98 times oversubscription of its public offer

In its traditional business, MMG has grown from a small used-car business outside Cape Town, started by the Sank brothers, Barney and Abe, in 1954 The brothers will indirectly hold 66% of issued shares after the offer of 2,3m shares to the public and 2,25m shares by way of a private placing

MMG has grown to a diversified group with 16 motor outlets in the western Cape, and the largest new car Toyota dealership in the Cape When Toyota marketing director Brandt Pretorius endorses the group and (at the JSE presentation) talks bullishly about the motor market's potential for this year and 1988, the share seems to have potential.

It has an unusual investment in the film industry which saved tax equivalent to 6c of its 15,3c EPS last year. According to Alan Ipp of Fisher Hoffman Stride, MMG's auditors, the concept has been regarded as sound financial planning The film makers got full exchange control approval to help finance a film called *Scavengers* made in SA; MMG is one of a number of investors in this project.

Forecasts conservative

Earnings contribution from the film investment will gradually decline until the tax benefit is fully utilised in 1989 Any possible ramifications of the Margo Commission could thus be avoided

Along with the rest of the motor industry, MMG had a poorish performance in 1985, when the new car market dived The group had little profit growth until the 1987 year (June year-end) when earnings tripled to R3m

Although the group's film curbed tax, the good performance was also due to a rapid rise in operating profit, which reached R3,8m (R2m) on a 24% increase in turnover to R102m (R83m). According to new financial director Avrom Sank, the 28-year-old son of Barney Sank, "Our forecast is conservative — and doesn't take into account large expansion currently taking place "

Turnover is forecast to rise to R122m, but taxed profit is expected to be close to this year's R3,1m because of the lower tax charge provided by film investment this year The share offer will dilute next year's earnings to 14,1c (15,3c) a share but, even so, the 100c issue price puts the share on an attractive prospective p·e of 7,1 times

The low p·e and high oversubscription suggests the share might trade higher than the 130c that some analysts have predicted for its September 18 listing Stags may have another field day — but MMG will have to show longer-term growth to justify a higher rating

Dave Edwards

Sacked strikers demand to talk

192

DD 11/9/87

by BARBARA HART

EAST LONDON — Fired Mercedes-Benz of South Africa (MBSA) workers decided yesterday morning to return to the plant daily until the company resumed negotiations with the union.

Some 2 800 employees were dismissed on Wednesday after lengthy negotiations to resolve a five-week wage dispute failed to reach an agreed settlement

In other developments yesterday a West German metalworkers' union, IG Metall, sent a telegram of support to workers, and a West German parliamentarian addressed the employees at the plant

The workers met at the administration block after being refused entry to the trimline plant where they have met since the strike began

They decided to meet at the administration block every day at 7.30 am until the company agreed to re-enter negotiations with the National Union of Metalworkers of South Africa (Numsa)

The workers later left the plant peacefully, while police in five vehicles monitored the situation

An MBSA spokesman said management was aware that the workers would be meeting on the company grounds this morning She declined to say whether they would be allowed to continue to do so

She confirmed that the dismissed workers had not been allowed to enter the trimline division grounds yesterday, but denied that the gates were locked on Wednesday.

"All workers carrying identification cards who were returning to work were allowed to enter."

The spokesman declined to reveal details of the company's intended recruitment programme or when it would be implemented

The president of IG Metall, Mr Franz Steinkuehler, yesterday sent a telegram to Numsa's office here condemning the company for the dismissals.

"We regret and condemn again the company's habit of using the ultimative threat of dismissals during a bargaining process

"These 'wild west' methods destroy any climate of compromise

"To dismiss a whole workforce is not at all a sign of reasonable management attitude It comes close to blunt dictatorship," Mr Steinkuehler said

Yesterday's meeting was addressed by a left-wing member of the West German Parliament

Mr Willie Hoss, of the Greens Party, told the workers that their dismissal for striking "fits neatly into ruling apartheid politics"

"This monstrosity reminds me of the behaviour of early capitalist employers"

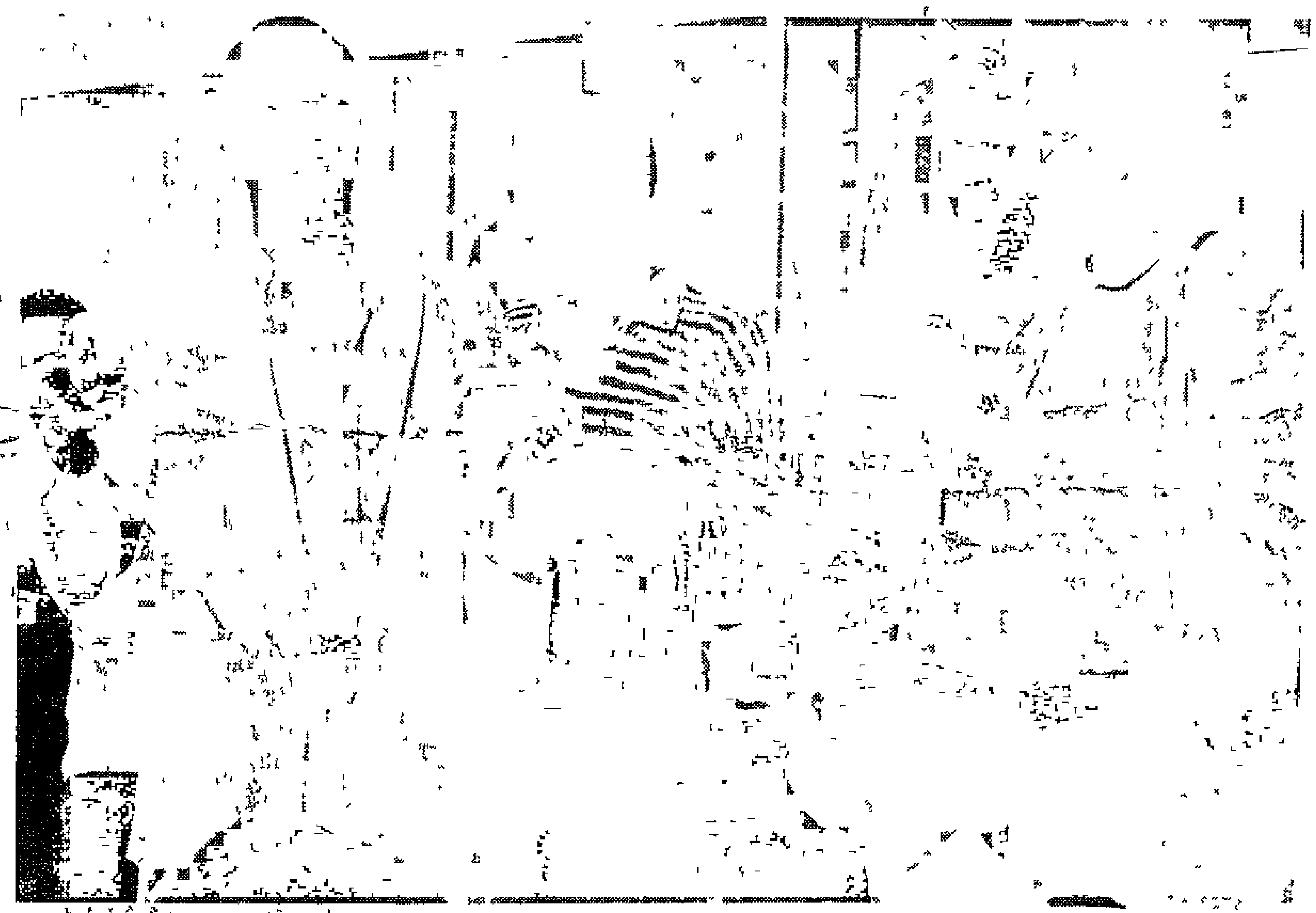
The mass dismissals had "colonialist characteristics which fit neatly into apartheid politics", Mr Hoss, a former shop steward at the Daimler-Benz plant in Stuttgart, West Germany, said.

The workers' minimum wage of R3,50 an hour compared with R16 an hour at the Daimler-Benz plant, he said

Numsa's regional organiser, Mr Les Kettledas, said Mr Hoss had not been invited by the union to visit East London

Mr Hoss is expected to address the workers again this morning

Editorial Comment page 14



A shop steward at MBSA, Mr Wellington Nomyukela (left), interprets for a German Greens Party MP, Mr Willi Hoss, during a meeting of striking workers, at the East London plant yesterday.

Photograph by STEVE HILTON-BARBER (Reuters)

W/Argus 12/9/87

Fear for second-hand car market as fewer sell

Private motor sales increase

192

Weekend Argus Correspondent

JOHANNESBURG — Private buyers are flocking back to the motor market and in some cases dealers report that fleet sales now account for only 10 percent of new car sales, compared with 60 percent a year ago

Vaaltrucar s Sarel Germishuizen says the man in the street is buying 90 percent of the new cars sold by his group He attributes this turnaround to lower, stable interest rates, the shortage of good used cars and product strength around the R20 000 mark

On the national front, manufacturers have also noted a recovery in private sales, if not quite to the extent experienced by Mr Germishuizen's group

Toyota's marketing chief, Brand Pretorius, says that at the lower end of the market the ratio is about 40 percent private sales to 60 percent fleet

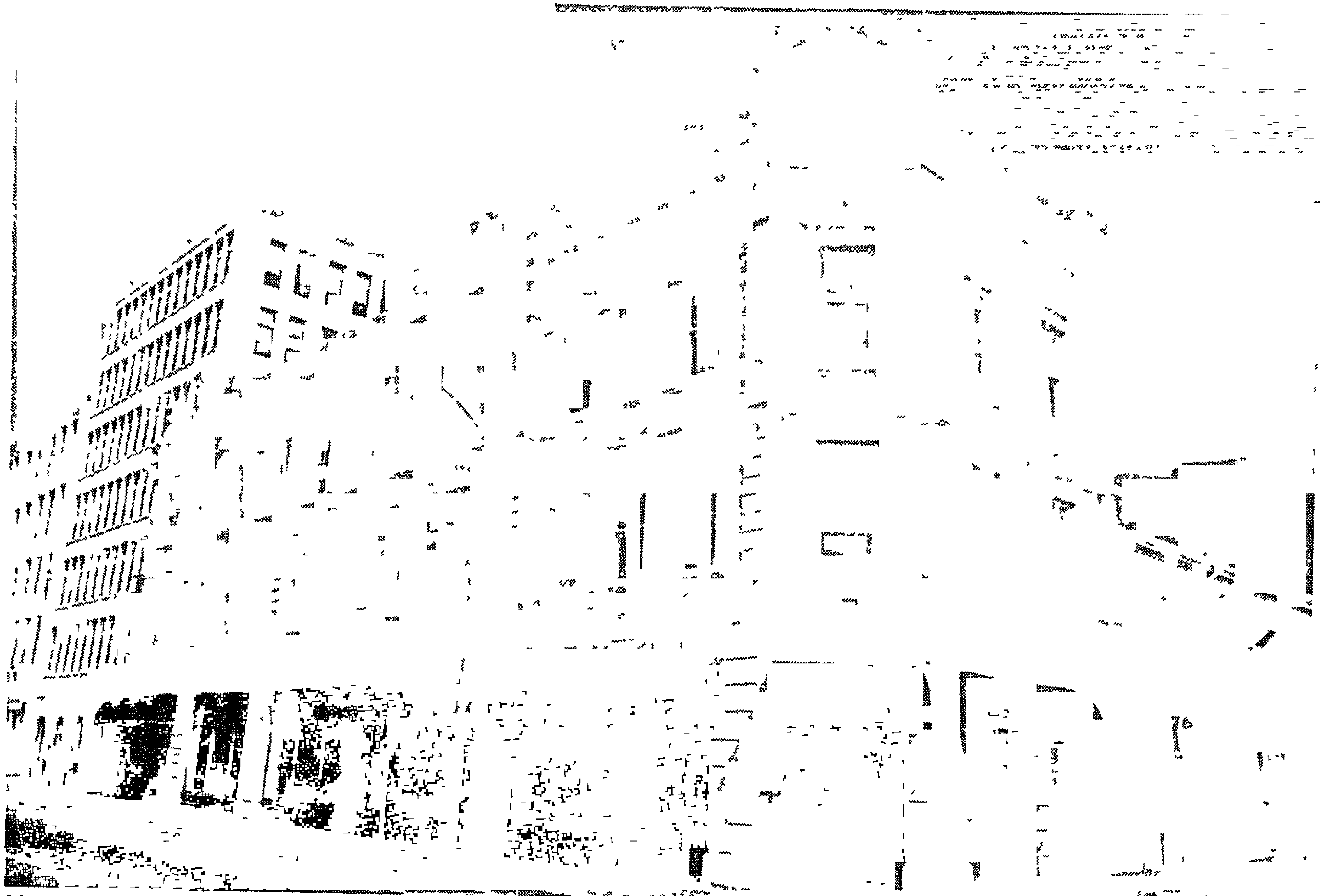
"But this still represents a substantial change in the position since before June, when fleet buyers were in the overwhelming majority

"Recovering"

"Private sales have been accelerating, particularly since July," he says

He believes various factors are behind the switch

Darling Street landmark sold for R700 000



Harrington Building in Darling Street, Cape Town, has been sold for R700 000. Mr Reg van Selm of Property Agents negotiated the sale to an overseas investor who is buying it with financial rands. The building was substantially upgraded a few years ago and is in excellent condition, he says. The present tenants, Tongaat Textiles, expect to vacate the building shortly.

P.T.O.

"People are recovering from the price shocks of the past few years Many of them are being forced to replace old cars they have held on to during the period of price increases and the trend is being re-inforced by creative finance packages being offered by the institutions"

"Another important factor is that their bond repayments are lower than they have been in recent years

"Interest rates have also been stable for some months"

Motor industry economist Tony Twine cautions about interpreting the trend as signalling a resurgence of consumer confidence

"There would have to be a substantial improvement in the general economic environment before one could say that However, it is clear many people are returning to the market after having deferred purchase decisions during the period of sharply rising prices"

He warned that the shortage of used cars would become worse next year

"Used cars start going on to the market after about three years If one looks at past sales figures, 278 000 cars were sold in 1984, but in 1985 that dropped by 75 000 This means there will be 75 000 fewer three-year-old used cars available to the market next year"

He said there was also a possibility that many sales regarded as private were in fact "corporate-assisted" — where people seeking to diminish the impact of perks tax had the cars registered in their own, rather than company names

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Lion men stick to their guns

Weekend Argus Correspondent

DURBAN — In an expression of confidence in Durban-based Lion Match, holders of more than 1,5-million shares have declined to accept an initially more lucrative exchange offer of South African Brewery shares and cash, following the recent takeover by SAB

In turning down the offer of SAB shares, a number of major institutional holders of Lion obviously have taken the view that Lion shares hold greater future investment potential

These minorities, including all the group's executive directors, have decided to stick with their holdings, which will continue to be listed on the stock exchange Other minorities, however, will still receive the swop offer and Lion shares will be split five-for-one to make them more marketable

In terms of the offer, minorities are at least R1 a share better off — in immediate cash terms — in accepting the offer of 82 SAB ordinary shares and R17 cash for every 100 Lion ordinary shares Alternatively, they could take R1 575 in cash for every 100 Lion ordinary shares

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Zimbabwe govt buys Delta share

Argus Africa News Sevice

HARARE — Zimbabwe's socialist government has substantially increased its share of the private sector by taking up its option to buy almost a third of the equity in the giant Delta Corporation

Delta runs the Zimbabwe Sun hotel group, the National Breweries, the OK Bazaars chain, supermarkets and furniture shops

The 6,6-million shares bought by Mr Robert Mugabe's government were formerly owned by Tigatel BV, the offshore trading arm of South African Breweries which is keeping a 30 percent stake in Delta

The government intends to take control of Delta by increasing its stake to more than 50 percent and will make offers to other shareholders to achieve this objective

Non-residnets who used to live in Zimbabwe will be offered Z$4,50 a share, remittable through 12 or 20 years four percent external bonds

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Venture capital industry for SA ready to take off

Weekend Argus Correspodent

JOHANNESBURG — Many millions of rands in venture capital are on the cards for South Africa

If talks going on within various institutions bear fruit, the first of these funds could be in place within the next three months

The aim of each fund would be to lend money to cash-hungry entrepreneurs, free from the constraints of institutional controls

Each fund would be backed by successful entrepreneurs, who would hold equity stakes

Mr Graham Rosenthal, chairman of the Johannesburg Venture Capital Association and a partner at Arthur Andersen and Company, says that although the institutions have been discussing the possibility of setting up funds for the past 18 months, so far without result, "moves are afoot now and things could happen pretty quickly"

Two changes are necessary if a South African venture-capital industry is to develop, says Mr Rosenthal

The first is for the industry to be formalised to a greater extent than it is at present, for instance by an organisation such as the JVCA — a non-profit body with no funds of its own to invest — appointing a full-time executive director

The second is for one or more venture-capital funds to be formed by the big players in the field and for these funds to operate beyond the bounds of institutional control

At the moment, several companies and institutions including merchant and commercial banks offer money to entrepreneurs

Typically, they also offer management and marketing expertise and money for research where necessary

However, most of these organisations keep the lowest of profiles Otherwise, they would be swamped by the number of applications that would come their way

Mr Rosenthal says that in the past 18 months the JVCA has received at least 50 business plans from hopeful entrepreneurs, plus about 150 telephone calls

"There are literally hundreds of people out there looking for finance," he said

The JVCA vets the business plans it receives, though in no great detail, and invites selected entrepreneurs to give 15-minute presentations to members, most of whom represent bodies such as merchant and commercial banks

What happens after the presentations is up to the members and the entrepreneurs

The most common weakness among the entrepreneurs is overly optimistic business plans, he adds

"My advice to any entrepreneur is to take his ideas and business plans to a professional The cost of getting a professional to draw up a plan could be several thousand rands, but a professionally motivated business plan gives a project a much better chance of getting off the starting block"

Mercedes starts recruiting drive

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DD 12/9/87

by PAM AGNEW and GARY CROMHOUT

EAST LONDON — Mercedes-Benz of South Africa (MBSA) will begin with a re-employment programme on Monday to rehire employees dismissed by the company on September 9 after protracted management-union talks faltered.

In a statement yesterday MBSA also re-emphasised its commitment to remaining in South Africa.

The statement, issued late yesterday afternoon, said the offer of re-employment would remain open to all dismissed workers until 3 pm on Friday, September 25 An advertisement to this effect also appears in today's Daily Dispatch

The statement said. "The company guarantees such persons employment except in cases where a person's behaviour constituted gross unlawful misconduct during the period August 3, 1987, to date of application," Dismissed workers who applied for re-employment after this date (Sept 25) would not be given preferential consideration

Workers are being offered wages commencing from a minimum wage rate equivalent to R752 per month at the lowest job grade or R4,04 per hour

"MBSA plans to resume production at the earliest opportunity and, if required, will consider hiring new and/or additional employees."

In another development yesterday, a fence was being erected around the plant's administrative block after dismissed workers moved from the open area in front of the block.

They had decided to gather there daily until the company resumed negotiations

Reacting to the latest developments, the regional organiser of the National Union of Metalworkers of South Africa (Numsa), Mr Les Kettledas, said management could not hope to solve the problem by building a fence or by resisting further negotiations

"In Germany, people are trying to break down the Berlin Wall and here they are trying to build one It won't help, it is not going to solve the issue," Mr Kettledas said

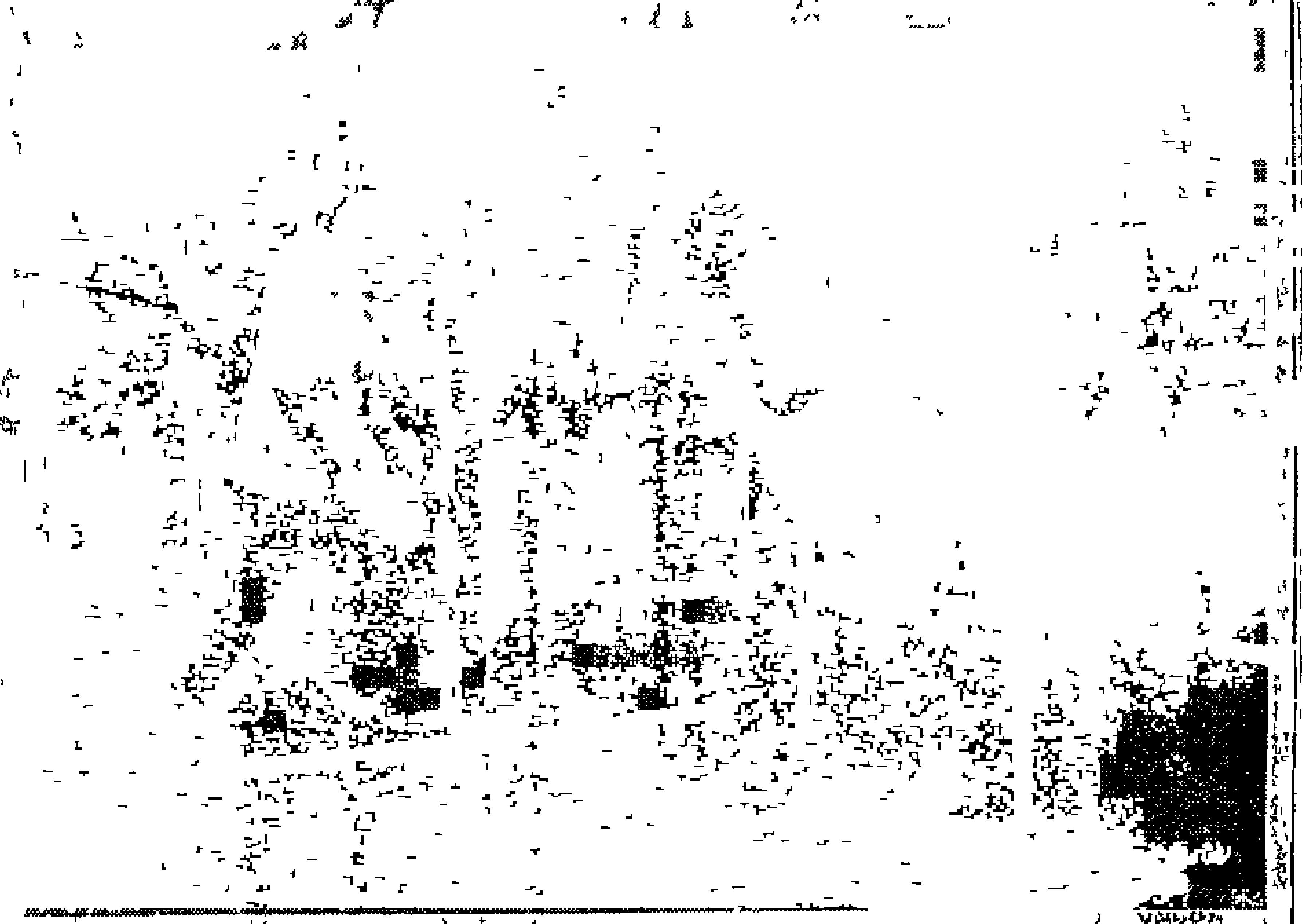
Approached for comment late yesterday afternoon, an MBSA spokesman said from Pretoria that she "did not know much about" the erection of the fence, but said its construction was "probably normal procedure" She said she would investigate and "come back", but at the time of going to press she had not issued a reply

By late yesterday afternoon Numsa had not been informed by MBSA of the intention to offer re-employment to dismissed workers but Mr Kettledas said the move had been expected

Informed of the content of the statement and advertisment, Mr Kettledas said it was clear that the company was trying to exclude the shopfloor leadership and undermine the strength of the union

"It was grossly unfair that the workers were even dismissed when the collective bargaining process was still continuing," Mr Kettledas said

"The company is now offering the same rate of pay that was originally unacceptable to the workers — it will definitely not save the situation," he said



Workmen busy yesterday erecting a 3m high fence around the administration block of Mercedes Benz SA.

The MBSA statement also referred to rumours "arising from the protracted industrial dispute" in East London that the organisation was considering withdrawing from the Republic

The statement said it was necessary to reiterate what has been said before by the chairman of its principal, Daimler-Benz AG, that it had a responsiblity towards its workforce as well as an obligation to its dealers and suppliers and their employees in the country

In order to meet these commitments, the company has to remain in business, as any other alternative would leave thousands of workers and their families without a reasonable standard of living, the statement said

MBSA believed in an evolutionary process that would lead to a new society in South Africa, in which all its people would enjoy equal rights

"The company is, therefore, not prepared to bow down to any pressure which might hinder it from fulfilling its commitment to remaining in business in South Africa.

The MBSA spokesman said that the statements made on Thursday by the German Greens Party MP, Mr Willi Hoss, concerning the minimum wage of R3,50 an hour for local workers compared to R16 an hour to those at the Daimler-Benz plant in Germany were irrelevant

Mr Hoss said earlier that Wednesday's mass dismissals had "colonialist characteristics which fitted neatly into apartheid politics"

"We feel that he has not compared apples with apples because his figures were done purely on an exchange-rate basis and do not reflect the income and cost structure of the two companies

"In South Africa a packet of cigarettes costs between R1,00 and R1,20 while the same size packs cost the equivalent of R4,50 in Germany," the spokesman said

All Mercedes strikers fired

CP Correspondent

MERCEDES Benz has dismissed it's entire workforce of 2 800 workers for failing to heed an ultimatum to return to work

The company announced the move in a statement this week

The statement, issued by Mercedes Benz public relations manager Delene MacFarlane, said no wage settlement had been achieved despite "protracted negotiations during which Mercedes Benz of South Africa made substantial concessions"

The firm's final offer of R4,04 an hour as a minimum wage had been rejected at an earlier employees meeting, the statement said

The meeting closed at 10 30am on Wednesday with the employees dispersing without returning to their workplaces

"Employees have not commenced their normal work in accordance with an ultimatum issued by the company, and as a result have been dismissed," the statement said.

A spokesman for the National Union of Metalworkers of South Africa, Viwe Gxarisa, said the dismissal was just an attempt to divide the workers.

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C/Press 13/9/87

Despite firings, Benz strike talks restart

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By CHRIS MABUYA, East London

DESPITE the dismissal last Wednesday of the entire 2 800-strong workforce of Mercedes Benz, negotiations resumed this week in a bid to end the nearly two-month-old strike

At issue in the dispute between Mercedes and the National Union of Metalworkers of SA is a demand that a reduction in the working week not lead to a loss of pay, a wage demand of R5 per hour, and payment for the weeks the workforce has been on strike.

Workers downed tools on August 3 to support their wage demand

Although the company obtained an industrial court interim interdict restraining the union from striking, the strike continued, and Mercedes dismissed 188 workers

Three weeks ago the company offered to reinstate the dismissed workers and to pay R4,04 per hour and compensation for the reduced working week

The offer was rejected and negotiations deadlocked.

Last week the company dismissed the entire workforce, then invited reapplications

According to Numsa organiser Les Kettledas, none of the workers reapplied because "they don't recognise the dismissal"

Meanwhile company representative Delene MacFarlane said Mercedes has put forth a "revised and improved proposal" as a basis for the resumed negotiations .— Elnews

Striking workers from the East London Mercedez Benz plant raise five fingers for their demand of R5,00 an hour

Picture: STEVE HILTON BARBER, Afrapix

14/9/87

West German union backs EL strikers

Dispatch Reporter

EAST LONDON — The Metal Workers Union shop stewards at Daimler-Benz in West Germany have come out insupport of the 2 800 striking workers at the plant here who have been fired

In a telephone interview from Sindelsingeen in West Germany yesterday, the representative of the union, Mr Ludwig Kemeth, said they were shocked at the conduct of the management of Daimler-Benz South Africa in dismissing 2 800 colleagues

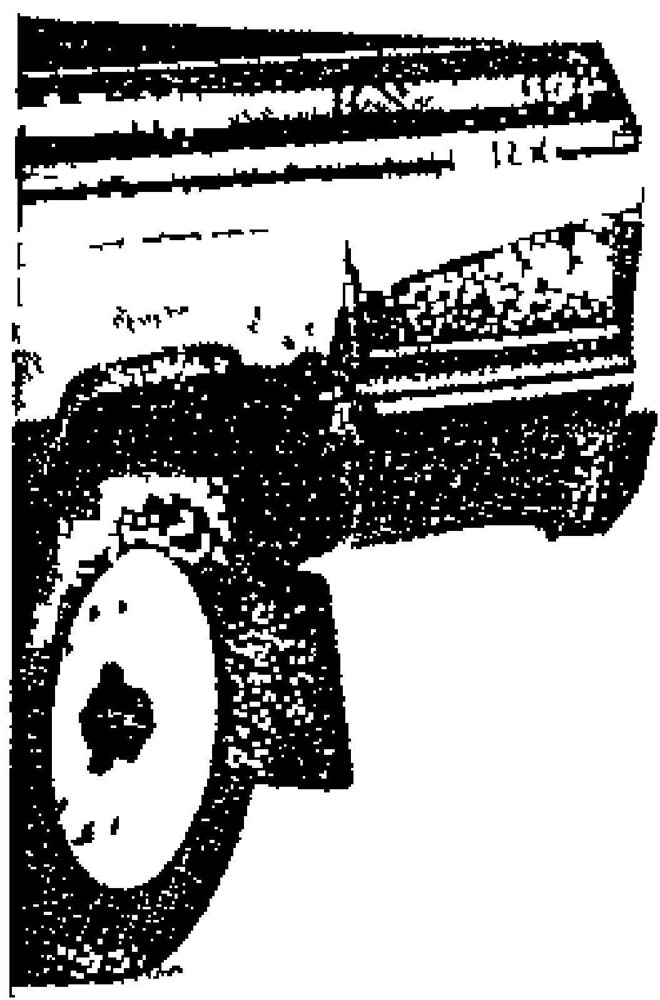
He labelled the sacking "scandalous"

Mr Ludwig said a preliminary assembly at the weekend attended by 288 shop stewards "fully support our South African colleagues' demand for a R5 an hour wage"

"We insist that all 2 800 collegues should be reinstated immediately without exception, without condition and without alteration to their terms of contract"

Meanwhile, rehiring at the West Bank plant starts this morning and management has emphasised rehiring remains open to all dismissed staff

A spokesman for the company, Mrs Delene Macfarlane, could not be contacted in Johannesburg last night She was reported to be out of the country



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14/9/87

Mugabe government to take over Delta?

HARARE — Mr Robert Mugabe's government is going ahead with its plan to take control of Zimbabwe's powerful commercial and industrial conglomerate, Delta Corporation, from an "offshore subsidiary" of South African Breweries

The deal for an initial 31,5 per cent of Delta Corporation shares, has been advocated by members of the ruling Zanu (PF) party as an essential step towards their socialist goal

Delta Corporation owns Zimbabwe's beer monopoly as well as its largest supermarket chain, the OK Bazaars

It is second only to the local arms of the great multi-national mining houses in the Zimbabwean company lists

The next phase of the Zimbabwean government's plan is to acquire at least a further 19 per cent of the shareholding in Delta Corporation, or a maximum 60 per cent total stake

Critics of the deal say the programme of acquiring existing foreign-owned companies ties up state funds which are vitally needed to create fresh enterprises, thus providing extra employment for the 200 000 school leavers flooding onto a stagnant labour market each year They noted that the takeover will mean some 8 000 jobs in Delta Corporation subsidiaries will soon be in the patronage of Zanu (PF)

The Delta Corporation shares are being bought from Tigatel, a subsidiary of SAB, which is reported to want to retain a 30 per cent stake in Delta Corporation for the foreseeable future

In June the Delta Corporation subsidiary Zimbabwe National Breweries fulfilled a R5-million beer order from SAB, despite criticism that it was giving comfort to supporters of apartheid — DDC

Firemen to get lessons

in countering intimidation and terror- publicise the progress widely and effectively ”

Harare moving in on Deltacor

14/9/87

192

B/day

MICHAEL HARTNACK

HARARE — The government of Zimbabwe's President Robert Mugabe is going ahead with its plan to take control of the powerful commercial and industrial conglomerate, Delta Corporation, from an "offshore subsidiary" of South African Breweries.

The deal, reportedly worth about R30m for an initial 31,5% of Delta Corporation shares, has been advocated by members of the ruling Zanu (PF) Party as an essential step towards their socialist goal of "securing for the workers control of the means of production, distribution and exchange".

Delta, once known as Rhodesian Breweries, owns Zimbabwe's beer monopoly as well as its largest supermarket chain, OK Bazaars, and innumerable subsidiaries.

In Zimbabwean company lists it is second only to the local arms of the great multinational mining houses

The next phase of the government's plan is to acquire at least a further 19% of the shareholding in Delta — or a maximum 60% total stake.

Critics of the deal say the process of acquiring existing foreign-owned companies ties up State funds, which are vitally needed to create fresh enterprises, thus providing new employment for the 200 000 school-leavers flooding on to a stagnant labour market each year.

They note that, in political terms, the takeover will mean that about 8 000 jobs in Delta Corporation subsidiaries will soon be in the patronage gift of Zanu (PF) — in a country where only 1,1-million have formal employment of any kind.

The Delta Corporation shares are being bought from Tigatel, a subsidiary of South African Breweries, which is reported to want to retain a 30% stake in Delta for the foreseeable future.

In June the Delta Corporation subsidiary, Zimbabwe National Breweries, fulfilled a controversial R5m beer order

● To Page 2 ⇨

Deltacor faces Harare takeover

⇦ ● From Page 1

B/day

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14/9/87

from SA Breweries, despite criticism that it was "giving comfort to supporters of apartheid"

In a statement to shareholders after its annual meeting in Harare on Thursday, Delta Corporation said that after acquiring an initial 6,5-million shares from the major shareholder, Tigatel, the Zimbabwean government was making a general offer to minority shareholders

Zimbabwean residents are being offered Z$4,50 (R5,49) for each ordinary share, while shareholders classified by the Reserve Bank as former residents are also offered Z$4,50 —, remittable abroad only through the government's 12 or 20-year 4% bonds

With inflation currently running at 15%-20%, this means former residents will only receive a fraction of the real value of their holding at today's monetary values when final instalments are paid to them in 1999 or 2007

Foreign shareholders not classified as former residents are offered R5,49 payable into a blocked account in Zimbabwe, or R4,27 payable in three instalments of United States dollars over the next two years

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15/9/87

No dismissed MBSA strikers seek rehiring

Daily Dispatch Reporters

EAST LONDON — None of the 2 800-odd dismissed Mercedes-Benz of South Africa (MBSA) workers were rehired here yesterday morning

The workers, who were fired last Wednesday after wage negotiations to settle a five-week strike failed to achieve an agreed settlement, gathered at the plant yesterday morning but did not seek re-employment

Workers said they would meet at the plant again this morning but would not seek re-employment until their wage demand had been met.

The company announced on Friday last week that dismissed workers would be re-hired until Wednesday this week.

The workers are insisting on a minimum hourly wage of R5

MBSA have offered R4,04 an hour, which includes compensation for time lost owing to the working week being reduced from 44 to 43 hours.

The regional organiser of the National Union of Metalworkers of South Africa (Numsa), Mr Les Kettledas, confirmed that workers had not sought re-employment yesterday

An MBSA spokesman said yesterday afternoon "it is still too early to comment" on the rehiring programme or what the company intended doing in the future

Mr Kettledas said more than 80 per cent of the dismissed workers were skilled

There was no indication yesterday whether the West German metalworkers union, based at the Daimler-Benz headquarters in Stuttgart, would come out in strike in support of the MBSA workers, he said

The union, IG Metall, sent a telex of support to the local Numsa office yesterday and telephoned the Daily Dispatch on Sunday to confirm this support

Meanwhile, shop stewards from Delta, Samcor and Volkswagen will visit East London, in the next two days, to meet with the workers at Mercedes-Benz to discuss the plans of action to be implemented in their support holding."

Mercedes: union calls for new talks

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B Day (3/9/87

ALAN FINE

THE National Union of Metalworkers of SA (Numsa) yesterday called on Mercedes-Benz management to resume talks aimed at resolving the wage dispute which led to the dismissal of 2 800 workers last week after a five-week strike.

Numsa spokesman Les Kettledas said the union's R5 per hour demand was negotiable and it remained willing to reach a settlement. He said the ultimatum and subsequent dismissals last week had halted the negotiating process.

A Mercedes spokesman would not comment on Kettledas's claim that no strikers or new workers had responded to a Mercedes job advertisement.

Mercedes said in a statement later that it considered the ultimatum and dismissal of employees as a final measure to bring workers back to work.

"At the same time, the company has repeatedly confirmed that it is prepared to negotiate to reach a settlement on a voluntary basis."

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MBSA strike talks resume

DD 16/9/87

Daily Dispatch Reporter

EAST LONDON — Negotiations between management and striking employees at the Mercedes Benz of South Africa (MBSA) plant here were resumed yesterday after more than a week of deadlock.

Both MBSA and the National Union of Metalworkers' of South Africa (Numsa) confirmed that talks took place yesterday, but declined to elaborate

The regional organiser of Numsa, Mr Les Kettledas, said the company had agreed to put its proposals to the workers in writing and that negotiations would continue on Thursday

None of the some 2 800 fired workers had been rehired as far as the union was aware, Mr Kettledas said

The workers met again at the plant yesterday morning and resolved to return again this morning.

They are demanding a minimum hourly wage of R5. The company has offered R4,04 an hour.

An MBSA spokesman confirmed the meeting between the union and management yesterday but declined to comment "while talks continued so that negotiations are not jeopardised".

The workers were dismissed on Wednesday last week after protracted negotiations to reach an agreed settlement were unsuccessful

Fired workers have been given until Friday next week to re-apply for employment

MBSA, Numsa resume talks

BD 17/9/87

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EAST LONDON — Negotiations to resolve the six-week strike at the Mercedes-Benz of South Africa (MBSA) plant resume here this morning

Spokesmen for both the company and the National Union of Metalworkers of South Africa (Numsa) confirmed yesterday that talks are to be held today but declined to reveal what proposals were being negotiated

Talks resumed on Tuesday this week after breaking down on Monday last week

Some 2 800 employees were fired on Wednesday last week after lengthy negotiations failed to yield an agreement on workers' minimum hourly wage demand of R5

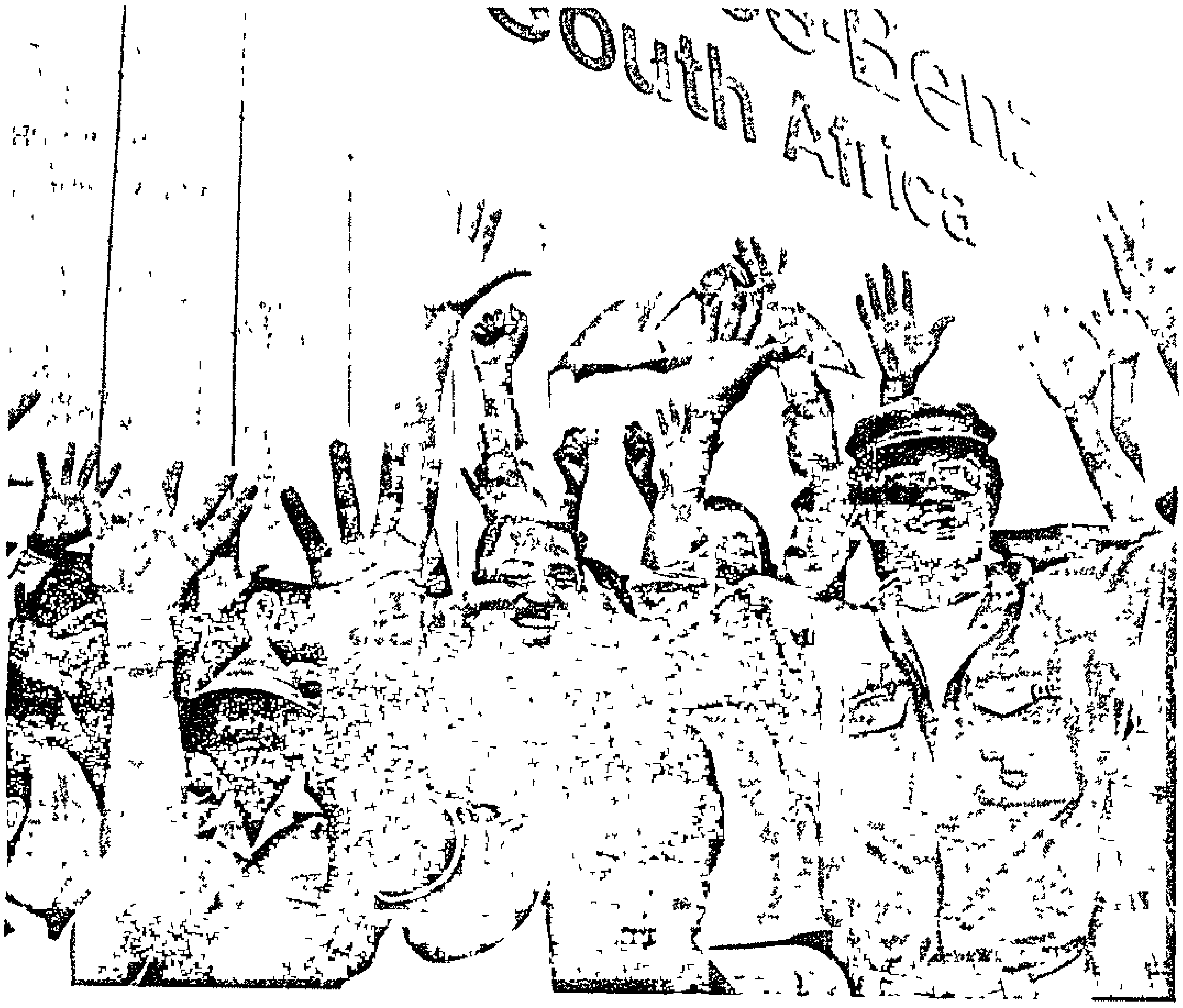
MBSA, which has lost R150 million since the strike began, has offered a minimum hourly wage of R4,04

The dismissed workers have been given until Friday next week to reapply for employment

Numsa's regional organiser, Mr Les Kettledas, said he was not aware of any of the dismissed employees being re-employed

The fired workers have continued to gather at the plant daily but have not reported for work —DDR

Benz fires strikers, but talks go on



Dismissed Mercedes Benz workers

THE dismissal of 2 800 workers at the East London plant of Mercedes Benz last week has not ended the five-week-old dispute for a minimum wage of R5 an hour.

The company announced last week it was firing its entire black workforce for failing to heed an ultimatum to return to work.

The National Union of Metalworkers of South Africa (Numsa) has refused to recognise the dismissals and still hopes for a negotiated settlement The company, on the other hand, has announced it wants to rehire the workers, but so far nobody has taken up the offer

The dispute began on August 3, when workers of the body and chassis section walked out because management cut working hours without compensation

Management had refused to discuss the matter with Numsa, who had asked that the cuts not be implemented until talks were held with the workers The demand for R5 an hour was also discussed.

The company had argued that it was party to an Industrial Council agreement, and was not obliged to carry out plant-level bargaining As a result of the walkout, the plant was closed, and Mercedes obtained an interdict against the union from the Industrial Court. It also dismissed the 188 workers held to be responsible for the strike

However, the interdict was not made final because the union was able to prove the Industrial Council agreement was not valid, and the company began negotiating

Talks continued for some days, and Mercedes then made what it called its final offer It would reinstate the 188 dismissed workers, and raise the minimum wage by 50 cents to R4 an hour

This R4 included partial compensation for the cut in hours The union rejected the offer, and talks ground to a halt For almost two weeks, there was no contact between union and management, until the company issued an ultimatum that workers should accept the final offer

Numsa refused to back down, and Mercedes withdrew the offer of increased wages, although it did not drop the offer to reinstate the 188 dismissed workers

Later the company issued the ultimatum which led to last week's dismissals Urgent attempts were made to resolve the matter, and management made an offer which brought the minimum wage to R4,04

Numsa rejected this, and made its own proposals to "bring the two parties closer", but these were rejected by the union The talks deadlocked, and dismissals followed

Both sides have accused the other of failing to negotiate properly The company has criticised Numsa's refusal to budge from its R5 demand, and the union has said Mercedes has continually thrown stumbling blocks in the way of the negotiating process

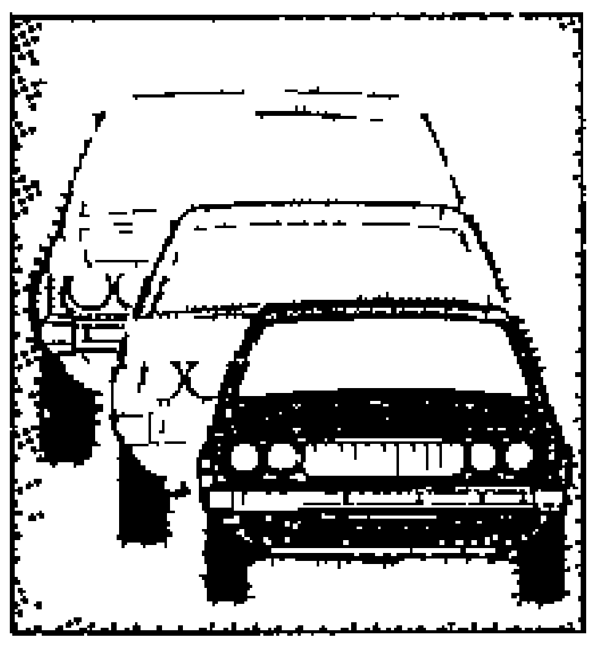
The strike has cost the company millions Mercedes has been unwilling to give exact figures, but industry sources say they've lost more than R150 million

The figure is calculated from the daily production loss of about 130 units Mercedes Benz luxury cars, trucks and Honda cars In addition, the firm has had to delay the launch in South Africa of a new model, a Mercedes Benz station wagon.

MOTOR INDUSTRY

From recession to recovery

Leaner, but fitter, the motor industry is beginning to see the welcome signs of renewed prosperity. It has been through a painful adjustment, with the economy as a whole, and recovery will spread benefits far wider than just to the industry and its suppliers.



Like Willie Nelson, the South African motor industry just couldn't wait to get back on the road again But finally, after five years of travail and trauma, the sector — with the exception of strike-torn Mercedes Benz — finally seems to be settling down to a new era of reasonable price stability and profits

The industry and its customers have been through a similar learning curve to that of the country as a whole in the early Seventies, when the first oil crisis struck.

A number of factors have been responsible for this state of affairs — not least President P W Botha's infamous Rubicon speech which effectively ruined the exchange rate between the rand, the D-mark and the yen This had the effect, over a period of about three years from 1982-1985, of virtually doubling prices of the most popular vehicles in SA — all of which now emanate from either West Germany or Japan

However, with the rand now having stabilised at around the US49c mark, vehicle prices — while still critically expensive — have at least settled down into some sort of predictable pattern This is just one of the factors that has brought customers back to the showrooms this year after a steady decline from 1981's 301 000 passenger car sales to last year's disastrous 174 000

Toyota marketing director Brand Pretorius ascribes improving sales to the fact that the economy generally is picking up and that more companies are returning to profitability "This puts them in a position to start replacing ageing fleets," he says "Other bull points for the industry are that interest rates are low, the banks are liquid, and private people are now coming back into the market "

Though August sales of passenger cars were marginally down on July (see ***Business***), industry chiefs are confident that total passenger car sales for the year will pan out at around the 200 000 mark Predictions vary from Nissan MD John Newbury's 197 000 to 205 000 To that can be added around 98 000 light and medium commercials and about 8 000 heavy commercials

More encouraging still, industry insiders are talking about passenger car sales in the region of 220 000 next year — provided sentiment in the market stays on track

However, the limit to the current year's sales is likely to be set by the availability of stock Toyota MD Colin Adcock says he believes the passenger car market could have gone to 205 000 this year given available stock, but that this is unlikely to happen "Mercedes-Benz has already been out of production for five weeks and Volkswagen also had a week-long strike recently We at Toyota haven't had enough stock either on the commercial side," he adds

Tony Scott, sales manager for VW, confirms that the company is critically short of stock, especially in the Golf/Jetta/Fox range, and even in the Audi range Scott also says that the pick-up has been far more accentuated among light commercials compared with cars Light commercial sales actually gained marginally last month over July

However, all industry chiefs spoken to by the *FM* pointed out that, while sales are improving, we are still a long, long way from the sales levels of the early Eighties (see chart) The fact is that the improvement is coming off a very low base, from a severely contracted industry — and heavy commercial vehicle sales still seem to be languishing

Still, if passenger car sales do hit 200 000, this will be a great deal better than the 183 000 unit sales most industry chiefs predicted at the beginning of the year

Another factor pushing sales has been the tremendous variety of financing packages which all the motor manufacturers are now offering in conjunction with the banks and other financial institutions These were introduced during the years when prices were rocketing and the only way any dealer could get people — even corporate customers — on to the showroom floor was to offer some kind of financial inducement

These packages include full maintenance leasing and, more recently, full maintenance rental The difference between the two, essentially, is that at the end of the period of lease the vehicle becomes the responsibility of the lessee (who has to pay GST a second time around if he wants to take over the vehicle), while in the case of full maintenance rental, the car ultimately reverts to the rental company But in both cases all maintenance is built into the price

Packages such as these, combined with the recent relatively low interest rate structure, have enabled manufacturers to keep monthly instalments within bounds despite skyrocketing prices

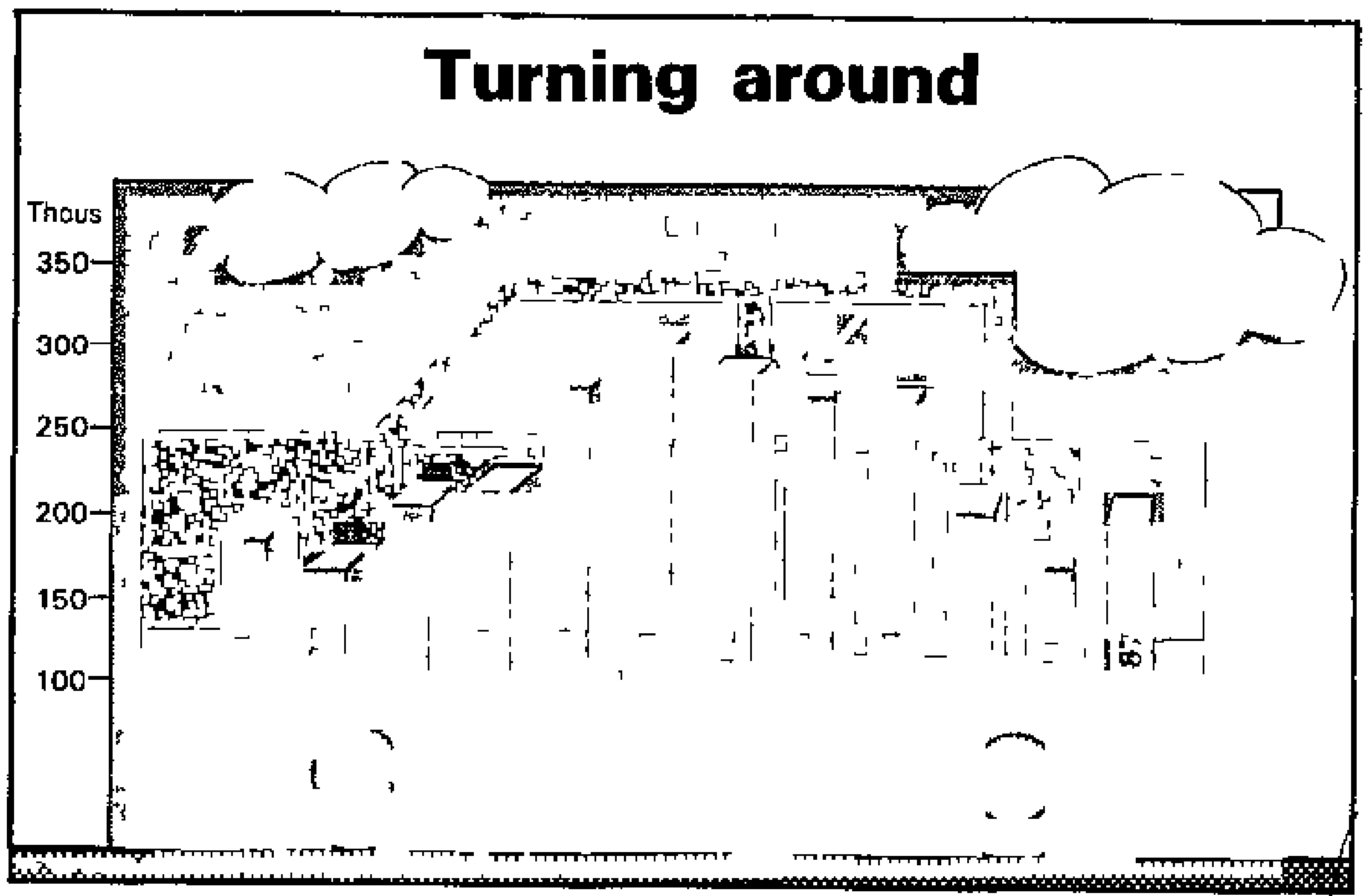
Steeply rising prices — in conjunction with political pressure to divest — have been partially responsible for the rationalisation that has taken place in the industry since 1980 Over the last seven years, we have seen the disappearance of Fiat, Alfa Romeo (and along with it Daihatsu), Peugeot and Renault So today there are only seven major manufacturers on the scene as far as cars are concerned — and there are those who think even that is too many The fact is that when prices were spiralling, some manufacturers simply couldn't stand the heat and were forced to bow out due to falling sales and burgeoning losses

Another spin-off from the great price rise era was rapidly increasing sales of second-hand cars Obviously the greater the demand became for them — and not many were to be had as so many owners were clinging onto their vehicles rather than buying new ones — the higher the prices became So the rise in the prices of new vehicles had the effect of pulling up the prices of second-hand vehicles behind them

According to Dudley Saville, joint MD of the McCarthy group, the shortage of stock in second-hand vehicles has further hiked their prices He says "At the moment, sales of second-hand vehicles are rising in line with the rise in sales of new vehicles I would say we are seeing an improvement all round rather than an upsurge The lag between the sales of new cars and sales of second-hand cars has disappeared and the two appear to be moving in tandem at the moment "

But the fact is, given steadily falling new car sales in the years 1981-1986, there simply have to be fewer recent model second-hand cars coming to market This must exacerbate the shortage of stock in the second-hand sector

Jannie van Huysteen, execu-



Turning around

9,7 there seems to be some reason to expect an even better performance in future

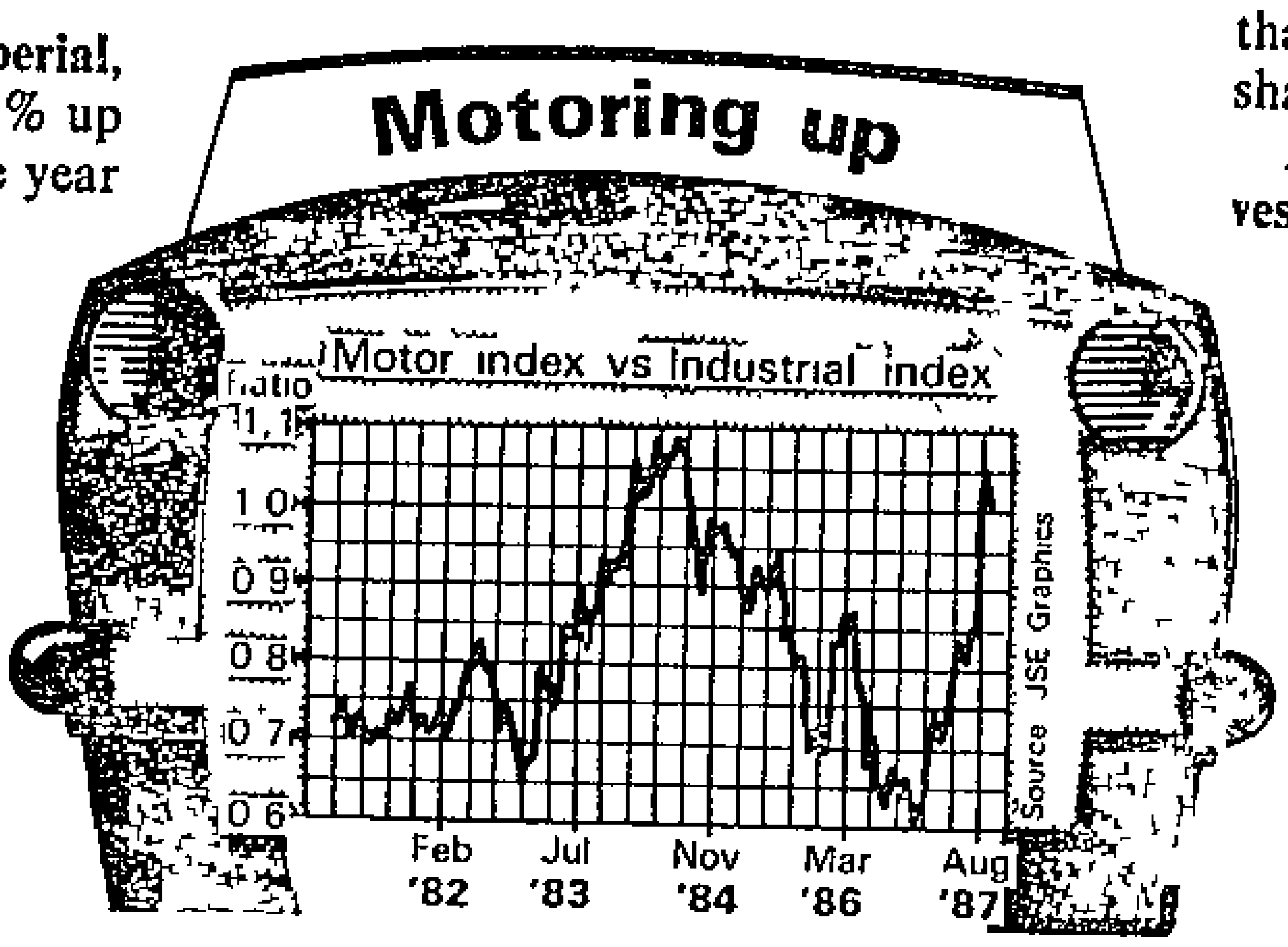
Among new listings, Durban-based **Combined Motor Holdings** (CMH), which deals mainly in Ford and Nissan, is expected to beat its 19c prospectus forecast by its February 1988 year-end Listed on June 26, the price has risen 33% to 240c Its performance is less dependent on new car sales than other dealers because focus is on used cars and parts which made up 80% of this year's earnings Based on present issued shares CMH earned 15,8c this year Thus, at its current price, the p.e is a high 15,2.

In the industrial holding sector, **Imperial**, listed in February, stands at 570c, 75% up this year after earnings a share for the year to end-June jumped 73% Its three divisions — truck systems, car rentals and motors (Toyota) — all contributed about equally to earnings At 570c, the p e is also high at 14,7 in anticipation of even stronger earnings growth

Among motor sector related counters in the retail and wholesale sector, restructured **EW Tarry**, under MD Brian Joffe, surges on Tarry, which falls under the Waicor pyramid (see ***Fox***), more than doubled earnings to 28,1c a share in the half year to end-June and forecasts an even better performance for the second half The group's operations are now split into three divisions the Williams Hunt motor division, the Williams Hunt industrial division which distributes petrol and diesel engines and tools, and Tarry M & G which supplies industrial and automotive and mining products Tarry also has a 38% interest in newly-listed **Curnow**, which sells automotive paints The share price has risen 133% this year to 700c, and now trades at a p e of 12,3

Further evidence of the resurgence in the retail vehicle market is seen in the recent listing of **Vaaltrucar**, which is currently trading 54% up on its listing price Against the general trend **Schus**, the Cape-based vehicle retailer, made a loss of 32c for the year to February The company sells caravans, mobile homes and tractors as well as acting as distributors for Nissan But it is the company's financial problems rather than the nature of its car business which has caused the loss

W & A's **Gentyre** has proved another leading light in the motor sector. Although turnover in the first half rose by only 20%, management noted an encouraging improvement in demand Rationalisation of its industrial division helped push earnings a share up to 59c — 70% up on last year Even better results are forecast for the second half, which suggests that the A and B ords, which have appreciated more than 130% this year, still have more mileage in them — particularly as both p e's are less than nine



Engine parts manufacturer **Associated Engineering** (Asseng) has also shown surprisingly strong growth The share has risen 54% this year Now trading at 200c, the rise reverses a long slide since 1980 when the share peaked above 550c Asseng's earlier problems were caused by many vehicle manufacturers' preference for importing engines rather than building them locally While this trend seems to be continuing, company products are finding a growing market in spares Currently, about 80% of earnings comes from spares production

As long as the trend toward extending vehicle life continues, Asseng earnings should rise The 11,8 p e probably indicates that investors have begun to realise that the share has recovery potential

Another parts manufacturer, **Metair Investments**, has also had a somewhat chequered history **Wesco** holds 41,5% of its issued shares Improved earnings can be expected to flow from last year's restructuring which resulted in vehicle air-conditioning manufacturers Dunair being added to its 100% holding in Smiths Manufacturing which makes metal vehicle components, exhausts, shock-absorbers and electrical components This share has risen 92% this year, but at 1 725c the p e seems high at 14

High servicing costs and the need to keep old cars on the road have also been reasons why DIY retailing is growing fast Shares such as **Midas** and recently listed **Fleischman's** could both show substantial growth this year

Overall, the potential for further growth in motor business still seems positive

South Africans have always needed transport — and will continue to do so Even when the industry was in dire straits, many were able to react through rationalisation, to see and grasp the opportunities created

Dave Edwards

(192)

19/8/92

MBSA strike talks to resume today

EAST LONDON — Negotiations to resolve the strike at the Mercedes-Benz of South Africa (MBSA) plant here yesterday will be resumed this morning, a union spokesman said

Representatives of the National Union of Metalworkers of South Africa (Numsa) and management met on Tuesday after negotiations broke down early last week and some 2 800 employees were summarily dismissed

Workers have consistently stuck to demands for an hourly wage of R5, that they be paid for the duration of the strike and that there be no loss of earnings owing to the reduction of the working week from 44 to 43 hours

The company has given the dismissed workers until the end of next week to reapply for employment although the regional organiser of Numsa, Mr Les Kettledas, said earlier this week he was not aware of any former employees who had been re-employed

Mr Kettledas said proposals aimed at resolving the conflict had been exchanged during yesterday's negotiations and that these were being discussed

The company had stated their position after firing the workers and the move had been rejected by the union, he said

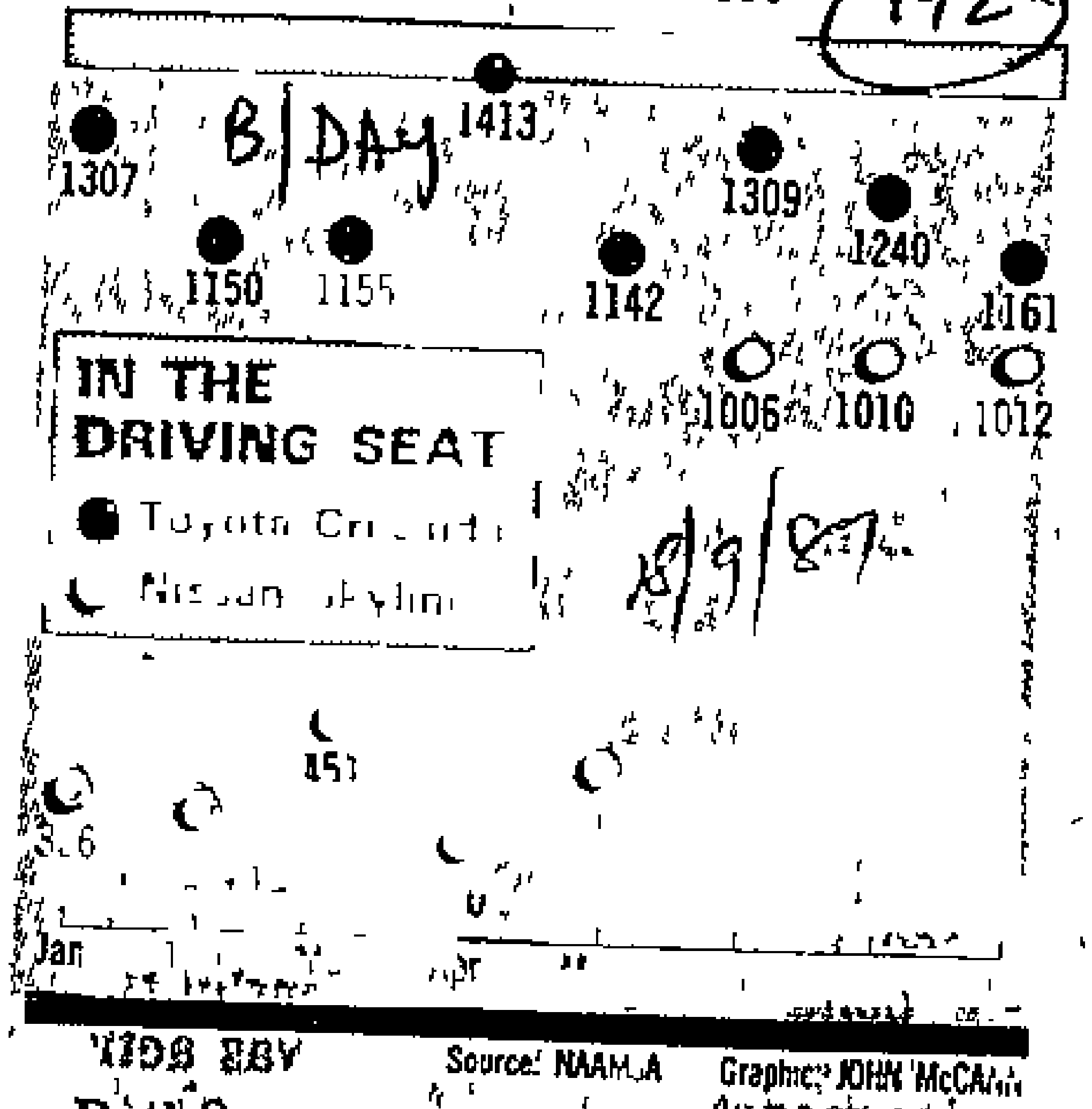
The public relations manager for MBSA, Mrs Delene MacFarlane, confirmed that negotiations had been resumed — DDR

Toyota, Nissan set to do battle

DAVID FURLONGER

TOYOTA and Nissan are shaping up for a prolonged battle to control the medium-range executive car market

192



B/DAY

18/9/87

Source: NAAMSA Graphic: JOHN McCANN

Both companies claim to be winning the fight. Nissan's new Skyline range has

● To Page 2

Toyota, Nissan square up

● From Page 1

made a huge dent in the dominance of the Toyota Cressida, but Toyota is coming back with new derivatives of its flagship range. The latest version is expected to be unveiled today

The launch of the new Skyline in June has more than doubled Nissan's share of this market — but amid accusations of "forced" sales to fellow Sanlam group companies.

The old Skyline range sold less than 450 a month Since June, sales have been more than 1 000, compared to forecasts of about 850 The Cressida is continuing to sell more but the margin has been slashed (see graph)

Nissan is owned by Sanlam's investment arm, Sankorp Nissan MD John Newbury said early this year he expected Sanlam companies to support Nissan by buying the new Skyline

However, the company insisted yesterday Sanlam was putting no pressure on its companies to support the Skyline. "We hope they will buy within the family, but there is no question of forcing them," a spokesman said

However, a rival said· "There is enormous pressure on Sanlam companies to buy Skylines"

Avis, the car rental firm in the Fedvolks — and therefore Sanlam — stable, recently opted out of buying 125 Cressidas and bought the Skyline instead. Industry sources said the decision was clinched by Nissan offering heavy discounts and a guarantee to buy the vehicles back at their original price once Avis had finished with them

Avis MD Tony Langley confirmed yesterday his company had opted for the Skyline at the Cressida's expense but said it was industry policy to buy new models, rather than established ones.

Toyota marketing director Brand Pretorius said yesterday Cressida sales had been hit by the Skyline but the Cressida was recovering The recently-introduced 2,4*l* version, in particular, had renewed interest

Sources said the latest Cressida, to be unveiled today, would be a reduced-specification version of the 2,8i Without several of the original's options, it is expected to sell for about R5 000 less than the 2,8i's R42 000

192 19/7/87

TO OUR COLLEAGUES AT MERCEDES-BENZ OF SOUTH AFRICA

WE ARE HORRIFIED AT THE DISMISSAL OF 2 800 OF OUR SOUTH AFRICAN COLLEAGUES AT MERCEDES-BENZ SOUTH AFRICA

In a television interview in Stuttgart on 3rd July 1987, the chairman of the Daimler-Benz Management Board, Dr Edzard Reuter, explained that Daimler-Benz had decided to remain in South Africa out of a sense of responsibility towards their workers there. He said 'We cannot leave our workers in the lurch, or abandon them to an uncertain fate.'

By dismissing the entire black work-force, Mercedes-Benz has now done exactly this.

We demand that management should reinstate all dismissed workers without exception and without conditions immediately and that the workers demand for a minimum wage of five rand should be met.

Signed on behalf of members of the Works Council, the Metal Workers Union Shop Stewards and Colleagues at the Daimler-Benz Plant in Untertuerkheim/Stuttgart:

Gerhard Haag, Maria Morgen, Peter Darter, Karl Reif, Klaus Hampejs, Norbert Hartmann, Catano Nisuehr, E. Wolf, E. Radtke, Gerd Weber, Wilhelm Weber, H. Sauer, Juergen Jung, Ali Yildiz, Gerd Rathger, Tom Adler, Hermann Muehleisen, Alikul, Michael Schick, Rocco Difilippo, Charissis Deligiannis, Joachim Jungbeck, Roland Schaefer, Dieter Gerlach, Margit Schueler, Jochen Renz.

Progress made in strike talks

19/9/87

Daily Dispatch Reporter

92

EAST LONDON — The prolonged strike at the Mercedes-Benz of South Africa (MBSA) plant here, which enters its eighth week on Monday, remained unresolved late yesterday after two days of negotiations between management and the National Union of Metalworkers of South Africa (Numsa)

A union spokesman, Mr Viwe Gxarisa, said although a number of proposals had been put to the company during the talks there had been no improvement on the company's offer of an hourly rate of R4,04 per hour, which included compensation for the reduction of the working week from 44 to 43 hours

Mr Gxarisa emphasised that the worker's demand for R5 per hour was negotiable and said although the union was financially bankrupt, it would continue to represent the workers until a solution to the dispute had been found.

No strike fund existed and the 2 800 striking workers had not received any financial assistance from the union, he said

An MBSA spokesman, Mrs Delene MacFarlane, said some progress had been made towards settling the dispute and both parties would consider their positions over the weekend before meeting again on Monday morning.

29/9/87 CPress (192)

Staying out ... Mercedes-Benz workers outside the plant.

Mercedes strikers supported

CP Correspondent

TRADE unions in the Eastern Cape are rallying to the cause of striking Mercedes-Benz workers

Workers at Port Elizabeth motor firms are to take unspecified solidarity action at their plants and the Commercial, Catering and Allied Workers' Union is putting pressure on furniture companies to be lenient with Mercedes workers who fall behind in their payments

In addition, the East London local of Cosatu has issued a statement warning it would not to "stand idly by and see the company prolonging a negotiated settlement of this dispute"

"Cosatu will not accept or tolerate the action by companies to revert to mass dismissals as a means of resolving industrial disputes," the statement said

And internationally, there is growing support from West German unions

A statement by the National Union of Metalworkers of South Africa said a meeting of shopstewards from Daimler Benz, Mercedes' German parent company, had been held over the weekend

The meeting had resolved to support Numsa, and demanded that the company reopened negotiations to settle the dispute

The Numsa statement said, after a meeting of Eastern Cape shopstewards in Port Elizabeth, it was decided shop stewards from Delta, Samcor and Volkswagen would visit East London this week to discuss "the plans of action to be implemented in their support"

Numsa spokesmen would not give details of the actions contemplated

Earlier in the strike, Numsa had written to local furniture shops informing them of the dispute and asking that people falling behind in HP instalments should not have their furniture repossessed

A Numsa spokesman said the response had been lukewarm, but when Ccawusa, which organises in these shops, took up the matter with them, there had been more sympathy for the strikers

These developments follow the dismissal of the entire workforce of 2 800 striking workers at Mercedes last Wednesday

The company decided to fire all the workers after they had ignored its third ultimatum to return to work.

Meanwhile, the company has invited applications for re-employment from all dismissed employees, except in cases where "person's behaviour constituted gross misconduct" during the strike.

The company said the offer would be open until 3pm on Friday, September 25, but a union spokesman said nobody had applied for re-employment as the dismissal was not recognised by the workers.

The Mercedes workers have been on strike since August 3, demanding an hourly wage of R5 and compensation for the shortening of the working week

Workers are also demanding that they be paid during the strike – Elnews.

ARGUS 22/9/87

92

Metal union rejects 37% Mercedes pay offer

Labour Reporter

THE latest wage offer by Mercedes-Benz in the eight-week labour dispute at its East London factory has been rejected by the National Union of Metalworkers.

According to a company statement, the offer would have improved pay in the lowest grade by 37 percent.

The union's demand ranges between 50 percent and 67 percent.

The company's offer included improved wages, compensation for reduced working hours and a higher attendance bonus.

Proposals for further wage rises in January and July next year were also tabled.

At negotiations yesterday the union said it was not changing its demands.

● From Johannesburg The Argus Correspondent reports that more than 2 000 members of the National Union of Metalworkers (Numsa) were locked out at four plants of the Highveld Steel and Vanadium company yesterday after striking workers rejected a management wage offer.

The dispute between Numsa and the Anglo-linked Highveld Steel stems from in-house wage negotiations which started in June.

Meanhile the Post Office is still battling to deliver mail that piled up during the 10-week countrywide strike by postal workers demanding pay parity with whites.

The public relations officer for the Post and Telecommunications Services, Mr Ben Rootman, said:

"It will take a while to overcome the backlog, but in some areas things seem to be shaping up and all is going well."

He said black townships were the hardest hit. All township post offices had been closed during the strike because all staff had been on strike.

The strike ended on September 7 with an agreement signed by postal authorities and the Post and Telecommunications Workers' Association (Potwa). Both parties agreed that dismissed employees would re-apply for their jobs and wages would be increased by 20 percent for unskilled workers from October 1.

Strikers would not be paid for the duration of the strike.

During the strike postal services came to a standstill and there were no mail deliveries in most parts of the country.

Star

(192)

23/9/87

Mercedes strike hits supply of new cars

By Adele Baleta

The eight-week wage dispute between the National Union of Metalworkers of South Africa (Numsa) and Mercedes Benz has precipitated a nationwide crisis in the supply of new Mercedes Benz cars, and used cars are in great demand

A spokesman for Mercedes Benz South Africa said the strike at the company's East London plant had resulted in dealers countrywide being left with limited stock or running out completely

"The waiting list before the strike was between three and six months depending on the model of the car

"The dispute has extended the delay by a further eight weeks"

SOLD OUT

The failure on Monday of another round of talks could mean even longer delays in the supply of new cars

Most Mercedes Benz dealers on the Witwatersrand said they had sold out of new cars and there was a shortage of used cars

As a result, prices of used cars had risen significantly

● Discussions between Mercedes-Benz of South Africa and the National Automobile and Allied Workers' Union ended inconclusively on Monday

Mercedes Benze is offering a minimum of R4,04 an hour (R752 a month) in addition to other benefits

The offer has been rejected by the union which has demanded increases ranging between 50 percent and 67 percent

Dispute

- The labour dispute between Mercedes Benz (SA) and the National Union of Metalworkers of South Africa has entered its eighth week with talks to resolve the impasse reaching deadlock on Monday.

Management said despite efforts to seek resolution, Numsa (incorporating Naawu) rejected its 37 percent wage offer in the lowest grade and instead insisted on its demand for increases of between 50 and 67 percent.

Sowetan 23/9/87

192

Old tend further
ls.

if the people make it dirty again" — DDR

Fired workers discuss deadlock with Numsa

192

DD 23/9/87

Daily Dispatch Reporter

EAST LONDON — Fired Mercedes-Benz of South Africa (MBSA) workers met with representatives of the National Union of Metalworkers of South Africa (Numsa) yesterday to discuss the deadlock in negotiations of the eight week old dispute.

A Numsa spokesman, Mr Viwe Gxarisa, said the dismissed employees were "firm in their position" and that they considered their demand of R5 per hour to be "fair under the circumstances.

"At present it is a case of 'wait and see' but the union has already done everything it can to keep negotiations alive," he said.

The bargaining process broke down after three days of intense discussion and no date has been set for a resumption of negotiations.

Representatives of both parties have blamed the lack of progess in discussions on the rigid stance of the other.

In a statement issued last night, an MBSA spokesman said the company had made every effort to secure a resumption of production by continuing negotiations with Numsa.

The MBSA wanted to continue talks, the spokesman said, because "of its commitments to the well-being of its employees, suppliers and dealerships throughout South Africa and especially to the economy of the East London area.

The spokesman said the proposed remuneration package included improved wages, full compensation for reduced working hours and an improved attendance bonus.

The offer, which was tabled by the company before the deadlock, had improved the potential income of employees in the lowest grade by 37 per cent over wage rates for January, this year

This had been rejected by the unions, who had demanded an increase of between 50 and 67 per cent, the spokesman said

"An employee on the lowest grade would not earn less than R752 per month on the proposed remuneration package

"This compares with the minimum rate of R3 per hour (R572 per month) paid in January 1987 and R3,50 per hour (R667 per month) paid in July 1987.

"The additional benefits to which employees would be entitled, include an attendance bonus of R27 per month, which brings the monthly income for the lowest grade employee to almost R780 per month.

"An annual bonus of up to one month's pay, plus leave pay of up to 21 days, also form part of the company's normal benefit scheme, along with subsidised canteen facilities and medical aid, and free life assurance," the spokesman said

Mr Gxarisa said the statistics quoted by MBSA were "meaningless" because the important figure was a comparison between the amount paid to salaried staff and the total of hourly wages.

In an open letter to the dismissed workers, published in today's Daily Dispatch, the company calls on "those who have previously worked here and who as a result of the strike have been dismissed", to consider their position as they had "already lost at least R1 283,00 in wages".

Deadline for motor workers

192

23/9/87

Post Reporter

THE 2 800 striking workers sacked in the eight-week-old strike at East London's Mercedes-Benz of South Africa (MBSA) plant have until Friday to return to work

If they do not do so, they will face competition from other job-seekers in gaining re-employment.

This was said yesterday by MBSA's public relations manager, Mrs Delene Mac Farlane

She said that despite the fact that negotiations between MBSA and the National Automobile and Allied Workers' Union (Naawu) had ended inconclusively, "the company believes that a solution can be found"

Toyota and Samcor feel the pressure

24/9/87 (192) B/day

DAVID FURLONGER

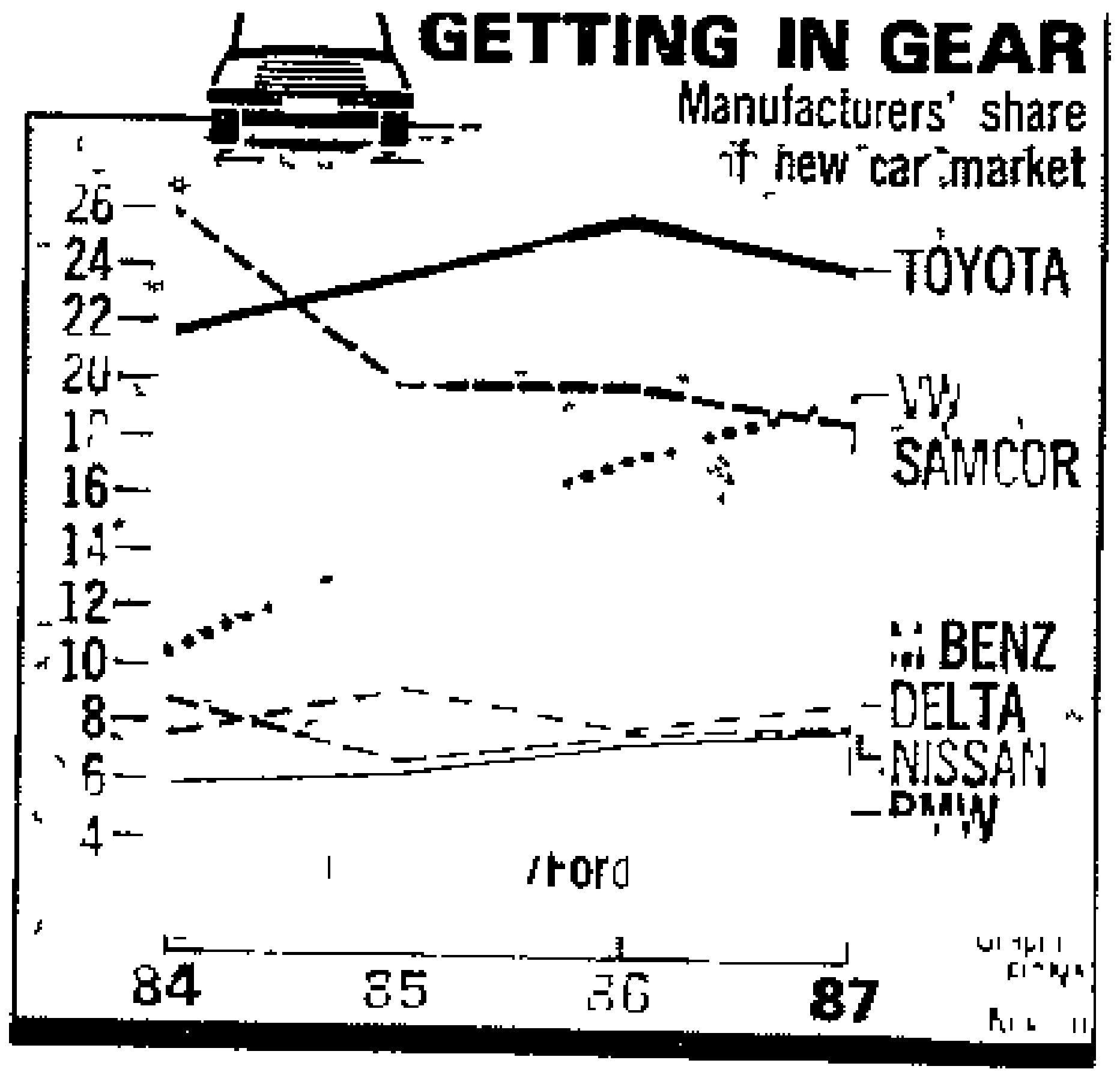
TOYOTA and the SA Motor Corporation (Samcor) were feeling the heat from a super-competitive car market, rivals claimed yesterday.

Every other manufacturer has increased market share this year at the expense of the two companies.

While Toyota continues to outpace the opposition both in cars and the overall vehicle market, Samcor's cars are now outsold by Volkswagens From a combined Amcar-Ford market share of 26,1% in 1984 — before they merged to form Samcor — the company now has 19,2% of the market

In the same period, VW has increased its share from 10,6% to 19,9%. Nissan, Delta, Mercedes-Benz and BMW have all increased car market share this year. Mercedes is the only company not to have also increased penetration of the overall vehicle market.

Toyota's hold on the car market has slipped from 26% to 24,4% and on the total vehicle market from 29,8% to 28,3%. However, officials say that with industry car sales this year expected to pass 200 000, compared to last year's 174 000, lower market share does not mean fewer sales.


GETTING IN GEAR
Manufacturers' share of new car market

Company sources said yesterday that to seek market share as policy in the present competitive market would be to risk Toyota's profits, expected to reach R75m this year

"We must reach a balance between sales and profits," said one. "It's not in our interests to go out there and try to buy market share We're not interested in expensive sales promotions campaigns."

Amcar and Ford merged to form Samcor in 1985. In that year, Samcor's share of the car market slid to 20,6% from the previous combined 26% of Ford and Amcar In January-August this year, the figure was 19,2%.

● To Page 2

Toyota and Samcor feel the heat

● From Page 1

MD Spencer Stirling yesterday blamed public uncertainty over the continued availability of Ford, Mazda and Mitsubishi vehicles for the initial fall in share This year's further drop was the result of conservative market forecasting and the resultant inability to meet demand when it increased beyond expectations.

He said the company would continue "prudent" forecasts. It was trading profitably but because of cost reductions rather than increased income

Competitors, however, believe improved market share is the result of greater sophistication on their part

EL strike: ripple effect on Border

24/9/87

192

Daily Dispatch Reporter

EAST LONDON — A Rhodes University economist and spokesmen from commerce and industry yesterday spoke of the ripple effect the prolonged strike at the Mercedes Benz South Africa plant here could have on the Border area.

If the strike was not settled soon, the effect would continue to be felt for a long time, the head of Rhodes' department of economics, Professor Philip Black, said

The chairman of the East London Chamber of Commerce, Mr Nico Cloete, said the strike could have a wide effect on the economy of the Border region

"A strike in a plant as important as this can cause a ripple effect throughout the economy of the area," Mr Cloete said

MBSA, which injects R120 million into the Border economy annually, has lost an average of 130 units per day, covering the full production range, since the strike began

The strike, which has now entered its eighth week of deadlock, is estimated by industrial sources to have cost the company more than R150 million in the first month after production lines were halted

A company statement this week said the 2 800 dismissed workers had each lost an average of R1 283 since the strike began

This is estimated to have reduced the flow of money to the city's retail sector by more than R3 million

The MBSA supplier industry, which includes several major factories in the industrial sector of the city supplying components for Mercedes and Honda vehicles, has been equally hard hit by the strike

Although spokesmen for the companies confirmed that there had been a significant effect on the output of their plants due to the MBSA strike, they declined to comment on the specific results such a prolonged drop in output could have

The president of the Border Chamber of Industries, Mr John Rich, said the chamber was concerned about the effect of the strike on the sector but said the situation was "extremely sensitive" and would not be improved by speculation on his part.

Yesterday, two former MBSA workers who had been fired by the company were arrested by police outside the factory

A spokesman for the National Union of Metalworkers of South Africa (Numsa), Mr Viwe Gxarisa, said the men had been pointed out to the police by management shortly after the daily gathering of fired workers on an open plot next to the plant, at which it had been decided to meet every morning.

An MBSA spokesman said the two had been arrested after a group of former employees had gathered at the factory gates and hurled abuse at a group of employees who wanted to work

The Border police liaison officer, Major Trevor Hayes, confirmed that two arrests had been made outside the plant yesterday

He declined to divulge the circumstances of the arrests.

The MBSA spokesman said in a statement last night that an employee had been confronted by a group of people when he tried to enter a section of the plant to start work in the morning and had fled after being threatened by them

Police had arrested two people "after the group rattled the gates and hurled abuse at the guard and a company official who was in the immediate vicinity and came to investigate the situation," the spokesman said.

Full reports page 2

192 BD 24/9/87

Fired workers arrested near plant

EAST LONDON — Two former Mercedes-Benz of South Africa (MBSA) workers who had been fired by the company were arrested by police outside the factory here yesterday

A spokesman for the National Union of Metalworkers of South Africa (Numsa), Mr Viwe Gxarisa, said the men had been pointed out to the police by management shortly after the daily gathering of fired workers on an open plot next to the plant, at which it had been decided to meet every morning

He described the pair as "active in the union"

An MBSA spokesman said the two had been arrested after a group of former employees had gathered at the factory gates and hurled abuse at a group of employees who wanted to work

The Border police liaison officer, Major Trevor Hayes, confirmed that two arrests had been made outside the plant yesterday

He declined to divulge the circumstances of the arrests

In his statement, Mr Gxarisa said the 2 800 workers who had been fired by the company had walked down the road towards the plant

They had been followed by a police van and the vehicle of a senior member of the MBSA management, he said

"When the workers came close to the fence, somebody came out of the industrial relations office and started to shout abuse at them

"The people maintained their discipline and ignored the insults but the police arrested two of them"

Mr Gxarisa accused MBSA of going back on a company assurance that the dismissed workers had until tomorrow to re-apply for work

He said the company had trucked about 100 unemployed labourers from the rural areas surrounding East London into the plant

He said union members had spoken to the new labourers, who were not aware of the dispute, and after the situation had been explained to them they had decided not to apply for the jobs

The MBSA spokesman said in a statement last night that an employee had been confronted by a group of people when he tried to enter a section of the plant to start work in the morning and had fled after being threatened by them

Police had arrested two people "after the group rattled the gates and hurled abuse at the guard and a company official who was in the immediate vicinity and came to investigate the situation," the spokesman said

He denied any knowledge of truck loads of workers being brought to the company for employment

The spokesman said two queries had been received concerning the employment of new labour, one from an employer who had retrenched several workers and the other from a person who wanted 40 application forms

"In both instances these people were advised that individual applicants were to apply to the company in person and that each application would be treated on merit," the spokesman said

Union seeks German help for strikers

(92)

25/9/87 SPR

MUNICH — The South African National Union of Metalworkers' negotiator, Mr Les Kettledas, began talks in West Germany yesterday in an attempt to win support for striking car-workers at the Daimler-Benz factory in East London

He was joined in talks with officials of the giant German union IG-Metall by a South African representative of the International Metal Union Federation, Mr Brian Fredricks

They will tour Daimler factories to seek support from local unionists.— The Star's Foreign News Service

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Dead end for Benz cars

25/9/87 Sowetan

THE production of luxury Mercedes Benz cars has come to a halt following the eight-week dispute between the company and the National Union of Metalworkers of South Africa

A Mercedes Benz (SA) spokeswoman said yesterday that the dispute brought to a halt the production of Mercedes Benz and Honda models The production of trucks had been maintained

She said the waiting list of prospective customers, which varied between three and six months, had been extended.

Dispute

The production of cars was at an average of 130 units a day before the dispute No cars are being produced

Negotiations between Numsa and Mercedes Benz ended inconclusively on Monday with the union rejecting management's offer of a 37 percent increase and instead demanding rises of between 50 and 67 percent

Management said the 2 800 workers dismissed about two weeks ago in East London over the dispute had until today to return to work

The spokeswoman said the company would begin re-hiring and recruiting new staff on Monday

Numsa officials were not available for comment yesterday

Labour trucked in — claim

Police arrest two fired Merc workers

192

B/day
24/9/87

Own Correspondent

EAST LONDON — Police arrested two fired Mercedes-Benz workers as the strike by 2 800 workers entered its 52nd day yesterday.

National Union of Metalworkers of SA (Numsa) spokesman Viwe Gxarise said the workers were held outside the factory gates after being pointed out by management officials

He said fired workers had walked down the road towards the plant, followed by a police van and a senior Mercedes management member.

Gxarise said "When the workers came close to the fence, somebody came from the industrial relations office and shouted abuse at them The people maintained discipline and ignored the insults, but the police arrested two"

A Mercedes spokesman said a worker was confronted by people when he tried to start work He fled after threats Police arrested two people "after the group rattled the gates and hurled abuse at a guard and an official"

A police spokesman declined to elaborate on the arrests

In another development, Gxarise accused Mercedes of reneging on its assurance to give dismised workers until today to re-apply for work The company had trucked in 100 labourers from farms near East London Unionists spoke to the recruits who were unaware of the dispute and they decided not to take the jobs

The Mercedes spokesman denied the claim She said there had been two queries about employing new labour — one from an employer who had retrenched workers and the other from a person who wanted 40 application forms.

She said "In both instances these persons were advised that individual applicants were to apply to the company in person" She denied any knowledge of truck loads of workers being brought to the company

Two union officials, Les Kettledas and Brian Fredricks, arrived in Germany yesterday to tell the president of the German Metalworkers of the strike and to address shop stewards and activists

The strike began on August 3 Talks aimed at breaking the deadlock broke up on September 21

☐ SAPA reports a Rhodes University economist has warned a prolonged strike at the Mercedes plant could have a far-reaching effect on the regional economy if not settled soon

Department of Economics head Philip Black said the effects of the strike on the city's economy would continue to be felt over a long term.

MERCEDES STRIKE

A R300m loss

The strike at the Mercedes-Benz (MB) plant in East London is now in its eighth week — and accumulated losses suffered by the German multinational already exceed those endured by the mining houses during the miners' strike.

MB CE Sepp van Hullen puts the production loss at 130 units a day, which means that over the 40-odd working days the strike has lasted, the plant has lost production valued at a massive R300m.

This calculation is based on an average retail value per vehicle of R65 000 as the company's production is split roughly 50-50 between MB and Honda on the passenger car side.

At the time of going to press, Mercedes indicated that it had offered the work force an increase that would amount to 37% at the lowest level of employment but that the National Association of Automobile Workers Union (NAAWU) is now demanding increases of between 50% and 67%.

MB has stated that it is treating the strike purely as an industrial relations dispute, but it seems increasingly that the strike is largely politically motivated, given the recent statements by union leaders that MB, "though a multinational, is no better than South African white supremacists "

Though MB has reaffirmed its commitment to remaining in SA, and East London in particular, the possibility does arise that the company could be pressured into pulling out of the eastern Cape in the same manner that Ford left Port Elizabeth following a politically motivated strike

Moreover, while MB is laid lame by the strike, the opposition is using the opportunity to gain ground.

John Jessup, member of the board of management responsible for marketing at BMW, says sales of the BMW 5-series have recently risen from 5-7 a day to an average of 12 a day, while sales of the 7-series have risen from 7-8 a day to around 10 a day. Nevertheless, he refuses to establish a link between BMW's rising sales and the MB strike

"Whether this has anything to do with the strike at MB or whether it's more a response to a natural upturn in the market is anyone's guess," he tells the *FM*.

Further, Jessup makes the point that, as far as the new 7-series is concerned, production is only running at the rate of 5-6 cars a day, so BMW cannot meet demand anyway

August unit sales of MB actually held up well, which would indicate that the company must have had quite a lot of stock on hand

But obviously this situation cannot continue for the duration of the strike. Eventually MB supply bottlenecks are bound to have a strongly negative effect on the group's future sales. ▩

FM 25/9/87

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Deadline expires for striking EL motor workers

WEEK 26/9/87

EAST LONDON — The majority of dismissed Mercedes-Benz of South Africa workers had not taken up the offer of guaranteed re-employment which expired at 3pm yesterday, a spokesman for the company said last night

She said production of commercial vehicles had continued "at acceptable levels" during the strike, but passenger vehicle production lines had stopped

The company would now embark on a recruitment programme to resume full production

Applications for employment will be accepted from suitably qualified applicants as well as former employees

"The guarantee of re-employing former employees has, however, now fallen away," the spokesman said

A spokesman for the National Union of Metalworkers of South Africa, Mr Viwe Gxarisa, said the workers had received R100 000 in monetary assistance from the union yesterday, the first aid since the strike began

"These funds were received from sympathetic organisations and from collections in East London," he said

Mr Gxarisa said two former employees arrested outside the plant on Thursday had been released on bail of R150 each after being charged with intimidation Another three workers were arrested yesterday

● In Johannesburg, the national secretary of the Automotive Department of Numsa, Mr Fred Sauls, rejected allegations that striking workers were intimidating others who wanted to return to work — Sapa

MBSA to start recruitment drive after most strikers ignore offer

00 26/9/87 **By DAVID MARRS** 192

EAST LONDON — The majority of dismissed Mercedes Benz of South Africa (MBSA) workers had not taken up the offer of guaranteed re-employment which expired at 3 pm yesterday, a spokesman for the company said last night

She said the production of commercial vehicles had continued "at acceptable levels" during the strike, although passenger vehicle production lines had been halted

The company would now embark on a recruitment programme to resume full production

"Applications for employment will be accepted from suitably qualified applicants as well as former employees of the company

"The guarantee of re-employment offered to former employees has, however, now fallen away," the spokesman said

A spokesman for the National Union of Metalworkers of South Africa (Numsa), Mr Viwe Gxarisa, said the workers had gathered as normal yesterday morning and had decided to send a delegation to the management of the company with a letter demanding that "the guarantee of unconditional re-instatement on resolution of the dispute be re-introduced to avoid any misunderstanding about the status of the workers"

The letter, which was handed to a company official early yesterday afternoon, stated that the dismissed workers would resume production "as soon as an agreement on the currently unresolved dispute is reached"

Mr Gxarisa said the workers had received monetary assistance from the union yesterday, for the first time since the strike began eight weeks ago R100 000 was distributed among the workers

"These funds were received from sympathetic organisations and from collections taken among fellow workers in East London," he said

Mr Gxarisa declined to release the names of the organisations involved or to reveal the manner in which the funds had been distributed

"The union has been battling to assist the workers so that we can be assured that the eventual resolution is negotiated and not enforced, as the company would have it"

The MBSA spokesman confirmed that a telexed message had been received from the union yesterday and said the company had "responded and reconfirmed its commitment to finding a solution to the dispute and its willingness to explore methods of reaching a settlement"

Mr Gxarisa said the two former employees who were arrested outside the plant on Thursday had "been released on bail of R150 each after being charged with intimidation"

"Another three workers were arrested today after the meeting had broken up

"This is a clear indication of collaboration between MBSA and the police, especially as the company has refused to disassociate themselves from the arrests," he said

The Border police liaison officer, Major Trevor Hayes, said only two men had been arrested outside the plant yesterday and they had been charged and warned to appear in court.

The MBSA spokesman confirmed that the company was aware of the arrests, but said "information received indicates that they are not related to the actual labour dispute at the East London plant

"MBSA would never call upon the police in order to achieve its own objectives but only in situations where there is a dire threat to personal safety or in the case of criminal activity," she said

Mr Gxarisa said the two union officials who were visiting Germany, Mr Les Kettledas and Mr Brian Fredricks, had held press conferences in Frankfurt after their arrival

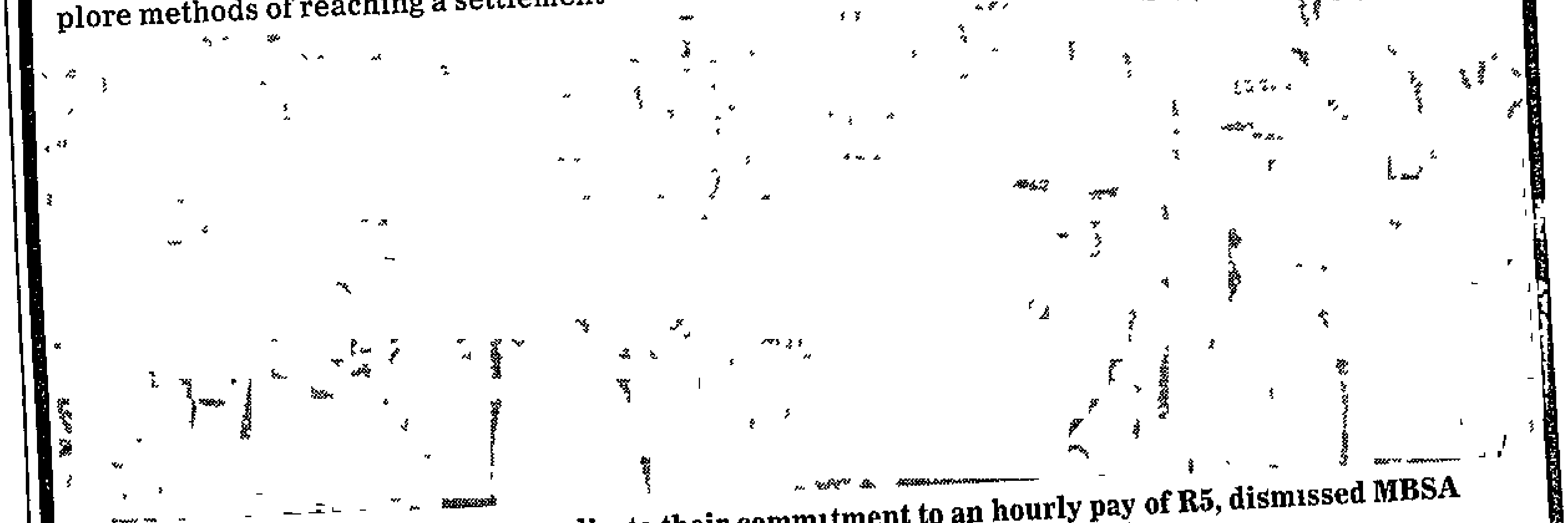
"They are presently in Stuttgart, where they have held discussions with I G Metal officials and will also meet shop stewards of the Daimler-Benz plant in Stuttgart

"We believe that this meeting will add to the support we have already received from the German workers and that Daimler-Benz management will be bound to address the problems of the MBSA workers and help to bring about a speedy resolution to the dispute," he said

When asked to comment on the distribution of the pamphlets, urging "interested persons" to report for re-employment at the plant before the expiry of the deadline, Mr Gxarisa said the union was "confident that the call by the company will be ignored by the people of Mdantsane"

The pamphlets were distributed from a chartered plane in Mdantsane on Thursday

The Ciskei deputy director general of Foreign Affairs and Information, Mr Headman Somtunzi, said the MBSA management had sought permission to distribute the pamphlets from Ciskei authorities and "we had approved"



With open hands held high to indicate their commitment to an hourly pay of R5, dismissed MBSA workers stream past the motor plant's gates yesterday.

WK ARGUS 26/9/87 4204 192

Daimler-Benz 'hands off' on SA strike

Weekend Argus
Foreign Service

MUNICH. — Daimler-Benz headquarters in Stuttgart has refused to intervene in the strike at its South African subsidiary's factory in East London in spite of sharp criticism by West Germany's giant metalworkers' union.

Daimler-Benz's personnel chief said the dispute could be settled only "on site"

Mercedes-Benz SA had shown its readiness "to negotiate at any time and at any place" and the company's offer to the striking workers was far above other wage settlements in the South African motor industry, he said

But the chairman of the powerful West German Metalworkers' Union Ig-Metall, Mr Franz Steinkuehler, accused the South African company of tackling the strike "with methods which would be impossible in a civilised country"

Mercedes-Benz SA was "using human suffering to break a strike", he told a Press conference in Stuttgart

Mr Steinkuehler and other union officials had earlier had extensive talks with the South African Metalworkers' Union negotiator in the East London strike, Mr Les Kettledas.

He and a South African representative of the International Metalworkers' Federation are touring Daimler-Benz factories in West Germany in search of shop-floor support for the East London strikers

Strikes costs Merc millions

By Don Robertson

THE eight-week strike by 2 600 workers at the Mercedes-Benz East London plant has resulted in lost production of more than 4 600 vehicles worth millions of rands.

Sales of Mercedes-Benz and Honda cars are at a virtual standstill

The company lost about 500 Mercedes-Benz and Honda sales in August as a result of the strike. September sales have been badly hit and October will be worse

A spokesman for the company says there are no stocks at the plant and most dealers have run out of cars

Commercials

Production of cars averages 110 a day as well as about 11 commercial vehicles. Production of commercials has returned to normal. The commercial vehicle division is staffed mainly by whites.

In an effort to resolve the matter, Mercedes raised its pay offer on two occasions after the increase announced on August 1.

The first increase lifted minimum wages from R3,50 an hour to R3,70. On August 18 an offer of R4,00 an hour was made and later raised to R4,04.

In addition, the company has agreed to fully compensate the workers for the reduced working week from 44 hours to 43 hours and will pay an attendance bonus of R27 a month. Also in the package is a bonus of one month's pay and 21 days' leave.

The company has agreed to wage increases in January and July next year.

"The hourly rate of R4,04 represents a monthly wage of R752," which compares with the R572 paid in January this year at a rate of R3 an hour and the R667 paid in July at R3,50 an hour.

The latest offer represents an increase of 37% since January.

On September 9 all workers were dismissed, but Mercedes-Benz has continued to negotiate with the union. The latest discussions ended in deadlock and the company will start recruiting new workers tomorrow

Motor parts firm heads for listing

(192)

B/day 29/9/87

ALTA DENT

FAST-GROWING motor parts distributor Autoquip Group is heading for the retailers and wholesalers sector of the JSE with a public offer of 2-million shares at 75c a share, and a preferential offer to institutions and business associates of 2,8-million shares at 75c each

A total of 16-million shares will be in issue after the flotation, with about70% of the company's equity held by management

Earnings a share rose by 124% to 5,6c in 1987 and are forecast to rise by another 41% in financial 1988 This growth pattern is in line with the other two listed motor parts distributors, Midas and Fleishmans

Midas produced a 36% increase in EPS this year and Fleishmans is forecasting a 65% rise for the current year in its prospectus

On the issue price of 75c a share, Autoquip offers a forward PE ratio of 9,5 and an annualised forward dividend yield of 4,8% (based on a 2,2-times covered payout to shareholders at the end of financial 1987/88)

Midas and Fleishmans, on the basis of their current share prices, are offering forward PE ratios just under 16

Turnover for end June 1988 is forecast at R20m (1987· R15m) and taxed income is projected to rise by 81% to R1,1m

Pre-tax income has grown from R206 000 in 1983 to a projected R2,3m in 1988 The prospectus says a combination of the weak rand and record interest rates in 1984/85 resulted in the dip in the company's earnings in financial 1985

Operating as Autoquip and Partquip, the group has a network of distribution centres around the country The prospectus says the R3,3m raised will assist in extending the geographic infrastructure of both companies and also help extend product range on a selective basis

Chairman George Santana is opening a similar operation in Australia early next year. He says Autoquip will have a 33% stake in this new venture, but will have no financial obligations to the new company

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CDS joins the rush for listing capital

Business Day Reporter

A LONG-established computer group, Central Data Systems (CDS), has joined the rush to the electronics sector of the JSE It will be seeking a listing on November 16 to raise R7,5m

The issue of 4,5-million shares at 150c a share will comprise a public offer of 2,5-million shares, a preferential offer of 1-million shares and a private placing of 1,5-million shares

CDS markets and supports Prime super-mini and mainframe computers, datacommunications equipment, peripherals to the main systems and local and imported software packages

Group turnover has increased from R13,6m in 1984 to R31,7m in 1987 and is projected at R44,5m in 1988 After-tax profits have been forecast at R3m On its issue price, CDS will be coming to the market on a price earnings ratio of 15 and on a prospective PE of 12

The funds raised will be used to finance organic growth, local research and development of electronic computer related products and systems It will also be used to establish the infrastructure required for exporting the group's products

192 80

Motor plant strike enters ninth week

28/9/87

Daily Dispatch Reporter

EAST LONDON — The position at the Mercedes-Benz of South Africa (MBSA) plant here remained unchanged at the weekend as the company enters its ninth week of limited production today

A spokesman for the company said last night that there had not been any contact between the company and representatives of the National Allied -Workers' Union (Nawu) over the weekend

He said there had been a lot of confusion over the name of the union — often quoted as the National Union of Metal Workers' of South Africa (Numsa) — but stated that the union was actually Nawu

"There has not been any contact between Nawu and ourselves since the exchange of telexes on Friday afternoon," the MBSA spokesman said

"There have not been any new developments, but we still remain hopeful that the situation can be satisfactorily resolved,

"MBSA re-affirms its commitment to solving labour disputes through acceptable bargaining processes," he said

He said the police did not have a role to play in the in-house negotiations between management and employees but stated that the company could not intervene in areas where people were responsible for breaking common and criminal laws

"Our position is clear We have never called in the police to help resolve the situation

"Where there have been criminal actions, these have had nothing to do with the labour dispute," he said

● In an advertisement in today's Daily Dispatch, MBSA invites applications for vacancies in 21 job categories at its East London plant

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computing

Information

Motor components succeed overseas

THE HIGH quality of SA motor components and a favourable exchange rate are giving local manufacturers a secure niche in export markets

But exporters are playing their cards close to the chest Nevertheless, they are looking at their sales abroad to help offset a heavy drain on forex caused by imports Exports are estimated to be worth about R3bn a year by Naacam director Denzil Vermooten

Alfred Teeves Technologies' John Brandtner says that licensing agreements ofte i restrict exports from SA "Licence-holders naturally want to protect their own territories

"A possible solution," he says, "is to export to them as a sub-component manufacturer Here, local manufacturers provide them with semi-finished products"

The other major dilemma that prevents many firms from taking the export plunge is the long-term uncertainty surrounding any decision to invest big sums in export production Most local capacity has been established specifically [illegible] with local volumes in mind

"To establish meaningful export capacity," notes Brandtner, "we would need an investment solely for the purpose of export manufacturing And if there's a sharp move in exchange rates — or a change in export incentive programmes, manufacturers could get stuck with a major outlay that has not been amortised.

Naamsa director Nico Vermeulen has allayed fears in the components industry that the incentive scheme for locally made parts could be changed or scrapped early next year "It has been officially confirmed that the scheme will continue to operate until the end of February 1988, and indications are that government will extend it for at least another year after that"

He gives the following explanation of the scheme "Government Notice R 741 of April 4, 1985 provided for an amendment to Schedule 6 of the Customs and Excise Act, 1964, to enable Phase V motor vehicle manufacturers to claim, subject to certain conditions, a rebate of excise duty on Phase V vehicles to the extent of R4.00/kg net local content of the mass of (locally-produced) vehicle parts and/or sub-assemblies exported

"To assist motor vehicle component manufacturers and OEM's, the Commissioner for Custom and Excise subsequently relaxed certain of the conditions to allow component manufacturers to export vehicle components directly in their name provided the rebate of duty in terms of Tarriff Item 609.17/117 00 was claimed through the Phase V OEM

"During May, 1986 the Commissioner for Customs and Excise ruled that the following procedures were to be followed

(i) The components concerned should be packed and exported under customs and excise supervision An appointment should be made well in advance of the exportation of the goods concerned, with the Controller of Customs and Excise in whose area of control the component manufacturer is situated

(ii) The rebate of duty may be claimed by a Phase V vehicle manufacturer with whom the component manufacturer (exporter) is to make suitable arrangements.

(iii) Proof of export will be produced to the vehicle manufacturer who in turn is required to submit such proof in support of his quartely excise account

(iv) The rebate of duty in a particular quarter may only be claimed in respect of components exported during the previous quarter. The date of export will be the date of the bill of lading or other export document if not exported by sea

(v) Materials and unfinished components do not qualify for the rebate

'Choose your spare parts carefully'

OVER the years, motor parts replacement dealers have been referred to as "rip off artists and sharks"

According to Unipart, this may have been justified in many cases buying parts is often seen as being a drudgery "But this need not be the case, as motorists and fleet operators should be encouraged to undertake ongoing preventative maintenance of their vehicles," says a company spokesman

In selecting a suitable parts supplier, motorists should buy from reputable outlets to ensure a high quality product at the most competitive price

"We distribute a carefully-selected range of parts and accessories exclusively through more than 50 franchised outlets in SA Unipart is part of the multi-million rand UK-based Unipart Group," says the company spokesman

The UK operation was launched in 1969, while the SA company was founded at the end of 1981 Due to [illegible] world-wide buying power, Unipart says it is able to source products at the best possible prices — and this benefit is passed on to the motorist

"This means that even in some of the smaller centres, motorists and fleet operators can enjoy good prices

"And while price is of extreme importance, quality is equally important — especially when one considers the dangers associated with fitting an inferior set of brakes or steering components

"We have built our reputation on quality Unipart-branded products are built to the highest standards, and are comparable to those specified by the original manufacturer

SA firm's sparks keep you moving

SA'S NEED for more skilled labour in the motor industry has been recognised by Robert Bosch, a supplier of auto electrical components, which operates an apprentice training scheme

The company's Brits factory trains 500 employees, and constantly invests in training and improvement programmes

Making alternators, starter motors, wiper motors, small motors and ignition coils, Bosch supplies at least one component to every motor vehicle manufacturer in SA

Most of the output is for the original equipment (OE) market The Brits facility also supplies the after market needs of its Diesel Electric distributors and other customers

The average local content of the 70 000 auto-electrical components produced monthly in the Brits plant is 90% by mass, some electronic items are imported

The quality of the company's SA product is equal to that of Bosch in Germany, a company spokesman says

☐ A Bosal operator feeds interior silencer components into the silencer assembly machine

Biggest facility

AFRICA's largest fully automated heat treatment facility for the component manufacture is the Borg-Warner SA operation based in Uitenhage

The facility includes computerised measuring equipment, a fully equipped metallurgical laboratory containing a spectrometer, and physical test apparatus

Supported by 20 years of experience in Africa, and more than 50 years internationally, the firm says it offers the highest standard of technology for the design and manufacture of driving axle requirements

Franchisees fit spares on the double

AIMING to capture a major share of the R15m specialist parts fitting market, Fastfit, a member of the Midas Group, has appointed 50 car fitment centres countrywide.

Many large independents have joined the Fastfit franchise since it was started by Midas and a group of independents in July last year.

Executive director Mike Lambrecht says the company is currently signing up independent outlets at the rate of three a month

"With sales of new cars continuing to show a downward tendency, the market for used vehicles has taken on a new dimension and boosted the parts industry," Lambrecht says

"We have taken advantage of this trend to enable franchisees to increase their buying power and to benefit from a co-ordinated marketing strategy," he says

Part of this strategy is the chain's undertaking to give free parts and service if the fitting is not completed within the time estimated for the job.

Already represented in all of SA's major centres, as well as rural towns such as Upington, Louis Trichardt and Empangeni, the company fits standard parts such as Bosal exhausts, Chloride batteries, Towmaster tow bars and Armstrong shock absorbers

"In the future our range of parts and services is expected to expand substantially," he says.

Uitenhage motor manufacturer wins top international award

E. Post 28/9/87 (192)

Post Reporter

VOLKSWAGEN of South Africa, the Uitenhage-based motor company, came out tops in international company which included such giants as IBM and Disneyland, when it won the Towards Excellence Award last week

The communications manager for VWSA, Mr Matt Gennrich, said today that in 1984 the company decided to participate in the programme and won the award "for the best implementation of the Towards Excellence programme"

The award, a figurine like an "Oscar", was handed over to the company's managing director, Mr Peter Searle, at a ceremony on Thursday

The award was handed over by Mr Mike Renton, the head of FSA, a local organisation which "sold" the idea in South Africa

"This is the first time the award was made to any company throughout the world We are very proud of it," Mr Gennrich said

He said 120 companies outside the US and "a couple of hundred" US companies were involved in the programme

Asked what had given VWSA the lead, he said he believed it was good customer service and quality products; both of which were largely attributable to the implementation of the programme

The company had increased its car market penetration from 10,6% in 1984, to 19,9% at present the only manufacturer to have gained each year during that period

VWSA managing director Mr **PETER SEARLE** (left) receives the Towards Excellence Award from Mr **MIKE RENTON.**

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MBSA, Numsa to resume talks

by **DAVE MARRS**

EAST LONDON — Negotiations to end the dispute between Mercedes-Benz of South Africa (MBSA) and the National Union of Metalworkers of South Africa (Numsa) would be resumed this afternoon, a spokesman for the union said yesterday

The spokesman, Mr Viwe Gxarisa, said the
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The spokesman said "preliminary recruitment" had taken place, but declined to reveal how many new workers had been signed up

Mr Gxarisa said the National Automobile and Allied Workers' Union (Naawu), had represented the workers at the time of recognition by MBSA, and this was why the company had said it was dealing with Naawu to resolve the dispute

"The situation has changed since the industrial council meeting and the organisation that is representing the workers is now Numsa," he said

Mr Gxarisa confirmed that members of the Border Chamber of Industry had been approached to attend a meeting with Numsa officials tomorrow to discuss the effect of the strike on industry in the area

"People who are concerned with the economy of the area should be involved in trying to acheive a settlement," he said

Hundreds of former MBSA employees queued outside the Numsa offices in Union Street yesterday to receive their share of the funds given to the union to help support the strikers, who have not received any pay for more than two months

Settlement close in Mercedes strike

Daily Dispatch Reporter

EAST LONDON — The prolonged dispute between Mercedes-Benz of South Africa and the National Union of Metalworkers of South Africa came close to resolution during negotiations yesterday, a union spokesman said last night.

The spokesman, Mr Viwe Gxarisa, said agreement had been reached on the major issues that had caused deadlock during the nine-week strike, although a newly introduced issue would have to be resolved before the 2 800 dismissed employees would return to the production lines

The company had offered a minimum hourly rate of R4,50 and had agreed that all the dismissed workers would be unconditionally reinstated, Mr Gxarisa said

These proposals "were considered by the workers and found to be acceptable"

The workers had stuck to their demand of R5 per hour throughout the dispute and MBSA offered a maximum of R4,04 per hour up until yesterday

"The national resolution of Numsa and the Congress of South African Trade Unions was that the minimum rate for workers in South Africa should be R4,50 per hour.

"The company's offer is therefore in line with that resolution," Mr Gxarisa said

Negotiations began during the morning yesterday and continued until about 7 30pm

A statement received from an MBSA spokesman said negotiations were continuing but did not expand on the achievements of the meeting

Mr Gxarisa said the company had introduced an additional factor in yesterday's negotiations that had not been a cause of disagreement before

"The company proposed that a minimum rate for July 1988 of R4,74 per hour be decided as part of these negotiations"

Discussions on this point would continue today and it was hoped that the issue would be fully resolved in order to allow the workers to return to work as soon as possible.

The recognition agreement of the union, which included agreement on working conditions, would be finalised by the end of November, Mr Gxarisa said

"We believe that common ground will be found despite the change in the issues to be discussed"

Union representatives who had visited Germany to discuss the South African situation with union officials and metalworkers there returned in time to take part in yesterday's negotiations

Mr Brian Fredericks, who travelled to Germany with Mr Les Kettledas, said "A compromise position is on the tables"

If full agreement is reached tomorrow, it is likely that the workers will return to work on Monday

"The trip to Germany was mainly an exercise aimed at putting pressure on the mother company, Daimler-Benz

"We believe that international solidarity and especially the fact that the striking MBSA workers stuck together over a long period resulted in the favourable position in which the workers now find themselves," Mr Fredericks said

1/10/87

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Mercedes dispute: end is in sight

1/10/87

SML

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The nine-week wage dispute between Mercedes Benz and the National Union of Metalworkers (Numsa) was on the brink of resolution today, following agreement on the company's latest wage offer, according to the union.

Numsa spokesman, Mr Viwe Gxarisa, said workers had agreed to accept the company's improved offer of a R4,50/hour minimum, an improvement of 46c on the last offer. He said management had agreed to unconditionally re-instate all dismissed workers

About 2 800 workers were fired from Mercedes's East London plant about three weeks ago after striking to back a demand for a new hourly minimum of R5.

A company spokesman declined to comment while negotiations were in progress.

Mr Gxarisa said negotiations would continue today on a management proposal that the minimum be raised to R4,74 from July 1988

The dispute has halted the supply of new cars, costing the company millions

2/10/87

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Background to motor plant dispute — and settlement

by **DAVID MARRS**

EAST LONDON — The prolonged strike at the giant Mercedes and Honda assembly plant here began on Monday, August 3, when some 300 workers in H-plant, the chassis and body shop division, downed tools

The work stoppage was in protest against short time and a reduction of earnings owing to the introduction of a 43-hour week

The National Union of Metalworkers of South Africa (Numsa) demanded that last-shift workers be paid for the nine hours they used to work and not for the recently intoduced eight hour shift

In addition, Numsa demanded negotiations to improve working conditions and increase wages, on top of an agreement reached with the automobile manufacturing industry (including MBSA) at an Industrial Council sitting earlier this year

The strike spread to other divisions of the plant by the next day, involving some 2 800 workers, and production was suspended indefinitely.

Management at the plant offered an increase in the hourly rate of 20 cents, which placed employees on a rate of R3,70 to R3,75 an hour

The workers demanded an hourly rate of R5, which included compensation for the reduction in working hours

An interim interdict was granted to MBSA after an urgent meeting of the industrial council, which called on striking workers not to continue their work stoppage

An official of the company, Mr W I Gardiner, warned the striking workers in an advertisement in the Daily Dispatch a few days after the work stoppage, that they would be dismissed if they did not return to work on the following Monday, a week after they downed tools

Although the workers returned to the plant, the ultimatum was not met and production lines remained deserted

A total of 188 workers were summarily dismissed and although the plant remained "open for production", none of the striking workers returned to work

An attempt by the company to obtain an interdict against the National Automobile and Allied Worker s Union (Naawu), preventing them from inciting or participating in the strike at the assembly plant, was dismissed by the Industrial Court as the strike entered its second week

Naawu, which merged with the National Union of Metalworkers of South Africa (Numsa) shortly before the dispute, was the union involved in the original industrial council agreement, although the name Numsa was used by the Cosatu-affiliated union during the strike

The company issued a "final" wage offer consisting of an across the board increase — as agreed at the council — and an increase over and above that, bringing the minimum hourly wage to R4,04 an hour (R752 a month), to be implemented immediately

The offer, which was sent in a letter to each worker individually, expired on September 2 and included the reinstatement of all 188 fired workers

This was rejected by the workers, the offer was withdrawn and meetings were scheduled in an attempt at achieving an acceptable compromise

A second ultimatum of dismissal was presented to the workers by the company on September 5 in the form of an advertisement in the Daily Dispatch, which warned that some 2 800 striking workers would be dismissed if they had not reported for work at the plant by Wednesday, September 9, more than a month after the dispute began

Negotiations aimed at resolving the dispute at the 11th hour ended in deadlock the day before the deadline of the ultimatum

The 2 800 striking workers were summarily dismissed on September 9 after the ultimatum was ignored by the striking employees

The dismissed workers resolved to continue to meet at the plant every day until the dispute was resolved and were addressed by a representative of the Greens Party in the West German Parliament, Mr Willie Hoss

MBSA resolved to begin a recruitment drive on Monday, September 14, and stated in an advertisement in the Daily Dispatch that an offer of preferential re-employment would remain open to all dismissed workers until 3 pm on Friday, September 25

Negotiations were resumed during the period prior to the expiry of the deadline, but did not bring about an end to the dispute

An open letter was published in the Daily Dispatch on September 23, calling on the dismissed workers to re-apply for employment before September 25 and stating that an average of R1 283 in wages had been forfeited by each worker since the strike began

Two of the striking workers were arrested outside the plant on September 23 and were charged with intimidation This was after a tense confrontation with working MBSA employees when the daily meeting in the car park had broken up

This was the only strike-related incident that had occurred during the nine-week dispute which was conducted in a restrained manner by both workers and police, who had kept a low profile at the plant

The company tabled a last-minute offer of R3,38 per hour, to be introduced in January, 1988 and that the proposed attendance allowance be incorporated into the hourly pay

Two Numsa officials Mr Brian Fredricks and Mr Les Kettledas, left for Germany to discus the South African situation with union officials at the Daimler-Ben plant there on September 25, the day the deadline for the 2 800 workers to re-apply for work expired

The dismissed workers did not take up the offer of guaranteed employment and the company embarked on a recruitment programme aimed at the resumption of full production

Funds amounting to R100 000, collected from workers in the city and "sympathetic organisations", were distributed among the striking workers, who had not received any income for almost two months

A company spokesman said "an encouraging response" had been received to the call for applicants for the vacant positions and that "preliminary recruitment" had taken place

The round of negotiations which led to settlement yesterday began on Tuesday

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FM

The downside of commitment

After eight weeks of stalemate in its wage dispute with the metal workers' union Numsa, Mercedes-Benz of SA, having lost production worth some R300m, this week began hiring replacements for the 2 800 dismissed workers at its East London plant.

Look at the Mercedes strikes, and you can't help wondering — is political militancy replacing shopfloor sense? Mercedes' offer of a 37% wage increase, which would give its lowest grade workers R4,04 an hour (R752 a month), seems eminently reasonable The package as a whole, says the company, "provides an effective living wage which, compared to the rest of the industry in the East London area, is most probably by far the best "

However, the National Union of Metalworkers (Numsa) is holding out for increases of between 50%-65%, even though it last week tempered its R5 an hour demand to R4,50 Numsa is an affiliate of the Congress of SA Trade Unions (Cosatu), is it on a "political" course that has as its strange objective the company's effective local destruction?

"This is difficult to judge," says Mercedes "The basic demand deals with wages, but it is believed that the trade union . is probing whether the general demand of R5, set by Cosatu, is achievable or not " The company adds that the involvement of overseas organisations (specifically, the German trade union federation I G Metall) in the dispute can also be seen in a political light, since a "clear wage dispute would have been limited to the two South African parties " The company adds that, considering the union's membership of Cosatu, and Cosatu's recent call for all foreign companies to actively withdraw from SA, "one can only surmise that the union has disinvestment in mind "

Not at all, asserts Numsa's Wellington Nonyunkela, a senior shop steward at the East London plant According to him "The union's wage demand does not mean Mercedes-Benz will not be able to continue operating Our demand is based on Mercedes' profitability — not on the intention of getting the company to disinvest "

If Mercedes does decide to disinvest, he adds, then it means their stated commitment to stay here and improve the standard of living of black people is hollow "We are testing the company's commitment to its claim, and (the wage demand) is based on what the company can afford," he asserts

"As a shop steward, and on behalf of the workers at Mercedes, I can say we do not want the company to go Our intention is the improvement of our social condition And it is based on what we understand the company's position to be as referred to in its anti-apartheid statements "

Clearly, the union is using Mercedes' high international profile as a lever against it Moreover, observes a labour academic engaged in research at the Volkswagen plant in Uitenhage, there's "tremendous tension" in the region, which gives the strong impression that "the union is on the attack " This is curious, as Numsa has the reputation of being "quite a conservative union "

The rank and file membership of Numsa appear to have dug their heels in. A senior Cosatu official says the Numsa and Cosatu leadership, who have seen that management can dismiss "quite ruthlessly," have been urging a settlement "But the workers are sticking to their demands "

They also seem confident that Mercedes-Benz SA won't be able to recruit skilled workers all that easily. Indeed, there was no rush to take up the offer to be re-hired "The workers are saying it is useless to go back for R4,04 The increase is only for inflation, it leaves nothing for themselves and their families," says Nonyunkela.

He claims the company's offer is in reality R3,96 an hour plus 8c (R4,04) for the 44th hour (The union wants a 43-hour week)

CAPE TIMES

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Mercedes labour dispute ends

EAST LONDON. — The Mercedes Benz labour dispute is over, the National Union of Metal Workers of South Africa reported last night.

The union said the workers had accepted conditions for an agreement on wages.

Mr Viwe Gxarisa, the East London Numsa local secretary, said the settlement of the dispute brought to an end a nine-week-long strike, which cost the company over R300m in lost production and the workers R5m in lost wages.

Mr Gxarisa said the agreement provided for a wage structure as from yesterday ranging from R4,50 an hour for grade 1 workers to R5,27 for grade 6 workers. — Sapa

Mercedes back to work on Monday

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DD 2/10/87

Daily Dispatch Reporter

EAST LONDON — Production at the Mercedes-Benz plant here will resume on Monday.

The dispute between Mercedes-Benz of South Africa and the National Union of Metalworkers of South Africa was resolved yesterday after two months of negotiations

A spokesman for the company said in a statement last night that the company had committed itself to an effective wage of R4,50 an hour (R838,50 a month) for grade one employees and had undertaken to increase wages further during 1988

"The agreement provides for re-employment with restoration of service-related benefits, provided that industrial peace is maintained until the end of 1987

"The agreement is binding until December 31, 1988, and production will resume on Monday, October 5," she said

The 2,800 reinstated workers, who waited outside the plant during the morning while negotiations were in progress, met the union negotiating team at about 3-pm and the conditions of the agreement were explained to them

A procession of jubilant workers streamed past the gates to the plant singing and dancing after the meeting broke up and dispersed in an orderly manner

The secretary of the International Metalworkers' Federation, Mr Brian Fredricks, who was seconded to the federation from Numsa, said the workers were "ecstatic" after hearing the dispute was over

"This was a very important victory for them The actual increases represent about 32 per cent of the former wage and that adequately covers inflation for the past year, which has been running at 18 to 19 per cent, and represents some real improvement

"This is one of the best agreements on wages in the country for unskilled and semi-skilled workers

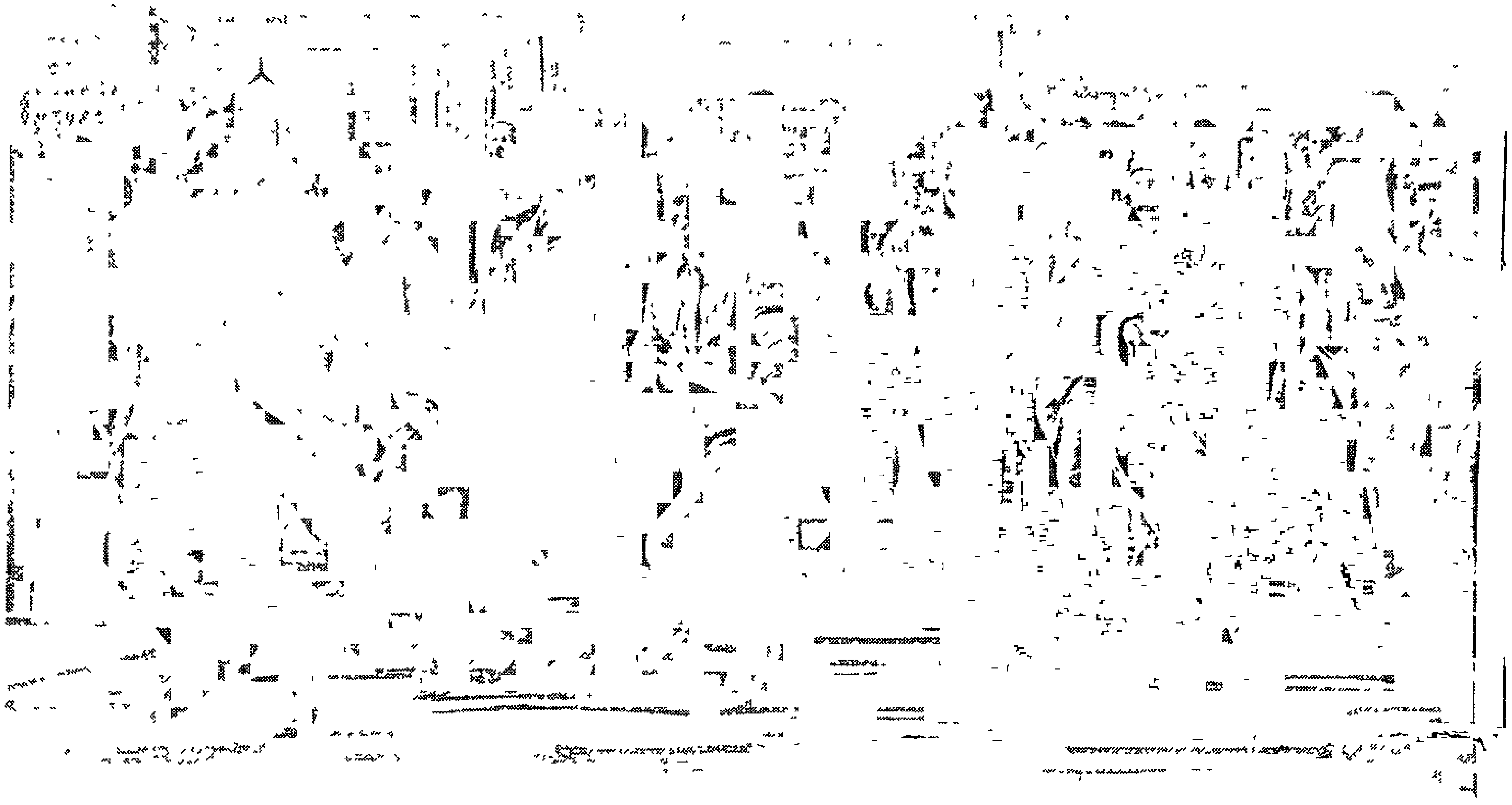
"International solidarity certainly assisted in bringing about a settlement, but the strength of the unity of the local MBSA workforce was what made the difference," he said

The workers' demand that wages lost during the strike be repaid in full as part of the settlement was dropped during the final negotiations

The company spokesman said MBSA "remains committed to the proper application of employment and industrial relations practices and will continue to improve shop floor relations and the quality of life in the workplace for all of its employees

"The complicated dispute has also severely tested the resolve of both parties and it is the company's hope that future differences of opinion are resolved without having to resort to protracted industrial action "

The East London local secretary of the union, Mr Viwe Gxarisa, said the strike had cost the company over R300 million in lost production and the workers had lost about R5 million in wages



The strike is over . . . jubilant Mercedes-Benz workers outside the factory yesterday.

The workers had accepted the proposals for a compromise on the wage issue

"The agreement provides for a wage structure of R4,50 per hour on grade one, R4,65 on grade two, R4,80 on grade three, R4,95 on grade four, R5,11 on grade five and R5,27 on grade six, with immediated effect

"The wage rates for July 1988 were set at R4,86 on grade one, R5,07 on grade two, R5,25 on grade three, R5,45 on grade four, R5,66 on grade five, and R5,88 on grade six

The annual bonus and service leave would be forfeited by the workers should the provisions relating to industrial peace not be met

"The company and Numsa also agreed that negotiations concerning full recognition of the union and procedural and substantive agreement be commenced immediately "

The MBSA spokesman said "While the dispute and the settlement will have a significant impact on the company's cost structure, MBSA is well prepared for the challenge of resuming the supply of its products to the market

"In this context the company believes that both sides are willing to fulfil their duties in order to stem the losses that both have experienced during the period of the dispute

"The company acknowledges that, during the dispute, no serious incidents have taken place and that the employees' general conduct has been orderly and disciplined "

Mr Gxarisa said the action against MBSA had resulted in union representatives speaking at rallies of thousands of Daimler-Benz, Volkswagen and other German metalworkers and shop stewards, who gave strong support to the workers of South Africa

"Financial support for the workers was co-ordinated through the International Metalworkers' Federation

"Together with these actions, the unfaltering unity of the workers of Mercedes-Benz in East London and the determination of the union leadership in searching for an acceptable settlement finally brought the matter to an acceptable resolution," he said

How it started P3
MD interviewed P12

NA645 2/10/87 [illegible] 172

Mercedes-Benz settles wage dispute with union

PRETORIA. — Mercedes-Benz has reached a settlement with the National Automobile and Allied Workers' Union (NAAWU) in the wage dispute at its East London plant.

"A wage agreement has been concluded to run until December 31 1988," Mr Sepp van Hullen, chief executive of Mercedes-Benz of South Africa, said in a statement in Pretoria last night. "An effective wage of R4,50 an hour will be paid to Grade 1 employees. The company has also committed itself to further increases in wages during 1988."

The agreement provides for re-employment with restoration of service-related benefits provided that industrial peace is maintained until the end of 1987. Production will resume on Monday. — Sapa.

192 DD 3/10/87

EL counts its losses in wake of MBSA dispute

by DAVE MARRS

EAST LONDON — Industrialists and commercial traders here have heaved a collective sigh of relief after the resolution on Thursday of the nine-week dispute at the Mercedes-Benz plant.

All agree that the strike had had a substantial effect on the normal business cycle, although an actual drop in turnover was impossible to detect and could be felt only in the future

A spokesman for the National Union of Metalworkers of South Africa (Numsa), which represented the workers in the action, said in a statement released after the wage settlement was reached at a minimum of R4,50 an hour, that the dispute had cost the company R300 million in lost production and that the workers had forfeited an estimated R5 million in unpaid wages

The company spokesman in Pretoria said Mercedes-Benz of South Africa (MBSA) "would prefer not to release financial figures"

Most severely hit by the 60 day work stoppage, apart from MBSA and the dismissed workers, was the MBSA supplier industry and Mercedes and Honda dealers

The managing director of the major dealer in the city, Mr Graham Bradshaw, said the strike had "certainly affected our operation and we are happy a solution has been found

"Hopefully MBSA will be able to catch up on lost production, although we had stocks of most models to see us through the period of the strike"

The supplier industry consists of numerous factories producing the locally-manufactured components, which were not required while the production lines were stationary

These companies kept a low profile during the dispute and consistently refused to divulge the extent of the losses they had experienced

A less direct result of the strike has been the reduction of cash flowing into the economy of the city due to wage losses

Traders in furniture and clothing have been most severely hit by the decrease in spending power, especially those dealing in hire-purchase agreements

The manager of the Buffalo Street branch of a furniture sales chain said 23 clients had been unable to honour their agreements as a direct result of the strike

He said the policy of the group was to make allowance for economic conditions when this sort of situation occurred

Arrangements had been made for payments to continue, he added

The owner of two discount clothing stores in the city, Mr John Solomon, said there had been "obvious effect" on turnover during the strike, but the actual percentage of turnover lost was difficult to calculate

"We cannot compare the last couple of months to the same period last year, because we were affected by the consumer boycotts then," he said

The manager of a store in a similar line of business, who did not want to be named, said "We used to have a lot of people coming in here to buy clothes on a Friday after they were paid Now we just don't see them anymore"

Huge cost of strike

192

Sowetan 3/10/83

THE National Union of Metalworkers of South Africa said the dispute at Mercedes-Benz which ended at the weekend had cost the company R300-million in lost production

The union said in a statement that workers had lost an estimated R5-million in unpaid wages. — Sapa.

1 000 brewery workers strike at two plants

5/10/87

By Mike Siluma, Labour Reporter

About 1 000 workers are on strike at two South African Breweries' (SAB) Reef plants.

A spokesman for SAB confirmed that the 800 workers who downed tools at the Isando plant on Friday in solidarity with six dismissed colleagues had been joined by about 200 workers from the Denver depot.

He said the six workers dismissed from the Isando operation had declined to work at previously agreed work levels.

This was rejected by a Food and Allied Workers' Union (Fawu) spokesman

"The company failed to prove that there was a go-slow in progress. We are not aware of any go-slow," said the spokesman He said the workers at Wadeville and Denver had been reinstated.

The SAB spokesman said that the company would apply for a Supreme Court order tomorrow, restraining workers from continuing an overtime ban.

A conciliation board is presently being awaited to consider deadlocked wage negotiations between Fawu and SAB.

Sowetan 6/10/87

192

Strikers go back

A SPOKESMAN for the Mercedes Benz company in East London says the majority of the 2800 workers involved in a strike at the plant during the past nine weeks returned to work yesterday morning.

The spokesman said most of yesterday would be spend on the completion of application forms by the workers, whose return follows an agreement reached by the management of the company and the National Auto and Allied Workers' Union on salary scales. — Sapa

192 STAR 6/10/87

Another row at Mercedes

EAST LONDON — Re-employment of the 2 000 dismissed Mercedes Benz workers was suspended yesterday after some of the former employees found they had been demoted, a spokesman for the National Union of Metalworkers of South Africa said.

The local secretary of the union, Mr Viwe Gxarise, said the company had "violated the whole agreement"

"The workers decided not to return or sign a statement of the conditions of the agreement because of the demotions," Mr Gxarisa said

A Mercedes spokesman said the majority of workers reported for work but "normal business was prevented because of incidents of violence in the plant". There had been conflicting interpretations of the agreement and this had created unfortunate incidents between workers and co-workers.

Mr Gxarisa denied that violence had occurred at the plant

He said the workers were waiting for the company to "rectify the wrong they have done" before production would be resumed. — Sapa.

Breakdown of Mercedes deal

(192)

B/day 6/10/87

ROGER SMITH

THE agreement between Mercedes Benz management and the National Union of Metalworkers of SA (Numsa) that ended the nine-week East London strike has broken down

A management spokesman said although the majority of workers reported for work yesterday, they had not gone back to work because of differing interpretations of the agreement.

She said meetings were taking place between management, shop stewards and the union in an attempt to resolve the issue

A Numsa spokesman accused the company of not sticking to the agreement He said Numsa members in Plant Security were to have been integrated into production areas, but the company was saying that in so doing workers' grades could be changed at whim. He said the company wanted to downgrade workers without consultation They had also set a written condition that employees agree to being transferred to other departments by the personnel department, which was "not part of the agreement"

The company's response to union allegations was unavailable late last night.

DD 6/10/87

192

Numsa: MBSA men demoted

Daily Dispatch Reporter

EAST LONDON — The programme of re-employment of the 2 800 fired Mercedes-Benz of South Africa (MBSA) workers was suspended yesterday after some of the former employees found that they had been demoted, a spokesman for the National Union of Metalworkers of South Africa (Numsa) said.

The local secretary of the union, Mr Viwe Gxarisa, said "The workers decided not to return or sign a statement of the conditions of the agreement because of the demotions," Mr Gxarisa said.

An MBSA spokesman said the majority of workers had reported for work in the morning but there had been "conflicting interpretations of the agreement" and this had "created unfortunate incidents between workers and co-workers".

A Numsa spokesman said members in plant security were to have been integrated into production areas but the company was saying that, in so doing, workers' grades could be changed at whim

He said the company had also set a written condition that employees agree to being transferred to other departments which was "not part of the agreement"

Mr Gxarisa denied that any incidents of violence had occurred at the plant yesterday.

A union delegation had met with company representatives in the afternoon and the meeting would be resumed later.

The workers agreed to return to the production lines after prolonged negotiations to end the nine-week-old strike succeeded on Thursday last week.

A company spokesman said the workers had until tomorow afternoon to re-apply for their jobs

Mercedes workers due back today

DD 192 7/10/87

by DAVE MARRS

EAST LONDON — Management of Mercedes-Benz of South Africa (MBSA) received telexed confirmation yesterday that the striking workers would resume their duties this morning, a spokesman for the company said

She said the difficulties experienced by workers returning to work and the requirement that they sign new employment contracts had been discussed at a National Allied Automobile Committee meeting held yesterday morning.

After this meeting the National Union of Metalworkers of South Africa (Numsa) had indicated that the workers had agreed to sign the necessary documentation

"The parties to the discussion expressed the wish that similar occurrences be avoided in the future and indicated their willingness to cooperate in order to facilitate the return to work

"As previously agreed, the job grades of workers returning to work will be restored to the same grades held by them at the commencement of the strike," she said.

In a previous statement, the spokesman said grade one employees, who will now be earning the minimum R4,50 an hour (R838,50 a month) as a result of the new agreement, were "unskilled workers" at the plant.

"The positions they would hold include cleaners, labourers, crib attendants, material handlers in unboxing, messengers, unskilled painters and trolley handlers," she said.

The chairman of the MBSA shop stewards, Mr Msiteli Nonyukela, said the company had agreed to rectify the issues that were disputed by the workers after negotiations to end the strike ended last week.

"You can say that the dispute is now over and the workers will return to their places of work in the morning," he said.

Meanwhile, a man who said he represented the "white" staff of MBSA" said that a meeting of all white staff members had taken place yesterday to discuss incidents of violence at the plant and representation had been made to management demanding protection.

He said white staff members had been threatened by striking workers, yet the "true story" was not being released by the company because it was afraid of overseas publicity.

Management was allowing the striking workers to commit acts of violence and intimidation against fellow workers in the plant and had not taken steps to ensure the safety of their employees, he said

He said a "people's court" had been held on the premises and several workers found guilty of working during the strike were "beaten up" in front of a senior company official

The man provided the name, company identity number and home address of a white employee who, he claimed, had been hit with a wooden plank by a striking worker

The injured man had been taken to hospital and treated for concussion and facial injuries, he said

When the Daily Dispatch contacted the company by telephone and asked for the man alleged to have been assaulted, a manager at the plant said he was not at work and was "believed to be sick"

The spokesman for MBSA said several incidents of assault had been reported to management, but would not comment on specific incidents inside the plant.

"These cases are being investigated.

"Management condemns action taken by certain workers who had taken it upon themselves to punish employees working in the plant during the strike.

"The company has made strong representation to the union in this regard.

"Assurances have also been given to employees that irresponsible acts will not be tolerated and appropriate steps will be taken," she said

A Numsa spokesman, Mr. Viwe Gxarisa, denied that any incidents of violence had taken place in the plant.

"I do not know of any assaults at MBSA," he said.

Mr Nonyukela said Numsa was a non-violent organisation but "the union cannot stand against the workers"

"If the company had not provoked the workers by changing the conditions of employment after they had been agreed upon, they would have started work on Monday and there would not have been any violence," he said

Picture page 3

y October 7 1987

Breweries want union tactic declared illegal

Court to rule on SAB overtime ban

(192)

Star 7/10/87

By Lesley Cowling

The question of whether workers are legally entitled to refuse to work overtime as an industrial action tactic is being considered by the Rand Supreme Court in an application by South African Breweries (SAB).

SAB is involved in a wage dispute with the Food and Allied Workers' Union (Fawu). More than 1 500 of their employees have refused to work overtime unless their wage demands are granted, the court heard yesterday

The refusal to work overtime is costing SAB about R150 000 a day and it has asked the court to declare unlawful the action of the union and its members in implementing a ban on overtime

Mr C Z Cohen, SC, for SAB said yesterday that, while the company did not regard the refusal of individuals to work overtime as unlawful, it objected to a collective decision to do this as a strategy to pressure SAB.

He said overtime work usually accounted for 20 percent of production. But, from September 11, workers at SAB's Alrode, Isando, Denver and Wadeville plants had refused to work overtime until their wage demands were met.

Mr Cohen said SAB was not asking the court to grant an order forcing the workers to do overtime But if the court declared that it was unlawful for the union and workers to ban overtime, this might enable some of the employees to work overtime if they wished

Counsel for Fawu, Mr P Streicher, SC, said the overtime ban did not constitute an unlawful strike. He said that, in terms of the Labour Relations Act, an agreement by two or more employees not to continue work, with the aim of compelling their employer to comply with demands, was an offence

He argued that "work", in this context, must mean work which employees were contractually bound to do. Workers were not contractually bound to work overtime.

To deny them the right to withold work which they had not contracted to do, for whatever reason they witheld it, would constitute a very serious inroad into the rights of employees.

Both counsels yesterday referred Mr Justice Goldstone to differing judgments on the issue.

Mr Justice Broome, of the Durban and Coast Local Division, giving judgment in an application brought by Plascon Evans Paint against the Chemical Workers' Industrial Union, said the working of overtime was something the individual worker should be free to do or to refrain from doing

But, last month, another Natal judge, Mr Justice Galgut, ruled that the definition of "work" in the Labour Relations Act included work the employees were not contractually bound to do but did normally do.

Judgment will be given today.

9/10/87 192

Overtime ban at breweries is lawful — Supreme Court

By Lesley Cowling

The refusal of more than 1 500 South African Breweries employees to work overtime until their wage demands were met was not unlawful, a Rand Supreme Court judge ruled yesterday.

South African Breweries is presently involved in a wage dispute with the Food and Allied Workers' Union (Fawu) and the overtime ban is costing the company about R150 000 a day.

Mr Justice R J Goldstone yesterday dismissed an application by the Breweries to have the overtime ban declared an unlawful strike because it was being used as an industrial action tactic.

INROAD INTO WORKERS' RIGHTS

Counsel for Fawu, Mr Streicher, SC, had argued that the overtime ban did not constitute an unlawful strike. He said that in terms of the Labour Relations Act an agreement by two or more employees not to continue work, with the aim of compelling their employer to comply with demands, was an offence

However, he argued that "work", in this context, must mean work which employees were contractually bound to do. Workers were not contractually bound to work overtime

To deny them the right to withold work which they had not contracted to do, for whatever reason they withheld it, would constitute a very serious inroad into the rights of employees.

'ILLEGAL STRIKE'

Mr C Z Cohen SC, for SAB, had said the "work" did not mean work employees were contractually bound to do, but work normally done by employees. He argued that the court should find that this was the meaning of the word in the Labour Relations Act and that the refusal to work overtime therefore constituted an illegal strike

Mr Justice Goldstone yesterday refused to find this was the definition He said that the definition in the Act was ambivalent, that there was merit in the arguments for both sides, but to find that "work" meant work normally done, would lead to confusion and uncertainty.

"What is normal and what is usual? The grey areas are legion," he said.

He agreed with a finding of a Natal judge, Mr Justice Broome, who ruled that workers should be free to choose whether they wanted to work overtime.

"The notion of a worker being compelled to work overtime as and when required is so unfavourable that the prejudice speaks for itself This is so, even if the obligation to work overtime is qualified."

The Judge agreed with Mr Justice Broome that employers could protect themselves from overtime bans by employing people to do overtime

MBSA back in production

AD 192 8/10/87

Daily Dispatch Reporter

EAST LONDON — Production was resumed at the Mercedes-Benz of South Africa (MBSA) plant yesterday after the workforce returned and signed a statement setting out the conditions of the agreement that resolved the dispute last week.

A spokesman for the company said MBSA was "encouraged" by the response of the workers, which had been "very positive"

She said that despite the tension that existed throughout the dispute, the conduct of the majority of strikers had been controlled and disciplined

A few "isolated and unfortunate incidents of intimidattion and assault" had taken place and the company "deeply regretted" them

The local secretary of the National Union of Metalworkers of South Africa (Numsa), Mr Viwe Gxarisa, confirmed that production lines at the plant were back in operation and said "very few" workers had not returned.

"Only those workers who are sick have not yet re-applied

"The company has agreed to extend the period of grace for application for employment by one day

"A few small problems were ironed out without disrupting the return to work," he said.

See also page 2

20/10/88

MBSA strike explained

Daily Dispatch Reporter

EAST LONDON — A statement summarising the nine-week dispute at the Mercedes-Benz plant here, which involved 2 800 workers and resulted in losses of up to R300 million, was issued by a company spokesman last night

The statement said the dispute "originated out of a demand by the company's employees that the wage agreement reached at the Industrial Council for the Eastern Province automobile manufacturing industry be postponed and that further wage negotiations should take place at plant level

"The Industrial Council increase would have improved the lowest wage from R3,50 per hour (R667 per month) to R3,70 per hour (R689 per month).

"The strike, and the subsequent negotiations, led to the parties agreeing to conduct all future negotiations at plant level, and that the Industrial Council's scope over East London be withdrawn."

The company had made several wage offers in the face of a minimum wage demand of R5 per hour and a final offer was tabled of R4,04 at the lowest grade, which the union rejected.

"A series of ultimatums was set, culminating in the dismissal of the striking workers

"Further negotiations between the parties led to an agreement on the conditions under which the dismissed employees were re-employed These conditions included compensation for reduced working hours and wages for the period from October 1987 to December 1988.

"The lowest paid employee will now receive R4,50 per hour (R838 per month) and R4,86 per hour (R882 per month) from July 1, 1988

"Further negotiations for recognition and substantive agreements are scheduled to start between the parties soon," the spokesman added

Strike threat to liquor outlets

192

SMail 9/10/87

Staff Reporters

At least 40 bottle stores on the Reef and some minor hotels could face insolvency in the next three months if strike-hit beer deliveries were not resumed, a spokesman for a 48-strong action committee on the East Rand said yesterday.

The spokesman said beer sales represented 70 percent of a bottle store's turnover and stores were running into trouble because there were no stocks.

A South African Breweries (SAB) spokesman said deliveries disrupted by industrial actions at some of its plants would be back to normal as soon as possible

There were facilities at the Wadeville depot for customers to collect beer, he said

The "action committee" spokesman said the trade enjoyed its highest sales during the three months before and during the Christmas holidays.

"If the brewery does not solve its labour problem soon, many of us will face bankruptcy," the spokesman said

He said an action committee had been formed to ease the plight of bottle store owners who were faced with three options, direct confrontation with the breweries, to take legal action and hold the breweries responsible for losses, or to get the Government to take action

Thousands of jobs were at stake, he said.

● SAB management yesterday called police to the Wadeville depot after about 100 strikers allegedly intimidated monthly paid staff, customers and casual labourers

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MERCEDES STRIKE

Numsa wins

Production at Mercedes Benz SA's East London plant looked set to resume this week This came after the plant's closure on Monday, when the 2 000 dismissed metal workers reported for duty only to find, they claim, that they'd been "demoted" by being classed into lower job grades

The company said it closed the plant because of incidents of violence as a result of misunderstandings over the agreement

Shop steward Tom Ntutuzeli of Numsa, the metal workers' union, tells the *FM* agreement was reached on Monday after a nine-hour meeting with management, who offered to restore workers to their former grades, and to pay their annual leave as usual (provided industrial peace is maintained) The workers agreed to go back to work on Wednesday, he said

Numsa last Thursday scored a significant victory in their wage dispute with Mercedes After nine weeks, R300m in lost production and R5m in lost wages, the company acceded to an increase of R4,50 an hour for the lowest grades International trade union support, including financial assistance co-ordinated by the International Metalworkers Federation, greatly assisted Numsa

Ntutuzela describes it as "a victory not only for Cosatu's living wage campaign, but for the industry, and the working class, and a contribution to the liberation struggle "

The new wage structure at Mercedes as from October 1 will be (grades one to six) R4,50, R4,65; R4,80, R4,95; R5,11, and R5,27 ■

FM 9/10/87

BUSINESSMAN OF THE WEEK

W/C-ARGUS
10/10/87
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Riding high and making profits

By DEREK TOMMEY

THE Nissan motor company has experienced a remarkable turnaround in the past year or so

It has recovered strongly from the troubles that beset it in the difficult years of 1984, 1985 and 1986 It is now riding high and making profits It has become the country's third biggest motor vehicle manufacturer — and has its eyes set on becoming number two within a short time

This is a remarkable achievement and much of the credit must go to John Newbury, who was appointed managing director just as the economy started to slide and had the difficult task of having to restore the company's fortunes in a troubled and poorer South Africa

When Mr Newbury was dumped in the hot seat in 1983 he'd had no experience of motor manufacturing But he knew all about selling cars and he'd shown greate entrepreneurial ability

In the previous 10 years starting with one garage he had built up a motor chain in 11 towns in the Eastern Cape and Natal and had become one of Nissan's top dealers

"Moving to Nissan was a difficult decision to take," he said this week "I liked my independence and was happy in my business which was very successful " But eventually the challenge and the excitement of running a business the size of Nissan helped him decide to make the move

Mr Newbury was not destined for either management or the motor industry when he left school He wanted to be a doctor and studied medicine for three years But holiday jobs in the motor trade, including selling cars, led him to change his mind and he became a service receptionist and trainee with a large Johannesburg motor distributor.

Looking back this week on the difficult times of the past few years, Mr Newbury said it felt good when you start winning "As our manufacturing director, who has done much in the company's revival, says 'Winning is not everything It's the only thing,'"he commented

"The company has been successful," he admitted, but added that much of it is due to other members of management "We have a bunch of very enthusiastic young guys Probably the most significant move was makihng the management changes to give them a direction and a commitment "

"I found a lot of inherent talent in the organisation My job was to focus and then motivate these people and they've done a fine job of work"

Another factor which might have helped was that he had not grown up the motor manufacturing busieness, he said "So maybe my approach was different from the almost autocratic ways of a big motor manufacturing company. It was probably a little more entrepreneurial, and it was probably because my lack of in depth knowledge led me to asking a lot of questions which had not been asked for a long time and led oto more broader thinking

"The result is that we are starting to feel much more comfortable in the market

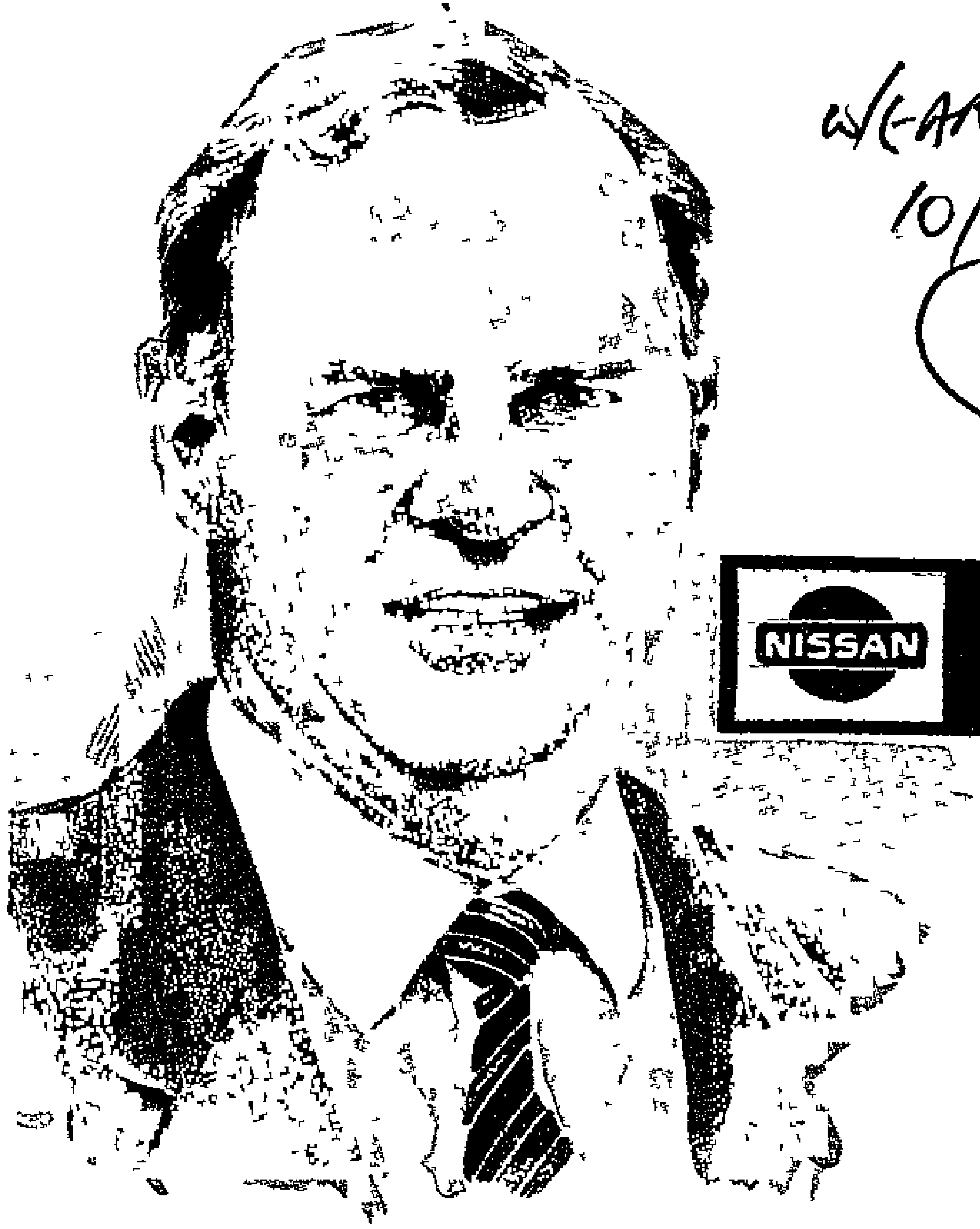
"This year we will sell just on 40 000 vehicles and we expect to have 14 percent of the market by the end of the year

"Next year we expect to increase sales by about 40 percent, giving the company total sales close to R1-billion "

"We see a market next year for around 215 000 passenger vehicles, 107 00 light commercial vehicles and 8 800 heavy commercial vehicles

"We will try to keep price increases down to about 12 percent Obviously prices will depend on exchange rates which seem to be stabilising More importantly, I think we will be making fairly good progress if we can manage to hold prices below the rate of inflation

"Nissan's 'we are driven' message has indicated a dedication from our people to quality."


John Newbury . . .in the hot seat.

Workers stay out

THE program of re-employment of the 2 000 fired Mercedes-Benz of South Africa workers was suspended after some of the former employees found that they had been demoted, a spokesman for the National Union of Metalworkers of South Africa said

The local secretary of the union, Viwe Gxarise, said the company had "violated the whole agreement" and that the employment program had been halted indefinitely

"The workers decided not to return because of the demotions," said Gxarisa

An MBSA spokesman said the majority of workers had reported for work in the morning, but "normal business was prevented because of incidents in the plant" – Sapa.

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C/Press

1/11/85

S Tvl hit by weekend beer shortage

Star 12/10/87

Labour Reporter

92

There were serious shortages of beer at the weekend in parts of the southern Transvaal as more than 1 400 brewery workers continued a strike.

South African Breweries' public affairs manager, Mr Gary May, said on Friday there were shortages of some minor brands and disruption in deliveries

Beer supplies were "more or less normal" at the affected breweries of Isando and Alrode.

Also strike-bound were SAB depots at Denver and Wadeville

Mr May said workers in the Western Cape and at Rosslyn had returned to work after downing tools in sympathy with the Transvaal strikers

SAB management called police to the Wadeville depot last week, saying strikers intimidated monthly paid staff, customers and casual labourers

The strike was sparked by the dismissal of six workers at Isando, but unsettled relations between staff and management have been the result of the failure of wage negotiations between the Food and Allied Workers Union (Fawu) and SAB, which has led to the workers imposing a ban on all overtime.

SAB told a Supreme Court judge last week that the overtime ban was costing the company R150 000 a day

The company applied unsuccessfully to have the overtime ban declared unlawful The company and union were awaiting the appointment of a conciliation board to resolve the dispute

Motor industry gets shot in arm

Avis to spend R148m on new vehicles

192

B/day 13/10/87

MICK COLLINS

IN WHAT is a shot in the arm for the motor manufacturing industry, car rental giant Avis says it will spend R148m on replacing vehicles and will, at the same time, boost its fleet to 8 500 vehicles.

CE Glenn van Heerden said yesterday the move was the result of a rapidly expanding leasing operation and the company's policy of replacement every nine months. "Some 8 500 vehicles are to be bought at an average price of R17 500"

He said the huge deal, which constitutes 4,1% of of next year's projected total new vehicle sales, was also as a result of a pick up in tourism and a sustained upswing in the rental sector

"We are seeing a lot more of the individual tourist coming to SA. The trend, which started last year, is good business for us as compared with the package-type tourist"

Asked what the majority of the new fleet would consist of, Van Heerden said "The majority of the order will go to Volkswagen

"They will be followed by Toyota, then Nissan The rest of our business will go BMW and Mercedes, with certain volumes to come from Delta and MMI"

The deal is thought to consist of almost 48% of the total rental vehicle replacement market which in the coming year is expected to bring in nearly R280m to motor manufacturers.

Van Heerden said the latest figures from the Bureau of Financial Analysis at Pretoria University also pointed to an upswing in the sector

Figures for August showed fleet sizes were up 31,1% on August of the previous year while total revenue rose by 43%, an improvement of 26,7% in real terms after an inflation adjustment.

The index for the number of rental-days rose by 40,3%, while statistics also indicated more people made use of rented vehicles and that they hired for longer periods and distances

Mercedes workers on the job again

South 8-14/10/87

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From FRANZ KRUGER

EAST LONDON. — Production lines at Mercedes-Benz in East London finally began running again on Wednesday morning as workers ended their strike.

An agreement had been reached last Friday providing for a return to work on Monday, but workers refused to resume production because of alleged violations by management of the terms of the agreement.

Workers had been given "service contracts" to sign in which many were demoted to positions below those they had held when the dispute began over two months ago.

Provision was also made for a three-monthly probation period and bonuses payable at the end of the year were to be paid out this week.

Workers refused to sign the contracts, and intensive negotiations were resumed between management and the National Union of Metalworkers of South Africa (Numsa).

On Tuesday, agreement was reached and the company withdrew the contentious parts of the contract.

According to a union spokesperson, there were no further hitches when the workers returned to work on Wednesday morning, and production lines were put in motion.

A statement by the company issued late on Tuesday said: "As previously agreed, the job grades of workers returning to work will be restored to the same grades held by them at the comencement of the strike".

Both parties had expressed their willingness to co-operate in order to facilitate the return to work as ~~agreed, the company statement said.~~ - *Elnews.*

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14/10/82

MBSA workers may pay minimum rent

EAST LONDON — The municipal housing department will be looking into the payment of housing rentals by coloured workers affected by the Mercedes-Benz of South Africa (MBSA) nine-week-long strike here.

The issue was raised at a Coloured Management Committee (CMC) meeting here yesterday.

It was decided that, if it was in terms of the government's housing code, MBSA workers who were unemployed during the just-over-two-month period, would qualify to pay only the minimum rental rate plus lights and water for that period

The decision, however, rests entirely with the housing department, which will be investigating the relevant documentation pertaining to whether the people concerned were in fact unemployed by choice or by force of circumstance

It was noted that each case would have to be treated on its merits and any final decision would hinge on what was legal in terms of the housing code — DDR

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Mercedes: the strike ends ... and another row flares

The bitter Mercedes-Benz strike had hardly ended when workers were back holding protest meetings. FRANZ KRÜGER reports on the uneasy truce

THE nine-week strike at Mercedes Benz, which ended this week, taught the firm "to take the workers seriously", according to officials of the National Union of Metalworkers of South Africa

At an estimated cost of R350-million, the strike was an expensive lesson, and the final hiccup which preceded the return to work on Wednesday showed it was not a lesson easily learned

An agreement reached last Friday had provided for a minimum wage of R4,50 an hour, and for the entire workforce to be taken back unconditionally The union agreed to forfeit payment for the strike period and to maintain industrial peace at least until the end of the year

However, when workers turned up at the factory gates on Monday morning, they were confronted with "service contracts" which they allege contained several violations of the agreement.

Numsa representative Viwe Gxansa said about half of the 2 800 strikers had been demoted to job categories lower than those they had held before the strike began Some of the foremen who had joined the action had been dropped from grade seven to grade four, even right down to grade one

In addition, the contracts made provision for a probation period of three months, and workers were told arrangements for the payment of end of-year bonuses were being changed

The workers refused to sign the contracts, and convened a meeting at "Geneva", the spot outside the trim-line plant where they customarily held meetings during the strike

Negotiations between Numsa and management were resumed. According to union sources the company backed down on all issues late that same evening By Wednesday morning, all workers were back at the plant, and production lines were finally being started up again

Commenting on the episode, Gxansa said the company had been trying to pull a fast one "The company thought the workers were starved enough, and thought they wouldn't fight." Mercedes had been trying to save some money by taking workers back at lower levels, Gxansa said.

He also accused management of wanting to penalise the foremen who had stood with the strikers

The company did not at first comment on the union's allegations On Tuesday evening, a short statement noted "As previously agreed, the job grades of workers returning to work will be restored to the same grades held by them at the commencement of the strike " It also said the union had confirmed "that the workers have agreed to sign the necessary documentation "

In response to a request for a more direct response to the union's allegations that workers were demoted, company representative Delene MacFarlane said "The nature of our manufacturing process requires the moving of people between different jobs

"In order to maintain an accurate administrative system, the company is compelled to audit its employees' job grades on an ongoing basis The changes to a limited number of job grades of the returning workers was as a consequence of such an audit and was in line with the agreement negotiated with the union as well as is custom and practice in the motor industry "

The changes had, however, caused "confusion" when workers returned, and the company had agreed to restoring workers' job grades "in order to avoid any further confusion because of the misinterpretations" The firm she said, did not believe it violated the agreement.

Nevertheless, the course of the strike seems to bear out union criticism that management's response to the dispute consisted of a series of strong arm tactics which almost invariably backfired.

Mercedes set no fewer than four ultimatums and deadlines in an attempt to force an end to the strike First a part, then all of the work force was dismissed, the company launched an unsuccessful recruitment drive among its former employees, finally all were reinstated

For its part, the company has accused the union of intransigence

The dispute began on August 3, when workers of the body and chassis section walked off their jobs in protest against a cut in working hours Management had refused to delay implementation pending talks with Numsa on compensation

The demand for a minimum hourly wage was also placed on the table, but the firm said it would not discuss an increase beyond the amounts agreed on at the industrial council for the motor industry

The next day, the rest of the work force joined the strike, and the plant was closed

There followed an interdict restraining the union from participating in the strike (ignored on a technicality), abortive negotiations, offers and counter demands

On the day Mercedes dismissed its entire workforce, a West German Greens Party parliamentarian, Willi Hoss, arrived for a solidarity visit and sharply criticised the company's move He addressed worker meetings, but the company refused to see him

Meanwhile the parent company, West German motor giant Daimler Benz, was facing mounting criticism of the handling of the dispute by local management.

In the end, last week's settlement included a wage package that fully compensated workers for the cut in hours

Mercedes Benz has consistently refused to quantify the losses it has suffered through the dispute But calculating from the daily production loss of some 130 vehicles, some reports put the cost of the strike at R150-million after only four weeks

If the calculations are correct, then losses must now amount to about R350-million

In the last days of the dispute, there were allegations by the company of violence by the workers Three workers had been arrested earlier and charged with intimidation Their cases are still pending

However, Gxansa said there had been no violence 'Why should the workers turn to violence when they had already won?" — elnews

DD

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15/10/87

R15m shot in t arm for Merced

Daily Dispatch Reporter

EAST LONDON — Mercedes-Benz of South Africa (MBSA) has received a R15,5-million boost this year and can look forward to a similar one next year following Avis Rent-a-Car's announcement that it is to replace and increase its existing passenger fleet.

The chairman of Avis Rent-a-Car, Mr Glenn Van Heerden, said from Johannesburg yesterday that R15,5-million had been allocated for the purchase of Mercedes Benz and Honda Ballade passenger models this year.

"Mercedes is a large supplier. We have got an order now that we are expecting, hopefully, in the next three months of some 250 Mercedes models, worth roughly R13 million. That is still for this year," Mr Van Heerden said

"It will problably take the next three to four months for them to deliver these vehicles to us

"That is just the Mercedes About 127 Hondas are still outstanding for this year, which is roughly worth R2,5 million

"If you take those two together it is roughly R15,5-million worth of vehicles outstanding just between now and the end of the year that they are delivering to us.

"The various vehicle orders for R148 million are for next year," Mr Van Heerden said

"It is difficult to say exactly just how many we will take next year, but it wouldn't be very much less than what I am talking about now.

"In fact, it would probably be slightly more with inflated prices, but that is for the 1988 calendar year," he said.

Among the reasons behind Avis's announcement are a rapidly expanding leasing operation and the company's policy to replace vehicles every nine months

Some 8 500 vehicles are to be bought at an average price of R17 500 and the total budget of R184 million represents 4,1 per cent of next year's projected total new vehicle sales in South Africa

Another factor contributing to the increase is the country's expanding tourism industry and a substantisal upswing in the rental sector.

A spokesman for MBSA in Pretoria said yesterday the company was fortunate to receive orders from Avis, for both Mercedes Benz and Honda passenger cars.

"We receive orders on an on-going basis as part of our normal business," the spokesman said

Talks today in bid to end beer strike

19/10/87

92 [illegible]

SOPHIE TEMA B/Day

SA BREWERIES management and representatives of 1 500 striking Food and Allied Workers' Union members meet today to try and reach a settlement in the three-week work stoppage that has affected beer supplies in the Transvaal and Free State.

The stoppage, which started after SAB dismissed six workers at its Isando plant for refusing to end a "go-slow", now affects six SAB plants. It is the second to hit beer production this year.

SAB public affairs manager Gary May said yesterday it was too early to tell whether the strike would affect beer supplies over the festive season.

"Shortages of beer in some retail areas have been reported and we are hoping that the situation will not worsen, because we are still producing a larger quantity than we did this time last year.

"We are falling short because of the strike and we are concerned that retailers are affected.

"However, it is still too early to predict what effect the strike will have on the Christmas season because this largely depends on the negotiations."

If the strike continued, SAB would have to make use of temporary workers.

In an application to the Rand Supreme Court earlier this month, SAB said the refusal by employees to work overtime cost the company about R150 000 a day.

Eve Post

20/10/87

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Warning issued on labour disputes

Mr SEPP VAN HÜLLEN

By RALPH JARVIS
Motoring Editor

THE perception that labour disputes in South Africa always and necessarily represent a "white management - black labour force" confrontation has to be broken down in a process of evolution

This was the warning yesterday by the chairman of the board of Mercedes-Benz of South Africa, which recently came through the longest strike in its history

Speaking at the launch in the Cape of the new Mercedes-Benz 230 TE station wagon, Mr Sepp van Hüllen said about 5 000 units were lost in the strike.

Mr Van Hüllen said an aspect of the strike that had come to the fore was that "we have probably seen the beginnings of a new ball game and new rules for the game"

"This strike showed the international dimensions and possibly new rules that might apply from now on for multinational concerns such as ours

"It would appear that the international political implications will have a strong bearing on such strike actions

"Another feature that we noticed was the union's declaration against violence but that, in spite of this, a very pronounced degree of solidarity was visible as was evidence of intimidation and provable acts of violence"

Mr Van Hüllen said that during the strike MBSA had the chance to look at the legal structures that governed labour disputes in South Africa.

"It is my opinion that the rules in this country are still somewhat incomplete," he said

"I do not advocate the need for more rights for the employer, but rather a more balanced system which makes settlement more accessible

"For us at MBSA there is no doubt in our minds that the unions and their presence in industry are a very essential aspect and there is no hope to build up a meaningful industrial relations situation without unions

Mr Van Hüllen said that in the MBSA strike, both parties, management and the union, had learnt a very important lesson — "that there should be more open communication and more opportunity for discussions on an ongoing basis with the willingness to recognise and respect the other side's position and responsibilities"

"In the final analysis our strike had no clear winner nor a clear loser

"On the positive side, both parties gained in certain areas

MBSA chief: labour laws need revision

Daily Dispatch Reporter

EAST LONDON — The strike at the Mercedes-Benz factory here had shown that the laws governing labour disputes in South Africa were incomplete, the chairman of MBSA's management board, Mr Sepp van Hullen, said in Cape Town.

Mr Van Hullen said at a function to mark the launch of the new Mercedes-Benz model 230TE that the strike had also revealed the beginnings of a whole new ball game

"I do not advocate the need for more rights for the employer but rather a more balanced system which makes settlement more accessible,

"By this I mean that the system and the rules should facilitate the reaching of settlement following the process of negotiation "

The strike had shown that there had been a vast improvement in the trade union's organisational abilities and in the way in which it dealt with the situation

It was the start of a new ball game and a new set of rules could be seen, and it also showed "the international dimensions and possibly new rules that might apply from now for multinational concerns such as ours "

In the foreseeable future the "political implications will have a strong bearing on such strike actions"

"For us at MBSA there is no doubt in our minds that the unions and their presence in the industry are an essential aspect and there is no hope of building meaningful industrial relations without unions "

But the unions would still have to grow and mature considerably so they could learn that they also had an economic responsibility

MBSA had learned an important lesson for the future, "that there should be more open communication and more opportunity for discussions on an ongoing basis, with the willingness to recognise and respect the other side's position and responsibilities"

Production of Mercedes-Benz vehicles had not yet returned to full capacity, as the strike had put them 10 weeks behind and they would never recover this

He added that there was "no clear winner nor a clear loser" and both parties had gained in certain areas

MR VAN HÜLLEN

The workers were assured of remuneration ahead of the rate of inflation and MBSA secured a 15-month wage settlement which meant that for the whole of 1988 they would not be paying the "magical R5 plus" an hour.

Rumours that Mercedes-Benz were to pull out of South Africa were untrue as the unveiling of the new vehicle proved

SAB, Fawu adjourn wage dispute talks

22/10/87.
B/day.

(192)

TALKS between SA Breweries and the Food and Allied Workers' Union to try to resolve their wage dispute have been adjourned until next week

SAB public affairs manager Gary May said yesterday that after two days of discussions it had become clear the "issue is more complicated than a wage-per-hour dispute"

"While both parties have gone a long way towards resolving the wage issue, there are still some important outstanding agreements on work configurations

"We believe we can agree on what to pay per hour, but it's when those hours are worked which constitutes the real problem

"A solution of the wage issue alone will not solve the long-term problem of an adequate beer supply for SA"

May said the company was investing R500m in plant and technology to meet these demands

"As we are in the process of laying down the ground rules to determine the efficient operation of the brewing industry for the next decade, we need labour's understanding of the need for flexible work configuration, after which it should be possible to agree on a package" — Sapa

VW ON STRIKE

192 EvePost 23/10/87

By KIN BENTLEY

A STRIKE by 4 000 workers has shut down Volkswagen, Uitenhage, in a dispute over the dismissal of a man said to have assaulted a foreman.

The trouble is a re-run of a similar incident which closed the plant two years ago — and comes at a time when the company is riding the crest of a wave

This month it secured a R55m, 3 000-car order from Avis for next year

The dispute started on Wednesday and is costing the company 200 cars a day in lost production

The stumbling block in the return of the workers, according to the company, is a National Union of Metalworkers of South Africa (Numsa) demand that the foreman also be suspended while the case is settled through arbitration

Volkswagen is refusing to do this because he is not believed to be guilty of any misconduct

Mr Brian Smith, the company's manpower resources manager, said "virtually the entire non-white workforce" — about 4 000 people — had downed tools

He said that on Monday an assembly line worker was dismissed after the alleged assault last Friday afternoon

"On Wednesday afternoon the workforce downed tools, demanding his reinstatement"

Mr Smith said the case had been reviewed "through all in-company grievance procedures"

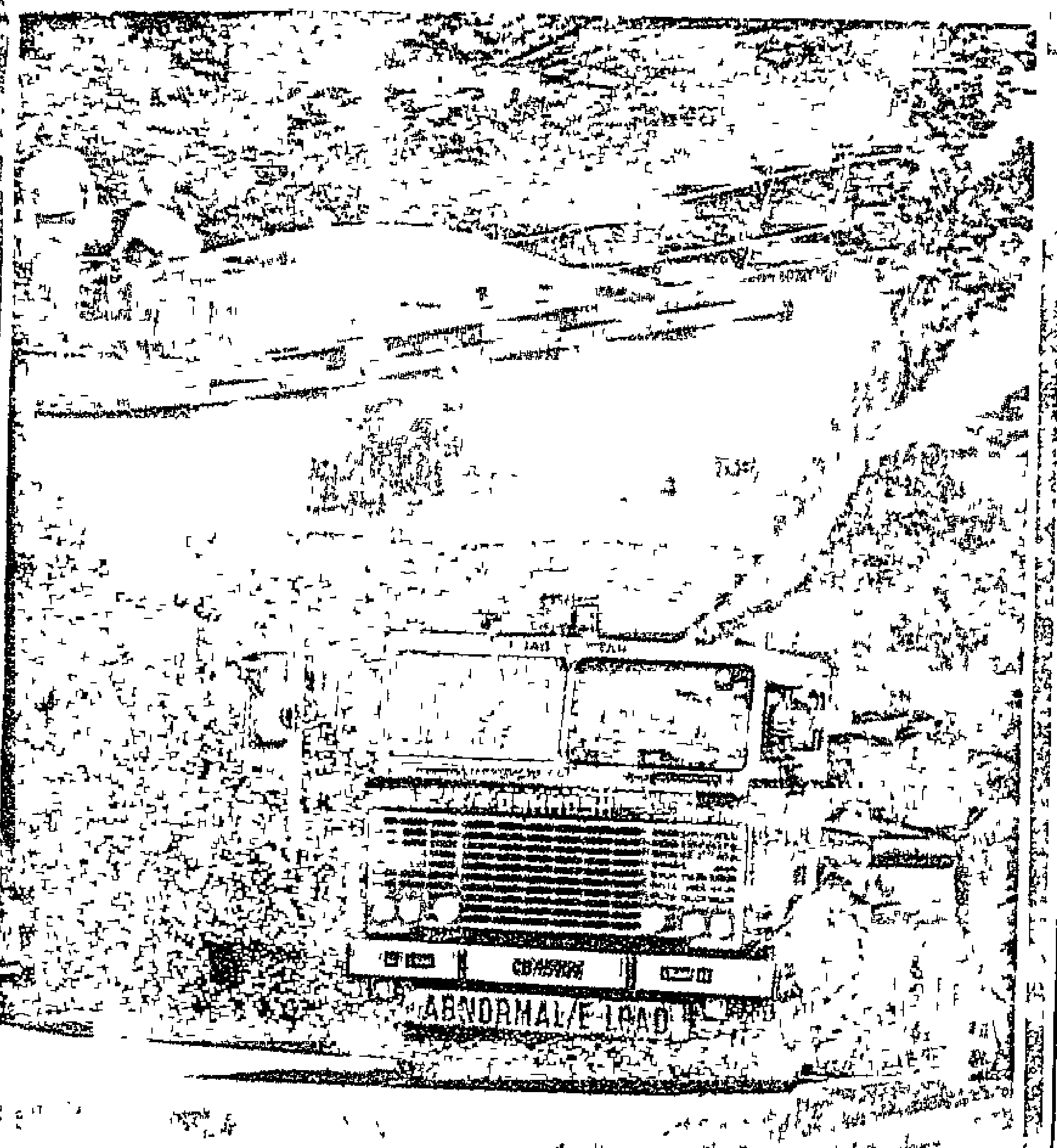
The company offered to call an urgent meeting of the Industrial Council to hear the dispute and start Industrial Court procedures They were prepared to refer the matter "for urgent and independent arbitration", he said

"We are appealing to workers to return while the issue is resolved

This was put to the union on Wednesday While he understood they were in favour of arbitration, he said they demanded the suspension of the foreman until the case was resolved

Asked the nature of the alleged assault, he said the foreman was "knocked to the ground He received minor injuries which had to be treated"

On her first journey



It's not every day one gets to realise a lifelong dream . . . like launching one's own yacht. Mr Chris Biden (seen on board) and his wife, Patricia, finally launched their 10-year labour of love in Port Elizabeth harbour yesterday. The yacht is seen here leaving the driveway of Mr Biden's parents' home in Walmer.

Car workers to consider offer

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DD

24/10/87

PORT ELIZABETH — Volkswagen workers are undecided on an offer of arbitration to settle a strike of 4 000 workers at the company's Uitenhage plant

Production at the plant was shut down for the third day yesterday as employees refused to work in protest against the dismissal of a man said to have assaulted a company foreman

The strike is costing Volkswagen 200 vehicles a day and comes when the company is pulling out all stops to meet a full order book.

A spokesman for the National Union of Metalworkers of South Africa, Mr Les Kettledas, said last night workers would meet on Monday to decide on management's offer to call in an independent arbitrator to settle the matter.

Union representatives are scheduled to meet management the same morning

A company spokesman said union shop stewards, who had accepted the offer of an arbitrator, also demanded the foreman be suspended

Volkswagen is refusing to suspend the man because it does not believe he is guilty of misconduct

After the case had been considered no reason could be found to reinstate the dismissed worker, the spokesman said

"Management has offered to call an urgent meeting of the Industrial Council to hear this dispute, and in terms of its dispute procedure is prepared to refer the dispute to an independent arbitrator."

The union has indicated workers are unhappy over the company's refusal to suspend the man

They contend that in the case of a fight in the workplace it is practice that both parties be suspended until the issue is settled

CAPE TIMES 24/10/87

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VW wait for move on strike arbitration

Own Correspondent

PORT ELIZABETH. — Volkswagen workers are undecided on an offer of arbitration to settle a strike of 4 000 workers at the company's Uitenhage plant.

Production at the plant was shut down for the third day yesterday.

The strike is costing Volkswagen 200 vehicles a day and comes when the company is pulling out all stops to meet a full order book.

The majority of the black labour force is involved.

A spokesman for the National Union of Metalworkers of South Africa, Mr Les Kettledas, last night said workers would meet on Monday to decide on management's offer to call in an independent arbitrator.

Union representatives are scheduled to meet management the same morning.

Workers end VW strike

27/10/82

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PORT ELIZABETH — Production at Volkswagen in Uitenhage is expected to return to normal this morning after a four-day strike by 4 000 workers was called off yesterday

The strike, sparked by the dismissal of a worker who allegedly assaulted a foreman, has cost the company 700 vehicles in lost production

Shop stewards of the National Union of Metalworkers of South Africa (Numsa) agreed to accept management's offer of arbitration in the case of the worker

A demand that the foreman be suspended until the outcome of arbitration has been accommodated by his going on paid leave

The strike came after an undertaking by VW to dealers that a R55 million order to supply Avis with 3 000 cars next year would not affect supplies

VW's communications manager, Mr Matt Genrich, said there would be no difficulty making up most of the vehicles lost in production This could be done by working overtime and on Saturdays — DDC

Talks to resolve SAB strike resumed

JOHANNESBURG — Talks aimed at resolving a wage strike of more than 1 000 South African Breweries (SAB) workers are underway, the public affairs manager of SAB, Mr Gary May said yesterday

The talks, which are being held between the company and the Food and Allied Workers Union (Fawu), were adjourned last week after two days of discussion

Fawu members at the Isando and Alrode breweries and the Denver, Wadeville and East London depots are on strike to back demands for a 43 per cent wage increase

Mr May said at the time that the "issue was more complicated than a wage per hour dispute"

Allegations of worker intimidation have been a feature of the 18-day strike

Fawu has described these allegations as a "smear campaign" against the union

Last week, Mr May said SAB had evidence that Fawu members were involved in acts of violence at the workplace

Two houses belonging to SAB workers were petrol bombed last week and workers wanting to work were sjambokked by strikers, the SAB alleged

Mr May said yesterday further incidents of violence had been reported, and added he hoped results concerning the violence would emerge from yesterday's talks — Sapa

News in Brief 192

Cape Times 27/10/92 p.

VW strike called off

PORT ELIZABETH. — Production at Volkswagen in Uitenhage is expected to return to normal this morning after a four-day strike by 4 000 workers was called off yesterday. Shop stewards of the National Union of Metalworkers of South Africa (Numsa) agreed to accept management's offer of arbitration.

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B/day 3/11/87

Local motor industry's green light

Govt gives ADE the go-ahead to develop engines

MICK COLLINS

GOVERNMENT has given the go-ahead to ADE to continue development of its new 330 and 440 engine model ranges for the local market.

Deputy Economic Affairs Minister Theo Alant has confirmed government will not constrain the motor industry with regard to the latest overseas technological developments

ADE MD Hartmut Beckhurts says the introduction of the new engine models is vital if SA is to stay abreast of international developments

Beckhurts says "However, as vehicle manufacturers were not unanimous in their opinion whether the introduction of the more modern engines at that point in time was desirable or not, the matter was referred to the Minister of Economic Affairs and Technology for a final decision "

Speaking in the newsletter Adenews, Beckhurts says ADE's policy is to upgrade its engines constantly to meet market needs of higher output, greater fuel efficiency, improved serviceability and extended life.

"To this end we advised vehicle manufacturers (OEMs) early in 1985 that we could supply the upgraded version of our existing 300 engine series for commercial production as from January 1989

"By that time the 314 and 352 engine models would have been in production for some eight years and it was therefore prudent for us to offer a more modern engine concept "

The go-ahead means that application engineering and prototype installations of the 360 engine will now proceed at full swing in preparation of the range's commercial production, Beckhurts says

Cape Times 4/11/88 F

Motor mechanics training revised

192

Staff Reporter

THE syllabi and curriculum of the current "hopelessly out-of-date" training system of motor mechanics have been re-organized.

John Herdman, president of the South African Motor Industry Employer's Association, said yesterday the move would ensure people are trained to meet current demands.

In terms of the latest government policy, the training of artisans would become the responsibility of each individual industry. Current discussions will lead to the establishment — in conjunction with trade union associates — of an own National Industry Training Board for the motor industry.

The Training Board would eventually be responsible for the accreditation and trade testing of apprentices.

Herdman said it was envisaged that a modular system of training would be established whereby an apprentice would achieve competence in all sections of his trade, and would be passed on the basis of ability.

Business Report

CAR Times 4/11/87

Employers urged to support change

(192)

Staff Reporter

EMPLOYERS could not ignore the real moral outrage of the Western world against so many of SA's repressive systems as "personified by the often wild distortions of the fundamentally outdated" apartheid system.

This was said yesterday by John Herdman, president of the South African Motor Industry Employers' Association during his presidential address at the 78th annual conference of the Motor Industries Federation.

As one of the largest organizations in the country, the association could not simply react to the changes, take up a defensive position and shrug off the "inevitable moves" towards reform.

While the association had no right to demand of the government actions which were totally impractical or impossible to achieve, it did recognize and "strongly support the need for change in an organized and planned way".

The rapid growth of the trade union movement had promoted change to a great extent and employers were particularly concerned where those changes affected their business.

The growth of the"non-white" trade unions had been dramatic and the years of chaos had gradually given way to intelligent organization and improved administration.

The association should anticipate the needs and inevitable demands of their employees and should recognize that they were simply trying to achieve a higher standard of living and a better way of life for themselves and their families.

The advancement, development and welfare of the lower paid workers should be promoted because if it was not done, increased conflict could be expected, Mr Herdman said.

London stocks afterhours: Blyvoors 550, Bracken 207, Driefontei $21\frac{1}{2}$, E Rand Pro $10\frac{3}{8}$, Freegold $12\frac{1}{4}$, Grootvlei $21\frac{5}{16}$, Harmony $11\frac{3}{4}$, Leslie GD 178, Randfont $92\frac{1}{2}$, Southvaal 50, Stilfontei $5\frac{7}{8}$, Venters 14

Commodity Index	**1658,1**
Platinum	**$513,00**
Palladium	**$114,50**
Raw Sugar	**£107,60**

CAR Times 4/11/87

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(192)

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VW strike off

(192)

From EDYTH BULBRING South Oct 29 - Nov 4 '87

PORT ELIZABETH - Production at Volkswagen in Uitenhage returned to normal this week after a four day strike by 4 000 was called off

The trouble came at a time when the company secured a R55-milion, 300-car order from Avis for next year

The dispute cost the company about 700 vehicles in lost production.

The strike followed the dismissal of a worker who allegedly assaulted a foreman The workers, members of the National Union of Metalworkers of South Africa, (Numsa) demanded that the foreman also be suspended while the case was settled through arbitration

Volkswagen refused to do this because the foreman was not believed to be guilty of any misconduct

On Monday, shopstewards of Numsa agreed to accept a management offer of paid leave for the foreman

However, the status of the dismissed worker had not altered

Matt Genrich, communications manager for VW, said there would be no difficulty making up most of the vehicles lost in production. This could be done by working overtime

Before the strike, Volkswagen had been working nine-hour, five day shifts, and sometimes on Saturdays to make up for general shortages of Volkswagen products

Last month, Volkswagen's Golf—Jetta range was the biggest individual model seller in South Africa with sales of 3 218 Overall, the company was the third largest wholesaler of vehicles in September - *PEN*

VW reaps the fruits

In 1984 Volkswagen SA (VWSA) embarked on a R230m expansion programme, largely aimed at tooling up for the now familiar "Jumbo" Golf/Jetta range and the Audi 500

Today, three years down the track, VWSA's market share has moved from a low of 10% in 1984 to something like 20% in 1987

This amazing turnaround — virtually unprecedented in the history of the local motor industry except perhaps for the halcyon days of Toyota's rise to market leader — has not come about by chance, as numerous awards earned by the company over the past three years testify

The latest of these is an international award presented to VWSA for the world's best implementation of the "Toward Excellence" programme

This programme is based on the book *In Search of Excellence*, researched and written by Tom Peters and Bob Waterman Peters and Zenger-Miller Incorporated developed the programme from the book, which outlines how to go about instilling the principles of excellence into all employees VWSA was one of the first companies in SA to embark on the programme in mid-1984 (at the same time as the expansion was launched)

Some 800 companies worldwide are now implementing the programme, so the award given to VWSA represents high achievement One of the major consequences of the programme, says VWSA MD Peter Searle, is that there has been a dramatic increase in the level of productivity at the company's Uitenhage plant This has been recognised by the National Productivity Institute (NPI), which awarded VWSA the 1987 NPI award for outstanding achievements in productivity

Searle says since the programme was implemented, customer complaints per vehicle have decreased by 41%, overheads are down by 39%, inventory turns have increased by 114%, the production rate in the press shop increased by 27%, and the time taken to change dies came down by 66%

"In addition, VWSA's apprentices on average qualify 30% faster than the industry norm as a result of concentrated training programmes," he adds

At the moment the Golf/Jetta range is the top-selling model in SA, having ousted the Toyota Corolla from the number one spot for two months running Searle says sales of VW/Audi vehicles are 29% up on 1986 in a total market which has grown by only 11% VWSA currently commands around 28% of the small car market and 40% of the small hatchback market

"As far as performance cars are concerned, VW dominates the market with the 16-valve Golf GTi and Jetta CLi contributing to a market share of around 35%," says Searle

And despite the fact that Toyota dominates the minibus market — thanks largely to the tremendous popularity of the Toyota Hi-Ace among black taxi owners — VW is still ahead in the 10-seater category with a market share of over 45% In the overall minibus market VW has a market share of around 35%, hard on the heels of Toyota. Searle says it actually led the overall category in a couple of months this year.

Audi's share of the large luxury car market has also been rising since May — no doubt helped along by the 10-week strike at Mercedes-Benz's East London plant — and should be boosted further by the recent launch of the Audi 400

One problem that remains is that demand for virtually all VW/Audi products continues to outstrip supply

This is because at the beginning of the year virtually all industry chiefs banked on passenger car unit sales of around 185 000 and geared production accordingly But 1987 sales look set to reach more than 200 000 — so all manufacturers, VW included, have been caught short of stock. ■

W/E ARGUS 7/11/87 192

BUSINESS

LABOUR AFFAIRS
DICK USHER

Views worth putting on record

A WIDE range of topics was covered this week by John Herdman, president of the South African Motor Industry Employers' Association, in his annual report.

As head of one of the largest employer organisations in the country his views are worth recording

ON CHANGE: I have never supported demands for dramatic and immediate change.

We as an association have no right to demand of our Government, actions which are totally impractical or impossible of achievement. But we do recognise and strongly support the need for change in an organised and planned way, the recognition of the rights of all and the opportunity for participation of everyone in the achievement of a better way of life

The natural reaction to change is one of fear, a fear that we will not be able to adapt to new situations and natural reluctance to change the often deep and inbred sense of values which most of us have accepted as a matter of course without any great degree of personal thought.

ON TRADE UNIONS: As employers we are naturally concerned with the changes taking place in our country which affect our business and these are to a great extent being promoted by the extraordinarily rapid growth of the trade union movement.

The growth of the trade unions has been dramatic and the years of chaos are gradually giving way to intelligent organisation and improved administration and we must expect these improvements to continue ..

The increasing maturity of the trade union movement is a great tribute to the leaders and officials who have emerged over the past few years .

Unfortunately, but understandably, the trade unions, particularly the emerging black unions, are adopting a strongly politically influenced approach.

We should not be surprised as this has been the pattern of trade union development since the origin of the first trade unions and we, in negotiating with the trade unions, must expect to be faced with politically motivated demands.

We canot respond to these demands as this is a matter for the Government of the country

ON EMPLOYEES: We must anticipate the needs and inevitable demands of our employees. We must recognise that they are simply trying to achieve a higher standard of living and a better way of life for themselves and their families

We must promote the advancement, development and welfare of the lower paid workers as fast as it is economically possible for us to do If we do not do so sensibly and quickly we can only expect increased conflict and I believe that the interest of our industry, our employers, employees and our country as a whole require above all peace, stability and understanding.

ON UNEMPLOYMENT: Unemployment still remains the country's greatest single problem ...

The poverty, deprivation and unfulfilled expetations of our lower skilled people continues to feed the despair and misery which has been the main cause of the social unrest which continues to plague so many parts of our country.

Business Report

Light commercials at best since '84

Car sales reach two-year high

CAPE TIMES 11/11/87

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Own Correspondent

JOHANNESBURG — Vehicle sales in October hit their highest monthly level for more than two years

With light commercial vehicles recording their best performance since 1984, and trucks and buses their best since 1985, October's combined car and commercial vehicle market of 28 731 was the highest monthly sales figure since 29 001 vehicles were sold in March 1985

Nico Vermeulen, director of the National Association of Automobile Manufacturers (Naamsa), said yesterday all sectors were continuing to benefit from new model introductions, aggressive marketing and sales campaigns and vehicle replacement needs

Industry expectations of continued modest expansion in the South African economy during 1988, reinforced by pent-up replacement demand, suggested further medium-term improvement, he said

Toyota marketing director Brand Pretorius described the October figures as "further evidence of the continuing encouraging trend in vehicle sales"

October new car sales improved 6% on September to 18 485, and light commercials 2% to 9 067 Heavy trucks and buses were up 13,5% to 759, but medium commercials slipped 11% to 420.

In the first 10 months of this year, 255 152 vehicles were sold, a 12,9% rise on the corresponding 1986 period

The car market continues to be dominated by the small car

Volkswagen's Golf/Jetta/Fox small-car range was once again the leading seller in October, followed by the Toyota Corolla.

Nissan's new Sentra performed well in its first full month of production to take third spot from Ford's Laser/Meteor range

The Toyota Cressida led the medium-car sector, followed by BMW's 3-Series, the Ford Sierra and Nissan Skyline

The recent strike at Mercedes-Benz's East London assembly plant continues to be reflected in that company's performance Lack of built-up vehicles resulted in sales of Mercedes and Honda cars reaching barely a quarter of normal levels

Dispute at motor firm settled

By KIN BENTLEY

THE dispute over the dismissal of a worker at Volkswagen, Uitenhage, which led to a strike last month, has been resolved internally

The dispute, which led to all 4 000 black workers at the plant downing tools for three days, arose after a worker was dismissed for alledgly assaulting a foreman

On October 26, the workers — members of the National Union of Metalworkers of South Africa (Numsa) — returned to work after their representatives agreed that the matter should go to arbitration

Mr Ronnie Kruger, the VWSA public affairs manager, said today that before an arbitrator could be appointed, the company and unions reached an internal agreement whereby the worker was "reinstated with a final warning" and the foreman brought back "as normal"

(192) EvePost 11/11/87

192 ~~83~~ [illegible] 16/11/87

VW stocks to run low over Xmas

Own Correspondent

PORT ELIZABETH — Volkswagen stocks are expected to run low, but not be wiped out, when the factory closes for three weeks over Christmas

Ronnie Kruger, VWSA public affairs manager, predicted yesterday a hand-to-mouth situation when the factory opened in January

His prediction comes in the face of expanding demand — up to 13% a month — and a backlog stretching to three months in some ranges

Every vehicle currently coming off the production lines at the Uitenhage plant has been purchased

Kruger said that VW had no stocks, but dealers had small buffer stocks

These would, however, be depleted when the factory closed down from December 11 to January 5

The company had stepped up production from 200 to 300 units a day and was manufacturing an average of 6 000 vehicles a month This was in excess of the demand, which averaged between 4 000 and 5 000 a month

Potential on the mini-bus line had also been increased in August, from 40 to 50 units a day

Sufficient vehicles would be constructed to tide dealers over during December, but the industry would be operating from hand-to-mouth when production started in the new year, he said

A market of 240 000 has been predicted for next year

Kruger said that although VW had expected the the upturn in the market and employed over 1 000 additional employees since June, a delay had been caused in the amount of time taken to train staff

Strikes had also brought production to a halt A labour dispute last month cost the company 1 000 units in lost production, he said

He attributed the demand to an increase in consumer confidence and the fact that car prices were, in relative terms, down on those of last year Prices were up 10% with the inflation rate measuring around 17%

Last year car prices increased by 30% with inflation at 20%

VW closed plant for one day because of high worker absenteeism

HIGH absenteeism forced Volkswagen to close its Uitenhage plant yesterday, costing it about 230 vehicles in lost production

This followed a four-day strike at the plant exactly a month ago

Production was back to normal today

Mr Ronnie Kruger, the public affairs manager at VWSA, said today that "a couple of hundred" workers did not turn up for work yesterday

While absenteeism tended to be higher on Mondays, he said production was only affected when absenteeism was concentrated on certain areas, causing bottlenecks — as occurred yesterday

Instead of paying workers not to produce, he said, they were told to go home

Mr Kruger said a closure due to high absenteeism had happened at VWSA before, but he could not say how often

VWSA produces about 230 vehicles a day

192 Evepost 24/11/87

bday 19/11/87

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Cosatu affiliate, white union in accord

ALAN FINE

TWO trade unions — one a Cosatu affiliate, the other a key part of the rightist, whites-only SA Confederation of Labour — have reached an accord aimed at ending racial violence at the Volkswagen plant in Uitenhage

The accord followed two physical fights last month between white foremen — members of the SA Iron, Steel and Allied Industries Union — and black workers.

The first occurred after a black worker refused to obey a foreman's order He was dismissed, and a work stoppage by 5 000 National Union of Metalworkers of SA (Numsa) members led to the shutdown of the production line for four days.

They returned to work on October 27 after management agreed to refer the matter to arbitration and the foreman involved was "sent on holiday" pending the hearing

The second happened soon afterwards and, according to a Numsa shop steward at the plant, was precipitated by the racially-provocative behaviour of a foreman. The foreman was dismissed, he said.

The steward told Business Day concern about serious racial conflict led to talks and, finally, an agreement between representatives of the two unions.

The agreement was accepted by Volkswagen management

In terms of the accord, the three issued a joint statement to the workforce condemning violence, intimidation and racist remarks.

They appealed for tolerance and adherence to laid down grievance and disciplinary procedures.

It was further agreed that the two dismissed workers should be reinstated with final, written warnings and the suspended foreman should resume his work.

The planned arbitration has been cancelled

A Volkswagen spokesman described the agreement as a positive move by all the parties concerned.

VW workers agree to stamp out racism

PORT ELIZABETH — Black workers and white foremen at Volkswagen SA in Uitenhage, reached agreement last month to stamp out racist remarks and intimidation at the plant.

The accord led to the termination of a four-day strike at the plant late last month by 5 000 workers, members of the National Union of Metalworkers of SA (Numsa) — a Cosatu affiliate.

The strike followed the dismissal of a worker who allegedly assaulted a white foreman, a member of the SA Iron, Steel and Allied Industries Union — an SA Confederation of Labour affiliate.

VW's public affairs manager, Mr Ronnie Kruger, yesterday released a statement, concerning the incident, saying it has been agreed by all parties that the dismissed employee will be reinstated with a final warning, while the foreman involved will return to the job as normal. — Sapa.

SM 20/11/87 (192)

Business Report

DIGEST

Cape Times 25/11/87 192

AGREEMENT was reached yesterday on the terms of the Ford Motor Company's disinvestment from SA Ford Canada is to donate a 24% equity interest in Samcor to a trust controlled by Samcor employees Dividend income accruing to the fund will be used for community welfare and development activities The rest of Ford's 42% stake in Samcor will be held by Anglo American, AMIC and associates — who presently hold the remaining, and majority, interest in the company

serve on Samcor's board of directors

□ □ □ □ □

Workers rehired as Dunlop strike ends

By CARMEL RICKARD, Durban

THE strike at Durban's Dunlop tyre factory was settled yesterday — a month to the day after 1 200 workers downed tools over a wage dispute.

Last week management enforced a lock-out, claimed the entire workforce was dismissed and began hiring new staff.

However, on Wednesday evening, after an eight hour meeting, a new package was negotiated which workers accepted yesterday.

In terms of the settlement, management has agreed to reinstate all the workers, most of them members of the National Union of Metalworkers of South Africa.

Dunlop management has also agreed to drop their insistence that the wage agreement be valid for 18 months, and instead have agreed it will last the normal 12 months

Workers on the lowest level will be paid a 53c increase in two stages while other grades will have an increase roughly equal to inflation.

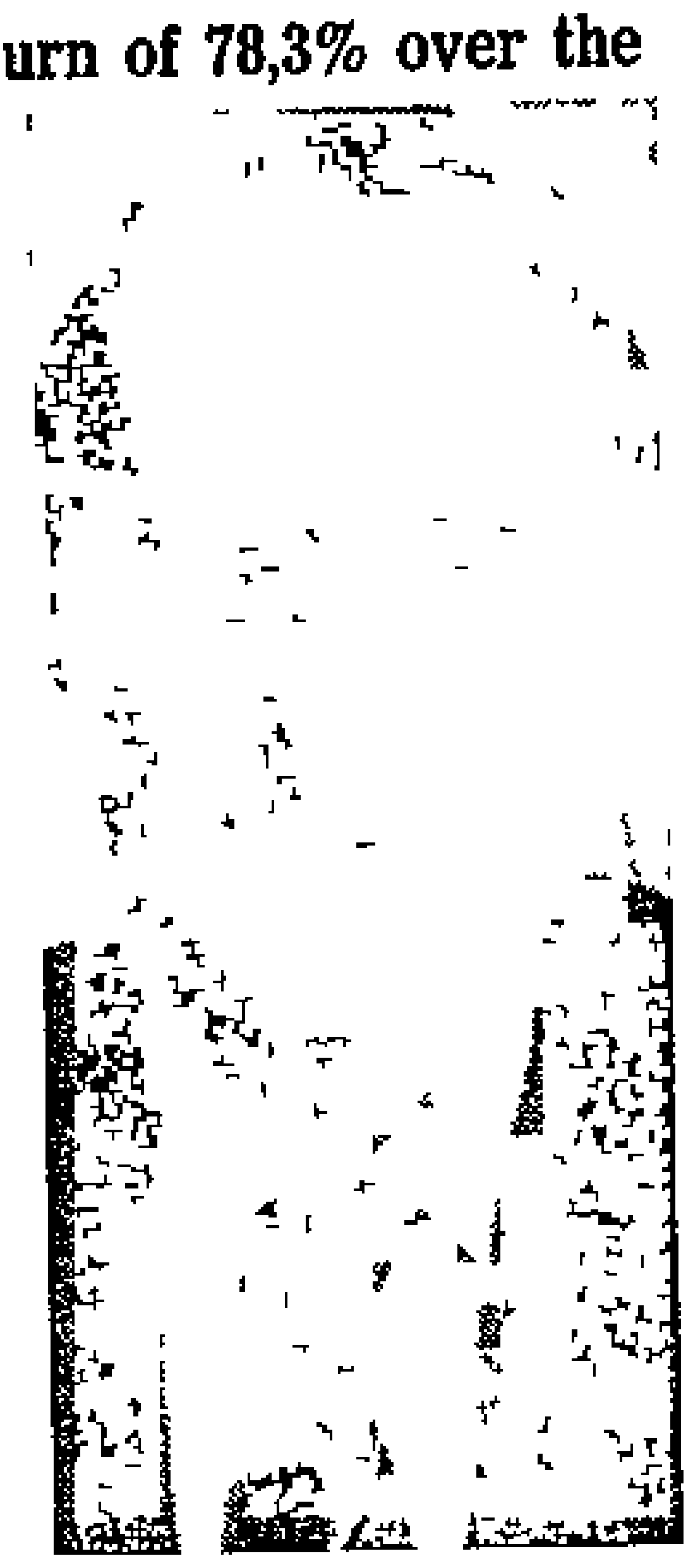
27/11-3/12/87 (192) [redacted] [redacted]

W/Mail

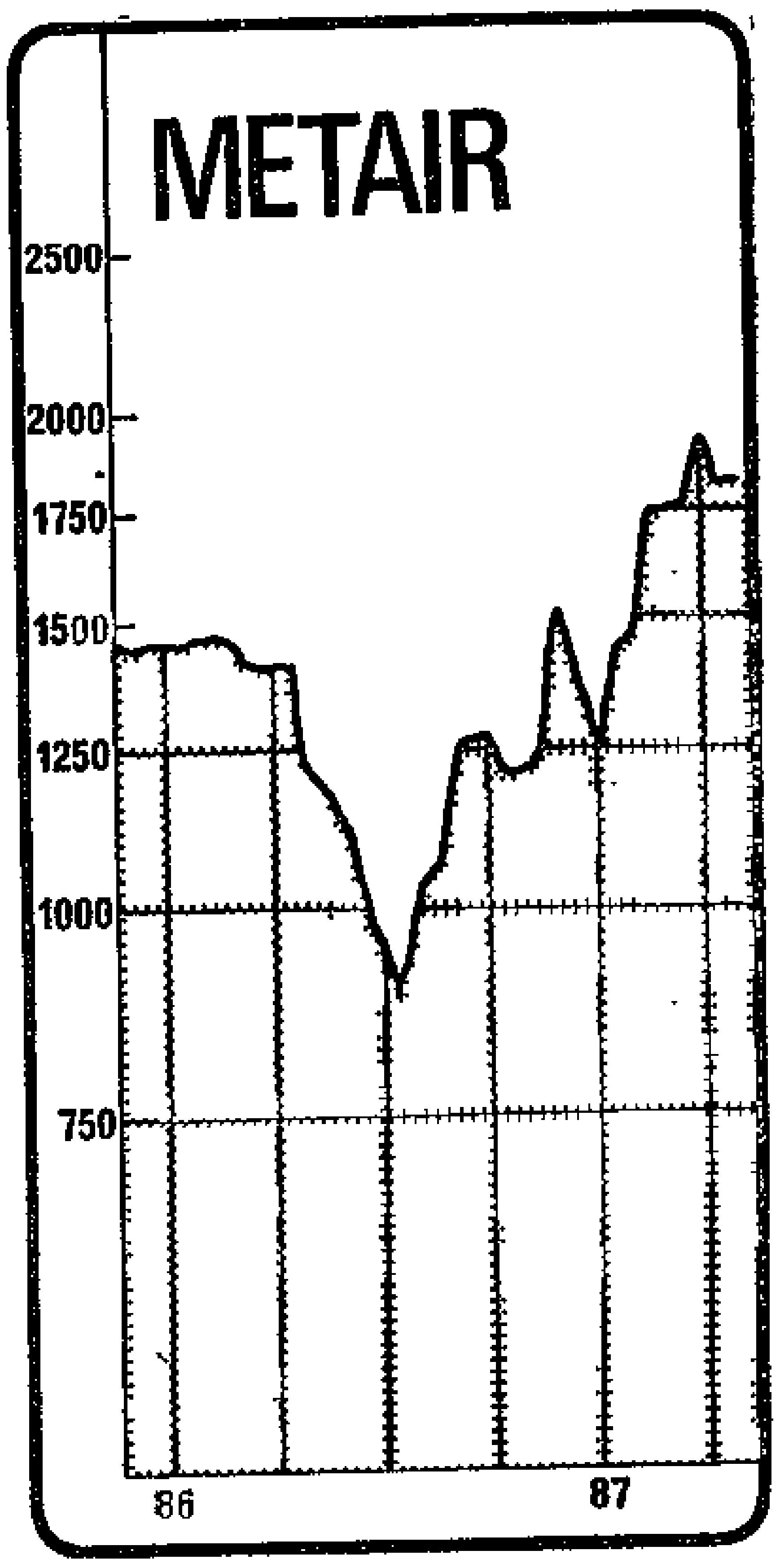
Metair close to taking flag one more time

By Don Robertson

TWO wins, a third place and now a second spot — all in the past five years — is the proud record of motor component manufacturers, Metair.



DOUGLAS STEWART
Exciting prospects



With an all-in return of 78,3% over the past five years, Metair is beaten only by Waltons with a 93,6% return, but is well ahead of third-placed New Bernica.

Having been in the top 20 for three consecutive years, it is one of only four "Royal" companies this year

The performance of the low-profile Metair group is all the more impressive in that it was severely affected by the downturn in car sales in 1985 and 1986

And the group is looking to push turnover up to about R170-million this year compared with R121-million in 1986

In spite of a conservative dividend policy, the annual dividend is expected to be lifted by at least 36% from last year's 33c a share

After a rather disastrous 1985, Metair pushed up earnings to 108c from 80c and the dividend was covered a hefty 3,3 times

The group treated 1986 as a year of reconstruction and consolidation and investments in loss-making associated companies were sold These included the 40% stake in Wesglas which was sold to Glass SA and Concorde Foundry which was sold at a loss

During the year, it was also decided that the combined 76,5% shareholding of Toyota and Wesco would be reduced to 41,5% to be held by Wesco A 20% stake is held by Old Mutual and Lifegro, making it an extremely tightly held share

This was done to give the group a 'more independent' look and has resulted in Metair achieving a broader customer base which now includes manufacturers other than Toyota New products were introduced and export markets opened up In addition, air-conditioning manufacturer, Dunair was acquired

In August last year, the group raised R12,4-million through a rights issue which was used to pay off overdrafts and boost working capital

Metair is now looking for much-improved results in the current year to December

At the interim stage, attributable profits rose to R3,1-million compared with R1,8-million in the first half of the previous year, equivalent to earnings of 55,8c a share compared with 41c a share on the increased share capital The results were helped by an assessed tax loss in the Smiths Manufacturing subsidiary, which says managing director Allan Plummer will not be fully worked off this year

Looking ahead, Mr Plummer says associate, Raylite Batteries continues to perform profitably in spite of the very competitive nature of the automotive battery market

Prospects in the industrial battery market are more exciting, says chairman Douglas Stewart, and the future will be enhanced by the development of the "load levelling" technology in conjunction with a West German company

Load levelling involves the production of massive batteries, in some cases up to 10m long which can be used as standby power units at mines They have the ability to flatten out peak demand loads Each unit will sell for about R7-million and will replace expensive diesel-powered standby units

Shock absorber manufacturer Armstrong and Supreme Springs have continued to significantly consolidate their positions Armstrong has increased its penetration in the replacement market and achieved record monthly turnovers this year

Supreme has increased its sales in the agricultural and export markets and is to increase capacity to meet demand.

Smiths Manufacturing has been pre-occupied with the integration of Dunair, the only local manufacturer of air-conditioning units

As a result, the Pinetown factory has increased its turnover from R2-million a month to R8-million This was achieved by introducing Japanese production methods and a reduction of inventories with a resultant improvement in quality and a reduction of rejects

Although administration has increased, site overheads have declined with a resultant improvement in profits.

Sold

However, because of the complexity and wide range of products, it will take another six months at least to finally settle down, although significant productivity savings and quality improvements will result

The air-conditioning market has grown at a rate greater than the expected growth in the total passenger car market Little has been done to promote this market, says Mr Stewart, and he foresees further growth

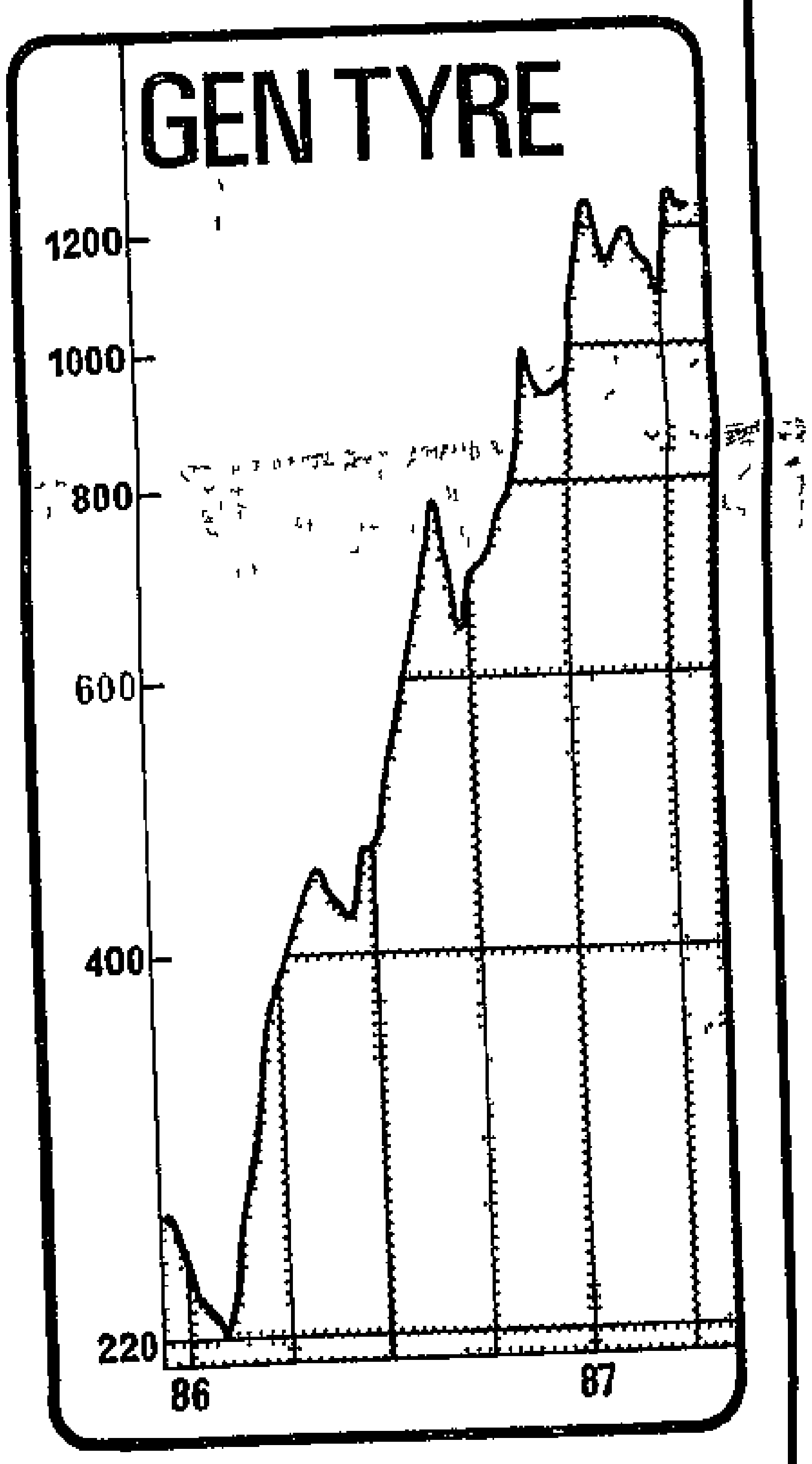
The group is also looking for further acquisitions in the motor component field Two potential acquisitions in the first six months — both reached an advanced stage of negotiations — were unsuccessful because of the extremely high criteria Metair puts on acquisitions

The secret of Metair's success, both Mr Plummer and Mr Stewart agree, is the production of high quality products, a first rate, autonomous management team in all the subsidiaries and highly effective Japanese-style productivity.

Mr Plummer is not worried about the possible change in the local content programme from one based on weight to one based on value In fact, he believes it could provide further opportunities for expansion However, any change is unlikley to take place within the next 18 months to 2 years

6/12/87 (192) STJ TOP 100 COMPANIES SURVEY

General Tyre finds a place of its own



By Ian Smith

UNDOUBTEDLY a star in the W&A stable, General Tyre has earned itself a place in the first 10 of the Business Times Top 100 companies.

Ironically, Gentyre shares ninth place with W&A, and the in-family competition for next year's placing can only be good for investors.

Excellent results in the year to last December saw turnover improve from R211,3-million to R265,9-million and attributable profit jump from R8,2-million to R16,9-million to give earnings per share of 110,6c This helped propel Gentyre from its 49th place in last year's list, with an average compound return of 33%, to its new position, with a return of 61,2%.

And, if half-way results are a reliable guide, the improvement is continuing. Mid-year earnings showed an increase of 70%, from 34,8c at the same time last year to 51,9c after a 20% improvement in sales had resulted in greater plant utilisation

Gentyre chief executive, tyre division, Tony Versfeld, will not commit himself to a figure for the second half But he says that earnings should exceed the first half figure

And the outlook for the future is fairly bright "We view the future with confidence, in spite of the complexity and highly competitive nature of the industries in which we operate," says Mr Versfeld.

Demand in the strategic tyre manufacturing area, which traditionally accounts for some 75% of the total business, are looking better In spite of the slump in new car sales last year, replacement tyre sales increased, balancing the scales, and the industry is now benefitting from the accelerating new vehicle sales

At the same time, the local manufacture of the highly-rated Continental tyre at Gentyre's Port Elizabeth plant is expected to boost total production and sales

Tecnology

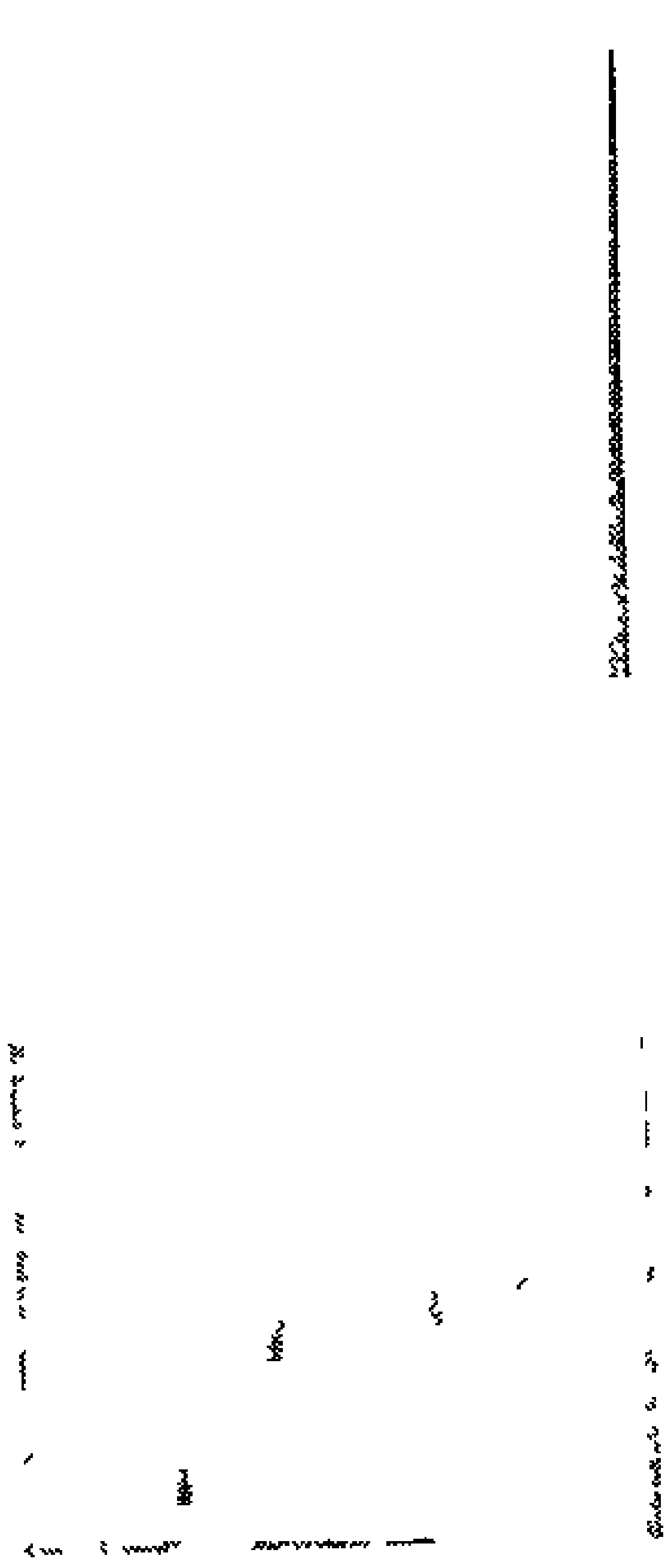
Gentyre was the first non-subsidiary company in the world outside Europe to be given manufacturing rights by the German principals, and it is backed by a long-term technology exchange agreement

Mr Versfeld says the continued rationalisation of manufacturing operations in the industrial rubber division can also provide additional benefits, even if they come through at a slower pace

While the group has always had a stake in the important non-inflammable conveyor belt market for the mining industry, it has this year entered the much wider field of general conveyor belting for the first time

"This opens up some exciting possibilities," says Mr Versfeld "Our experience in the competitive and demanding mining industry should help us to secure a reasonable slice of the industrial action"

Finally, he says "Further acquisitions to complement existing operations will provide additional benefits" He will not be drawn on details at this stage



TONY VERSFELD
total quality

But Gentyre's improvement is not solely dependent on new manufacturing operations, new products or new markets The group's recent history is tribute enough to the gains that can flow from closer attention to good housekeeping

Mr Versfeld says there is no single reason for the company's recent resurgence. Rather, it is due to a combination of measures, most of which should constantly engage professional management

Looking back on last year's good performance, he says an important contributor was the fact that margins in the tyre industry improved in the second half of the year, albeit from a very low base Rigid control of expenses and close attention to the rationalisation of manufacturing operations also played their part

Aggressive marketing and assiduous courtship of the group's dealers throughout the country were crucial in maintaining or improving market share

The company also undertook a fairly extensive overhaul of its financial reporting procedures, which enabled management to respond quickly to new circumstances.

At the same time, management structures were revised to allow branch management a greater share in the decision-making process, providing a greater incentive and creating awareness right down the line

Training

Production oriented training, which had been going on for some years, was reinforced by additional staff training to help individuals achieve their ambitions

"In itself, this manpower development programme has had a direct effect on higher productivity levels," says Mr Versfeld.

And then Gentyre introduced a new philosophy called the "total quality concept"

"This was designed to enhance every employee's attitude to quality right down to what they said and did," says Mr Versfeld. "It started on the shop floor in the factory, but it has been extended right through the organisation

"We tried to make everyone aware of his or her part in the ultimate sale, and I believe it had a tremendous effect on our total productivity"

Mr Versfeld sees major challenges ahead — not least the inflationary cost pressures to which the industry is subject and the high cost of capital to keep abreast of rapidly changing technology

But he is confident the company is well placed to meet them

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AND CONFIDENCE FLOWS BACK INTO MOTOR INDUSTRY

By Don Robertson

THE return of consumer confidence and a slowdown in price rises this year were the features of one of the better years in the motor calendar

Vehicle sales have risen by an average 13% and car sales alone are expected to top 200 000, albeit from a low 1986 figure of 174 000

Light commercial vehicle (LCV) volumes could reach 94 000 from 79 000, while medium commercials could be higher at 4 700, compared with 4 450 Heavy commercials and buses are expected to top 7 250 units, compared with 6 840

Shortages

The improvement caught all manufacturers napping and vehicle shortages were in evidence from June The 10-week strike at Mercedes-Benz and the floods in Natal also aggravated the problem

It is estimated that total sales could have been higher by between 5% and 7% had stocks been available

Company profits were well up during the year and this gave many organisations the opportunity to replenish fleets.

At present, about 70% of all cars sold are fleet purchases This was equally true of the LCV market, where Government buying helped

The private buyer, although suffering the ravages of inflation and the tax burden, also returned to the market Although the used car market benefitted most from this in the first half of the year, new car and LCV sales picked up strongly in the second six months

Recruitment

A result of the improved buying pattern has been an increase in employment, with Volkswagen alone taking on 1 000 new workers and operating on a nine hour shift and on Saturdays

Capacity utilisation in all sectors improved significantly, rising to 71% at the end of September, compared with 56% at the end of December last year

In many instances component manufacturers are working at capacity

The resurgence in the motor trade has been well reflected on the JSE boards and, until the October 19 crash, the motor sector was one of the largest gainers of the year

Toyota, one of the two major companies quoted on the JSE, saw profits rise to

Increases in all sectors caught manufacturers napping . . .

R32,3-mibn in the six months to June bm R7,6-million in the first alf of the previous year Th McCarthy Group dealer nework posted record profits oR20,5-million on a turnover R1,3-billion

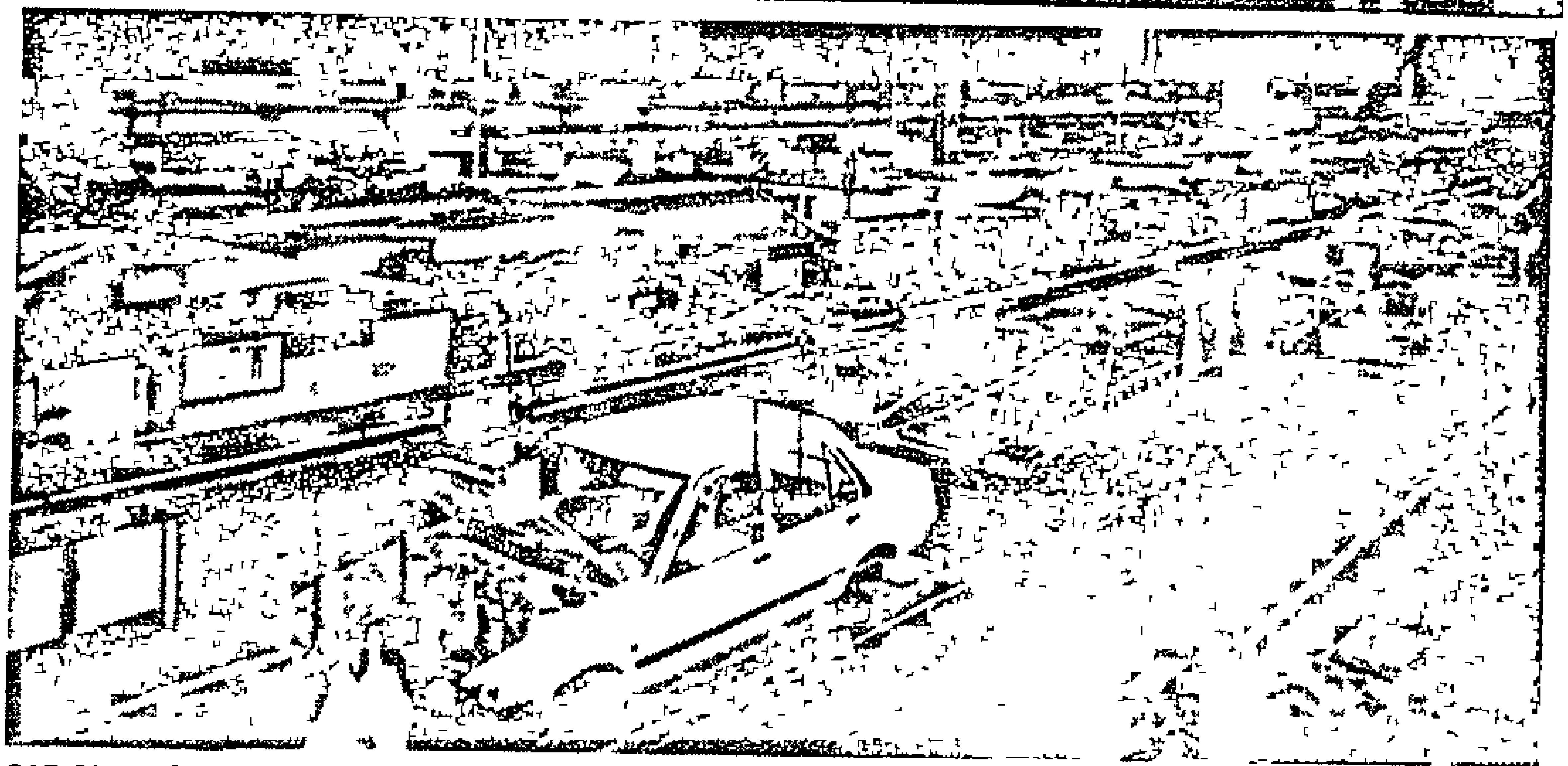
After horrific rise in prices of bout 65% between 1985 and nd-1986, increases have stabised After the last hikes of e year in November, it is vident that prices have rise by between 10% and 12% a factor which has plea manufacturers, as they well below the inflation te of around 18%

The maket was also assisted by thetimulatory effect of new lel launches as well as aggressive marketing a ales campaigns introduced by manufacturers and dealers

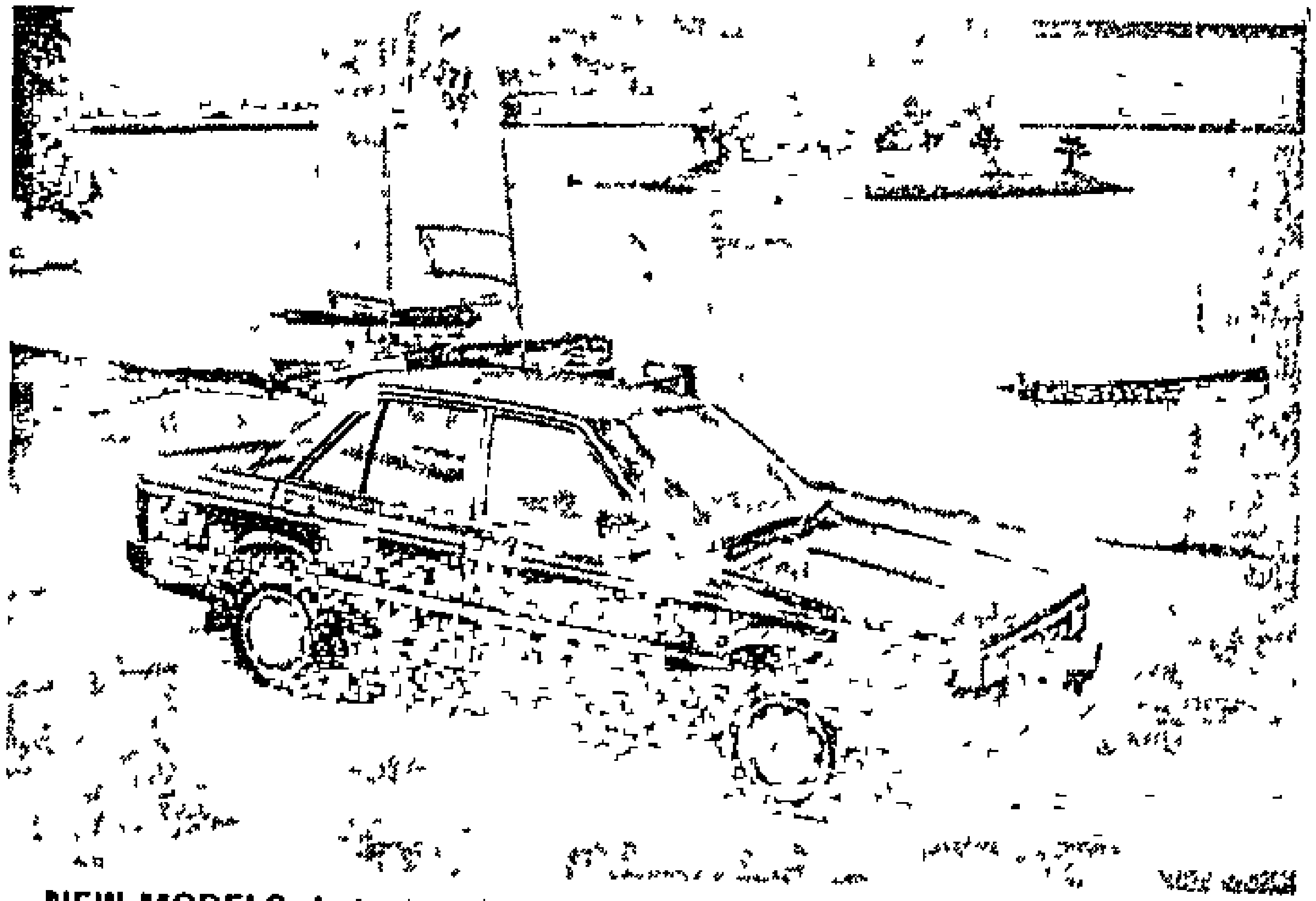
Labour unrest was a worrying factor during the year, with the 10 week strike at Mercedes Benz having a devastating affect on the company Other strikes were experienced at Volkswagen and Toyota

More important was the tougher attitude adopted by the various unions towards manufacturers and component producers Many see more difficult times ahead

The increased incidence of theft also raised its ugly head, with insurance companies demanding more safety devices This has prompted car makers to look at new features in an effort to prevent these thefts



CAR PLANTS As sales continue to increase, capacity utilisation of the assembly lines is continually increasing



NEW MODELS Latest to hit the streets — the Nissan Sentra 1,6GL

The parts business also took off as motorists held on to cars for longer periods

While there is no evidence that the JSE crash has filtered through to the consumer, it could influence sales next year to some extent

However, there are those who believe that the experience of the 1969 crash could be repeated, when sales in 1970 rose by 15% It is also possible that many individuals have bailed out of the market and will find themselves with cash on hand This could push up vehicle sales

Most manufacturers believe that unless there is another disaster sales could rise by 10% to 15%, pushing car sales to 220 000 or 230 000 LCV sales would rise accordingly

On the price side, the fall of the dollar has resulted in a stronger rand but, at the same time, the rand has declined against the Japanese yen and the German mark

While this could put pressure on imported component prices it is expected that vehicle price rises will again be well below the inflation rate

The National Association of Automobile Manufacturers of SA (Naamsa) says sales could grow "modestly" in the first half of next year

A gradually improving economy, vehicle replacement demand and aggressive marketing strategies should underpin demand for new motor vehicles at the current improved levels

Confident consumers set car sales soaring

News 9/12/87

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THE motor industry is experiencing a sales upswing which shows a dramatic return of consumer confidence — November sales figures released today are 44,8 percent higher than last year.

A total of 28 949 cars — 44,8 percent more than in November 1986 — and 9 216 light commerical vehicles and buses were sold last month.

Sales for the year are expected to top 307 000 units

Motor manufacturers were caught napping by the sudden upturn

LOW SIDE

Stock shortages hampered sales as assembly lines and component manufacturers struggled to meet the demand for new cars and trucks.

Mr Nico Vermeulen, director of the National Association of Automobile Manufacturers (Naamsa), said the industry's stock position generally remained on the low side, with demand still outstripping supply

"The situation remains delicate because motor manufacturers are committed to long lead times for imported components, so they are less able to react rapidly to changes in the market"

He expected further medium-term gains in vehicle sales, but sounded a cautionary note on prices

PUSH UP COSTS

A six percent depreciation of the rand against the Deutschmark and Japanese yen in recent months would push up imported content costs

So far this year 184 857 cars have been sold — 13,8 percent up on the same period of 1986 The full year total now looks almost certain to top 2[illegible] compared with about 175 0[illegible] in the whole of 1986.

Toyota topped the car sales list in November with 4 521 (24,3 percent) Volkswagen sold 3 573 (19,2 percent), Samcor 3 565 (19,1 percent), Nissan 2 426 (13 percent, Ford 2 226 (12 percent) and MMI 1 339 (7,2 percent) — Motoring Editor, Sapa.

Strike looms in motor industry

[redacted] [redacted] 192 B/day 9/12/87

ALAN FINE

THE eastern Cape motor industry may be hit by a strike soon, possibly today, after deadlock in industrial council wage negotiations yesterday.

National Union of Metalworkers of SA motor section chief Fred Sauls said the timing of industrial action would be decided at report-back meetings this morning, but it was possible it would begin today.

Employer parties to the council include Volkswagen, Delta and Samcor which, between them, employ 7 500 people. Samcor's Pretoria plant has a separate in-house agreement.

Sauls said deadlock arose when the parties had been on the verge of agreement. The main point of dispute was the minimum wage for the lowest three categories of workers.

Numsa is demanding R4,50 an hour for all three categories, arguing there is no significant skill differential between them. Employers are offering R4,30, R4,35 and R4,45 respectively

The present minimum is R3,50, and the increases are to be implemented on February 1. The parties agree the minimum should be raised to R4,70 next August.

Agreement has also been reached on across-the-board increases of 55c to 70c an hour on February 1.

Employer spokesman Brian Robinson could not be reached for comment.

Car firms facing wage deadlock

ARGUS 10/12/87

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Argus Bureau

PORT ELIZABETH. — The motor industry in the Eastern Cape is faced with a wage deadlock as it starts winding down for the holiday season.

Volkswagen, which shuts down tomorrow, has rejected a new wage deal, while employees at Samcor (engine plant) and Delta Motor Corporation are still discussing the offer.

The wage offer, made on December 1 after two months of negotiations between the National Union of Motorworkers and the Eastern Province Automobile Manufacturers' Association, affects about 10 000 hourly-paid workers at the three plants.

The offer has been described by management as one of the best packages in South Africa.

However, union spokesman Mr Les Kettledas said the matter was in dispute.

28% RISE

Mr Brian Robinson, chairman of association, said the written offer was a minimum of R4,50, R4,55 and R4,63 an hour for the first three grades from February.

This, he said, represented a R1 or 28 percent increase in the Industrial Council minimum wage

A further increase in August to R4,70, R4,75 and R4,86 an hour had also been offered This represented a 34 percent increase in the minimum wage.

Soweto Day on June 16 would be a paid holiday.

Sapa reported Mr Kettledas as saying employees at Samcor and Delta would meet tomorrow to discuss the offer

B/day 10/12/87

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Numsa strike decision soon

ALAN FINE

THE National Union of Metalworkers of SA said yesterday it expected to complete members' report-back meetings at three eastern Cape motor plants today on a disputed pay offer made on Tuesday

Numsa regional secretary Les Kettledas said 4 000 members at Volkswagen rejected the wage offer yesterday, and were awaiting feedback from Delta and Samcor

Should the union decide upon immediate strike action, however, it would initially be short-lived as the plants affected are due to close for the Christmas period at the end of this week or early next week.

Employer spokesman Brian Robinson said employers had agreed to the union's demand of a R4,50 per hour minimum wage to be implemented on February 1, on condition that the across-the-board increase scheduled for August was reduced from the 40c originally offered to 20c. The original offer included a R4,30 minimum

Dismissed workers rehired

TEN Mercedes Benz workers dismissed after a strike at the company's East London plant have been reinstated.

By LEN MASEKO

They were among 280 National Union of Metalworkers of South Africa (Numsa) who took part in a strike at Mercedes Benz last year

A Numsa spokesman said the matter was referred to an arbitrator who ruled that

- Six of the dismissed workers should be reinstated immediately "on their merits". They should be paid all wages "from a date six months earlier than the date of the award"
- Four of the workers should be reinstated on the basis of a finding that there was "selective re-employment or dismissal", and
- The remaining two workers "have been unsuccessful"

The arbitrator made the ruling on November 23

Sowetan 192

The Numsa spokesman said "The fact that this arbitration took place 14 months after the date of the dismissals clearly indicates the intransigience of this company to consider representations made to it for the reinstatement of these workers"

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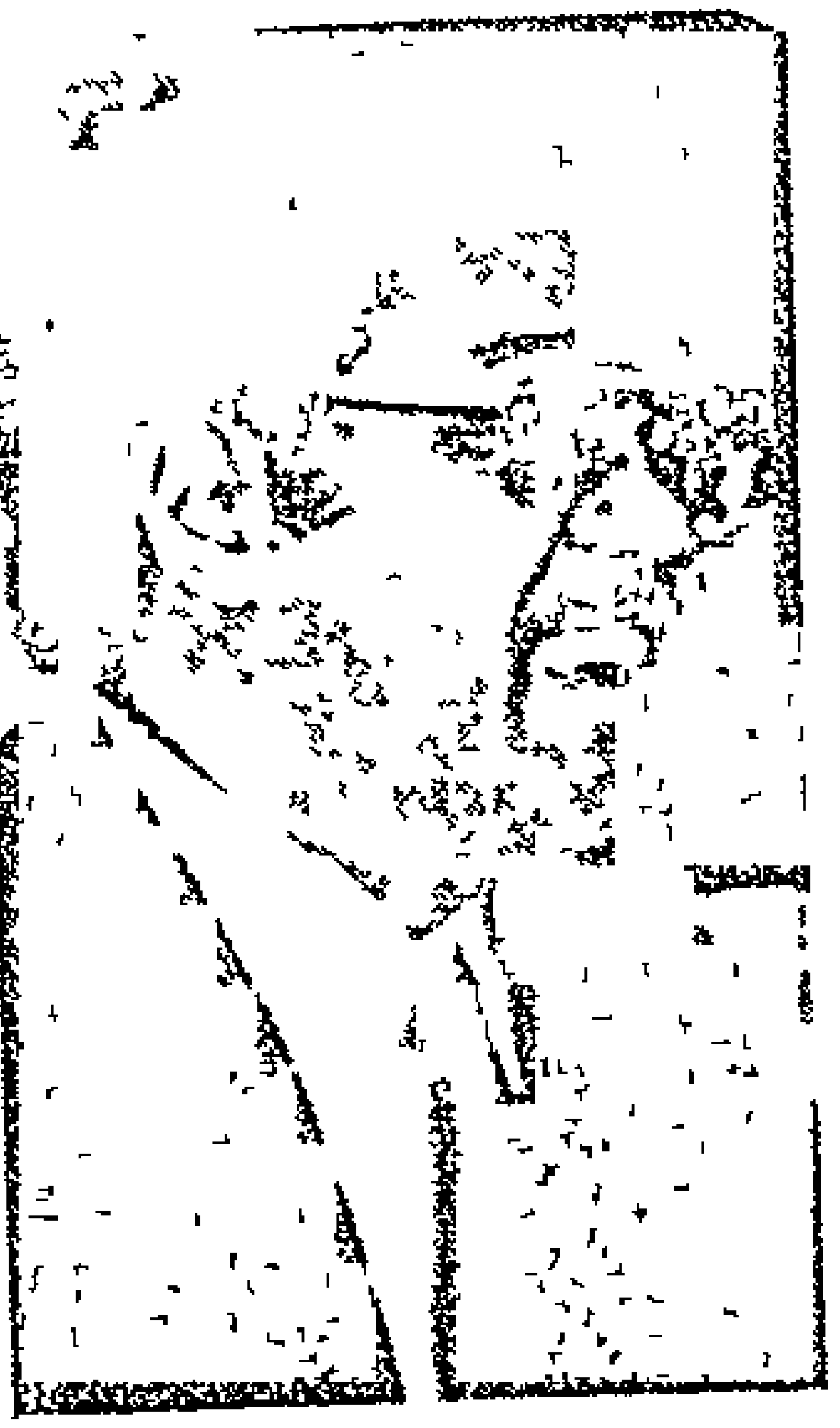
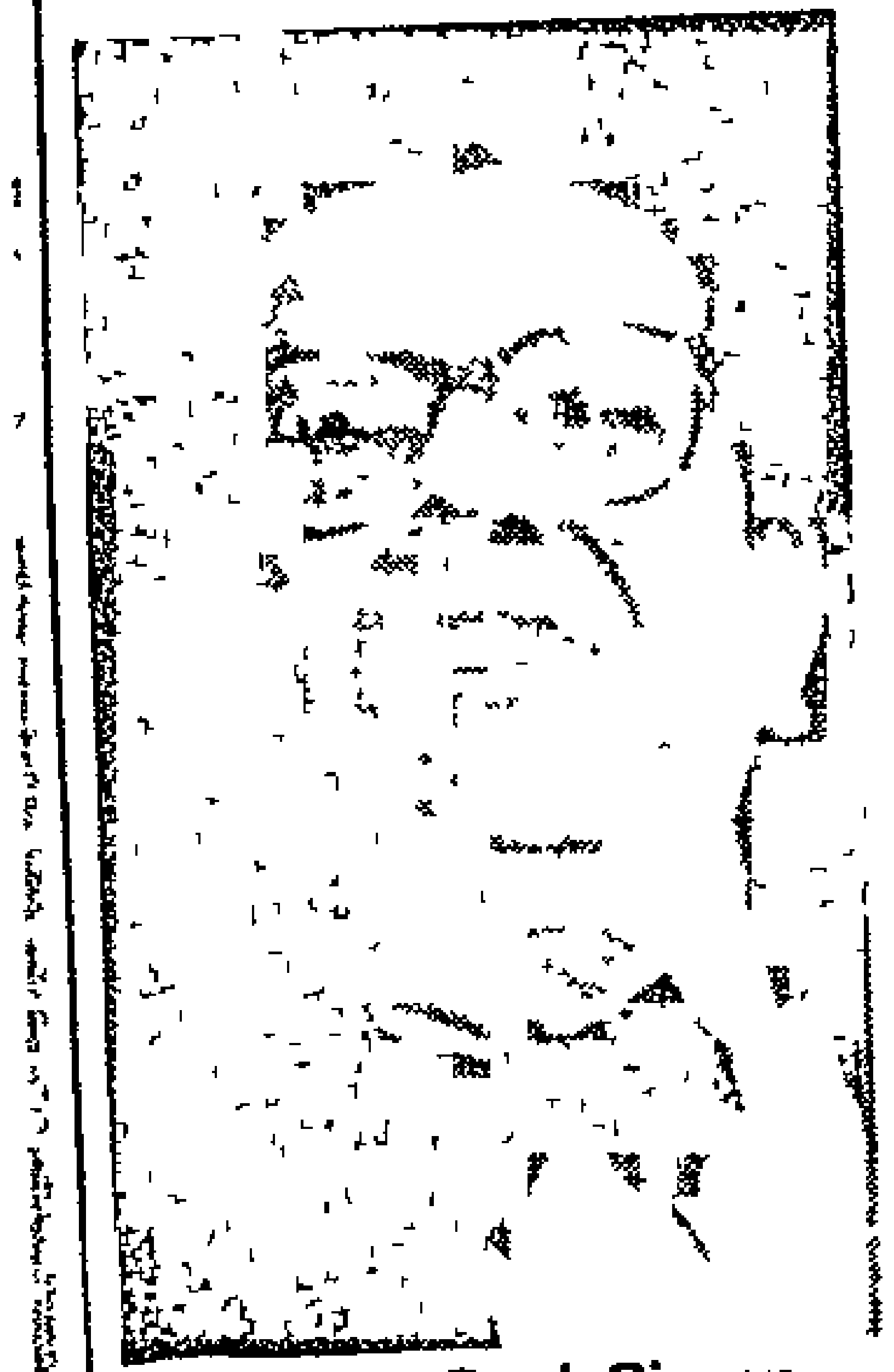
US Treasury to decide Samcor's fate



Mr William Gray



Senator Paul Simon

From SIMON BARBER

WASHINGTON. — Samcor's fate appeared to hang in the balance yesterday pending a decision by the US Treasury to permit Ford to transfer $61 million (about R122 million) to SA to help pay off the car company's debts.

The transfer is an unpublicised part of the disinvestment agreement Ford negotiated with Anglo-American, Amic, the National Union of Mineworkers of SA (Numsa) and Samcor.

A Treasury ruling is required because the injection of funds into SA may run foul of the Comprehensive Anti-Apartheid Act (CAAA) ban on new investment.

Pro-sanctions forces on Capitol Hill, led by Congressman Howard Wolpe, chairman of the House Africa subcommittee, Congressman William Gray, chairman of the House Budget committee, and Senator Paul Simon, chairman of the Senate Africa subcommittee, have demanded that the money not be released.

They are considering filing for a court injunction if Treasury rules in favour of Ford, one of their advisers said yesterday. They have also been in contact with UDF and union leaders to drum up opposition to the transfer.

"Ford claims to be disinvesting, but at the same time it wants to pump $61 million into Samcor. The way we read the act this is prohibited because it represents new investment," a staff member said.

"We have reason to believe that the transfer was not discussed in depth with Cosatu and other unions."

Liquidate

Congressional and administration sources said they had been told by Ford that unless the money was released, Anglo would liquidate Samcor, possibly putting thousands out of work.

Such a move would also invalidate the painstakingly negotiated creation of an employee trust fund from Samcor shares donated by Ford.

Anglo is understood to have set yesterday as the deadline for the $61 million transfer.

The Treasury had been expected to rule by close of business on Friday, enabling Ford headquarters in Detroit to authorise its Canadian subsidiary to wire the funds to Samcor by close of business yesterday.

Ford Canada is technically the disinvesting company, but the money is being provided by its US parent, thus bringing the CAAA's investment ban into play.

Administration sources said the Treasury was expected to make its decision late last night and that Ford was cautiously optimistic.

The dispute centres on exceptions to the ban laid out in regulations published on December 29 last year.

Exempted under these regulations are "contributions of money or other assets where such contributions are necessary to enable a controlled South African entity to operate in an economically sound manner, without expanding its operations".

A "controlled South African entity" is defined as "a corporation, partnership or other business association or entity organized in South Africa, and owned or controlled, directly or indirectly, by a national of the United States".

Merc, BMW help lift car sales

13/12/87

By Don Robertson

A RECOVERY in sales by Mercedes-Benz and an improved performance by BMW saved November car sales from dipping below the October figure.

Apart from these two, all manufacturers recorded lower sales, a shortage of stock being blamed for the decline.

Most manufacturers were unable to provide a full range of models to dealers and the shortage is likely to worsen in the new year because car plants are shutting shop until January 11

However, November sales of cars, light and medium commercial vehicles were the highest of the year

A feature was Toyota's achievement in grabbing top selling spot in all four categories of the market — cars, light commercial, medium and heavy trucks. This is the first time one manufacturer has dominated the industry

Car sales in November at 18 620 were marginally up on the 18 491 in October and took the figure for 11 months to 184 657, up 13,7% on the 162 377 in the previous year.

The November figures were bolstered by a sharp increase in sales by Mercedes-Benz which had suffered severely in the previous two months as a result of a 10-week strike Sales rose to 1 506 from 555, Honda Ballade rising from 333 to 785

BMW was the best overall performer in November, sales rising by 35% to 1 819 from 1 347 Sales of the 3 Series rose to 1 366 from 974 to give the marque its highest share of the market at 9,7%

Sales of Volkswagen's Golf-Jetta again beat Toyota's Corolla But Toyota's sales dropped only 2,7%, helped by an improvement in Cressida figures Volkswagen lost 13,7%. Toyota remained the best seller

Nissan, with its new Sentra, held fourth spot after the combined Samcor sales. The Sentra was the third-largest seller

Toyota dominated the light commercial market where total sales in November rose to 9 216 from 9 067 in October Sales to date are 88 024 — 20,7% higher than the 72 922 in the same time last year. Second was Samcor and third Nissan

In the medium and heavy categories Toyota led with sales of 167 and 179 respectively The heavy truck and bus sector has been dominated by Mercedes-Benz for the past few years

Medium sales in November were 13,1% up at 475 from 420 for a total of 4 409 for the 11 months against 4 192 Heavy truck sales were 638 in November down 15,9% on October's 759 Sales to date are 6 817 compared with 6 424 previously

Car sales are expected to reach 200 000 for the year Total vehicle sales are forecast at more than 300 000 Car sales are expected to rise to about 210 000 next year

5/11 250 192

Ford sends millions to save SA car company

192

Own Correspondent

Cape Times 17/12/87

WASHINGTON. — In a bid to prevent Anglo American liquidating Samcor, Ford has wired the car company $61 million (about R122 million) without waiting for formal approval from the US Treasury.

The move was "a flagrant violation" of the Comprehensive Anti-Apartheid Act's ban on new investment, congressman Mr William Gray, chairman of the House budget committee, said yeserday.

Samcor, 58% owned by Anglo before Ford's departure, was a South African-controlled company and therefore not exempt from the law's ban, Mr Gray said.

The congressman, who has been leading the effort to stop the transfer, accused Ford of signing a secret agreement with Anglo to help pay off Samcor's debts so that Samcor would remain viable to continue selling Ford products in South Africa.

This pact was separate from the disinvestment agreement reached with the National Union of Metalworkers of SA (Numsa) under which Ford undertook give 24% of Samcor equity to create an employee trust fund, Mr Gray claimed.

Ford was sufficiently worried about the legality of the transfer to seek Treasury approval.

20/12/87

S/1 192

R200m shot saves Samcor

By DAVID CARTE

TENS of thousands of jobs threatened by further US sanctions have been saved by an 11th-hour injection of R200-million by America's Ford company into its South African offspring

Congressional anti-apartheid attempts to block the transfer of the money to the South African Motor Corporation (Samcor) failed.

Had they succeeded, it would have meant liquidation of Samcor with the loss of 5 000 jobs, an end to the 24 percent employee trust set up as part of Ford's disinvestment plan, and the closure of hundreds of Ford, Mazda and Mitsubishi dealerships which would have cost thousands more jobs

Samcor chairman Leslie Boyd yesterday confirmed the company had received a total of R200-million to repay debts incurred by Ford in South Africa over many years

Anti-apartheid activists argued that the money was a new investment in SA and that it contravened US law, even though the transfer had been approved

Now Samcor will be free of bank debt.

With interest costs of at least R24-million a year eliminated, Samcor is expected to become profitable

In a prepared statement, Mr Boyd said Samcor would continue to supply a full range of Ford products.

A close association with Ford would continue

At present, Ford offers the Sierra and Laser cars, the Husky minibus and a range of light delivery vehicles in SA

The Sierra is to be replaced with a new model

Tooling is expected to cost R100-million

Anglo American and Samcor both refuse to comment on events in the US

They have not acknowledged. that Samcor might have been liquidated if the funds had not been received

Debts

But Samcor is known to have lost tens of millions of rands and interest costs are known to have been the major cause.

There is still no clarity on whether American multinationals in South Africa would be able to repay debt in South Africa from the US.

If not, the implications for American companies in South Africa could be profound. their bankers and creditors would probably demand repayment and their suppliers could well start asking them to pay cash

MANUFACTURING - MOTORS

1988

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JAN - DEC

192 [illegible]

Union signs agreement

EAST LONDON — After months of negotiation, the management of Dunlop Flooring has signed a recognition agreement with the South African Allied Workers' Union (Saawu)

This was reported by the secretary of the local branch of Saawu, Mr Boyce Melitafa

"Saawu views this progress as one which will strengthen the metal sector under Cosatu since Saawu is affiliated to Cosatu

"This also shows the patience Saawu has in both the labour and political fields," Mr Melitafa said

The negotiations for the agreement, which covers more than 250 workers, began last year

The general manager of Dunlop Flooring, Mr Nigel Yeadon, was not available for comment yesterday — DDR

BUSINESS POST

Car sales look set for 'gentle upturn'

Eve Post 2/1/88

192

By **BOB KERNOHAN**
Business Editor

A firm, but certain "gentle upturn" in motor sales is forecast for 1988.

That is the opinion of one of the country's leading authorities on the fortunes of the industry, Robin Emslie, editor of the magazine Automobil, which has disclosed its predictions for the year ahead in its latest edition.

But even long time industry watcher Emslie concedes that gauging the issues which will affect sales next year and into the '90s is not easy, although he identifies a key factor as being the vital yen/rand and German mark/rand exchange rates.

"Any real deterioration of the rand against the West German or Japanese currencies will force vehicle prices upwards, any real improvement will assist greatly to contain the spiral."

Labour stability will also remain a crucial factor — "and this is one area where top businessmen seem to have the least optimism and the greatest fears".

"That also means that this area is receiving constant attention by managements and trade unionists alike — and there does seem to be an area of common intention in wanting to get things right for the future," says the Automobil editor.

"The next 12 months will see watershed developments in this area, however, and — in the process — it doesn't seem as if the motor industry is going to be able to get through unscathed."

The authoritative magazine predicts that the "ageing car park" — the number of cars past their average life — will also play a key role in determining market sizes in the years ahead.

"There are some who say (or want to hear it said) that the average life of the South African vehicle has doubled or even trebled.

"There are others a little more conservative.

"There is no question that the last three years of reduced new vehicle input have extended the life of licensed cars in South Africa.

"There's a school of thought which holds that this will continue for quite some time — which slows the number of new-input sales, but improves the aftermarket activity.

"Another viewpoint is that the ageing process reaches a point when replacement can no longer be avoided and becomes compulsory — and many people attribute some of the sales build-up in 1987 to exactly this factor.

"Backlog demand is a real term and must always have an impact."

Underpinning the upturn will be the general economy.

"Available disposable income — be it in the pockets of the individual or in the cash flow of companies of all sizes — will govern buying decisions through 1988.

"In this area the 'whether and-ifs' are legion.

"Will there be serious and meaningful tax concessions in the March budget?

"Will the economy continue to rise even at the present tardy rate?

"Will elements of the Margo Commission's recommendations become part of the fabric?

"Will the country avoid major political reversals or disruptions of peace in the next 12 months?"

Summing up, Emslie says. "With all these elements making up our uncertain future, it is almost impossible to be accurate in forecasting — even with a very magical crystal ball.

"The official National Association of Automobile Manufacturers [Naamsa] view is that the total car market will grow by 10% in 1988 — to around 220 000 units.

"We know one manufacturer who sees no increase at all 1988 over 1987, and we know others who are looking at totals of 235 000 and 240 000".

But he ends on an optimistic note that the motor industry and related trades "can look ahead with more confidence at the end of 1987 than they have been able for quite some time".

"The emphasis, however, must be on taking care as they (the industry and trade) progress and prosper.

"Very harsh lessons have been handed out during the recession, one hopes that all have learnt them well and will know how to survive a gentle upturn in

Ford plans to keep up its SA links

Samcor employee trust to be finalised

B/Day 14/1/88 (192)

ALAN FINE

REPRESENTATIVES from Ford headquarters in Detroit are due in SA next week to take part in finalising the details of the employee trust which is to control 24% of the Samcor equity.

Samcor chairman Leslie Boyd said yesterday proposed rules of the trust, including the election process of trustees, will be discussed in the coming weeks with the National Union of Metalworkers of SA and other employee representatives.

Trustees will comprise five representatives of hourly-paid personnel and two of salaried staff. Two of the former and one of the latter are to be appointed to the Samcor board.

Boyd said he did not expect these arrangements to be completed in time for the next scheduled board meeting in February. However, he hoped employee directors would be able to attend the next one in May.

A further detail still to be finalised is a shareholders' agreement between Anglo American, Amic and the trust.

Boyd said Samcor had traded at a profit in 1987. The $61m pumped by Ford into Samcor amidst congressional controversy last month had wiped out Samcor's R200m debt (it was converted in financial rands), and the company now had "probably the strongest balance sheet of all vehicle manufacturing companies in SA", he said.

While the presence of employee directors on the board reflected a trend towards a more participatory type of management, Boyd did not expect any immediate changes in management systems and policy.

He said Ford would continue to play a key role in Samcor management by continuing to provide three senior managers. They would play the same role as before in Samcor's executive committee.

Boyd said Ford's motivation for these continued links was to assist Samcor to operate profitably in order to benefit the employee trust.

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B Day
2/12/88

Wage deal deflects industrial action by Numsa

ALAN FINE

THREATENED industrial action by several thousand Volkswagen, Delta and Samcor (PE) employees has been averted for now with a wage agreement for the next six months between the National Union of Metalworkers of SA (Numsa) and the Eastern Province Automobile Manufacturers' Association.

The minimum hourly industrial council rate is to be increased by 28% from R3,50 to R4,50 from February 1 (although actual wages are generally somewhat higher than R3,50)

A rate of R7,89 has been agreed for workers in the most skilled category

All workers would receive an across-the-board increase of not less than 55c an hour in Grade 1, ranging to 85c an hour in the highest grade, Numsa regional secretary Les Kettledas said

The settlement was confirmed by an employer spokesman.

Negotiations for August 1988 rates of pay and increases are to resume in May at plant level. The parties were deadlocked previously with Numsa demanding an additional 40c an hour, while employers offered 20c. A proposed three-hour reduction in the present 43-hour week will also be discussed

Additional points of agreement include paid leave on June 16, a year-end bonus equal to one month's pay for all workers with more than one year's service, and improved redundancy benefits

In addition, said Kettledas, it was agreed that a joint union/management training committee would be established to monitor and advise on training

16,8% leap in vehicle sales a good omen

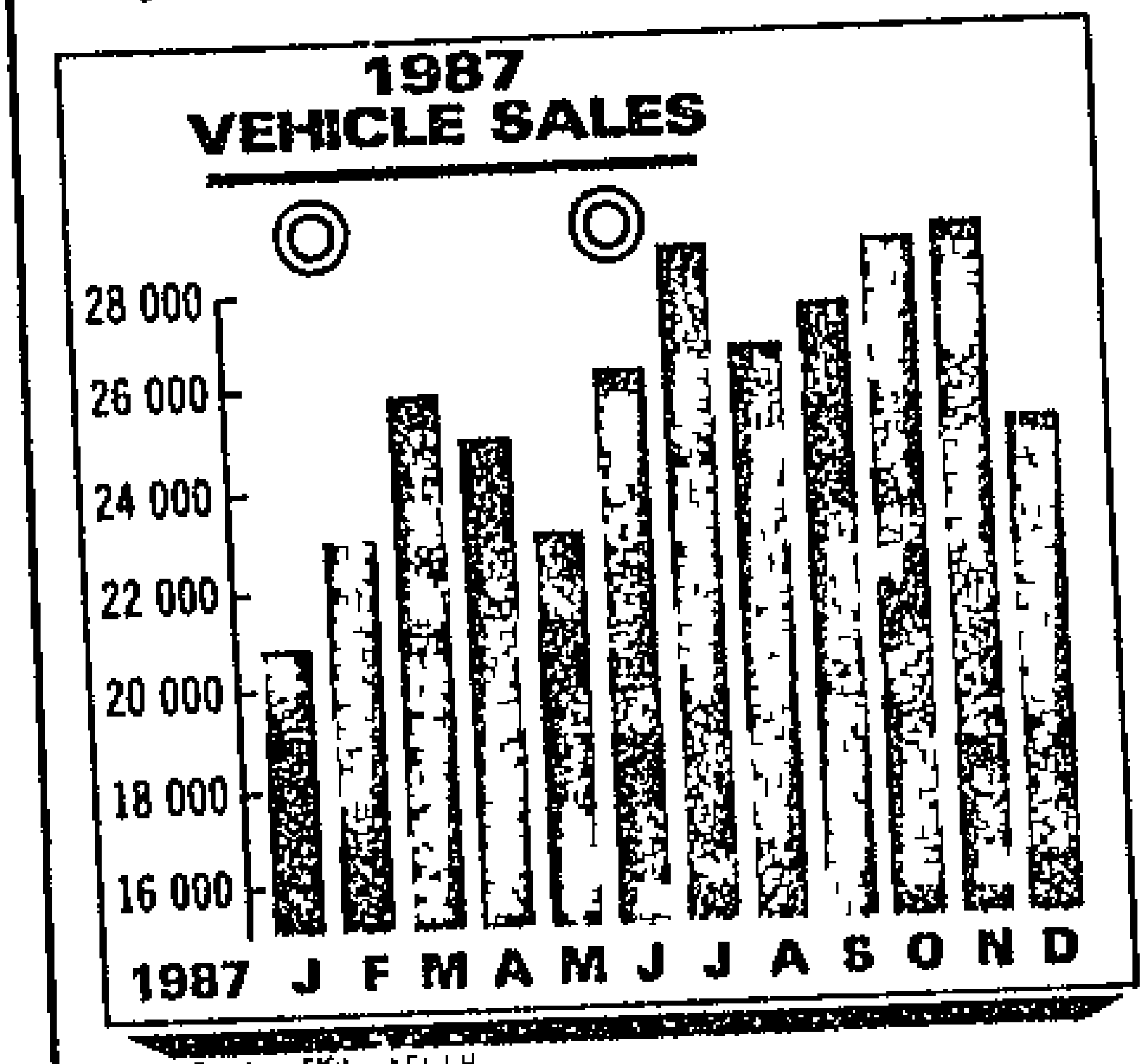
15/1/88

B/Day

M2

VEHICLE sales in 1987 — 16,8% higher than in 1986 — have been greeted joyfully by manufacturers, who hope they presage a good 1988

National Association of Automobile Manufacturers (Naamsa) figures yesterday showed a total of 309 150 vehicles were sold in 1987 compared with 264 676 in 1986.



Graphic [illegible]

Car sales exceeded expectations, cracking the 200 000 barrier to rise 15,1% with a total of 200 824 (174 453).

The yearly growth in sales received a boost from the 33,5% climb in December sales. A total of 25 043 vehicles were sold in December compared with 18 761 in December 1986

Naamsa director Nico Vermeulen projects a modest growth of between 6% and 10% in unit sales in 1988 compared with 1987 and expects passenger car sales to rise to 215 000 units, light-commercial vehicle sales to 105 000, medium- commercial vehicle sales to 5 200 units and sales of heavy trucks and buses to about 8 500 units.

Cape Times 15/1/88 (92)

New vehicle sales rise by 16,8%

JOHANNESBURG — SA's new vehicle sales totalled 309 150 units in 1987, a 16,8% increase on the 1986 total of 264 676, the National Association of Automobile Manufacturers (NAAMSA) announced yesterday

New car sales for the year were 15,1% better than the 1986 figure, with a total of 200 824 units (174 453)

Sales of light commercial vehicles, medium commercials and heavy commercials were respectively 22,1%, 6,5% and 5,9% better than in 1986 LCV's totalled 96 346, medium commercials totalled 4 738 and heavy commercials 7 242 for the year

Total new vehicle sales in December were 25 043 units, a 13,5% drop against November's sales, but 33,5% up on those of December 1986 New car sales in December totalled 15 967 — 14,3% down on the November total but 32,2% better than December 1986

LCV sales last month amounted to 8 322, down 9,7% against November and up 38,4% on the December 1986 figures Medium commercial sales in December totalled 329 units, well down on November but 28% better than December 1986, while heavy commercials totalled 425 for December, a marginal 2,4% increase on the December 1986 total.

Toyota once again was the highest seller of vehicles among all manufacturers and led all categories except the heavy commercials

Toyota's total vehicles sales for the year were 88 341 units, or 28,6%, followed by Samcor with 63 453 (20,5%), Volkswagen with 47 237 (15,3%) and Nissan 40 951 (13,2%)

In passenger vehicles Toyota's total was 49 785 units (24,8%), followed by VW with 39 970 (19,9%) and Samcor with 39 878 (19,9%)

In all commercials Toyota was the leader with sales of 38 556 units (35,6%), Samcor second with 23 575 units (21,8%) and Nissan third with 21 424 (19,8%)

Toyota's marketing director, Brand Pretorius, said his company was delighted with the results, which had turned out better than expected

"The light commercial sector — up 22,1% on 1986 — is a factor which further illustrates a significant improvement in economic activity in 1987," he said

"The good December car sales and the record business reported by banks are signs that the private buyer has made a comeback." — Sapa

Leyland saga ends with SA buy-out

Roman Szymonowicz … we're our own masters

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By Don Robertson

ANOTHER foreign motor manufacturer has fallen into South African hands.

After 11 months in which a successful conclusion to a buy-out was uncertain, Leyland SA management has reached agreement with the British-based Rover Group

In the 11 months Associated Automotive Distributors (AAD) had two managing directors, closed several branches and underwent a major restructuring

Under its new management team and its new name, the company hopes to push turnover to R100-million this year and run at a profit while it consolidates its position in the automotive market

Offshore money

The deal, negotiated for an undisclosed sum, was concluded on January 5, having been announced in February last year

Backing the deal are Trust Bank and Volkskas and a "reasonable" financial contribution comes from an offshore source. Controlling the offshore interest is new managing director Roman Szymonowicz, who insists the company is wholly SA owned and has no link with Rover from which it was bought

Mr Szymonowicz says the two banks will continue to support AAD.

The Rover Group will also offer AAD components, technology, franchise opportunities and an improved supply agreement

Mr Szymonowicz says the reason for the delay in concluding the deal was the requirement by Rover that a sound business base be established and that the company be SA owned.

However, it is believed that financial backing was another stumbling block and it was not until Mr Szymonowicz arrived in July that the deal looked like going through.

Mr Szymonowicz became managing director after the amicable departure of Noel Williams who succeded Brian Fuller who was on secondment from Rover.

Unlike the withdrawal of General Motors and Ford, Rover has not paid off Leyland SA's debts, which are "not onerous"

Rover's decision to disinvest was in line with its attempt to privatise its operations internationally But with the injection of funds by the management team, AAD is "financially sound", says Mr Szymonowicz.

Last year AAD incurred a large loss, but is now trading profitably

"We have turned the company around and are now in a consolidation phase," says Mr Szymonowicz

"Now that we are in control of our own destiny we will change the structure of the company."

This will involve a move from being an original equipment manufacturer, although production of the HLC bus with 85% local content will continue The Tiger luxury buss will also be aggressively marketed and a new minibus chassis is available

Expensive

AAD will also continue to operate in the heavy truck sector

Recognising that tooling for new models is expensive, Mr Szymonowicz says it will be undertaken only if it is possible for the company to make a profit. However, development of existing models will continue.

More emphasis will be placed on the heavy 4x4 market with two models — a diesel Land Rover and a fuel-injected Range Rover — being launched in the first quarter of this year.

The Unipart parts service will be expanded to cover the complete range of vehicles, not only Leyland as in the past, and the workshop services will include all vehicle makes

This will result in a significant switch in the contribution to profits by the various divisions

Referring to the company's relaunch, Mr Szymonowicz says "We have suffered some pain in the past few months, but I have full confidence in the management team Our group policy is profit growth through expansion, productivity and improved efficiency"

Staff cut

AAD recently spent R1,5-million on a computer system linking all branches

With the staff cut from 3 500 at the peak in 1982 when Leyland SA made a large range of passenger vehicles, the company now employs only 400, which Mr Szymonowicz says is about the optimum

The management buy-out was negotiated by chairman Francois Jacobs, a member of the State President's Economic Advisory Council, Mr Szymonowicz, Mike Elsbury, Piet Rademayer, Meiert Grootes and Jack Massardo Retired chairman Ellis Rhodes-Harrison is also a shareholder

There is a possibility of going for a JSE listing, but it will not be necessary to raise capital

A trust fund has been established to spread the benefits of equity participation for all employees

CAR SALES FM 22/1/88

Not meeting demand

At the beginning of 1987 the motor industry anticipated total car sales of 185 000 Only a few fringe optimists would have dared suggest the figure would finally go as high as 200 824 for the year

Hindsight, they say, is an exact science But industry sources now believe sales could have been even better if there had been no stock shortages So much so that passenger car sales of around 215 000 are being predicted for 1988

The bad news, however, is that the industry, coming as it has off such a low base, is not yet over the current crunch on stock And sales could once more be retarded as a result

Says director of the National Association of Automobile Manufacturers of SA (Naamsa) Nico Vermeulen "The stock position in the motor industry remains on the low side and acute shortages in certain sectors could slow the recovery in new vehicle sales Motor manufacturers are committed to long lead times in respect of imported components and have consequently experienced difficulties in reacting to the increased demand which continues to outstrip supply in most vehicle categories"

This was a major cause of the decline in new car sales of 14,2% from November to December 1987 — although the total of 15 967 was still 32,2% higher than December 1986.

Volkswagen MD Peter Searle admits the company could not meet the rise in consumer demand during the year "We were desperately short of stock To meet demand we will be increasing our production by 30% in 1988

"As a consequence, we had to turn down big orders by car rental companies We believe we could have sold an additional 1 000 units a month if we'd built them."

But even this did not prevent the Golf/Jetta range from overtaking the Corolla as the best-selling car in SA — and taking 17,41% of the market share Overall, VW increased market share from 17,4% to 19,9%

Toyota remained the market leader but dropped market share from 26,0% in 1986 to 24,8% last year — far short of their goal of 30% But marketing director Brand Pretorius says he's happy with a share of around 25% "We will be very pleased to maintain a quarter share To try to increase market share would mean a disproportionate marketing cost and an unacceptable cost to our shareholders"

However, he notes, "the industry is still some way behind our peak year of 1981 when 301 000 units were sold"

The biggest loser in 1987 was strike-torn Mercedes, whose market share fell from 11,2% to 9,2% It was the only manufacturer to register a decline in units sold — from 19 468 to 18 571 Samcor fell from 20,7% to 19,8% and lost its number two spot to VW Nissan, BMW and Delta — the latter in its first full year after the GM pull-out — all showed modest gains in market share

But if car companies have been caught short the same can't be said of bank leasing divisions. In December new business written by Wesbank, the general banking arm of First National Bank, broke R200m for the first time

Says Senior GM Neville Nightingale. "Analysis shows that our record month heralded the return of the private consumer to the motor vehicle market. Our figures reveal that sales to individuals increased dramatically while sales of some commercial vehicles were down"

Naamsa predicts there will be a further modest growth in vehicle sales of between 6% and 10% Vermeulen expects car sales to go up 7,5% to 215 000 units, light commercial vehicle sales of 105 000 (up 9% from 96 000), medium sales of 5 200 (up 10% from 4 700) and heavy truck and bus sales of 8 500 (up 17% from 7 200) ■

Argus 28/1/88

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Motor industry gears up

By **HERMAN FOURIE**, Motoring Editor

THE South African motor industry is setting its sights on improved sales in 1988 and manufacturers are taking on more staff.

The two Eastern Cape manufacturers, Delta and Volkswagen, are working at full capacity and have been increasing their workforces to meet the expected demand for new cars

Delta has taken on 160 new workers since opening on January 11 and the plant has been working a full five-day week, with double shifts in some cases

"No detailed figures are yet available for the last quarter of 1987 but the industry is clearly in the early stages of a revival, said Mr Nico Vermeulen of the National Association of Automobile Manufacturers (Naamsa).

A Delta spokesman said that every effort was being made to step up supplies of cars to dealers after the critical stock shortages of two months ago.

Volkswagen has increased its production by nearly a third after selling out all its stock at the end of 1987.

VW is now building 280 cars a day, aiming at 300, compared with a year ago when production stood at 200.

"The motor manufacturers increased their work force by about 2 500 from the beginning of 1987 to the end of September and in the assembly industry alone, not including component or retail sectors, the total gain is around 2 800 for 1987," Mr Vermeulen said

Targets

"One must also remember that companies usually take on new staff at the beginning of the new year, as they renew their targets and plans."

Disappointing sales figures were registered for December last year A total of 15 967 units were sold, compared with 18 620 in November The lower figure was blamed on stock shortages, although December tends to be a weak month for sales.

Sales of passenger cars increased by 32,2 percent and light commercial by almost 33 percent from December 1986 to December 1987

Total car sales for 1987 were 200 000, an increase of 15 percent over the 174 453 in 1986

A sales increase of between six an 10 percent is expected for 1988, with car sales rising to 215 000

Midas continues on its acquisition trail

Star 2/2/88 (192)

[redacted]

By Ann Crotty

Motor parts distributor Midas looks set to continue on the acquisition trail that highlighted its first year on the JSE with the announcement of its first purchase in 1988.

The group has acquired 25 percent of Billwill Consolidated Holdings with effect from March 1987 for R2,8 million to be paid in cash. Billwill is the holding company for Quay Motor Services and Buffalo Motor Spares, which are based in the Eastern Cape and boast an average growth of 77,67 percent a year compounded for the three years to February 1988

Midas will equity account its stake in Billwill If it had held the 25 percent stake for the six months to August 1987, earnings would have been 27,9c a share, against the 26,8c reported.

The acquisition of a minority share, although supported by a pre-emptive right over the other 75 percent, is in line with Midas's strategy of not seeking a majority stake in the businesses of its associates. There are tentative plans to list Billwill "as and when considered appropriate at some time in the future"

D/D 02/2/88

Wage agreement averts strikes at car plants

JOHANNESBURG — Threatened industrial action by several thousand Volkswagen, Delta and Samcor (PE) employees has been temporarily averted, after a wage agreement was reached between the National Union of Metalworkers of South Africa (Numsa) and the Eastern Province Automobile Manufacturers Association

The minimum hourly industrial council rate is to be increased by 28 per cent, from R3,50 to R4,50 from February 1 — although actual wages are generally somewhat higher than R3,50

A rate of R7,89 has been agreed for workers in the most skilled category

All workers would receive an across the board increase of not less than 55c an hour in grade 1, ranging to 85c an hour in the highest grade

The settlement was confirmed by an employer spokesman

With the wage agreement fixed for the next six months, negotiations for August 1988 rates of pay and increases are to resume in May at plant level

The two parties had reached a deadlock after Numsa demanded an additional 40c an hour, with employers were prepared to offer 20c

A proposed three-hour reduction in the present 43-hour week will also be discussed.

Additional points of agreement include paid leave on June 16, a year-end bonus equal to one month's pay for all workers with more than one year's service, and improved redundancy benefits

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Numsa regional secretary Mr Les Kettledas said that in response to a union demand for greater technical training facilities for women and youth workers, it was agreed that a joint union-management training committee would be established to monitor and advise on training in the industry

Mr Kettledas pointed out that the R4,50 an hour target had now been reached at five of South Africa's motor manufacturers — Mercedes, Nissan and the three PE firms

He added that Numsa would ensure that the remaining automobile manufacturers also achieved this rate of pay, and move towards that for all Numsa members

D/D 5/2/88

Kadett range revamp

192

EAST LONDON — Delta Motor Corporation is to revamp, not scrap, its current Opel Kadett range

This was made clear by a company spokesman after yesterday's report from a Johannesburg correspondent. The current Kadett range, which has been on sale in South Africa since 1985, will continue in 1988 with three revised versions of existing models and two additional models — DDR

Improved demand shifts McCarthy into top gear

Star 5/2/88 (192)

By Ann Crotty

A significant improvement in the demand for motor vehicles as well as continued tight asset management has helped McCarthy — the country's largest vehicle distributor — to boost turnover in the six months to December by 34 percent to R840 million and operating profit by 44 percent to R25,1 million

Despite the highly competitive trading conditions, the group was able to achieve a slight improvement in operating margins, up from 2,78 percent in the previous interim to 2,99 percent.

A reduction in the interest bill helped to boost the improvement at the earnings level to 51 percent — equivalent to 76,1c a share An interim dividend of 21c a share has been declared, which is 40 percent up on the previous interim

The directors note that the group's new vehicle sales in the first six months were up 23 percent, which was in line with the increase seen in the new vehicle market

This suggests that the improvement in turnover in the group's other activities was well ahead of the 34 percent recorded for the group as a whole. In past years the weak demand for new cars has encouraged management to make an aggressive pitch for used vehicles sales, which is probably still paying premiums

With regard to the new car market, Mr Dudley Saville, joint MD, notes: "A most welcome development, which bodes well for the future, is the steady return to the market of the private buyer." Much of this improvement has been attributed to the system of private rental introduced last year by the banks and motor traders. It is believed this system has improved the ratio of fleet sales to private sales from 80/20 to 70/30 last year A further improvement to 60/40 is expected in the near future.

The directors are looking to a repeat of first-half profits in the final six months, which should take taxed profits to a record R26 million. The previous record of R20,6 million posted last year was not far off the R20,5 million reported in 1981 Actual performance at McCarthy's tends to outstrip forecasts, so the share price of 800c, down from last week's 900c, should be well supported.

D/D 5/2/88

(192)

Work stoppages disrupt MBSA

Daily Dispatch Reporter

EAST LONDON — Sporadic work stoppages have caused temporary disruptions on production lines at the Mercedes-Benz of South Africa (MBSA) plant here for the past week.

The Eastern Cape regional secretary of the National Union of Metalworkers of South Africa (Numsa), Mr Les Kettledas, said the issues that had caused the stoppages involved dissatisfaction on the part of workers with the way in which disciplinary procedures were conducted at MBSA

He said the problems were "addressed and resolved as they occurred", and there had been no incidents at the plant yesterday.

A spokesman for the company said although vehicle production had been maintained "despite hiccups along the line", a few units had been lost as a result of work stoppages in different sections of the plant.

She said the reasons for the disruptions ranged from challenges of disciplinary action taken by management against workers to issues currently under negotiation with Numsa.

A wage agreement which increased the minimum wage of MBSA workers on the lowest grade from R3,70 an hour to R4,50 an hour was signed in October last year after a two-month strike, and is valid until the end of this year

Mr Kettledas said the current negotiations, which began at the end of last year and were resumed in January, concerned a recognition agreement and procedures of employment, including the grading of staff according to job categories.

He said the union regarded the grading of staff as a matter of priority as it believed that certain workers were incorrectly graded and that the system of grading needed revision

Negotiations to conclude a substantive agreement between Numsa and MBSA continue today

McCarthy tames costs — and tastes cream

By Don Robertson

A BUOYANT vehicle market and strict cost controls helped McCarthy Group to a 51% increase in attributable profits for the six months to December.

A similar result is forecast for the second six months

Beating most market expectations, the group lifted taxed profits to R12,98-million from R8,62-million in the first half of the previous year on a 34% rise in turnover to R839,8-million from R627,9-million.

Operating profits increased by 44% to R25,1-million from R17,4-million as a result of increased sales — up 23% — and a reduction in expenses which declined as a percentage of sales The non-retail motor activities also did well.

Asset and cash management resulted in interest charges falling to R2,5-million from R3,3-million, but the tax rate rose to 45% from 40%, reaching R10,5-million

The result was an increase in earnings a share to 76,1c compared with 50,5c, allowing the group to lift the interim dividend to 21c from 15c

Joint managing director Dudley Saville says that in spite of trading conditions remaining highly competitive, the group's motor operations produced excellent results

"However, a limiting factor was the shortage of stock in most franchises, including the strike-hit Mercedes-Benz ".

The group exchanged certain properties for variable loan stock worth R22,8-million in Higate and has increased its stake in Midas to 33% from 25%

7/2/85 ST

192

Workers back at MBSA plant

[redacted] [redacted] [redacted]

192

Daily Dispatch Reporter

EAST LONDON — Production returned to normal at the Mercedes-Benz of South Africa (MBSA) plant yesterday, after sporadic stoppages on Thursday.

Workers in some sections of the plant had downed tools in sympathy with the alleged detention of a shop steward at union offices.

The regional organisor of the National Union of Metalworkers of South Africa (Numsa), Mr Viwe Gxarisa, said the workers returned to the shop floor yesterday morning, after hearing that the chairman of the shop stewards committee in East London, Mr Msiteli Nonyukela, had been released.

Mr Gxarisa declined to comment on the brief detention.

He said union members who had been present at the offices when Mr Nonyukela was taken away by police had said that the premises had been searched.

A spokesman for MBSA in Pretoria confirmed that production was back to normal

The company expressed its concern over the recent emergency restrictions imposed upon the Congress of South African Trade Unions — the umbrella body under which Numsa falls — in a statement issued after Mr Nonyukela'a release.

The spokesman said management had made "representations to secure his release from detention".

"The company believes that these developments will hinder the efforts for better industrial relations," the spokesman added.

BUSINESS

The new board of Billwill Consolidated Holdings at the signing with Midas. In front from left: managing director of Midas, Mr Georg Ludwig von Loeper, Billwill executive chairman, Mr Bill Williams, and chairman of Midas, Mr Derek Riley. At the back is Quay director, Mr Norman Dyer (left) and Mr Phillip Wolk

192

Merger links EL firm with listed company

D/P 10/4/88

[redacted]

by Matthew Moonieya
business editor

EAST LONDON — An East London motor spares firm has merged with a Port Elizabeth company and the new company has sold 25 per cent of its shares to a national marketing and distribution organisation specialising in low cost warehousing

The managing director of Bufffalo Motor Spares here, Mr Phillip Wolk, said the firm had merged with Quay Motor Services and the new company was known as Billwill Consolidated Holdings

Midas, a listed company, acquired a 25 per cent stake for R2,8 million and Mr Wolk said Billwill, of which he is a director, would also seek a listing soon

Mr Bill Williams is the executive chairman

Mr Wolk said operations in East London as well as the other outlets in the Border and Transkei would continue as usual

"The merger means we are part of a larger organisation with bigger buying power which will be a plus factor because we will be able to keep prices down more easily," Mr Wolk said

Buffalo Motor Spares was founded in 1957 as used spares distributor and in 1959, the scrapyard was sold and the business concentrated on new spares.

The first branch was opened in Umtata in 1968 and another in King William's Town in 1973 The latter branch got the Midas franchise and in 1986 another branch was opened in East London

In June 1987, they bought the Bryson group which included another three Midas stores in East London, Mdantsane and Parkside

VEHICLE SALES 192

Shortages linger

Vehicle manufacturers are patting themselves on the back with one hand, wiping away tears with the other.

January's vehicle sales figures — up nearly 25% on January 1987 — make good reading, but they could have been so much better. Companies are still counting the cost of last year's under-estimation of the market's strength.

Nico Vermeulen, director of the National Association of Automobile Manufacturers (Naamsa), says stock shortages are continuing to hinder sales. The problem was apparent last year. Christmas factory shutdowns have made it worse and waiting lists for many models now stretch into the middle of 1988.

Volkswagen has suffered more than most. Car market leader for much of 1987, its January sales trailed Toyota and Samcor. Spokesman Ronnie Kruger says the company started the year with no vehicle stocks and it will take until May before production catches up with demand.

Had all manufacturers had plentiful stock, it's anybody's guess what January's sales would have been like. Even so, car sales, at 16 517, were up 17,5% on January 1987, light commercials (7 908) up 34%, medium commercials (328) up 15% and trucks and buses (531) up 3%. Total new vehicle sales were 25 284, compared with last year's 20 758.

However, manufacturers caution the industry not to expect the same level of improvement for the rest of the year. January's figures were good, but the predictions are still that market growth this year will be steady and gradual, rather than spectacular. Vermeulen and Naamsa stand by earlier predictions that the market will grow between 8% and 10% on 1987.

The industry may not be able to handle higher growth in the short term. With component lead times of six months and more, it needs steady growth in order to plan. A volatile market could turn temporary stock shortages into a long-term problem — and that is something neither manufacturer nor consumer needs. ■

FINANCIAL MAIL FEBRUARY 12 1988

Motor manufacturers tool up for a bumper sales year

Star 17/2/88 (192)

By Stan Kennedy

New investment projects approved or implemented in the last quarter of 1987 by car and vehicle manufacturers amounted to more than R36 million, reflecting the growing confidence of the industry in the economy

Most of the money has been, or will be used, for new model and assembly tooling, production facilities, warehousing, computer facilities, expanding research and development facilities and increasing local content.

With the recent steady uptrend in car and commercial vehicle sales, the utilisation of production capacity edged higher in all four sectors — car 79 percent, LCV 76,4 percent, MCV 62,3 percent and HCV 66,2 percent

To cope with the rising demand for vehicles, most of the seven major manufacturers increased their staff in the last quarter of 1987.

At the end of December, the industry employed a total of 32 737 compared with 31 275 at the end of September — an increase of 1 462 jobs or 4,6 percent

But compared with the 29 178 employed at the end of December 1986, the gain was 3 559 jobs or a 12,2 percent improvement

A statement from the National Association of Automobile Manufacturers of SA (NAAMSA) says an expected further improvement in the local economy and new vehicle sales, in particular, in the first half of 1988 should result in a further modest expansion of the industry's employment level

Most manufacturers worked a single shift during the quarter, with only one manufacturer operating a 9-hour shift and double shifts in selected areas. Some manufacturers are currently operating two 8-hour shifts in their paint shops

No problems were experienced in the availability of imported raw materials and components Because of low inflation rates overseas, prices of imported components remained relatively stable

However, the effect of the rand's depreciation against the mark and yen resulted in an average price escalation of 1,58 percent for the quarter or 6,32 annualised

Local components were often in short supply because of constraints experienced by the steel foundries The average price increases of locally manufactured original equipment components ranged from 2,01 percent to five percent

NAAMSA says the the underlying economy, despite the recent stock market crash, remains poised for further modest expansion in the short to medium-term.

On the assumption that the economy is set to record a three percent growth rate in real terms, in 1988, and based on the expectation that this year's budget will be structured to manage the economy to ensure business activies, generally, will remain positive, NAAMSA makes new projections

It forecasts that sales of cars this year will be 216 500 (1987.200 824), LCVs 106 500 (96 346), MCVs 5 300 (4 738) and HCVs 8 500 (7 242)

Woolfrus chairman,
changes in the nature
in recent years meant

FRANKEL KRUGER

Star 16/2/88

(192)

Spirit of optimism at AAD

By Stan Kennedy

There is a new, more vibrant atmosphere at Associated Automotive Distributors (AAD), formerly Leyland SA, in Elandsfontein, after having acted merely as a conduit for Leyland and Rover products and having little scope for using management's latent entreprenurial skills, or even to find out what the market really wanted.

The company was a subsidiary of Rover UK, when the initiatives nearly always came from England, but the new management team, which bought the subsidiary last year, is beginning to develop an independent spirit.

Leading the company is Mr Roman Szymonowicz (35), who has spent most of his working life in the motor industry, including four years with Rover. There he was manager of overseas finance, looking after more than 30 subsidiaries in 17 countries.

Being a great admirer of Sir Michael Edwardes, the man who turned Leyland around a few years ago, Mr Szymonowicz is keen to emulate him by attempting to raise the phoenix from the ashes

For a long time before the management buyout, Leyland SA was struggling. Mr Szymonowicz says part of the reason was the bulk of its business was conducted in areas where the Rover group no longer operated

AAD has made such a confident start that in its first six months of operation to end-December last year, it had turned the business around, and the prediction is that it will have a R100 million turnover this year.

"I had known of the potential of the South African subsidiary and when the British Government started privatisating companies in which it had a stake — Rover was one of them — the local management and I decided to buy the South African operation "Is there a sound future for AAD in a country that is going through difficulties and one in which there are highly competitive trading conditions?

"I would not be here if I did not have total confidence in the future of the business.

"We have built up a strategy for the future so that we can become masters of our own destiny. That means we have no one in the UK telling us what we must or must not do.

"Of course, we don't have that direct support and a bottomless pit of money to bale us out of difficulties "

The business is already becoming significantly more customer-orientated. In the past, the balance of business was incorrect and it was essentially a vehicle assembler and a seller of overseas products.

Part of the new strategy is that service and parts will become more of a key element in the business. The company will look to what the customer wants and try to provide it.

It sees itself becoming a specialist vehicle assembler. New bus products are expected soon from its factory at Blackheath in the Cape. They include its Model 17240 bus, which is more than 85 percent locally sourced; the Leyland Tiger luxury bus; new models in the Range Rover Vogue, which have electronic fuel injection; a diesel model Land Rover and a long-wheelbase Land Rover.

Says Mr Szymonowicz: "I find the situation here incredibly exciting and rewarding in terms of job satisfaction. It is a greater hands-on operation than I have experienced before. Naturally, it has its own share of difficulties which we have to overcome.

"The gratifying aspects of this venture are that I can bring in new ideas, and that my colleagues are having their ideas listened to for a change. Of course, while we want to create our own identity as quickly as possible, we have to balance this with our available resources. We want to create a se-

Star 11.

Major boost for motor industry

92 B/day

R80m to be spent by Budget Rent a Car

MICK COLLINS

IN a major boost for the motor-manufacturing industry, Motorvia subsidiary Budget Rent a Car yesterday announced it was to purchase 3 500 new vehicles at a cost of R80m.

A Budget spokesman said the announcement was part of a revamp which would see the company expand its national distribution network through corporate branches, agencies and franchising agreements.

Industry analysts said Budget's move was indicative of the buoyant state of the market. Figures released by the Bureau for Financial Analysis at Pretoria University showed fleet sizes for December 1987 were on average 33,1% larger than those of December 1986.

Total revenue increased by 62,2% which meant an improvement of 47,5% in real terms. Compared with December 1986, the index for the number of rental days increased by 46,2%.

Budget executive director Louis de Waal said: "Some 3 500 cars will be purchased this year and depending on utilisation, customer demand and financial resources this could even increase.

"We are also introducing a daily flat rate — a concept the entire South African car rental industry has shied away from until now."

He denied the rate move could herald the start of a price war but said: "Should the other car rental companies wish to follow suit, so much the better for the customers."

Budget, which has a fleet of 2 500 vehicles, was trading at a loss in 1984 when acquired jointly by Santambank and Motorvia. After a total restructuring which returned the company to profits, Motorvia took full control in September 1986.

Avis Rent a Car also announced yesterday it was to extend its unlimited rate — the tariff that covered time as well as distance with a fixed price — to daily rentals.

A company spokesman said the unlimited rate was previously available only for rentals of five days or longer.

Avis MD Tony Langley said the move would benefit a much wider customer spectrum.

"Because it is a fixed tariff, it facilitates budgeting and cost control, and because there is no separate per-kilometre charge, it rewards renters who travel longer distances. The unlimited rate really pays off for the customer who travels more than about 80km per day in his Avis car. From that point on, he's effectively getting a free ride."

D|D 17/2/88 (192)

Nissan on the move

PRETORIA — Nissan SA it is to move its marketing operations to Sandton later this year "to enable the company to implement a more aggressive role in the market place".

This forms part of a re-organisation plan announced by the company's managing director, Mr J E Newbury. He also said that Nissan SA has acquired the pressing plant, Steelmobile, from Messina Ltd, in line with the company's philosophy to increase local content on all its vehicles.

"With the control of our own stamping plant to complement our automobile manufacturing process, Nissan SA can look forward to many benefits as a result of the acquisition," said Mr Newbury.

Nissan SA will have two subsidiaries· Nissan SA Marketing (Pty) and Nissan SA Manufaturing (Pty)

Mr R P Whitfield remains chairmain of Nissan SA and Mr Newbury becomes group chief executive as well as chairman of both subsidiaries.

Managing director of the marketing arm will be Mr S S Loubser and heading the manufacturing side will be Mr D S Fyfe.— Sapa

Gold output falls 2,3pc

JOHANNESBURG — Gold output for January fell by 2,3 per cent or 1 158kg from December, according to the official figures released by the Chamber of Mines yesterday.

South African mines produced 48 798kg gold in January 1988 — a

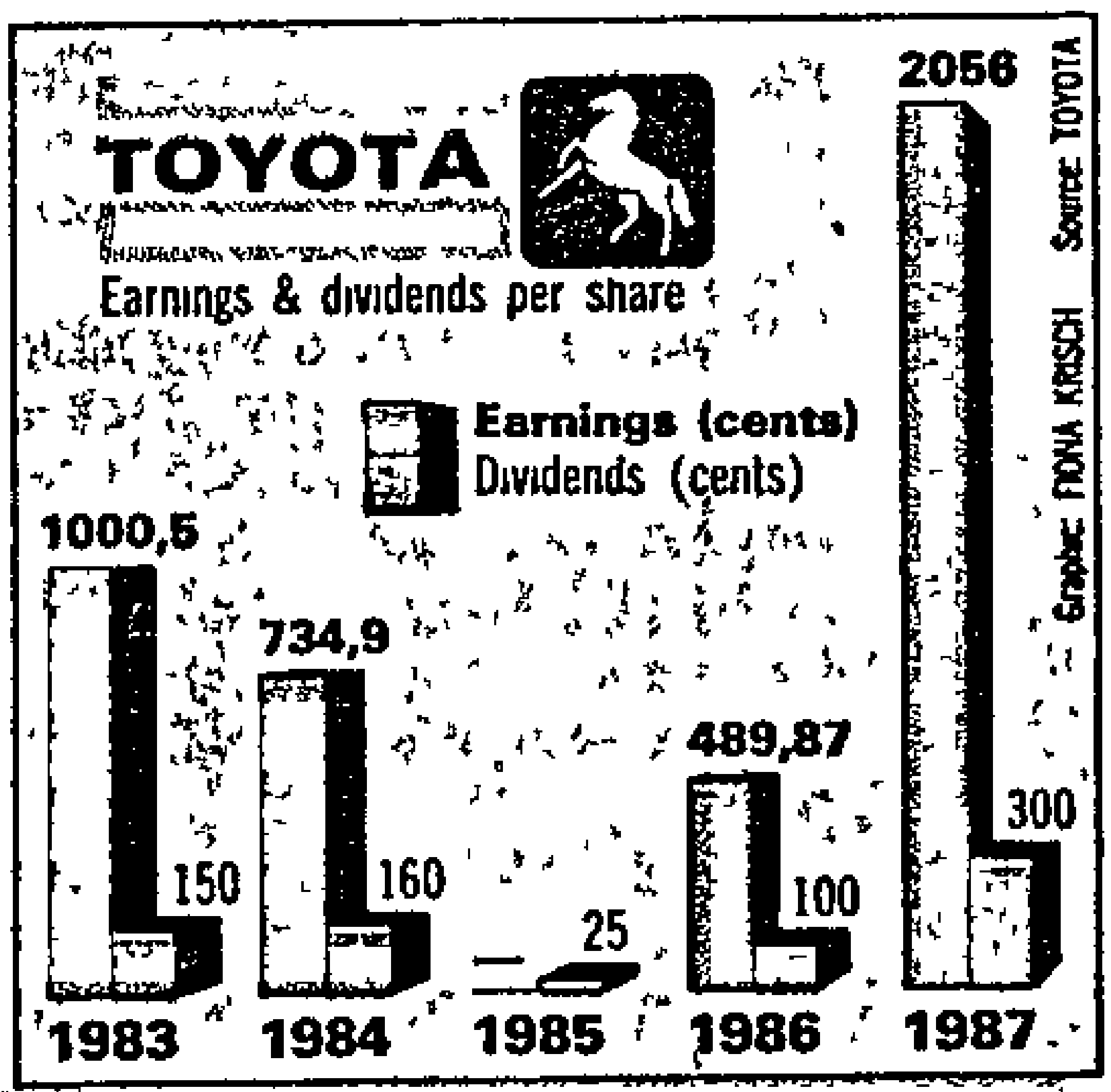
Major movements

ZIMBABWE 0,8205 0,8430 0,8470

Toyota SA has record 307% rise in income

B/day 18/2/88 192

MICK COLLINS



EVERYTHING'S going very right for Toyota SA, which achieved a record 307% increase in net income in the year to December.

Group after-tax income shot to R83,6m versus R20,5m in 1986, while EPS were also at a record 2 056c (505c).

The group declared a final dividend of 180c per share to make total distribution for the year 300c, against the 1986 dividend of 100c. Group operating income after interest was R105,7m (R33,5m).

"During the year the SA economy experienced a welcome recovery, particularly in the motor sector. Total new vehicles sold reached a level of 309 105 units compared with 264 676 units in 1986, a 16,8% improvement," the directors said.

The group's position in the market remained at about the same levels as 1986, with retail sales increasing 12% with a total of 88 341 units (78 877 units).

The board drew attention to the low rate of tax for the financial year, due mainly to currency losses sustained during previous years.

"These losses have now been absorbed and the company is expected to revert to normal rates of tax," the directors said.

They said vehicle price increases were less than the inflation rate which was attributable to the "continued success achieved by management in efficiency improvements, cost control and effective marketing".

In addition, the financial and currency markets did not reflect the same dramatic fluctuations as in the previous year.

Regarding future prospects, they predicted the vehicle market would grow by about 10% this year.

"Cost factors, both exchange rate and inflation related, are expected to exert pressure on the selling prices of vehicles but we do not project that increases will exceed the inflation rate. At the same time profit margins are not expected to be affected significantly."

R600 Challenge prize

Toyota puts on massive spurt in earnings

Star 18/2/88

192

Finance Staff

Toyota SA achieved a 307 percent increase in net income in the year to December and a further increase in earnings and dividends is expected for the current year, the preliminary profit statement shows.

Attributable income of South Africa's leading motor vehicle manufacturing group was R83,6 million (R20,5 million in 1986)

Earnings per share were 2 056c (505c) The group has declared a final dividend of 180c per share to make total distribution for the year of 300c (100c previously).

Group operating income after interest was R105,7 million (R33,5 million).

The directors say the group's position in the market remained at about the same levels as the previous year, with retail sales increasing 12 percent for a total of 88 341 units (1986 78 877 Units).

Commenting on the fact that vehicle price increases were less than the inflation rate, the directors say. "This is attributable to the continued success achieved by management in efficiency improvements, cost control and effective marketing. In addition, the financial and currency markets did not reflect the same dramatic fluctuations as in the previous year

They predict the vehicle market will grow by about 10 percent this year.

"Cost factors, both exchange rate- and inflation-related, are expected to exert pressure on the selling prices of vehicles, but we do not project that increases will exceed the inflation rate At the same time, profit margins are not expected to be affected significantly,"

● Motor component investment group Metair, in which Toyota and its pyramid Wesco have a 41 percent stake, reported a doubling in group earnings to R14 million for 1987 Earnings a share rose from 108c to 179c while the dividend was raised by 11c to 44c.

The directors said that the upturn in new vehicle sales and improved market penetration resulted in a higher capacity utilisation for the group

responsibil-

DID 18/2/88 (192)

VW expecting large slice of R80m plan

PORT ELIZABETH — Volkswagen SA are expecting a large slice of the R80m replacement and expansion scheme announced by Budget Rent-a-car.

The order, which VW estimate to be in the region of R20m to R25m, will be the second from a car-hire firm within the past year.

While the car rental company on Tuesday declined to give details of how their orders would be split, a spokesman from VW said dealers had indicated that 1 000 out of a total of 3 500 vehicles would be purchased from them.

Budget's executive director, Mr Louis de Waal, said the order would be divided among VW, Samcor, Mercedes-Benz, BMW, Toyota and the Delta Motor Corporation.

He declined to give a breakdown of the order or to comment on VW's claim or reports that the order from Delta was for the new Kadett Cub

The cars, of which 2 500 would replace the companies existing fleet and 1 000 would be new, would be purchased according to availability and demand, he said.

VW's general manager, public affairs, Mr Ronnie Kruger, said the plant was working at full capacity and turning out 280 vehicles a day.

Late last year the Uitenhage plant received a boost with an order worth R50m from Avis — DDC

MOTOR INDUSTRY FM

Nissan restructuring

Nissan has run out of excuses. The vehicle market is picking up, the company has just launched two proven small vehicle ranges, it is about to unveil a third and it is making bold predictions about sales and market share this year

The decision to restructure Nissan SA by creating separate marketing and manufacturing subsidiaries, is the last throw in the game to restore public confidence in the company.

Marketing director Stephanus Loubser and manufacturing director Don Fyfe become MDs of Nissan SA Marketing and Nissan SA Manufacturing respectively. Nissan SA MD John Newbury becomes group CE and chairman of both subsidiaries

The restructuring also involves the severing of a final link with former controlling shareholder, Messina, through the purchase from Messina of its Steelmobile pressing plant

The change takes real effect from October, when the marketing arm moves out of Rosslyn, Pretoria, and into its own headquarters in Sandton. According to group chairman Peter Whitfield, the main aim of the restructuring exercise is to sharpen Nissan's marketing abilities. He points out that other manufacturers are already enjoying the fruits of a separate, dedicated marketing company.

The decision is also indicative of a new bravado in the company, as it sees sales and profitability climb back to more acceptable levels.

Quality problems and poorly defined vehicle ranges dragged Nissan from the role of market leader a few years ago, to the ranks of industry also-rans Shareholders — first Messina, then Sankorp — began to despair.

Since then, tough management by Newbury, coupled with determined efforts to improve quality and marketability, have seen an improvement. Executives claim the public now accept Nissan's vehicles to be at least the equal of the competition New Skyline and Sentra ranges have shown early flair on the sales front — Sentra is likely to plug a gaping hole in the range early next year by introducing a hatchback version — and the group has high hopes for its new 1 t bakkie range to be launched in April.

Loubser predicts Nissan's share of the overall vehicle market will reach 17% this year, from 13% in 1987. He says cars should improve from 10% to nearly 14%, light commercials from 20%-25% and trucks from 16,8%-22%.

According to both Whitfield and Loubser, Nissan is a rising star and the restructuring will only hasten its recovery. The company has never been slow to find excuses for its problems in the past. If it fails this time around, it will have no one to blame but itself. ■

19/2/88

192

Nissan, Toyota sitting pretty

By Don Robertson

NISSAN and Toyota believe that the supply of vehicle components from Japan will not be interrupted by the Japanese Foreign Ministry's intention to limit exports to SA.

Neither Nissan nor Toyota has been given any indication that exports will be trimmed The chief trade commissioner at the Japanese External Trade Organisation in Johannesburg has no knowledge of any move to limit exports to SA

Tokyo reports this week indicated that Nissan and Toyota in Japan would curb exports of completely knocked-down (CKD) packages to SA after a dispute between the Japanese Ministry of International Trade and Industry and the Foreign Ministry

If the threats refer to CKD kits only, there would be a minimal effect on SA because sales of these vehicles by Nissan and Toyota were only 207 last year

The dispute between the two ministries arises from US pressure on Japan to limit its trade with SA America claims that Japan has increased its dealings with SA at the expense of the US which has imposed sever sanctions

The Japanese reply that the value of their trade with SA has increased only because the rand has declined greatly against the yen and has remained stable with the dollar.

Japan's trade with SA last year amounted to R8,5-billion Japan is now SA's main trading partner.

Sales of Japanese vehicles made large inroads on the SA market last year Sales of Japanese cars rose to 181 612 compared with 150 166 in the previous year. The 1987 sales represented 58,5% of all vehicles sold compared with 56,7% in 1986

Sales of Japanese cars rose by 20,9% compared with a growth in the overall market of 16,8%

SA is one of the few countries in the world which has no restrictions on the import of Japanese goods

S/T 21/2/88

192

Toyota turnover heads for R2bn

TOYOTA lifted turnover to R1,9-billion in the year to December, and increased attributable profit by a record 307%.

Not only does Toyota sell more vehicles than any other motor manufacturer, it uses its financial skills

With major costs fixed, the company is able to use high volumes to boost the bottom line

By Don Robertson

Turnover increased by 38% to R1,9-billion, but attributable profits rocketed to R83,6-million from R20,5-million

Sales rose to 88 341 units last year from 78 877 in 1986, and Toyota produced operating profits of R105-million compared with R33-million in the previous year

The company was helped by a modest tax rate of 21% relating to currency losses in previous years However, these losses have now been used and tax will return to normal in the current year

Earnings a share rose to 2 056c from 505c in 1986 The final dividend has been raised to 180c to make a total of 300c, covered 6,8 times.

After an average cover of 4,5 times in the past five years, the dividend might seem mean, but Toyota needs funds for the retooling programme now under way for the updating of the best-selling Corolla range later this year

Toyota has reduced borrowings from R182-million to R73-million, half of which is foreign

The industry has complained that the return on investment has not been sufficient Toyota has investments of R666-million and a taxed profit of R83-million yields 12,5% — hardly suitable if an inflation rate of more than 16% is considered.

Cape Times 23/2/88

195

Mwasa wage dispute settled

Own Correspondent

JOHANNESBURG. — The Media Workers' Association of SA (Mwasa) and the two major English language newspaper groups — TML and the Argus — settled their dispute yesterday over wages and working conditions for 1988.

The agreement covers about 2 000 people.

TML group personnel manager Ms Pru Peake said the agreement provided for an across-the-board 17% increase for weekly-paid workers and others earning less than R1 000 a month.

Salaried staff will receive 8% plus another 8% according to merit.

to 1 337 from Friday's "I can't really see AT

DID 23/2/88

192

Record net income keeps Toyota going right

PORT ELIZABETH — Everything's going right for motor vehicle manufacturer Toyota South Africa which achieved a record 307 per cent increase in net income in the year to December.

Group income after tax shot to R83,6 million compared with R20,5 million in 1986, while earnings a share were also at a record 2 056c (505c).

The group declared a final dividend of 180c per share to make total distribution for the year 300c, against the 1986 dividend of 100c.

Group operating income after interest was R105,7 million (R33,5 million).

"During the year the South African economy experienced a welcome recovery, particularly in the motor sector.

"Total new vehicles reached a level of 309 105 units compared with 264 676 units in 1986, a 16,8 per cent improvement," the directors said.

The group's position in the market remained at about the same levels as 1986, with retail sales increasing 12 per cent with a total of 88 341 units (78 877 units).

The board drew attention to the low rate of tax for the financial year, due mainly to currency losses sustained during previous years.

"These losses have now been absorbed and the company is expected to revert to normal rates of tax," the directors said.

They said vehicle price increases were less than the inflation rate which was attributable to the "continued success achieved by management in efficiency improvements, cost control and effective marketing".

In addition the financial and currency markets did not reflect the same dramatic fluctuations as in the previous year.

Regarding future prospects, they predicted the vehicle market would grow by about 10 per cent this year.

Major movements

DAILY TOP 10 UP

PLATIME	30	5+	20,0
CONCOR	95	15+	18,8
JMF	100	15+	17,6
GROPROP	250	30+	13,6
TRNPACO	45	5+	12,5
SUREGRO	50	5+	11,1
NICTUS	55	5+	10,0
TEDELEX	180	15+	9,1
LONGRAIL	38	3+	8,6

DAILY TOP 10 DOWN

LEBAKA	40	10–	20,0
ARONTEX	30	5–	14,3
SUPER T	35	5–	12,5
EVERITE	260	35–	11,9
CONAFEX	400	50–	11,1
DASHAUS	40	5–	11,1
MCPHAIL	25	3–	10,7
GOLDHLD	180	20–	10,0
ARBAN	60	5–	7,7

MOTOR INDUSTRY

192 FM 26/2/88

Pragmatism rules

Optimists they may be, but vehicle manufacturers believe Japan's threat to limit vehicle exports to SA may be just that — a threat

Despite pressure from Tokyo's powerful Ministry of International Trade and Industry (MITI), the view from SA is that Japanese car-makers are just too pragmatic a lot to yield that easily

The local industry and Japanese government representatives in Pretoria are still awaiting clarification on the statements made in Tokyo But all agree it will take more than a polite request to make aggressive Japanese car companies jeopardise a lucrative foreign market

Reports from Japan say vehicle manufacturers are being urged to limit vehicle exports this year to 1987 levels If they comply, it will have serious implications for a South African market looking for growth of 10% this year and already suffering serious stock shortages

MITI is reportedly being nudged along by a Foreign Ministry embarrassed by Japan's position as SA's top trading partner Two-way trade in 1987 was worth nearly R10bn, a 19% rise on 1986

Vehicles are Japan's biggest export to SA Manufacturers last year exported 206 000 cars and light commercial vehicles (LCVs) to SA — nearly 20% up on 1986 Most were shipped in kit form for local assembly, although many components were returned unused because of South African regulations stipulating a minimum 66% local content in cars and LCVs

While Japanese manufacturers say they are studying the MITI request, South African customers remain in the dark Mercedes-Benz SA chairman Sepp van Hullen says he wants clarification soon so his company can make final plans to launch its new Honda range late this year or early next Other companies are simply watching and waiting

"It's too early to comment," says Samcor spokesman Reuben Els "We are awaiting further details " Toyota, Nissan and Delta are equally cautious

Japan's trade consul in Pretoria, Shigeaki Koga, says· "The whole thing has yet to be confirmed It is a general policy statement, the details of which have yet to emerge "

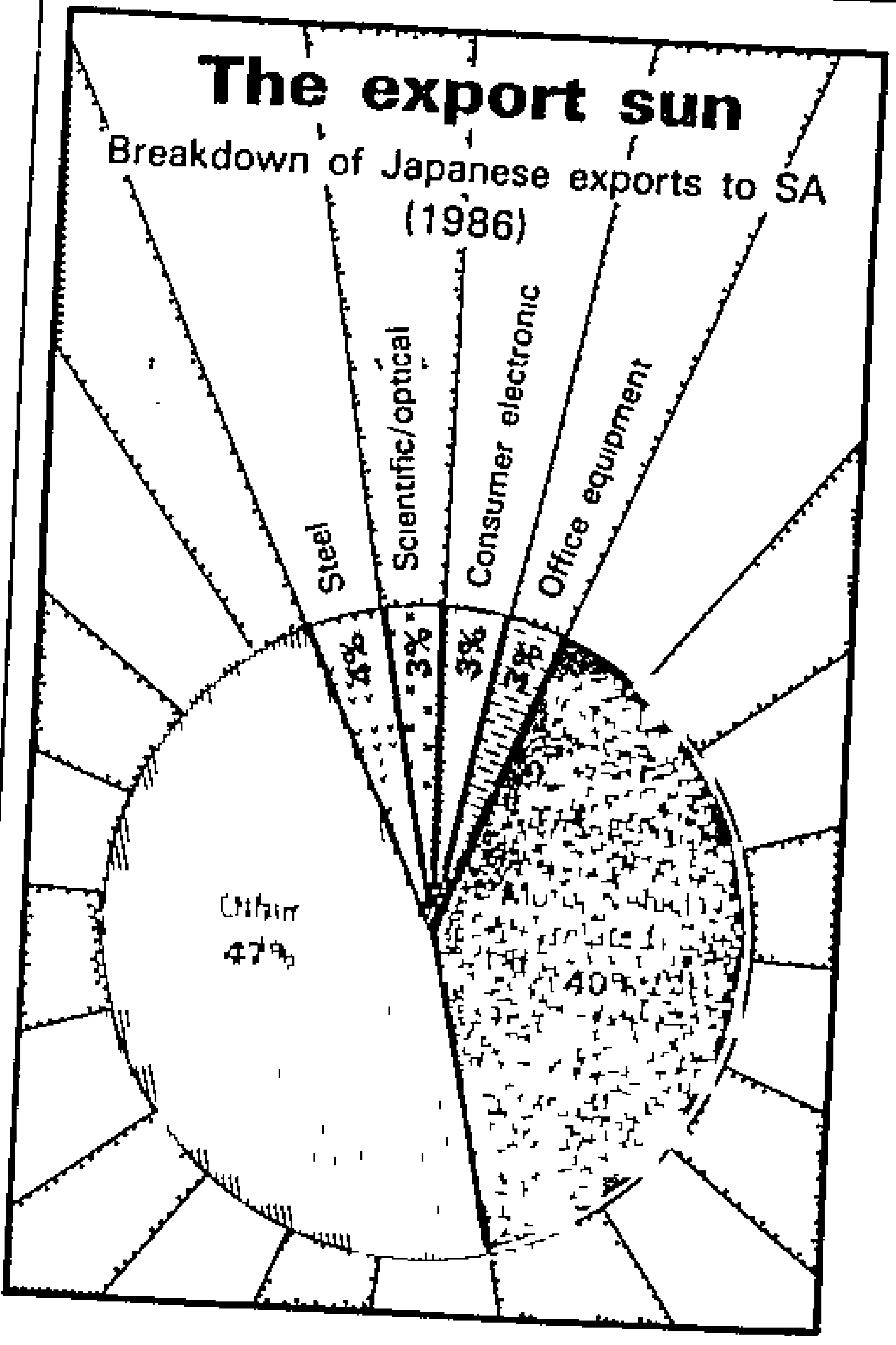
On whether Japanese corporations will follow MITI's hard line, Koga reckons it is likely to be a question of give and take "They will weigh the odds, see what favours they need from MITI in the greater arena of world trade, and decide accordingly "

Japanese sugar importers also face problems because of the South African connection Reports from the Far East this week say Asian sugar markets are coming under pressure as Japanese traders try to reduce imports from SA and take more from Asian sources

They say the government has asked trade houses for voluntary restraint on trade with SA, but has not yet officially asked them to reduce dealings ■

The export sun

Breakdown of Japanese exports to SA (1986)



TOYOTA

More records

Helped by improved efficiencies and strong cost control, Toyota has achieved record results in the year to end-December Last year's 2 056c (505c) EPS outstripped the 1 117c achieved in 1983 and the 300c (100c) dividend is nearly double the 140c of 1984 The figures emphasise the considerable operational leverage Toyota has been able to produce on a 12% increase in retail units sold

The group sold 88 341 (78 877) units in 1987, against a market total of 309 150 (264 676), so overall market share has slipped from 29,8% in 1986 to 28,5% in 1987 Comments MD designate Bert Wessels, who will replace Colin Adcock in July. "We can run very profitably at these market share levels Increasing market share is not a vital consideration to us But the heavy commercial side, where we sell a good product, has seen significant improvement even though there is a lot of competition out there "

TOYOTA TRIUMPHANT

Year to December 31	**1986**	**1987**
Turnover (Rm)	33,5	105,7
Pre-tax profit (Rm)	34,8	106,4
Attributable earnings (Rm)	20,5	83,6
Earnings (c)	505	2 056
Dividends (c)	100	300

The performance stemmed from a trebling in operating income, but Toyota provided for R22,5m in tax (R18m in deferred tax) in preparation for next year, when the group will revert to normal rates of tax It paid no tax in 1986 After these figures, more growth can be expected for 1988 Certainly the new car market is still buoyant Wessels, however, is more conservative "Off this level, a 10% EPS improvement in 1988 would be a good performance," he says "It will be a long time before we get back to pre-recessionary levels."

One factor which has an important bearing on Toyota is the high import component Toyota's profits are closely linked to the rand/yen exchange rate, which has been on a downward drift since early December

Wessels expects overall vehicle sales to rise by 10% this year, a slowdown on the 14,5% growth figure in 1987 An impending normal tax rate and, possibly, the threat of stepped up Japanese sanctions may also restrict EPS growth But Wessels is happy that any small increase in import replacement levels can be handled comfortably this year

The share is well off the R140 high attained after the good interim figures before the October crash Even with the prospect of a more subdued performance this year, the share looks underrated at its present p·e of 4,4 times

Dave Edwards

FM 192 26/2/86

STRICTLY BUS-INESS

Mercedes-Benz (MBSA) denies a decision to switch bus chassis assembly from East London to Bophuthatswana is a reaction to labour problems in the eastern Cape.

The 0305 chassis is now built at Durabuild's Temba plant, recently completed at a cost of R15m. It was previously imported from Germany and assembled in East London.

MB chairman Sepp van Hullen says the decision has nothing to do with last year's protracted strike, which cost MBSA months of production and heavy financial losses He says the space used to produce the chassis in East London is needed for other purposes Now the chassis are no longer imported, it is cheaper to invest "a few million" in Durabuild's plant than for MBSA to spend heavily on equipment of its own.

Van Hüllen flatly denies MBSA is moving production inland to get away from its labour problems. "We simply don't have space in East London. We haven't retrenched anyone there, despite no longer producing the 0305. This must be seen as an exercise in keeping the price of chassis down to acceptable levels "

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in one country "

Smith maintains "There is a swing in international travel perceptions over SA and a resultant increase in foreign exchange earnings The surge in tourism also means that hotel groups can plan forward to meet the growing demand. Increased investment in infrastructure is bound to follow " ■

ST 28/2/88

Dealers in a tizzy over VAT

192

By Don Robertson

THE motor industry will make representations to the Department of Finance to resolve the problem of VAT charges on the sale of new and second-hand vehicles.

It seems that the private sale of a vehicle will not be subject to VAT, but the sale by a dealer will carry VAT charges.

Minister of Finance Barend du Plessis says his department will discuss problems before VAT is introduced in about a year's time

The National Association of Automobile Manufacturers of SA (Naamsa) and the dealer body in Motor Industries Federation (MIF) will ask for a meeting with the Department of Finance to discuss these matters

The motor industry could be given a boost if the seller of a new or used car is required to charge VAT only on his profit margin At present, GST is charged on the full price of the vehicle

However, VAT might be charged on the vehicle at the production stage, but the total tax bill would be lower than GST

With VAT on the dealer margin only, the price of cars would fall

GST is levied each time a car changes hands VAT would remove repetitive charges.

Robert Kaiser, assistant secretary of the Southern Transvaal region of the MIF, says it would be unfair for the dealer to be charged VAT on his margin after the private seller had paid no VAT.

It could result in some dealers developing a system which operated as a private sale and thus avoided VAT

ST 28/12/88

New engines from ADE

192

THE long-awaited ADE 440 V-series engines will be introduced in July next year.

The switch follows months of negotiations between the National Association of Automobile Manufacturers of SA (Naamsa) and ADE on the introduction date.

The engines will have increased power and improved torque Gear changes will be reduced because the torque remains constant over a range of 400rpm

Better fuel consumption results in a 6% saving

Birthday move to Rand for Delta

192

28/12/88

STT

By Don Robertson

DELTA Motor Corporation has celebrated its first anniversary since taking over the reins from General Motors with the opening of its R5-million Delta Park office block in Parktown, Johannesburg

The building has three levels, parking for 60 vehicles and a floor space of 2 247m²

The block will house the sales and marketing operations and its regional offices and quality assurance personnel

Although the sales and marketing arms will be 1 100km away from the manufacturing division in Port Elizabeth, computer equipment, valued at R500 000 is being installed to ensure communications between the two centres

The decision to move the marketing operations from Port Elizabeth was taken because of the importance of the Witwatersrand area in terms of sales

Marketing director Willie van Wyk says two outlets will be opened in Pretoria North and Rosebank, Johannesburg

A marketing plan will place emphasis on heavy-truck sales and training of staff

Longmile ahead of forecast

Star 2/3/88

192

By Ann Crotty

The Longmile Group, which was listed on the main board of the JSE last November, has reported earnings of 12c a share for the six months to end-December and looks well on the way to beating its prospectus forecast of 41 percent growth in earnings for the full financial year to end-June

The company is due to pay a maiden dividend of 4,6c a share after the end of financial 1988.

Turnover is not quantified for the six months but it is indexed and shows a 37 percent advance on the previous interim period. This compares very favourably with the 23 percent turnover growth for the full year that was forecast in the prospectus. Operating income was up 40 percent at just over R20 million, while the interest bill was up marginally to R2,4 million. Attributable profit rose 53 percent to R6,1 million

Longmile, which came to the market just weeks after the October crash, is an industrial comglomerate which combines the manufacture and distribution of clothing, vehicle silencers, fasteners and the retreading of vehicle tyres in its activities.

Its issue price of 230c put the share on an historic price/earnings ratio of 13,5 times. Apart from the collapse in the market there was some concern that the wide spread of its activities would lead to some investor resistance

However the large size of the company, and therefore of the issue, attracted good institutional support

Since last November's issue it has reached a low of 175c and is currently trading at 190c which puts it on a forecast price/earnings rating of 12,6 times and an historic of around 11 times

Management envisages no difficulty in achieving the performance level forecast in the prospectus

BTR Dunlop boosts EPS

192

Star 3/3/88

Diversified industrial group BTR Dunlop improved net earnings by 24 percent in the year to December, on a 32 percent improvement in trading profit to R47,6 million Turnover, was up 16 percent to R411,3 million.

The attributable profit amounted to R24,6 million, equivalent to earnings per share of 107c (87c).The group has declared a final dividend of 55c per share (46c), making total distribution of 85c (75c) for the year

The directors state that in the main the increase in sales was due to increased demand by the motor industry and consumer markets "The company is now in a position to capitalise on any further improvement in the country's economy"— Sapa.

Star 9/3/88

192

Landlock shock for shareholders

By Ann Crotty

Latest results from Landlock, which manufactures automative parts, will be a blow to shareholders who were encouraged at the half-way stage to look forward to a year-end dividend payment The figures for the 12 months to end-December show an earnings loss of 27,1c a share

For the previous financial year earnings of 18,8c a share seemed to ensure that Landlock was well on the way to recovery This view was encouraged at the interim stage when a taxed profit of R1,98 million was reported.

It was not until a month ago, almost six weeks after the year-end, that shareholders who have not seen a dividend since 1984 were warned that all was not well within Landlock and there was little chance that they would receive anything for financial 1987. At that stage Ray Mitchell, who has been chairman since British group BBA took control in 1986, indicated that major restructuring would wipe out 1987 profits

The figures just released are in line with this warning Although turnover was up 16 percent to R91 million, operating profit went into a tail-spin falling 77 percent to R1,3 million After deducting "financial expenses" the group was facing a taxed loss of R1,6 million compared with a profit of R2,4 million in the previous year.

And the trouble was not over Extraordinary items of R3,1 million took the loss for the year to R4,1 million

Mr Mitchell points out that the trading results have been distorted by a number of non-recurring items· "By far the largest and most costly and most difficult to measure, has been the disruption of friction material supplies In hindsight, the move of Mintex Don to Benoni was not well planned or executed this caused significant trading and extraordinary losses At the turn of the year a major plant uprating exercise was commenced which has improved current performance"

Heavy penalty

In addition a change in reporting policy to a "more conservative approach to asset valuation and accounting" reduced income by almost R2 million.

With regard to the extraordinary loss Mr Mitchell states "The penalty of running two factories for longer than anticipated and the difficulties in getting the plant and machinery into a good operational condition after the move of the Isithebe friction material factory to Benoni, resulted in extraordinary costs of R2,1 million" The balance of the costs relate mainly to the disposal of properties and goodwill written off

Now that the problem areas have been "vigorously addressed" Mr Mitchell is optimistic that "our efforts will show through in terms of profits in 1988"

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4/3/88

NEW CARS

Out with the old

South African motorists' demands for the latest and best in cars will see more than a dozen new updated car ranges on the market before the middle of next year

Toyota and Honda will lead the way with brand-new ranges, but all SA's seven manufacturers have replacement programmes under way.

Some industry executives believe there are too many models available in SA for the size of the market. Total South African new car sales last year were less than those for a single model in many other countries

Realistically, volumes aren't enough to justify the more than 100 car variants on sale in SA. But manufacturers, anxious to protect market share and ensure maximum use of manufacturing capacity, are unwilling to "freeze" model ranges

However, Toyota marketing director Brand Pretorius believes there are signs that manufacturers are prepared to slow the pace of new models, if only because they can't recoup retooling and other costs as quickly as they once could.

"We were in the habit of changing car ranges every four years, but the industry is getting out of the habit. If we look into the future, I believe the minimum life will be five years for mass-volume cars and six to eight years for those at the upper end. Volumes in other countries make it more cost-effective to change ranges more often, so it's possible that South African companies may eventually have to bring in every second update rather than every one."

But that doesn't appear to be happening this year, as manufacturers spend over R300m in preparation for the launch of their new ranges.

Toyota is due to introduce an all-new Corolla range late this year. Industry sources say no final date has been set yet because of a possible launch clash with the new Hondas built by Mercedes-Benz

Mercedes is spending about R70m on the new Hondas. Cost estimates for the new Corolla vary from R80m to R100m. Most South African cars arrive here a year or so after their launch overseas. Insiders say the latest Corolla reflects Japanese efforts to achieve a major breakthrough into European markets, with a shape not unlike that of the VW Jetta and similar cars.

Samcor will launch new Mazda 626s and Ford Sierras next year. This year, it concerns itself with changes to its small Fords and Mazdas. MD Spencer Stirling says, "We have major facelifts on all our small cars in 1988. The basic shapes will be the same but there will be significant looks and internal changes. Changes will come progressively in the second and third quarters of this year" He adds that the facelifts will increase the distinction between small Ford and Mazda models, all of which come from the same design base

Nissan is in the last stages of a R140m investment to update all its small vehicles Having launched the Skyline and Sentra in 1987, its main concern this year is in a new one-ton bakkie to be launched in April On the car side, the company plans to introduce a high-performance Sentra, possibly at the end of the year, and may plug a gap in the range by bringing in a hatchback variant

Delta's new Opel Kadett range is about to reach the showrooms, according to CE Keith Butler-Wheelhouse. It includes the Cub, a deliberate head-on challenge to VW's budget-priced CitiGolf. The company also plans an update of the Opel Rekord in mid-year, and the introduction of a new Monza, the Cabriolet.

VW has already introduced recent improvements to its Golf and Jetta this year A spokesman says the Fox, launched last year, is the last major variant to the range The only new car planned for the rest of 1988 is the Audi Turbo, although the company also plans to launch a new 7/10-seater four-wheeldrive kombi, the SynchroBus

BMW also has a busy schedule, including the launch of a new Five Series next year More immediately, it will launch an updated Three Series in April Marketing director John Jessup says there are minor changes to the look of the vehicle Most of the work is to the engine, but other improvements include wider use of digital electronic systems and more anti-theft devices

Meanwhile, there's bad news for those wanting top-of-the-range BMWs The company starts building its new 750i in July — but at a rate of only five a month Even at R215 000, waiting lists already stretch into 1990 By then, with expected 12% annual increases, the car will cost its patient owners R270 000 ■

PHARMACISTS

A bitter pill

Pharmacists need a new prescription — for survival If they don't learn to adapt to a changing business environment — and quickly — they could soon become an anachronism

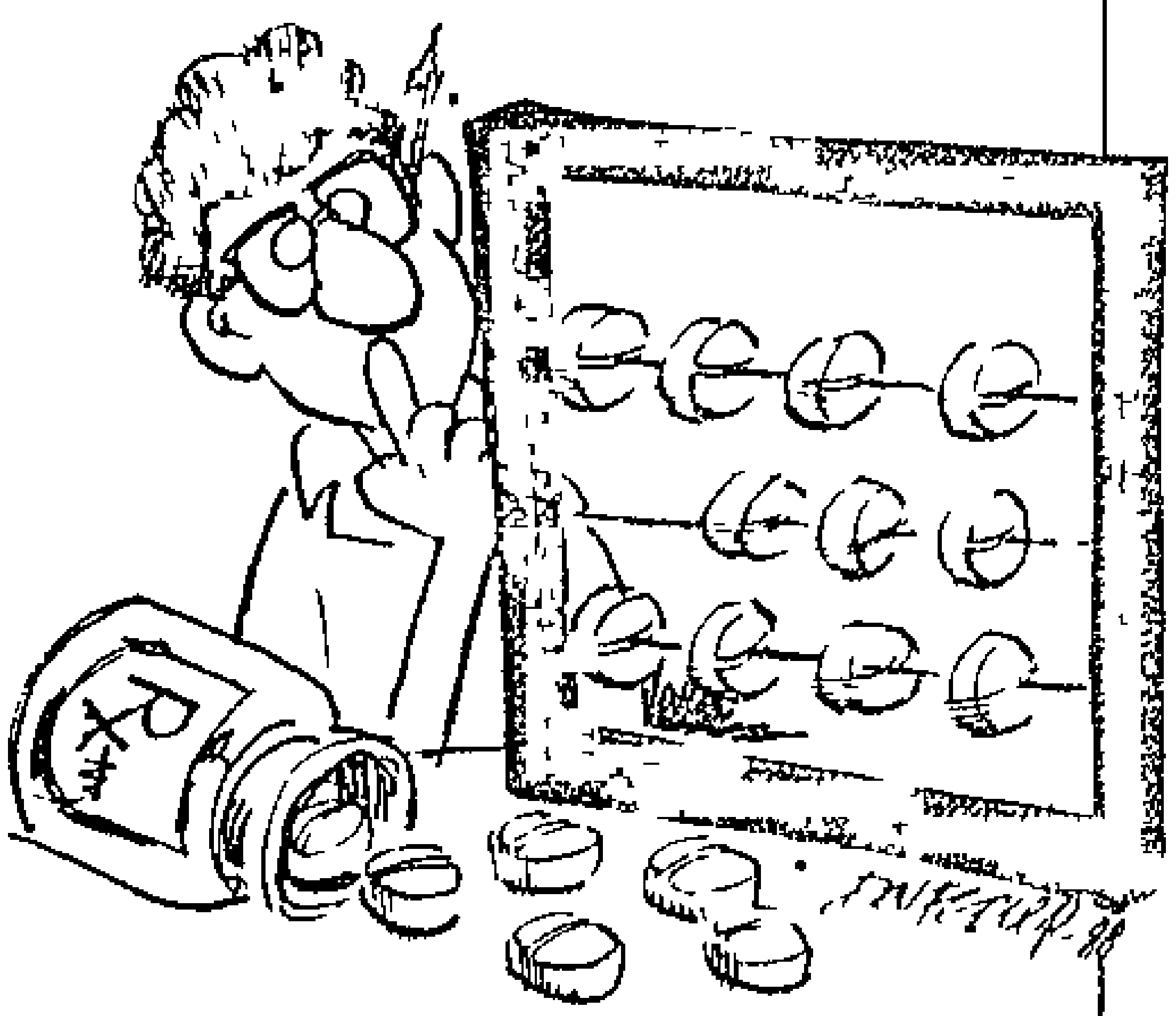
That's the warning to SA's 2 500 retail pharmacies as they brace themselves for increased competition Retail pharmacies face deregulation later this year They are already under threat from several sides — from supermarkets, dispensing doctors and the decision that district surgeons should buy medicines through provincial authorities

Link GM Benzie Joffe, whose chain is part of SA Druggists (SAD) and includes 22% of SA's pharmacies, says "The days of the 50% mark-up are over Pharmacy can't survive unless margins are cut"

Adds SAD wholesale division GM Sid Hurwitz: "Pharmacists must cut their overheads and diversify They can't keep depending so heavily on profits from prescription medicine They must change from high-margin, low-volume fat cats to high-volume businessmen selling at acceptable prices"

Pessimists estimate at least 30% of pharmacies could disappear if market forces are given a free hand

Plus Advisory Committee chairman Glen Merryweather says pharmacists face a veritable army of problems "Volumes have dropped because business has gone to dispensing doctors and district surgeons Manufacturers sell to them cheaper than even to the wholesalers as a means of letting their products get known in the medical community At least R6m a year of business will be lost in the Free State alone through the loss of district surgeons' business For a professional man, a mark-up of 50% isn't excessive but there may be special competitive circumstances when this will have to be cut"



Perry & Associates senior partner Tony van der Schyff says the pharmacist must decide between becoming a true businessman or a true professional "He should either set up drugstore operations, which would be a multi-use retail store and maybe consider employing a business manager, or he should confine himself simply to dispensing medicines in smaller premises"

He suggests that if pharmacy is to prosper, there should be a longer business administra-

FM 4/3/88

Jaqhold improves on EPS forecast

192

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By Ann Crotty Star 4/3/88

Jaqhold, the motor spares company which came to the DCM last year, has reported better-than-forecast earnings of 9,8 cents per share for the financial year to end-December and a dividend of 3,3c a share has been declared — a cent more than forecast

Turnover was R10,5-million and income before interest and extraordinary items was R0,7-million Because the group has tax losses no tax was paid

The company discloses that it has reached agreement to dispose of Jaqmar Investments (Pty) and its subsidiary Jaqmar Motor Spares and Accessories (Pty) to Pretoria Engine Components for R3,5-million cash subject to approval by shareholders

The directors note that the disposal does not affect earnings or dividends for 1987 but it does increase tangible net asset value from 34,5 cents per share to 55,0 cents per share

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Bday

4/3/88

New ADE range

MICK COLLINS

ATLANTIS Diesel Engines is to introduce its new fuel-saving 440 V-series heavy duty truck engines to the market on July 1, 1989

The news comes after months of negotiation between ADE and Naamsa on introduction timing

ADE said yesterday consensus had been reached on a date which suited all parties concerned. The new engines fall into the upper end of the heavy commercial vehicle (HVC) sector.

ADE marketing and public affairs director Wally Rautenbach said the 442T, 443T, and 443TI engine would all be available for SVP (start of volume production) by OEMs by July 1, 1989.

New vehicles boost sales

Cape Times 5/3/88 A2

Porter raises income 71%

By AUDREY D'ANGELO
Financial Editor

BRIAN Porter Holdings, the Cape Town-based motor trade investment company which did well even during the recession, achieved further improvement in the six months to December.

After-tax income rose by 71% to R1,1m (R683 000) on a 38% increase in turnover to R106,9m (R77,7m)

The directors say the higher turnover was due mainly to a 43% increase in sales of new vehicles which pushed operating profit up to R2,4m (R1,7m).

Earnings rose by 62% to 41,4c (25,5c) a share before an extraordinary item — the write-off of R98 000 for goodwill on acquisition of a subsidiary, in accordance with group accounting policy

After the extraordinary item, earnings were 37,9c a share. The interim dividend is 38% higher at 11c (8c) a share and the net asset value has risen to 559c (528c) a share.

Chairman Brian Porter says he is confident that earnings for the current six months will "at least match" those of the first half of the financial year, in spite of the fact that new car prices are expected to rise by about 20% this year.

He says there is now a shortage of new cars, caused first by the break in production over the Christmas period and subsequent slow start-up and now by the floods, which are causing delays in deliveries.

"This means that people are sometimes having to wait for delivery of the car they prefer, which can cause problems if another make which would be their second choice is available now.

"This is particularly unfortunate if waiting for their first choice means they will have to pay more because prices are going up

"But we are in a strong position because we hold a number of franchises and can offer a wide choice. Our acquisition of the Nissan franchise in Rondebosch, which did not affect our results to December, and of the Toyota franchise in Somerset West will help in this."

Porter expects the company to continue doing well

DID 5/3/88

Delta appoints new board member

192

CAPE TOWN — A former Barlow Rand executive director and internationally recognised industrialist, Mr Bas Kardol, has been appointed to the board of Delta Motor Corporation as a non-executive director

Mr Kardol who controlled Barlow Rand's international division for more than two years, recently returned to South Africa.

Although retired from executive office, he remains a director of Barlow Rand and retains several other directorships in the group, including C G. Smith, Metal Box and Nampak

He is also chairman of the Corporate Consulting Group and was recently appointed a director of Investec-Metboard

The Delta chairman and chief executive, Mr Keith Butler-Wheelhouse, announced Mr Kardol's appointment yesterday

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End of the line for electric loco-maker

6/2/88

SOUTH Africa's only traction electrics manufacturer has reached the end of the line.

Driehoek-based SA Traction Manufacturers, a subsidiary of GEC SA, will close its motor manufacturing operations after completing the 10e2 locomotive and 8m motor coach motor contracts on its books Completion is scheduled in the last quarter of 1988.

The changing transport pattern and the fall in demand for electric locomotives are a prime reason for the closure, says GEC SA managing director Bruno van der Riet.

"SA Transport Ersvices will achieve its aim of 86% electrification this year and the 10e1 and 10e2 locomotives built by SATM will bring its fleet close to the required level. All that will be required is 'topping up' and maintenance."

SATM employs about 300 people, of whom 140 are skilled and 160 semi- or unskilled

Mr van der Riet says every effort is being made to place redundant employees in other sections of the GEC SA and Barlow Rand groups.

"Where this is not possible, compensatory severance packages will be arranged"

He says the impact on GEC's financial results will not be significant "The company's contribution to group turnover from the sale of locomotive traction motors in recent years has been less than 5%."

Record month for motor company

Star 7/3/88

(192)

PORT ELIZABETH — Delta Motor Corporation shipped a record 3 542 vehicles from Port Elizabeth to its dealers last month — up on the previous record of 3 110 units in November.

A Delta statement said last month's figures were a 76 percent improvement on the 2 006 shipped last February and 62 percent more than the January 1988 figure of 2 177

Delta spokesman Mr Willie van Wyk said last month's achievement was attained in difficult conditions

Boost for business confidence

New vehicle sales up 23%

Cpe. Times 9/3/88

192

From MICK COLLINS

JOHANNESBURG — In a continued surge of consumer confidence, new car sales rose to 19 820 in February and new commercial vehicle sales to 10 987, up 20% and 25,3% respectively from January totals of 16 518 and 8 766

National Association of Automobile Manufacturers (Naamsa) figures show that this was also well above February 1987 figures of 15 162 and 7 814 — up 30,7% and 40,6% respectively

Overall, new vehicle sales rose 22% compared with January — 25 284 to 30 807 — adding support to economists' statements that business confidence is heading back to 1983 levels

Steady uptrend

Naamsa director Nico Vermeulen said the steady uptrend over recent months had gained considerable momentum, and February exceeded general industry expectations, particularly in new car and light commercial vehicle sales

New car sales for the first two months of 1988 totalled 36 338 and commercial vehicle sales 19 753, giving respective gains of 24,3% and 36,1% from a year ago

Vermeulen said February's sharp increase was largely due to manufacturers' ability to satisfy a considerable backlog of orders which could not be met in December 1987 and January 1988

Toyota sold 4 818 passenger units (24,3% of the market) while Volkswagen came in second with 4 321 sales (21,8%)

Samcor rated third place with sales of 3 685 cars (18,6%) Of the Samcor score, Ford sales of 2 131 units represented 10,8% of the market, MMI's 1 554 sales 7,8%

VW's Golf/Jetta/Fox led the Top Ten with sales of 3 954, followed by the Toyota Corolla (3 199), Toyota Cressida (1 588), Opel Kadett/Monza (1 457), Nissan Langley/Sentra (1 409), Ford Laser/Meteor (1 303), Mazda 323 (1 080), Honda Ballade (948), BMW 3-series (944) and Nissan Skyline (924)

Mercedes-Benz took the top honours in the heavy commercial market, selling 273 big trucks — 38,1% of the market share Toyota took second spot with 159 sales (22,2%) and Nissan third place with 137 sales (19,1%)

The recovery in medium and heavy commercial vehicle sales had however been off a low base, Vermeulen said

Overall sales

In the overall vehicle sales rankings Toyota sold 8 783 units (28,5%) followed by Samcor 6 097 (19,8%) and VW 5 052 (16,4%)

Toyota executive director Bert Wessels said increased profitability enabled companies to re-equip their fleets There was also demand by car rental companies, and strong mounting demand by private buyers

VW marketing director Clive Warrilow said: "Had our stock levels been higher, our share of the market would have been greater In spite of having increased our capacity, we still have waiting lists for most models"

D17. 10/3/88.

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Autoquip up by 115 pc

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JOHANNESBURG — The newly-listed sellers of motor accessories, Autoquip Group, increased net earnings by 115 per cent in the six months to December, the interim report shows

After-tax income for the period was R602 000, compared with R280 000 for the same period of 1986 Turnover increased 52 per cent to R10,1-million, which the directors attribute both to aggressive marketing and the continued buoyancy of the new and used car markets

"In addition, margins have improved and finance charges have reduced as a result of the group's listing"

With an increased number of shares in issue earnings per share were 68 per cent up on the previous period at 4,2 cents (2,5 cents).

The group, which has plans to increase the number of its distribution outlets as well as its range of products, expects to exceed the projectd net profit of R1,1-million, or eps of 7,9 cents, for the year to June 1988 — Sapa

BUSINESS

DD 11/3/88

Mitsubishi exports to S Africa to continue

(192)

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Daily Dispatch Correspondent

JOHANNESBURG — Mitsubishi Motors Corporation said yesterday it had no plans to halt exports to South Africa but would make case-by-case decisions about exports to this country in line with policy changes in the industry as a whole

Industry sources said the Japanese statement referred to the complete knock down (CKD) kits which are shipped in cases to South Africa, assembled and sold under the Mitsubishi brand

A Reuter report filed from Tokyo said Mitsubishi could stop exports to South Africa because of mounting foreign criticism of Japan as Pretoria's largest trading partner

Much of the criticism has focused on the automobile industry

However a spokesman for local Mitsubshi agents, South African Motor Corporation (Samcor), said "We've not been notified of any limit on any order placing "

An assistant managing director, Mr Tom Williamson, said "We will continue to place orders and receive shipments on a normal basis "

Mitsubishi CKD exports to South Africa were 4 700 in 1985, 4 400 in 1986 and 5 300 in 1987

Last week the Toyota Motor Corporation in Japan said it would "act prudently" with regard to its South African exports, while Nissan said it was considering export limits

The Reuter report said a Japanese computer maker, Hitachi, said it had agreed with a West German firm, Comparex, to limit exports of computer parts it supplies to Comparex for assembly and sale to South Africa

The Japanese Ministry of International Trade and Industry (Miti) has been asking major industries through the Federation of Economic Organisation (Keidanren) to restrain exports to South Africa folowing pressure from the foreign ministry.

But a Keidanren official said that Japanese business leaders had asked the government to come up with concrete rules or criteria restricting exports to South Africa

VEHICLE SALES

192

Catching up

The good news for vehicle purchasers is that the long delivery lead times associated with stock shortages may soon be over

February's huge increase in vehicle sales was undoubtedly the result of manufacturers meeting the backlog of orders that built up during December and January, when stock shortages were a recurrent problem

FINANCIAL MAIL MARCH 11 1988

Shortages still exist, but February's figures suggest the problem may be easing If demand evens out this year — as industry officials predict — manufacturers expect their stock position to be favourable by mid-year

Into this optimistic scenario they inject a note of caution, however If Japanese companies carry out their threat to limit vehicle supplies to SA, shortages could be back with a vengeance.

February car sales of 19 820 were 20% up on the previous month's 16 158 and 31% up on the 15 162 of February 1987 At 30 807, sales of all new vehicles rose 22% against January and 34% against February 1987.

Sales of light commercial vehicles — mainly bakkies and minibuses — rose a remarkable 46% from February 1987 to 9 767 last month Medium commercials rose 11% over the same period and heavy trucks and buses by 5,6%

No car-maker benefited more from February's resurgence than VW Sales of its Golf/Jetta/Fox range rose from 2 554 in January to 3 954 last month, making it February's biggest seller Delta and Nissan also enjoyed particularly strong gains but no one challenged Toyota's overall leadership in the car market, with sales of 4 818.

Motor industry spokesmen describe February's sales figures as "exceptional and beyond expectations" They don't anticipate further big gains this year, particularly in the car and light commercial vehicle sectors

Nico Vermeulen, director of the National Association of Automobile Manufacturers (Naamsa), which compiles the figures, expects sales to consolidate around February's levels over the next few months "Naamsa does not envisage further dramatic increases from current sales figures in the short-to-medium term," he says ■

13/3/88

ST

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Falling rand a car price threat

By Don Robertson

NEW-car sales soared to a 43-month peak in February, but the industry is worried that it will not be able to maintain the advance because of the sharp fall in the rand.

The rand, now at its lowest for many months, could mean a big rise in car prices — a factor which almost crippled the industry in 1986

The effect of the 68% rise in prices in the two years from 1985 resulted in car sales tumbling to 174 453 in 1986 from 204 322 in the previous year.

The rand's fall against the yen and mark — the two source countries for most imported components — meant that the foreign content of a car reached 50% in value in spite of the weight requirement of only 34%.

Now with cross rate of the rand at 59,57 against the yen compared with 73,75 this time last year and the mark rate at 0,778 compared with 0,889, the industry fears that price rises this year could be higher than the 12% of 1987.

It had been predicted that increases this year would not be higher than inflation of about 16%.

Nico Vermuelen, director of the National Association of Automobile Manufacturers of SA (Naamsa), says that although sales have returned to more normal levels, "Naamsa does not envisage dramatic increases from current figures in the short to medium term"

The industry appears to have partly overcome the stock shortage problems which hindered the market since June last year. It is expected that shortages will be wiped out by April.

New-car sales rose by 20% to 19 820 in February from 16 518 in January — the highest since July 1984. Light commercial vehicle (LCV) volumes rose by 23,5% to 9 767 from 7 907, medium commercials by 53,6% to 504 from 328 and heavy trucks and buses by 34,8% to 716 from 531

Mercedes-Benz and Mazda in the Samcor group were the only manufacturers to record sales declines, but they were minimal Largest increases were recorded by Nissan with a 39,2% rise in sales, mainly because of Sentra sales, and Delta which pushed up sales by 34,5% through better Monza/Kadett volumes

Biggest seller was again Toyota with 4 818, but the company is being pressed by Volkswagen which notched up a record of 4 321 The VW Golf/Jetta range was the largest seller with 3 954, again beating the Toyota Corolla at 3 199.

Volkswagen's performance was the best since February 1981 and reflects the company's efforts to lift daily production to more than 300 from 175 a year ago

Perhaps the most significant aspect of February vehicle sales was the sharp rise in LCV numbers With sales of nearly 10 000, it lifted its figures for the first two months of the year by 40% to 17 674 compared with 12 582.

192

SUNDAY TIMES, Business Times, March 13, 1988

New-car sales top R8bn for first time

By Don Robertson

THE value of retail sales of new motor vehicles last year topped R8-billion, nearly 40% higher than in 1986.

The record income makes motors SA's third-largest industry It expects a 10% increase in sales this year

All motor manufacturers are now in the black

Toyota, the only JSE-listed manufacturer, made a record profit of R83,6-million in 1987 compared with R20,5-million in the previous year

Industry losses were estimated at R1-billion in 1985 and 1986.

Rand's plunge

A combination of higher prices and increased sales lifted turnover to more than R8-billion for the first time last year

Figures calculated by Mercedes-Benz show total vehicle purchases at R8,113-billion in 1987 — 39,9% higher than the R5,8-billion in 1986 This compares with R3,251-billion in 1985 and R3,618-billion in 1984

The increase reflects not only the average 12% rise in prices last year, but a 16% pick-up in 1987 sales to 309 150 units compared with 264 676

However, the rand's plunge against the yen and mark could cause price increases and stymie further improvement

Heading the value list was Toyota with sales of R2,049-billion. This was a 33,1% improvement on the previous year's R1,539-billion — even though the company shed market share in both car and light commercial vehicles

Top spot

But Toyota retained its top position in cars and LCVs Car sales brought in R1,084-billion compared with R851,1-million and LCVs R785,5-million compared with R560-million It was second in truck sales of over 7 500kg at R118,4-million.

Second in car sales was Volkswagen with R894,5-million against R569,1-million The company gained market share in cars from 17,4% to 19,9%

Sales of mini-buses lifted VW to R215,5-million LCV sales from R144,4-million

Benefiting from its higher prices, Mercedes-Benz recorded the third-highest turnover in cars at R801,5-million compared with R647,9-million It lost market share largely because of a 10-week strike late in the year

Mercedes held No 1 spot in trucks of over 7 500kg and with 37,7% of the market sold units worth R369,3-million

BMW was next in the cars sales stakes — R639,8-million compared with R412,3-million Market share rose from 7,5%% to 8%

Ford chalked up car sales of R486,5-million compared with 352,6-million, and sister company MMI had sales of R332,8-million against R285,6-million. In the LCV market Ford sold units worth R210,8-million, and MMI R215,5-million.

New models

Nissan car sales were worth R458,8-million compared with R246,7-million and, because of the launch of the new Skyline and Sentra, it raised market share from 7,8% to 9,7%. It was second in the LCV market with sales of R380,8-million against R262,7-million. Truck sales were worth R101,9-million

Celebrating its first year as an SA-owned company, Delta recorded sales of R362,7-million compared with the General Motors' R274,3-million in 1986 Market share moved from 8% to 8,4%. Delta claimed third spot in LCV sales at R230,1-million compared with the previous year's R149,4-million.

The balance of car sales was made up by TAK, which sold 67 Lancias worth R4,6-million

D/D 16/3/88

MBSA workers strike over pay dispute

Daily Dispatch Reporter

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EAST LONDON — Production at the Mercedes Benz of South Africa (MBSA) plant here has been suspended since the weekend after some 1 000 hourly-paid workers downed tools over a pay dispute.

The MBSA public relations manager, Mrs Delene MacFarlane, said the production line halt had come as a result of "unlawful industrial action undertaken by employees in the paint and body shops".

She said employees in the paint shop at the plant had refused to complete the last hour of the afternoon shift on Thursday last week.

The local secretary of the National Union of Metalworkers of South Africa (Numsa), Mr Viwe Gxarisa, said more than 3 000 workers had been affected by the halt in production.

The late shift on Thursday had completed the number of units specified as a target by management an hour before the end of their shift, he said

"They continued with their work, but were told by their supervisor that they were loitering and were not completing any further units

"He then took away their punch cards and told them to leave," he added.

Mrs MacFarlane said management had attempted to persuade the workers to work the full shift, but had not been successful.

"In accordance with agreed policy, the company applied the principle of no work, no pay," she said

This had resulted in all the employees in the paint shop refusing to resume production the next day unless their colleagues were paid for the time not worked.

"Discussions were held between management and the shop stewards in an attempt to resolve the issue but no finality could be reached.

"On Monday employees in the body shops joined in the strike action.

"The company informed the shop stewards that where dissatisfaction existed, the proper procedures should be followed instead of resorting to unlawful industrial action," she added.

● A spokesman for MBSA said yesterday that the decision to postpone the launch of the latest model of the Honda range had been taken more than a month ago and was not connected to the latest work stoppage.

"Due to numerous technical improvements in the new range and in order that we fully meet the local content requirements, we need to extend the introduction date by six to eight weeks."

11/3/88 192

Strike holds up production

EAST LONDON — A strike yesterday halted production at the dispute-prone Mercedes Benz plant here, according to statements by union and management officials. — Sapa-Reuter.

192

BUSINESS DAY, Wednesday, March 16 1988

Work stops Mercedes' Cape plant

ALAN FINE

A dispute in the paint shop last Thursday, over the achievement of production targets, resulted in the suspension of production at the Mercedes Benz plant in East London yesterday

This is the latest in a rash of work stoppages at the plant over the past few months. Management met union representatives yesterday afternoon to discuss the dispute and the meeting was scheduled to resume last night

A Mercedes spokesperson said afternoon-shift paint shop employees refused to complete the last hour of their shift on Thursday and the company applied the principle of no work, no pay.

On Friday all employees in the department refused to work unless their colleagues were paid for the time not worked, and on Monday workers in the bodyshop joined in the "unlawful" strike action, she said.

National Union of Metalworkers of SA regional secretary Viwa Gxarisa said workers in the paint shop believed they had fulfilled their production target for the day an hour early on Thursday. The Mercedes spokesman said that was not the case.

D/D 17/3/88

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MBSA, union talks remain deadlocked

EAST LONDON — Mercedes-Benz of South Africa (MBSA) and the National Automobile and Allied Workers' Union (Naawu) remained deadlocked yesterday in their attempts to resolve a strike that began at the weekend

Production at the MBSA plant here has been suspended since the weekend when 1 000 hourly-paid workers downed tools after a pay dispute

The MBSA public relations officer, Mrs Delene MacFarlane, said intensive negotiations between management and Naawu were held yesterday in an attempt to resolve the issues in dispute but a settlement could not be reached

The local secretary of the National Union of Metal Workers of South Africa, Mr Viwe Gxarisa, could not be contacted for comment yesterday — DDR

Labour update

STRIKE HALTS BENZ WORKS

Soweta 17/3/88

A STRIKE halted production at the East London plant of Mercedes Benz after employees downed tools over a pay dispute, union and management officials said yesterday.

The National Union of Metalworkers of SA (Numsa) spokesman said about 2800 workers joined the strike in support of paint shop men whose pay was docked because they slowed work after meeting their daily shift target last Thursday

The union said more than 3000 workers had been affected by the halt in production

The company claims some paint shop workers refused to complete the last hour of their shift, while Numsa says the men had completed their shift target of 66 cars and had merely slowed

192

Bday 17/3/88

Mercedes strike talks continue

(192) **ALAN FINE** [illegible]

PRODUCTION at the Mercedes Benz East London plant remained at a standstill for the second consecutive day as management and union representatives spent the entire day locked in talks aimed at ending the work stoppage which began late last week.

Last night Mercedes and the National Union of Metalworkers of SA were continuing discussions, according to a Mercedes spokesman.

The strike was triggered by an incident last Thursday when paintshop employees failed to complete the last hour of their shift because they believed they had reached their production target for the day

When management decided not to pay them for that time, colleagues in various sections of the plant downed tools in protest

P/D 18/3/88

New bid today to end MBSA strike

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Daily Dispatch Reporter

EAST LONDON — There were no negotiations between Mercedes-Benz of South Africa (MBSA) management and the National Automobile and Allied Workers Union (Naawu) yesterday toward ending the strike at the MBSA factory here

MBSA management yesterday expressed disappointment at the failure to reach a settlement to the strike, which began at the weekend, adding that negotiations would continue today

Mr Viwe Gxarisa, the local secretary of the National Union of Metalworkers of South Africa (Numsa), which is affiliated to Naawu, could not be contacted for comment yesterday

Production at the MBSA plant here has been suspended since the weekend when 1 000 hourly-paid workers downed tools after a pay dispute

The MBSA public relations officer, Mrs Delene MacFarlane, said the dispute arose when a "small number" of employees in the paint shop refused to complete the last hour of the afternoon shift on March 10

"The employees maintained that they had reached their production target for that particular shift although management had clearly informed them that they had incorrectly perceived the production target," Mrs MacFarlane said in a press statement issued yesterday

Management could not persuade the employees to work the full shift, so they applied the principle of "no work, no work pay"

"As a result of this, unlawful industrial action was taken by employees in the paint shop," Mrs MacFarlane said

On behalf of the striking workers, Naawu said they would not return to work until they were paid for the time not worked on March 10

Mrs MacFarlane said that, as a result of the strike, production was suspended in the entire plant from March 15

She said the company offered to refer the dispute to arbitration during the initial negotiations, but Naawu requested that the dispute be treated by management as a grievance

"In an attempt to resolve the dispute without prejudice to its rights, management agreed to these requests but stated that any monetary advances would be made under protest and recoverable from the employees in the event of the grievances being found to be invalid "

"It further required an immediate return to work by all striking employees,' she said

Mrs MacFarlane said Naawu indicated that the proposed agreement was acceptable but, after a report-back, stated that they were not prepared to sign the agreement

"Management hopes to resolve the dispute as soon as possible as it affects the whole work force, the majority of whom are keen to work "

D/D 19/3/88.

MBSA and union reach agreement

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Daily Dispatch Reporter

EAST LONDON — An agreement was reached between Mercedes-Benz of South Africa (MBSA) management and the National Automobile and Allied Workers Union (Naawu) yesterday, and production will resume on Monday.

The MBSA public relations officer, Mrs Delene MacFarlane, said the agreement made provision for monetary advances to the employees who had part of their wages deducted for stopping work before the end of their shift last Thursday.

The signed agreement makes further provision for an internal grievance procedure to be followed to investigate the dispute

"If it is found that the employees concerned acted incorrectly, the monetary advance will be reclaimed," Mrs MacFarlane said.

The local secretary of the National Union of Metalworkers of South Africa (Numsa) — who are affiliated to Naawu — Mr Viwe Gxarisa, was in Queenstown and could not be contacted for comment yesterday.

Another union spokesman, who did not wish to be named, confirmed that an agreement had been reached.

D/D 21/3/88 (388) (192)

MBSA to resume production today

~~KEEP~~

EAST LONDON — Production is due to resume as normal at the Mercedes-Benz of South Africa (MBSA) plant here today after the week-long strike was settled on Friday.

Work at the plant had been suspended since March 10 when 1 000 hourly-paid workers downed tools after a pay dispute.

An agreement was signed on Friday between management and the National Automobile and Allied Workers Union (Naawu) which made provision for monetary advances to the employees who had part of their wages deducted for stopping work before the end of their shift on March 10.

The signed agreement makes further provision for an internal grievance procedure to be followed to investigate the dispute.

Naawu confirmed that the agreement had been signed and MBSA management said work would resume this morning. — DDR

D/D 22/3/88

192

MBSA strikers return to work

~~355~~

Daily Dispatch Reporter

EAST LONDON — Workers at the Mercedes Benz of South Africa (MBSA) plant here returned to work on schedule yesterday, ending a four-day strike

Production was back to normal when 1 000 hourly-paid workers returned to work yesterday, after downing tools last week in support of paint-shop workers whose pay had been docked

The workers had part of their wages docked when they stopped working after completing their daily target one hour before their shift ended

Successful negotiations between MBSA management and the National Automobile and Allied Workers' Union (Naawu) ended last week, with management agreeing to make provision for monetary advances to the employees who had part of their wages deducted for stopping work early

The MBSA public relations officer, Mrs Delene MacFarlane, said from Johannesburg yesterday that production had returned to normal

Asked if there was 100 per cent worker attendance, she said there had been the normal absentee rate

There had not been any stayaway relating to Sharpeville Day, although workers had held a meeting during the course of yesterday morning

"After both the tea-break and lunch-break, production was normal," Mrs MacFarlane said

Mr Viwe Gxarisa, local secretary of the National Union of Metalworkers of South Africa — which is affiliated to Naawu — could not be contacted for comment

IRM

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B/day 23/3/88

Retraction of intent was 'forced'

Mitsubishi bows out of Iscor project

MICK COLLINS

GIANT Japanese industrial corporation Mitsubishi has declined to bid for a R600m high-tech contract for the revamp of a major SA steel works.

A Japanese source confirmed that a formal letter declining to participate (tender) had been sent to parastatal steel giant Iscor "some time last week".

Iscor public relations manager Piet du Plessis said yesterday. "We confirm we got a letter from Mitsubishi and they advised us that they are withdrawing from the project"

The Japanese source said Mitsubishi, which regarded the Iscor contract as a "plum", had been forced into the decision in a bid to stave off criticism of Japan's growing trade links with SA.

"The whole SA trade issue is now politically sensitive. While nothing formal had been signed between Iscor and Mitsubsihi, the cancellation of intent by Mitsubishi now gives Japan leverage against anti-SA critics," he said.

Recent moves by the Japanese Foreign Ministry has seen it continue to apply pressure on the Ministry of International Trade and Industry (Miti) to cut down on SA trade.

US, German, Taiwanese and British companies could now be in the running for the R600m tender but steel industry sources said the Japanese technology would have been ideal for the Iscor application.

Although Japanese steel making technology is acknowledged as among the best in the world by the international steel community, Iscor is known to have other technological options open to it.

The contract is for the uprating of Iscor's hot-strip mill at its Vanderbijlpark works

Also understood to be under pressure are Iscor's iron ore contracts with Japan. Iscor exported about 9-million tons of iron ore last year — over 50% of its total production of 16,5-million tons and earned R285m in foreign exchange.

The Japanese source said Iscor's iron ore contracts were still in place but the steel utility was under increasing pressure to use up "tailings" of previous contracts. This in turn would eventually lead to a gradual fall off in iron ore imports from SA with the possibility of Japan refusing to sign any further contracts

The steel utility has huge reserves of iron ore in the Sishen-Postmasburg region. It designed and constructed a special 891km rail link between Sishen and Saldanha Bay as well as a modern ore export harbour in the early Seventies.

The railway line, which is operated for bulk traffic, was handed over to Sats in 1977. Unfavourable conditions on the world steel markets coupled with rising transport costs has since placed heavy pressure on Sats to make the line pay.

Last year Iscor exported steel products to 58 countries and earned over R1,27bn in foreign exchange

DD 25/3/88

MBSA workers on go-slow

192

EAST LONDON — A number of employees in the paint shop at the Mercedes-Benz of South Africa (MBSA) plant here have been participating in a go-slow over the past three days, it was reported yesterday.

The public relations officer of MBSA, Mrs Delene MacFarlane, said yesterday that a number of employees had disregarded the agreement reached between management and the National Automobile and Allied Workers' Union (Naawu) signed last Friday.

The agreement made provision for monetary advances to be paid to the employees who had part of their wages deducted for stopping work before the end of their shift on March 10.

This followed a strike which had begun a week previously when 1 000 hourly-paid workers downed tools after a pay dispute.

Mrs MacFarlane said the employees who formed the second shift and were not responsible for last week's strike had "persisted in disregarding normal work standards and working hours.

"They have for three days this week either left their place of work or engaged in a go-slow which has caused minor shortages on the assembly line," she said

The employees involved had been informed by the company that they were in breach of the agreement between Naawu and management on the matter, she said

Shop stewards, responding to a letter from management calling for adherence to the agreement by the resumption of work at normal levels, have addressed their members in the paint shop on the issue

"The large majority of employees have agreed to resume normal work at their normal shift starting time tomorrow," Mrs MacFarlane said, adding that management were monitoring the situation

w/c ARGUS
26/3/88
(192)

BUSINESSMAN OF THE WEEK

Putting Delta back on track

From PAT CANDIDO

PORT ELIZABETH. — Keith Butler-Wheelhouse, chairman and chief executive of Delta Motor Corporation, can look back with pride on the remarkable success achieved by his company during its first year of operation.

But there is nothing complacent about this dynamic, softly-spoken 41-year-old executive, who admits that he is an over-achiever who wants to be the best at everything he does

At the moment his most important priority is to secure Delta's financial future

He can draw consolation from the fact that his commitment and that of the 3 000 people who work for the former General Motors South African operation, made a profit last year for the first time in six years

"The fact that we had a good first year is not good enough," he says bluntly

"Everything will be different in the second year. Growth is not necessarily easier because the previous year has been a good one

"Complacency remains the biggest danger The money we have in the bank will disappear almost overnight if we lose our sense of direction

"It is imperative that we concentrate on improved returns on our assets and improve our market share while we do it"

During the first year of operation the company boosted its volume of vehicles sold by a healthy 24 percent in a year when the general industry improved by 17 percent

It achieved this by reducing its break-even point from 50 000 to 24 000 units

Mr Butler-Wheelhouse, who joined GMSA three years ago as a director with the responsibility to find a solution to the problem of the South African operation, is deeply committed to keeping operations in the Eastern Cape

"Do anything you can to find a way out of this mess," the man, who admits he was a complete "duffer" at school, was told bluntly

A daunting task At that time things looked pretty grim The industry was depressed for car and truck sales had declined steadily since 1981

Ford had pulled out of Port Elizabeth Five thousand jobs had disappeared virtually overnight and the town was reeling under the impact

Unemployment was rife, morale was low and the economic future of the Eastern Cape as a whole looked bleak.

There was uncertainty about GM's future in South Africa and it was a period of utter gloom and doom

GMSA, he said, had serious structural problems brought about by a situation where management was not primarily concerned with the wellbeing of the operation here but rather how the South African operation fitted into the global picture within a multinational organisation

"We eventually decided that the only way to continue to operate was with a management team buy-out."

Once the decision was made a single sheet of paper laid the foundation for the new company's business plan It contained the company's goals and objectives for 1987

The most difficult thing to decide was not what they were going to do but what they were not going to do

One of the main objectives was to arrest and reverse declining market penetration

"We had to arrest the slide which had been going on over a five-year period GM had good products but somehow


Keith Butler-Wheelhouse . . . turning losers into winners

(Continued on page 3)

P.T.O.

424—LETTING FLAT: A MINIMUM BASIC WEEKLY

(Top line nominal wages;Lower line real

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 INCR   AMND   INCR   W.D.   INCR   INCR   INCR   W.D.
12/75   3/78   3/79   5/82  11/82   5/83  11/83   9/85
General Worker
15.00  18.69  20.77  33.46  36.92  40.38  40.38  48.50
25.08  25.05  24.70  25.68  26.58  27.47  26.29  24.52
   Current Hours:  45   Hourly Change 1976 to date: Nominal +223.3
Handyman
20.77  27.00  30.00  44.08  52.38  60.69  60.69  72.98
34.73  36.19  35.67  33.83  37.71  41.29  39.51  36.90
   Current Hours:  45   Hourly Change 1976 to date: Nominal +251.4
Housekeeper
 0.00   0.00   0.00  55.85  61.62  67.38  67.38  81.06
 0.00   0.00   0.00  42.86  44.36  45.84  43.87  40.98
   Current Hours:  45   Hourly Change 1976 to date: Nominal   +0.0
Clerk
41.54  50.77  56.54  83.77  90.23  96.92  96.92 116.40
69.46  68.06  67.23  64.29  64.96  65.93  63.10  58.85
   Current Hours:  45   Hourly Change 1976 to date: Nominal +180.2
Caretaker
28.85  35.77  39.23  57.92  64.15  70.62  70.62  84.99
48.24  47.95  46.65  44.45  46.18  48.04  45.98  42.97
   Current Hours:  45   Hourly Change 1976 to date: Nominal +194.
Bedroom Attdt
15.46  19.27  21.35  34.38  38.31  42.46  42.46  51.04
25.85  25.83  25.39  26.39  27.58  28.88  27.64  25.80
   Current Hours:  45   Hourly Change 1976 to date: Nominal +230.
Watchman
17.31  21.46  23.77  38.54  42.46  46.38  46.38  56.58
28.95  28.77  28.26  29.58  30.57  31.55  30.20  28.60
   Current Hours:  72   Hourly Change 1976 to date: Nominal +226.
NES
17.31  21.46  23.77  38.54  42.46  46.38  46.38  55.89
28.95  28.77  28.26  29.58  30.57  31.55  30.20  28.26
   Current Hours:  45   Hourly Change 1976 to date: Nominal +222.
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Putting Delta back on track

W/Kmail 26/3/88 (192

(From page 1)

the market was not accepting what was being offered We also had to regain the confidence of the Government after the setbacks with GM"

"We realised we had to improve revenue dramatically or reduce cost significantly We rejected the first as being too risky and set about cutting costs.

"First we cut our interest payments to nil Most of our massive accumulated debt was taken away when Delta was formed and the rest was eliminated by a reduction of our cash needs early in 1987

"We reduced our salaried staff numbers by more than half cutting down from 1 000 to just over 500

"We had to achieve financial stability by proving very quickly that we were self-sustaining After all there was no big brother to run to," he said.

"We plan to increase our sales to 40 000 this year — a 66 percent improvement in three years while holding our breakeven point down to 24 000"

Mr Butler-Wheelhouse, who has managed to instil so much confidence in the company, came to South Africa from Britain in 1961.

He matriculated at Grey High School but failed to gain a university exemption in matric when his French let him down

He joined Ford as a weld-gun repairman and after a while realised that this was not what he wanted to do for the rest of his life

So he enrtolled on a four-year technical diploma programme.At a later stage Ford was offering scholarships for university study The problem of no matric exemption was solved when he found he could gain admission to university at the age of 23 with a mature age exemption

"So I was awarded a scholarship and decided to study at Wits for a commerce degree"

He also holds the national diploma in production engineering and a management development diploma from the University of Cape Town

He is optimistic about the future and the economic revival of the Eastern Cape which he feels can be attributed largely to Volkwagen, Delta and the Mossgas project

192

Go-slow at Mercedes has ended

28/3/88

B/Day

BRONWYN ADAMS

PAINTSHOP workers at the East London Mercedes Benz (MBSA) plant resumed work on Friday bringing to an end a three day go-slow, Mercedes representative Delene MacFarlane said at the weekend

The work targets issue which led to the four-day strike two weeks ago emerged again, this time involving workers from another shift, McFarlane said Some workers decided either to stop work once targets had been reached or increase the time taken to achieve them, she said.

After management called for shop stewards to adhere to the agreement signed with Naawu on March 18 — whereby workers resolved not to go slow until an investigation into the targets issue had been completed — employees returned to work.

☐ At least 300 workers at Romatex's Romayarns factory in Reunión near Durban downed tools last week in protest over the alleged demotion of a fellow union member, Amalgamated Clothing and Textile Worker's Union of SA (Actwusa) spokesman John Eagles said at the weekend.

Management has obtained a court order requiring union representatives to appear in court today and, if workers have not yet resumed work, provide justification for this.

The union will be served with an interdict in effect preventing workers from embarking on further illegal strike action, management said.

Ross-Thompson

Motor manufacturers battle to keep up

DID 5/4/88 (192)

South Africa's motor industry is battling to keep pace with strong upsurge in vehicle demand, following five years of low sales volumes

An industry-wide shortage of supply of new vhicles is likely to be sharply reflected in March sales' figures from Naamsa, the National Association of Automobile Manufacturers, due out any day now.

Spelling this out in a statement, the Toyota group says that although the rush to the dealers' showrooms from both the private consumer and company fleet owners can't compare with the heydays of the early 80s, it is still way above the depressed years of 1986 and 1987 — and far better than industry leaders thought it was going to be.

That's the problem, says the statement

"Right now, manufacturers are having a hard time meeting demand, and it's a feature of the industry countrywide It's also a problem that looks like being around for a while yet until industry has fully geared up to match the needs of an expanding market

"I dont see a significant improvement in the medium term," says Brand Pretorius of Toyota

"Orders for passenger vehicles from our dealer chain for April total 7 239 — 125 per cent more than this time last year when the order books totalled 3 222 units

"Orders for light commercial vehicles for April total 8 484, 88 per cent above last April's modest figure of 4 479 vehicles

"To make matters worse, there are fewer production days in April and May All these public holidays mean fewer production days. That doesn't help An average month has 22 to 23 production days April will have only 20 production days and May only 19

"Take Toyota's average production of 400 vehicles a day and the loss in vehicle production amounts to at least 2 500 units

"With the memories of the 86-87 slump in vehicle sales still sharp, industry leaders admit that it's an ironic situation The industry is trying hard to meet the stepped-up consumer demand but cannot

"You cannot just turn on production like a tap," he says "After the kind of depression we've experienced in the last few years, it takes several months to get the pipeline of imported components back on stream It also takes time to gear up local component suppliers who themselves may have laid off staff But all manufacturers are certainly doing all they can to meet demand and some component companies are working 24 hour shifts"

"When manufacturers were preparing their market demand estimates for 1988 they were looking at a GDP growth of about three per cent which would be reflected in a 10 to 12 per cent increase in vehicle sales this year

"We thought we were being bullish when we made those calculations — but we under-estimated the extent of the positive over-reaction following the sales slumps," says Mr Pretorius

"The facts are that in the first two months of this year total vehicles sales are up 28 per cent on January-February of 1987 The light commercial vehicle market is up a huge 40,5 per cent"

Industry-watchers attribute the dramatic turn-around in the motor industry's fortunes to two main factors

- Vehicles are getting older and in need of replacement Many previous-generation vehicles are racking up huge distances, and are getting inefficient and past their prime
- Companies are making good profits and are in a position to re-equip their fleets

Mr Pretorius concluded that vehicle sales at present, are not so much a function of demand, but rather a reflection of the manufacturers' ability to supply

D/D 6/4/88

Honda to call back 158 000 defective cars

192

Daily Dispatch Reporter

EAST LONDON — Honda Motor Company of Japan will be recalling 158 000 defective Prelude passenger cars, a Japanese Transport Ministry official said yesterday

The announcement transmitted by Sapa from the Japanese Transport Ministry revealed that Honda had decided to recall the cars because of a defective oil pressure hose in the power steering

The public relations officer for Mercedes-Benz South Africa (MBSA), who import the cars to South Africa, Mrs Delene McFarlane, said yesterday that she had received no notification from either Honda in Japan or the MBSA technical department

"We have imported the Honda Prelude and should the cars from that batch be faulty we would not hesitate to ask for them to be recalled," she said

The Transport Ministry official said that of the vehicles to be recalled, 92 497 were exported, including 66 239 to the United States, 10 311 to Canada, 3 023 to Britain and the rest to nine other countries. The affected cars were produced between March 19, 1987 and March 31, 1988

Cape Times 7/4/88

Volkswagen sales 'best since 1981'

192

JOHANNESBURG. — Volkswagen of SA (VWSA) has recorded its best monthly wholesale vehicle sales figure since 1981, the company said in a statement yesterday.

Last month VWSA's wholesale sales were 6 161 units — the highest number of vehicles delivered to dealers since July 1981's 6 577.

The highest monthly sales ever recorded by VWSA was 6 807 in August 1980, the statement says.

VWSA has also recorded its best first quarter wholesale sales in six years, with year-to-date (first quarter) figures 54% up on the same period last year.

Star performer was the Jetta range, which in March recorded best-ever figures of 2 082 units delivered to dealers.

Others to shine were the Microbus with 904 units, and the Citi Golf with 1 092 units, in both cases the highest figures for some years.

The company is confident of achieving a passenger market share of more than 20% — "well in line with objectives". — Sapa

The public affairs director of the Delta Motor Corporation, Mr George Stegmann, is flanked by East London Rotary Club vice-president, Mr Leo Borman, (left) and the managing director of a motor company in East London, Mr Mackie Dewar, at yesterday's luncheon.

D/D 9/4/88

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Director lists the Delta success story

by Matthew Moonieya business editor

EAST LONDON — Delta Motor Corporation —the country's biggest asset-based management buy out — had had a turnaround with a modest profit in its first year of operation, the company's public affairs director, Mr George Stegmann, said here yesterday

He told a Rotary luncheon how the buy out had been accomplished against the backdrop of a R100 million loss by General Motors and the dire economic circumstances in Port Elizabeth in 1986

"The car trade was in decline, Ford had pulled out with 5 000 jobs lost, morale was low and the economic future bleak It was a period of real gloom as GM had been incurring losses since 1981 and was under extreme political pressure to pull out

"The choice was to sell or merge but it was finally settled with a management buy out with only one GM concern that there must be continued employment for its staff "

Mr Stegmann said despite the negative aspects, management believed that the buy out could be made viable They set about identifying key success factors which could be translated into a business strategy

"We had no miracle formula but just a mere simple approach of worker participation to arrest the decline," he said "We had to make our product acceptable in the market place and put the company back on a sound financial footing "

This was done through cutting costs and through the "painful" decision to trim staff complement The salaried staff was cut from 1 000 to 500 and negative staff attitudes had to be changed from a loser mentality to a winning one

"We found there was a lack of communication because GM had operated from the top down and we introduced systems to get communication going We stopped employing mere arms and legs and encouraged people to think as we tried to create a climate and culture in which all our employees knew our objectives and goals "

This was done through team asset management in which workers were given a sense of pride and belonging and in which solutions were formulated together

D/D 14/4/88

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Tractor sales down 13pc

JOHANNESBURG — Tractor sales in March declined by 13,1 per cent on the February figure to 451 units

However, the South African Agricultural Machinery Association points out that the figure was still 11 per cent higher than that for March last year.

In addition, the year to date sales of 1 343 units is 17,4 per cent higher than for the same period in 1987 Manufacturers forecast for 1988 range from 5 300 to 5 700 units compared to the 1987 total of 4 844

Ford was the top selling model, moving 116 units in March and taking a market share of over 25 per cent Second was Massey Ferguson with 95 units.

Year to date sales of combine harvesters of 48 are indentical for the same period last year, although manufacturers are forecasting a slight increase of between 250 and 280 units compared to 231 last year — Sapa

15-21/4/88.

Car sales boom surprises the industry

W/Mail (192)

By KIM CLOETE

MANUFACTURERS are struggling to meet demand and customers face long waiting lists as the motor industry booms.

Industry sales figures for the first quarter of this year were 28,4 percent up on the same period last year, with new car sales rising by over 11 percent between February and March, the National Association of Automobile Manufacturers of South Africa (Naamsa) said this week

Buyers have come back with a vengeance, following a slump in demand going back to 1984. The order books are bulging, even though vehicle prices have risen faster than the average inflation rate.

Most manufacturers attributed the increase in sales to the performance of the economy as a whole.

But the demand for vehicles caught manufacturers unprepared and customers find they have to wait up to six months for a new car.

Conservative forecasts have resulted in drastic shortages of engines and gearboxes.

"Local manufacturers who have been the sole suppliers of these parts to the market, did not envisage the upturn in sales," says Naamsa director Nico Vermeulen.

The situation is intensified by the shortage of parts for heavy duty vehicles as well. "Supplier companies for these vehicles — ADE and Astas — are working flat-out but there is no way they can meet the demand," Toyota marketing director Brand Pretorius says.

"The shortage is further compounded by the long supply pipeline of parts from overseas companies," says Samcor's public affairs manager, Ruben Els.

Between four and six months' notice was necessary to procure parts from overseas, Vermeulen says.

Although delighted with the number of cars leaving their showroom floors, some manufacturers this week described the demand as "unmanageable" and expressed concern about customers growing impatient with seemingly endless waiting lists.

"Vehicles fleets have become obsolete as companies haven't replaced them for some time — and with an added hold on the availability of new vehicles, company productivity is being affected, staff are complaining and there is a risk to company image," says Pretorius.

Toyota accounts for a huge 35 percent share of the fleet market, so demand is particularly great. Toyota customers have to wait anything from two weeks to six months depending on the model before they can drive a vehicle off the shop floor.

But BMW SA is unconcerned about long waiting lists for its cars. Buyers of the new BMW 7-series have to wait up to eight months for the car, but, says communications manager Michael Brandt, customers are not perturbed. What differentiated BMW from other companies, he says, was BMW's "personalised system" in which a car would only be built once ordered by the buyer. Consequently, with the sales hike, the waiting list for BMWs is greater than for most cars produced by other manufacturers — with a four to six-month wait on the 5-series and three to four months on the 3-series

Manufacturers are now finding it difficult to read the market and are concerned as to whether the improvement will continue unabated.

"Although some manufacturers stepped up production, they don't want to run the risk of overproducing vehicles," says Vermeulen.

Falling personal incomes and rising inflation from mid-1984 to the first quarter of 1987 effectively curbed private motor vehicle purchases. Companies, too, postponed repurchasing or replacing vehicles.

"The tables have turned though," says Vermeulen.

Rising interest rates are also fuelling the rush to replace vehicles.

But while millions of rands are being driven into the motor industry, the minimum wage of R4,50 for motor plant workers hasn't budged yet this year.

Wage negotiations between management and the National Union of Metal Workers of South Africa begin in May. And, says Numsa organiser Fred Sauls, workers are dissatisfied with their present wage package.

He says the issues of wages and sales are indirectly related, as the increase in sales affects the profitability of the company and influences the ability to pay. Wage demands and expectations will naturally increase, Sauls says.

FM 15/4/88

should be bullish for Amgold, but in the short-term — when the market is focusing on dividend yields — it could also mean larger funding requirements and, possibly, a higher dividend cover. Even so, for those who want a broad investment in gold, Amgold has one of the better portfolios available

Andrew McNulty

BTR DUNLOP

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Back on track

Earnings, dividends and performance ratios all picked up fairly sharply last year, suggesting that the group may now be on a sounder track after several years of erratic earnings These results may indicate that the merger between Dunlop and BTR has been fully bedded down and efficiences can again rise closer to levels achieved in the early Eighties

Chairman Peter Fatherly says demand increased last year for all of the group's products, with the result that sales at R411,3m reflected an increase of 16% over the previous year This increase arose largely from demand by the motor industry and consumer markets He adds that the campaign to increase productivity and efficiency, together with the increase in sales, resulted in an improvement in profit before tax of 36% As tax paid rose from a rate of 38% to 44%, profit after tax increased by 24%

MOTOR OVERTAKES

	Sales		Trading profit	
	%			
	'86	'87	'86	'87
Engineering & industrial	51	47	48	40
Motor	35	39	35	49
Consumer	14	14	17	11
Total	100	100	100	100

Activities· *Manufacturing and marketing of industrial and engineering, automotive and consumer products Principal products are tyres, tubes, conveyor belts, industrial hose, rubber mouldings and extrusions, diesel engines, fluid transmissions, auto engine components, vinyl flooring, carpets, sports goods, mattresses and foam products*

Control: *BTR Plc holds 53%*

Chairman *P Fatherly, managing director C R Hooper*

Capital structure: *22,9m ords of 50c each and 750 000 6% cum prefs of R2 Market capitalisation R206,7m*

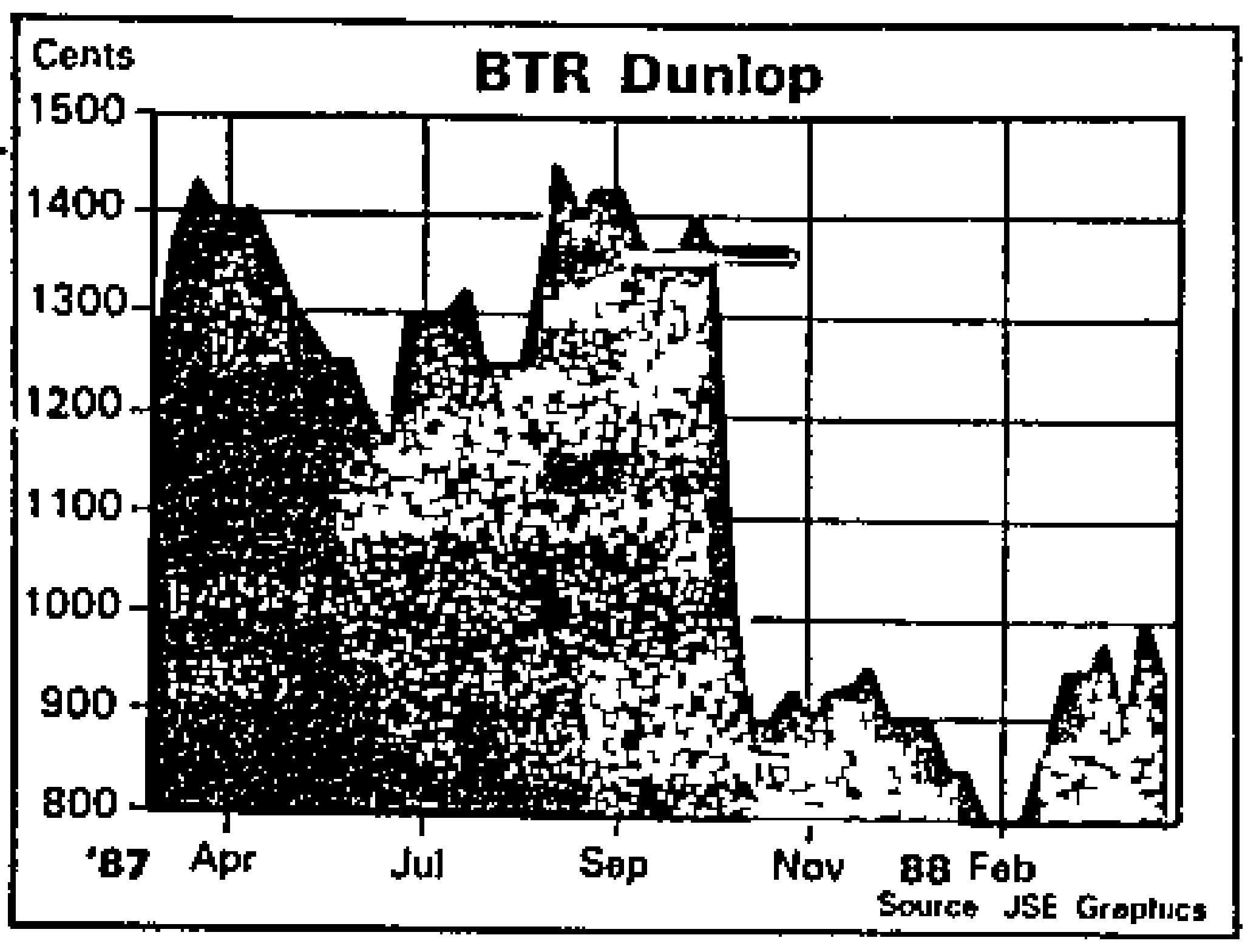
Share market· *Price R9 Yields 9,4% on dividend, 11,8% on earnings, PE ratio, 8,4, cover, 1,3 12-month high, R15, low, R8 Trading volume last quarter, 449 000 shares*

Financial: *Year to December 31*

	'86	'87
Debt		
Short-term (Rm)	25,5	20,7
Long-term (Rm)	1 1	0,4
Debt equity ratio	0 18	0,11
Shareholders interest	0 59	0,58
Int & leasing cover	10,6	13,2
Debt cover	1 3	2,0
Performance		
	'86	'87
Return on cap (%)	15,9	18,2
Turnover (Rm)	356	411
Pre-int profit (Rm)	36,0	47,6
Pre-int margin (%)	10,1	11,6
Taxed profit (Rm)	20 0	24 6
Earnings (c)	86,5	106,6
Dividends (c)	75	85
Net worth (c)	632	709

With greater buoyancy in the major markets, the question now is whether the group has the potential to lift margins back to the levels of the early Eighties Trading profit as a percentage of sales rose last year from 10,1% to 11,6%, having been depressed in the poor 1986 year, but this remains well below the 16,6% of 1983 or even the 14,5% of 1981

One uncertainty is whether the nature of the business has been changed by the merger, and those higher margins are no longer to be seen as attainable However, return on capital has continued to increase and, by the standards of most industrial companies at present, the current 18,2% is by no means a bad performance



Source JSE Graphics

Gearing has historically been kept at low levels, and debt equity was reduced again to 0,11 after being allowed to reach 0,18 in 1986

MD Clive Hooper notes that the overall 16% increase in sales represents 6% real growth, and stemmed mainly from those divisions supplying the automotive industry and consumer products, while mining-related products declined slightly

He says conditions in the trading division benefited from the 17% growth in new vehicle sales and satisfactory growth in the replacement market "This materially helped to offset the inability to fully recover cost increases, due to competitive pressures," he says. "Imports of new tyres and second hand tyres also increased substantially" Hooper says further growth at a lower rate is expected in 1988, but the peak levels of 1981 activity will not be restored for some time It is hoped, however, that the growth will permit the strong inflationary cost pressures to be recovered in order to maintain margins at satisfactory levels

In the industrial division, Dunlop and Sarmcol continue to operate successfully as separate brands with separate marketing operations; rationalisation in manufacture is complete The division's 1988 outlook is steady growth for mining, industrial and automotive products with further productivity improvements Improvements are also expected from the various consumer operations

At R9, and yielding 9,4% on dividend against averages of 4,7% for the industrial holding sector and 5,1% for the engineering sector, the share looks cheap

Andrew McNulty

S Times

17/4/88

Ford sticks around

By Don Robertson

192

AMERICA'S connection with motor manufacturer Samcor continues

Until February three directors — Les Brown, Bill Cosgrove and Tom Williamson, all of whom held senior positions on the board — were seconded from the parent company in America.

Mr Brown was in charge of sales and marketing, Mr Cosgrove was financial director and Mr Williamson was deputy managing director

However, at the end of February, Mr Brown and Mr Cosgrove returned to America. Mr Cosgrove was replaced by Tom Thorp, a Canadian from Ford.

Mr Brown has not been replaced.

A Samcor spokeman says that in spite of Ford's withdrawal last year, the American motor giant has agreed to continue the supply of components, spares and technological know-how.

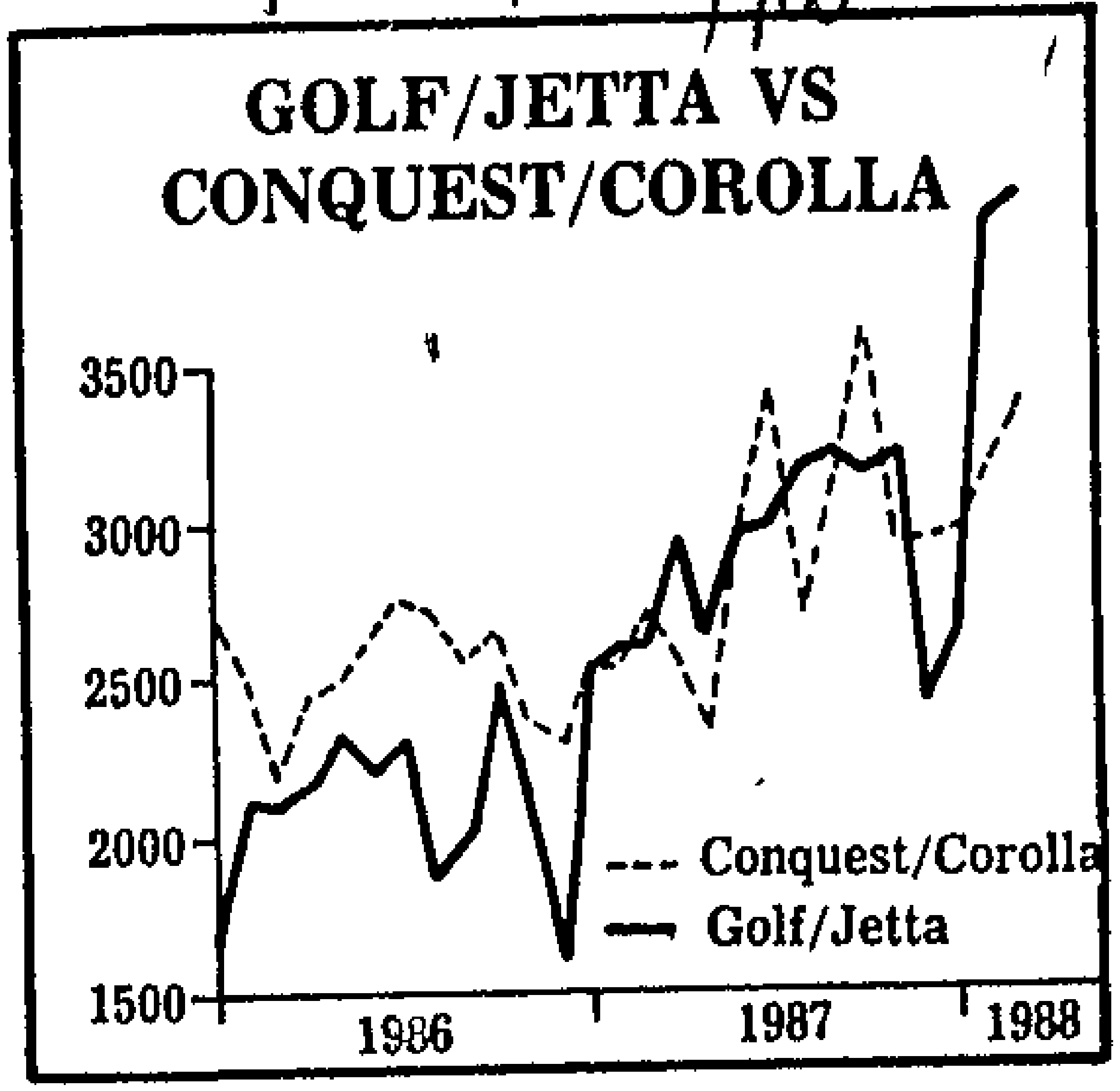
He says, however, that unlike General Motors which sold out to SA management — now trading under the name Delta Motor Corporation — Ford does not have a buy-back clause in its deal.

GM is able to buy back into Delta should the political situation change.

Before its withdrawal, Ford had a 42% interest in Samcor, which also makes Mazda and Mitsubishi vehicles. Anglo American and its associates hold the balance.

The sale by Ford involved an offer of 24% to "workers". Anglo bought the rest.

S Times 17/4/88



VW hard on the wheels of Toyota

192

By Don Robertson

THE race is on — Volkswagen is rapidly catching up on top motor seller Toyota.

Volkswagen car sales in March were 160 short of the market leader at 4 736 compared with Toyota's 4 896

But since the beginning of last year, Volkswagen's Golf-Jetta range has outsold Toyota's Conquest-Corolla models on nine occasions

In a traditionally good month, March sales of new cars moved up by 11,2% to 22 032 from 19 820 in February, confirming expectations that the figure for the 1988 will be about 10% higher than last year

Commercials

Light commercial (LCV) sales were also better, rising by 2,1% from 9 767 in February to 9 977 in March

Medium commercial sales were marginally lower at 462 — the February total was 504 The heavy commercial and bus sector was well up at 811 from 716 — an increase of 13,6%

Running totals for the year are impressive, car sales up by 26,6% to 58 370 from 46 096, LCVs higher by 34,7% to 27 651 from 20 525, mediums by 13,9% to 1 294 from 1 136 and heavy truck sales 11,8% better at 2 058 compared with 1 841

But in the important new-car market, VW continues to make headway It intends to introduce a second shift soon

VW has lifted production by 54% since the beginning of last year Production has increased from 187 vehicles a day to 300, depending on model mix

Sales of the City Golf, Fox, Golf and Jetta are the best achieved for a single model range in the industry Had stocks of Jetta been available sales would have been better

Sales of VW LCVs were the best since June 1984 and were made up mainly of minibuses In March, VW sold 160 ultra-luxury Caravelle minibuses to take a 50% share of the 10-seater market

VW sales rose by 9,6% last month, but Toyota's sales were only 1,6% better.

Toyota, like all manufacturers, suffered from a shortage of stock

With the exception of MMI which markets Mazda, all manufacturers showed car-sale improvements BMW lifted sales by 20,1% to 1 564 with input from the 3 Series. Delta continued its growth with a rise in sales of 25,8% to 2 018 from 1 603 Mercedes-Benz was 21,3% better at 2 115 — up from 1 744

Nissan also had a good month, the new Sentra and Skyline doing well Sales were 2 856 compared with 2 333

Ford sold 2 285 cars compared with 2 131, but Mazda, also in the Samcor stable, was barely changed at 1 542 compared with 1 554.

3 000 strike at Samcor in Pretoria

192

STAR

19/4/88.

Labour Reporter

About 3 000 workers have downed tools at Samcor's motor assembly plant in Pretoria, apparently because of dissatisfaction over the employee share-ownership deal reached between the company and the National Union of Metalworkers (Numsa)

Although union spokesmen could not be reached for comment yesterday, Samcor public affairs manager Mr R Els confirmed that workers at the plant had been on strike since Friday. He said he was not in a position to give further details

The dispute appears to centre on an arrangement whereby the Ford Motor Company disposed of its 42 percent stake in Samcor when it pulled out of South Africa last year Twenty-four percent of the shares was donated to the creation of an employee-controlled trust aimed at benefiting community projects and 18 percent was sold to Anglo American Corporation.

Last week Numsa, after several months of deliberations, decided to approve the Ford transfer offer, while rejecting share participation schemes as attempts by managements to weaken trade unions

Samcor strike enters its sixth day today

PR

20/4/88

By Claire Robertson,
Pretoria Bureau

A wildcat strike by about 3 000 Pretoria motor industry workers entered its sixth day today as employees ignored union officials' orders to return to work.

A National Union of Metalworkers' (Numsa) spokesman said the strikers were due to return to work today but that the strike was continuing this morning.

The strike centres on the division of dividends to the Samcor workforce by the Ford Motor Company when it divested from South Africa last year.

The strike apparently began when some workers linked the clinching of the community development trust scheme last week with the Mamelodi mayor's statements encouraging people to put up the money to keep Mamelodi Sundowns in the township after the soccer team was offered for sale.

Workers said yesterday it was mistakenly assumed that the dividend earnings were to be used to buy the team, or for another township project, and this rumour spread.

A Numsa organiser said there had been confusion over the return to work order as many of the strikers had not attended a meeting instructing them to go back.

Mr Ruben Els, Samcor public affairs manager, would not comment on this because "it would not be pertinent".

(192) B/Day 21/4/88

Share strike at Samcor continues

MORE than 3 000 workers continued their wildcat strike yesterday at motor manufacturer Samcor's Pretoria plant.

The strikers were due to return to work today but ignored National Union of Metal Workers (Numsa) instructions to do so, and a Numsa representative was booed at the plant when he addressed workers in an attempt to ascertain their grievances

The dispute centres on the Ford Motor Company's gift of 24% of Samcor to the workforce when it disinvested from SA last year.

Numsa reached an agreement with management that the dividends from the shares should go to a community development trust administered by the workers.

But on Friday a strike was called because of rumours concerning the way in which the dividends were to be used.

A Numsa spokesman said he was awaiting the outcome of a meeting on the strike, which was still in progress late yesterday afternoon.

Samcor's public affairs manager Ruben Els confirmed that the strike was still on but refused further comment. — Sapa.

1 850 jobs to go in textile group's reorganisation

197

ARGUS 21/4/88

By DICK USHER
Labour Reporter

THE Frame Group, the largest textile manufacturer in the southern hemisphere, plans to retrench about 1 850 employees in a reorganisation programme

The cuts will affect mills in Durban, New Germany, East London and Ladysmith

Frame employs about 21 000 people

Group human resources director Mr Peter Richardson said the retrenchments were to forestall the "very real possibility of damage to the business" which could lead to forced closure in certain areas of operation

COMPENSATION

Formal notice of the retrenchment plan was given to the Amalgamated Clothing and Textile Workers Union yesterday

Mr Richardson said the programme had been discussed at great length with the union

All retrenched employees would get compensation but the effective date of the cuts was still being discussed

The action had to be taken to arrest the group's spiralling cost base, said Mr Richardson

"The Frame Group's return on capital is abysmally low compared with other industries and particularly when compared with competitors in the industry

"PAINFUL"

"This is a legacy of years of benign neglect in which the group lost its ability to perform efficiently in terms of local and international standards

"Local competitors have a far better ratio of performance to number of employees, simply because they went through the same painful exercise years ago

"We have to catch up, particularly if we are going to compete against international opposition"

The reorganisation is part of a programme started when a new management team took over the running of the group in 1986.

FSI foresees bright future for AAF

Star 2/4/88

(192) ([illegible])

FS Industries (FSI) sees a bright future for AAF Investment Corporation, a London-listed company that came into FSI as part of last year's W&A acquisition

Writing in AAF's annual report in London yesterday, FSI and AAF chairman Jeff Liebesman said "AAF has entered a new era of international growth and development

"FSI is committed to organic and acquisitive growth on an international scale and expects AAF will have a key role in attaining our objectives"

Last September, control of AAF passed to FSI, which in six years has grown from a Johannesburg scaffolding company into a manufacturing and distribution group operating on five continents

Via a series of transactions on the JSE and a subsequent offer to minorities, FSI acquired 97 percent of Waicor, the holding company of W&A Investment Corporation, which controls 61 percent of AAF

Mr Liebesman said "The first two developments were implemented under the leadership of Manfred Simchowitz, who has now handed the chairmanship of AAF to me"

Turning to AAF's 1987 results, Mr Liebesman said "The pace of economic development in South Africa saw AAF's profits before tax rise by 32,7 percent to £12,6 million. Income attributable to shareholders rose by 36,8 percent to £2,6 million."

AAF's principal investment continues to be its 50 percent stake in Hunts, which, in turn, controls 60 percent of General Tyre & Rubber (SA), 77 percent of EW Tarry Plc and 87 percent of Aurochs Investment (SA)

All four are listed on the Johannesburg Stock Exchange EW Tarry is also listed on the London Stock Exchange — Sapa

DD 22/4/88

Samcor strike costs company millions

192

JOHANNESBURG — The ongoing Samcor strike, now in its sixth day, has cost the company millions of rands

The strike, which began last Friday, involves more than 3 000 workers and has brought production of Ford, Mazda and Mitsubishi products to a standstill

Although company spokesmen would only confirm yesterday that the strike was still on, it is understood that it could be some time before the situation is resolved

No one was available at the National Union of Metals Workers (Numsa) for comment

Part of the problem is that workers appear to be ignoring efforts by Numsa to bring the strike to an end

According to reports, workers were asked to return to work on Wednesday but failed to do so. And when a Numsa spokesman attempted to address a meeting he was booed down

The dispute has arisen over how dividends on shares held in a trust fund for workers is to be paid

The 24 per cent holding in Samcor was given to them when Ford sold its interest in South Africa. — Sapa

Sowetan 26/4/88

K6.3

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STRIKE OVER

192

THE strike at a Pretoria-based motor manufacturer is over. A Samcor spokesman said that all 3 000 striking workers returned to work yesterday morning.

He declined, however, to give any details of the settlement reached with the National Union of Metalworkers of South Africa. The union was not available for comment.

The strike began on Friday, April 15 over what was to happen with dividends paid on the 24 percent of Samcor owned by the workforce. The production line at the plant came to a complete halt for a week. The strike is said to have cost the company millions of rands. — Sapa.

TOYOTA 192

Concentrating on efficiencies

Activities: *Assembles and distributes Toyota and Hino vehicles*
Control. *Wesco holds control*
Chairman: *A J J Wessels, managing director C S Adcock*
Capital structure *4,1m ords of 16,67c Market capitalisation R300m*
Share market: *Price R73 Yields 4,1% on dividend, 28,2% on earnings, PE ratio, 3,6, cover, 6,85 12-month high, R140, low, R54 Trading volume last quarter, 48 000 shares*
Financial *Year to December 31*

	'84	'85	'86	'87
Debt				
Short-term (Rm)	160,7	136,7	58,1	58,5
Long-term (Rm)	46,9	136,6	135,0	75,7
Debt equity ratio	0,70	0,99	0,58	0,19
Shareholders' interest	0,48	0,41	0,50	0,68
Int & leasing cover	1,9	0,58	1,44	2,9

Performance

	'84	'85	'86	'87
Return on cap (%)	15,8	9,1	10,8	18,6
Turnover (Rm)	1 094	1 064	1 387	1 915
Pre-int profit (Rm)	98,3	60 9	66,9	126,1
Pre-int margin (%)	9,0	5,7	4,8	6,6
Taxed profit (Rm)	25,8	(56,2)	19,3	83,0
Earnings (c)	735	(1 338)	490	2 056
Dividends (c)	160	25	100	300
Net worth (c)	7 318	6 832	7 699	10 355

Toyota's Wessels ... needs a stable currency

Toyota's swing over two years from a R56,2m loss in 1985 to last year's R83m taxed profit must be one of the sharpest recoveries ever achieved by any South African company

Profits have been lifted to record levels, the balance sheet is again lean with productivity improvements evident, and, although market share slipped in certain sectors, the group retains overall lead position in the vehicle market Return on capital is the highest in years and pre-interest margins improved by more than a third in 1987

As chairman Albert Wessels says, the result is a suitable monument to MD Colin Adcock, who retires on June 30 (*see People.*) The question investors will be asking now is whether the new management will adequately fill the gap left by Adcock, who has run the group for 16 years

Even allowing for the general downrating of industrial shares and the high dividend cover of 6,85 times, which results in a dividend yield of only 4,1%, the 3,6 times p e suggests some caution in the market There may be two reasons for this first, after Adcock's long tenure, investors may be waiting to see how his successors prove themselves Second, at present the JSE is tending to penalise any sector considered risky, and the motor manufacturing industry can be notoriously cyclical

Wessels has announced a restructuring of the board and the appointment as CE of his son, Bert Wessels, who will be supported by two MDs, Ralph Broadley (manufacturing) and Brand Pretorius (marketing) Apart from the profit record, Adcock's legacy is that he has passed the new management a very clean ball They may find that they need it For any motor manufacturer these days the exchange rate of the rand is crucial Renewed weakness of the rand against the yen would mean more pressures on costs and on vehicle prices

Wessels says that the deterioration of the yen/rand rate was about 14% and remained a significant element of the cost increases experienced in the year The deterioration of the US$ value in recent months has caused the yen/rand rate to weaken further Although improved, pre-interest margins remain well below the 9% of 1984, asset management — current assets increased 23,6% while turnover grew 38,1% — with improved capacity utilisation were evidently the important factors that helped lift margins

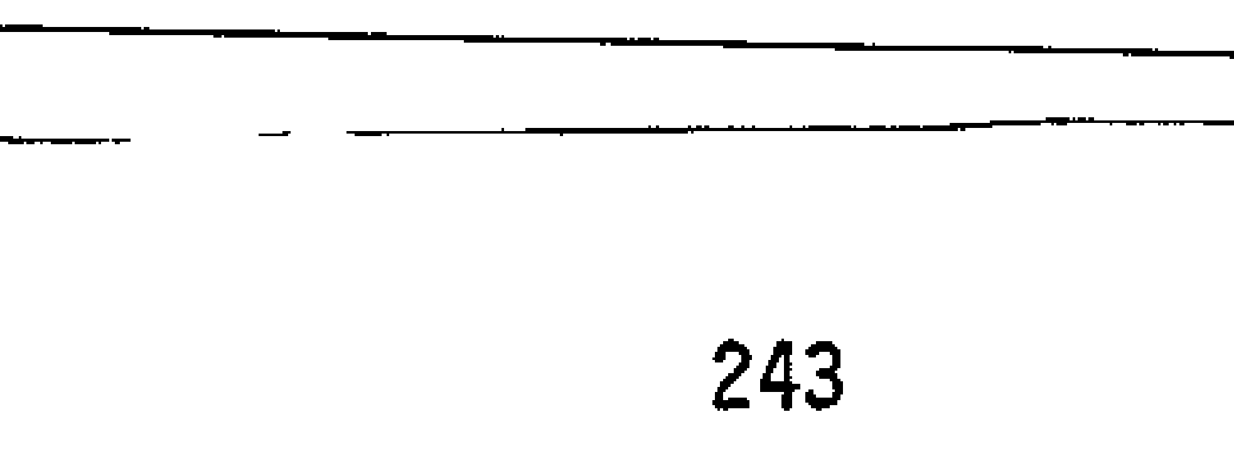
But currency-induced price increases could help to stall the current upswing of the motor industry So, too, could rises in interest rates, although constraints appearing on economic growth should ensure rates do not climb excessively The problem is that a weakly growing economy could squeeze consumers real incomes and help sales of used cars rather than new vehicles

Albert Wessels is taking a cautiously optimistic view on the year ahead He expects growth of about 10% in the 1988 vehicle market on 1987 with profit margins maintained, given stabilisation of the rand/yen exchange rate "Containing vehicle price movement to below the expected inflation rate should be [illegible]ible, even at the current exchange rate levels," he says "Every effort [illegible] ontinue to contain salary and wage [illegible] and upward movement in vehicle [illegible] [illegible] apacity utilisation is currently about [illegible] o capacity expansion expenditure is foreseen for a considerable time About R90m will be spent on model-related tooling in 1988 and about R41m in 1989. However, management is considering changes to production facilities which would be aimed at greater efficiency, flexibility, independence from supply disruptions and quality This could involve spending about R100m, which Wessels says will be incurred only "if substantial benefits are identified, giving rapid payback results"

As currency losses have been absorbed, the tax rate (21,5% last year) will revert to normal levels in 1988 This will presage a reduction in the 6,9 times dividend cover, at full tax rate the cover would have been 4,4 times Some limits could thereby be placed on dividend growth prospects, although profit growth should again be excellent this year, provided Wessels's assumptions on exchange rates and vehicles sales are realised

While shareholders should enjoy a useful dividend hike in 1988, the rather thin current yield and investor reservations about the medium-term outlook may dampen prospects for share price appreciation

Andrew McNulty



Sou ce JSE Graphics

METAIR

Changed course

Metair's profits have historically been linked to the cyclical motor industry Effects of this were seen in 1984 and 1985 — when the motor sector was hammered by steep interest rates and credit controls — and earnings collapsed to 80c compared with 183c in 1983 Earnings have since recovered but the 1987 figure 179c was still slightly lower than the 1983 level

Schus set to pay div after deal

Star 28/4/88

By Tom Hood

192

CAPE TOWN — Three Pretoria businessmen have obtained control of Schus Holdings, and are revitalising the troubled Cape Town Nissan dealer.

The company, which earned 3,2c a share for the year to end-February, is expecting earnings of 15c for the year ending February, 1989 It is also expecting to pay its first dividend since 1983.

The businessmen are Leendert Dekker, former CE of Armscor, who will be chairman of Schus, Martin Jonker, a major Nissan dealer and Michael Jordaan, a lawyer and financial consultant.

They have obtained control by purchasing 45 perent of the company's shares for 110c a share, and by buying the A and B preference shares

Holders of the preference shares had agreed to waive all claims to arrear dividends or capital repayments and to allow these shares to be converted into ordinary shares The company would also sell its Parow property.

This will increase the number of issued Schus ordinary shares from 1,8 million of 50c each to 12,3 million of no par value and reduce the stake of the existing shareholders to 15 percent But it would also raise the net asset value of the shares from a negative 55c to a positive 15c.

Mr Dekker said that Schus shares would be relisted on June 2

Operating profit for 1987-88 rose over 150 percent to R1,3 million, and the company had a net profit of R294 817 against a loss of R635 903 in 1985-86

3000 workers back at work

[illegible] Sowetan 27/4/88 (192)

MORE than 3 000 members of the National Union of Metalworkers of South Africa employed at Samcor, Pretoria, returned to work yesterday after an eight-day strike.

This was confirmed by Mr Reuben Els, public affairs manager for Samcor. He would, however, not discuss settlement details.

Workers downed tools on April 15 in protest against the Numsa/Ford agreement to channel their shares into a community development trust.

The decision was reached following the 24 percent shares which the Ford Motor Company left for the workers when it disinvested from South Africa last year.

According to a Numsa spokesman, the strike was called off after an agreement between the trade union and Ford was discussed with the workers at the weekend. He blamed the strike on "certain elements" who misled workers into believing that the shares donated by Ford were hard cash and not assets.

He added that the dispute was aggravated by rumours that Numsa intended donating money to Mamelodi mayor, Mr Zikhali Ndlazi, for Mamelodi Sundowns, a local soccer team.

The spokesman said the workers agreed to end the strike on condition that they conducted their own investigation into the agreement reached by Numsa and Ford. He said it was also explained to them that it was unfair to strike against Samcor while the agree-

Samcor workers still rebelling

192

B/day
26/4/88

ALAN FINE

WORKERS at Samcor's Pretoria plant returned to work yesterday after an eight-day strike, but their rebellion against the union-supported company share scheme is not over.

Head of the National Union of Metalworkers of SA (Numsa) motor section, Fred Sauls, said yesterday after a visit to the plant it appeared some workers wanted their share of company assets (estimated by them at R40 000 each and by Business Day at just over half that amount) liquidated and paid to them.

Others wanted the dividends from their holdings paid over to them personally rather than into a trust fund to be used for community development.

Sauls warned unless the issues were satisfactorily resolved they could threaten the future of Samcor.

In terms of the deal agreed among Anglo, Samcor, Ford and the union, 24% of Samcor equity is to be held by an employee trust

Ford's continued relationship with Samcor — which includes a licensing arrangement in terms of which Samcor continues to build Ford products — hinged on the agreement.

Another key part of the deal was a $61m cash injection to wipe out Samcor's debts and make it profitable. The money has already been paid

● To Page 2

Samcor workers' rebellion against scheme

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● From Page 1

B/day
26/4/88

Sauls said it was unclear how the silent majority felt. Numsa leadership would have to take decisions this week.

He believed workers demanding the liquidation of their share of the assets — assuming this could be done at all — did not understand this may mean the closure of the company.

He said the union had received a mandate from Samcor members at mass meetings to sign the agreement last November.

"We thought we had a good agreement However, if the members wish to withdraw or alter their mandate we will go along with them," he said

Samcor chairman Leslie Boyd declined to comment.

SIMON BARBER reports from Washington a Ford spokesman in Detroit said the ultimate fate of the two community trusts being set up would be up to Samcor employees and Numsa once the trusts had been created.

Al Chambers said the creation of the community trusts would go ahead as planned, and Ford officials — including William Broderick, the chief negotiator of the pull-out package — were in Johannesburg to finalise arrangements

The last details, including the naming of trustees, were scheduled to be worked out by the end of the month

Strikers are back but will fight on

C/M Times
26/4/89

[redacted] [redacted] 192
[redacted] [redacted]

Own Correspondent

JOHANNESBURG. — Workers at Samcor's Pretoria plant returned to work yesterday after an eight-day strike, but their rebellion against the union-supported company share scheme is not over.

The head of the National Union of Metalworkers of SA motor section, Mr Fred Sauls, said yesterday, after a visit to the plant, that it appeared some workers wanted their share of company assets (estimated by them at R40 000 each) liquidated and paid over to them.

Others wanted the dividends from their holdings paid over to them personally rather than into a trust fund to be used for community development projects.

Mr Sauls warned that unless the issues were satisfactorily resolved they could threaten the future of Samcor.

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Ford's continued relationship with Samcor — which includes a licensing arrangement in terms of which Samcor continues to build Ford products — hinged on the agreement.

Another key part of the deal was a $61-million (about R170m converted in financial rands) cash injection to wipe out Samcor debts and transform it into a profitable concern The money has already been paid over.

Mr Sauls said most workers did not participate in discussions while he was there and it was hence unclear how the silent majority felt Numsa leadership would have to take decisions on the situation this week.

He believed workers demanding the liquidation of their share of the assets — assuming this could be done at all — did not understand this may mean the closure of the company.

Mr Sauls said the rumblings originated in Port Elizabeth earlier this year, and then spread to Pretoria A group of Samcor employees in PE had threatened legal action if their demands were not met. It was unclear against whom such action would be directed.

He said the union had received a mandate from Samcor members at mass meetings to sign the agreement last November. This had been preceded by a number of meetings and seminars where details of the deal were explained.

"We thought we had a good agreement. However, if the members wish to withdraw or alter their mandate we will go along with them," he said.

Samcor chairman Mr Leslie Boyd declined to comment.

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Samcor workers in row with union

27/4/88 **SIPHO NGCOBO** B/day

WORKERS at the Samcor motor plant in Pretoria, angry at their union's role in the company's share participation scheme, said yesterday they had fired their Numsa shop stewards and would elect a new workers' committee tomorrow.

The shop stewards were "dismissed" during an eight-day strike which ended last Friday. The strike was not sanctioned by Numsa.

A spokesman for the Numsa shop stewards' committee rejected by the workers said it was still negotiating with management on share participation issue. He declined to comment on Numsa's dismissal, saying tension at the plant remained high following the strike.

Workers yesterday accused Numsa leaders of "selling them out" by signing an agreement, in terms of which 24% of Samcor equity is to be held by an employee trust. The deal was agreed to by Anglo American, Samcor and Ford when Ford disinvested from SA under political pressure last year.

"We do not want to be mini-capitalists. It is just not in keeping with our worker-policy. We are plain workers and not businessmen. The union did not get a mandate from us They just entered into an agreemnet without consulting us," said an electrician, who introduced himself as Thandekile

Workers said a meeting would take place tomorrow to elect the new shop stewards' committee

The "dismissed" shop stewards' committee said, however, the meeting was being held to report back on management's response.

The workers denied they ever agreed that their holdings should be paid into a trust for community development.

"That does mean that we are not committed to contributing to the upliftment of our people We were just not consulted. And as far as we are concerned it is

● To Page 2

Samcor workers in disagreement with union

192

● From Page 1

the duty of the government to engage in community development and not us," said one worker.

One of the workers said he was sure that he was worth about R60 000.

"Should our shares be paid to us, I am sure I will be about R60 000 richer I demand that the money be paid to me," said the man

Some of the workers claimed their money was being used to upgrade a township near Pretoria.

According to an organiser at Numsa's Pretoria office, discontent among the workers originated from the Port Elizabeth plant

"All was well until sometime in February when a petition, the brainchild of Port Elizabeth workers, was signed by Pretoria workers demanding the money. This surprised us as the workers had initially agreed that the money would be paid into the trust. It is also surprising for them to claim that they were not consulted," a Numsa organiser in Pretoria said

ALAN FINE reports William Broderick, Ford's Detroit-based chief negotiator of the disinvestment deal and presently in SA, said in Johannesburg last night the employee trust is in the process of being finalised, and the 24% of Samcor equity will be transferred to it "soon"

He said the internal union dispute was not holding up this process. But he declined to elaborate on the question of who would comprise the board of trustees should employees be unwilling to elect represenatives in terms of the agreement.

Numsa motor section chief Fred Sauls said union leadership would meet this week to discuss the problem.

B/day
27/4/88

Union warns Samcor workers

3/4/88 day

SIPHO NGCOBO

192

REBEL Samcor motor plant workers who want to elect a new workers' committee today were warned by their union, Numsa, yesterday the election would be considered null and void.

The rebels dismissed their shop stewards during a wild-cat strike last week in protest against Samcor's 24% share participation scheme.

A Numsa official in Pretoria said yesterday the union was disassociating itself from the elections, saying they would violate Numsa's constitution.

Numsa issued its warning when the workers formally announced they intended going ahead with the elections.

The rebels alleged the union has sold them out by involving them in a share scheme without a mandate from them.

The union said yesterday it was adopting a wait-and-see attitude.

"No disciplinary action will be taken against the workers even if they go ahead with the elections and continue to rebel against the union until such time that we are sure they understand the share deal perfectly well."

Isuzus to be made in SA

Star 29/4/88

Own Correspondent 1912

PORT ELIZABETH — Delta Motor Corporation has announced a R7 million programme to manufacture Isuzu vans and buses locally

The company has been importing the range from Japan fully assembled in limited numbers

"Delta is confident it can market more vehicles, particularly with the increasing demand for black taxis"

Mr George Stegman, Delta's director of personnel and public affairs, said the assembly of Isuzus in South Africa would give the company a firm foothold in an important sector of the commercial vehicle market

(192)

Bstimes 1/5/88

Retailers out of tread

By Don Robertson

TYRE manufacturers claim that the shortage is over, but retailers say they are unable to meet demand

The shortage began last December and was caused by floods which prevented tyres, made at the coast, from reaching the main selling area of Pretoria-Witwatersrand-Vereeniging.

Tony Versveld, managing director of General Tyre, says there was a pre-Easter rush for tyres and large buying by some retailers ahead of price rises.

In March and April manufacturers lifted prices by between 9% and 11% after a 15% increase in the price of synthetic rubber produced by the Newcastle Carbochem plant

He says, however, that demand is slowing down and requirements can be met

The shortage prompted some retailers to ask the Board of Trade for import permits, but the SA Tyre Manufacturers Conference (SATMC) vetoed the applications

Mike Waterson, director of SATMC, says the shortage was expected to last only three months and imports would not have reached SA before the position returned to normal

Joe Epstein, managing director of Safe-T-Tyre, says "If we had supplies we would be able to sell an additional 10 000 tyres a month"

Retailers suggest that the problem with manufacturers is related to trade unions which have refused to work overtime.

The 30% increase in new-car sales in the first quarter of the year is also draining tyre stocks.

Workers to demand stake be liquidated, paid out

192

Daily Dispatch Correspondent

PORT ELIZABETH — Workers at Samcor's engine plant in Struandale here, are to demand the full 42 per cent Ford stake in the company be liquidated and paid to employees.

They are due to meet the managing director, Mr Spencer Sterling, next week to present their demands.

The workers' representative, Mr Victor Vala, said yesterday they hoped to discuss the demand with their counterparts in Pretoria before the meeting with Mr Sterling.

"Workers in Port Elizabeth feel the 24 per cent trust fund is valueless because we would not be shareholders."

Ford and the National Union of Metal-workers of South Africa (Numsa) officials last year agreed to the formation of two community trusts, each worth R6 million, in Port Elizabeth and Pretoria.

Mr Vala said workers rejected the trusts, and instead wanted to be paid out.

Workers would agree to the 24 per cent being liquidated and paid to them, if they were also given a 100 per cent housing subsidy.

Mr Vala said he and other representatives were to be shown the deeds of trust at next week's meeting with Mr Sterling. Trustees of the 24 per cent fund would also attend the meeting.

Samcor employed about 400 ex-Ford workers in Port Elizabeth, he said.

The other 18 per cent of the 42 per cent is held by Anglo American, Amic and associates, who also hold the remaining interest in Samcor.

Cape Times 3/5/88 (192

Bonanza for rebel workers

Own Correspondent

JOHANNESBURG — Rebel Samcor workers, all Numsa members, were in high spirits yesterday as they prepared ballot papers to elect a new shop stewards' committee — so much so that some were already talking of retiring if they got their share, estimated by them at between R40 000 and R60 000 each

"With so much money, I will be in a good position to retire. I will leave the company and start a new life," said "Joseph", attached to the engineering section of Samcor

Workers claim the ousted committee "sold them out" by involving them in a share deal without a mandate

Numsa motor section chief Mr Fred Sauls said yesterday the shop stewards' committee at the plant had resigned "Union leadership would not interfere with the work of the newly-elected committee which could, in the face of realities, try and achieve a new deal," he said

Most workers interviewed were optimistic about getting their share They were optimistic the new committee they were preparing to elect would not let the money elude them by signing "ill-explained" documents that would result in their share being paid into a trust fund they knew little about.

The workers are demanding the 24% share of the Samcor equity left for them by Ford Motor Company when it disinvested last year be liquidated and paid directly to them

Star 5/5/88

Akals sold to Midas

192

Midas has bought Natal-based Akals for R15,47 million to be paid for in cash and shares.

The price comprises R13,57 million to be paid immediately, made up of R8,57 million in cash and R5 million in Midas shares. The balance of R1,9 million is to be paid against the delivery of profit warranties for the year to February 1989. — Sapa.

Akal name stays after Midas deal

192

Star 6/5/88

Own Correspondent

DURBAN — After three generations, the Durban-based Akal family has relinquished equity control of its wholesaling and retailing business

Akal has been sold to Midas subsidiary Genuine Parts for R15,47 million to be paid for in cash and shares

However, the Akal family will retain its trading name and remain under the same management. There will be no staff cutbacks

Director Patrick Akal said in an interview earlier this week that his family had decided to sell because a conflict of interests had emerged following the deal last year in which Midas bought 25 percent of the Akal equity.

Mr Akal said as part of that agreement Akal was to have helped to introduce fishing and cycling operations into Midas outlets countrywide

In practice, however, Akal had found that this conflicted with some of its own business

Although Akal is strongest in the Durban area, where it also has sole right to operate Midas outlets, its fishing tackle and cycle sales are worth about R2 million a year in the Transvaal

Some of this business would have been affected by the plan to extend these lines into Midas outlets

Overall, the Akal turnover in these items exceeds R10 million a year and it is hoped this can be stepped up to R15 million in the current financial year

Mr Akal said in a way it was sad to relinquish equity control, but that the deal made a lot of sense

The Akal family is taking an eight percent stake in Midas, whose major shareholder, with around 30 percent, is the McCarthy Group

The purchase price comprises R13,57 million to be paid immediately, made up of R8,57 million in cash and R5 million in Midas shares.

The balance of R1,9 million is to be paid against the delivery of profit warranties for the year to February 1989.

Mr Akal said the Akal staff of 230 would benefit from the deal because they would now be offered a good pension scheme

The Akal property company Parawa, with assets of around R20 million, is not involved in the deal

Mr Akal said it would now be able to deal with Midas and other tenants on an "arm's-length basis"

Midas chief executive Mr G von Loeper said the Akals wholesaling operation would continue to operate as a member of the National Automobile Parts Association (Napa) and would be treated on an arm's-length basis by Midas

The Akal group has had an annual compound earnings growth of 51 percent over the past five years

Had the deal (effective from March 1) been in effect for in the Midas last full financial year, its earnings per share would have risen from 61,2c to 73,1c.

Cit Times
6/5/88

192

Ford payout: Union quits

Own Correspondent

SOME rebel Samcor motor plant workers are threatening court action against the leadership of their union, Numsa, and Samcor management if their 24% Ford disinvestment deal is not liquidated and paid directly to them.

The workers, who said said they had raised more then R10 000 for legal action against the two parties, also said they would have to go on a one-year strike if their legal battle fails

"We have amassed over R10 000 for a legal fight. We will accept nothing except our money which we demand must be paid directly to us," said the workers

No mandate

The workers also reiterated their stand that the union signed the agreement without a proper a mandate from them which resulted in the resignation of Numsa's shop steward committee

The workers also dissociated themselves from Samcor chairman Mr Leslie Boyd's statement yesterday that the employee trust had been established last week in terms of the agreement between Anglo American, Ford, Samcor and Numsa.

Numsa regional organizers, met by reporters at the Samcor plant, yesterday said the union had decided not to involve itself any more in the 24% share participation deal.

"We are out of it We have accepted that the workers should handle negotiations themselves," the organizers said

New car prices set to soar again

Mc45

11/5/88

192

By JEREMY DOWSON
Staff Reporter

CAR prices are set to soar again next month, sparking predictions that buyers will soon be lucky if any new vehicle in South Africa costs less than R20 000 before tax.

Increases of about R1 000 for some bottom-of-the-line models are expected to be announced in June, according to motor industry sources.

They cite the declining rand and world pressure, resulting in an artificial shortage of vehicles, as the major reasons for the rises

Up R5 000

Government measures to cool the economy resulting in higher interest rates have put up the cost of borrowing money, putting hire-purchase beyond the reach of average salary-earners

Mercedes-Benz and Honda announced new price lists yesterday, with Mercedes adding about R5 000 to the cost of the 420 SEA model. The new price will be R127 230.

Spokesmen for two large companies, Volkswagen and Toyota, today agreed with gloomy predictions about there being little likelihood of this year's increases staying below inflation level.

According to Mr Ronny Kruger, VW public affairs manager, rising production costs make it virtually impossible for the company to keep costs within the inflation rate, currently running at about 13 or 14 percent.

"Given the double-figure inflation rate and declining rand, it's obviously safe to say that a car such as the CitiGolf, which now costs R1[illegible] 300, will reach the R20 000-mark in due course," he said

Instalments

Toyota public relations manager Mr Flip Wilken said of most concern to the ordinary buyer was the Government's recent announcement that it was considering ways of curbing private rental of motor vehicles

"This could be serious for the man in the street. We've found recently that about 20 percent of private sales are done on instalment schemes"

As far as manufacturing costs were concerned, Toyota was doing "everything possible" to keep them down.

However, with about half the cost of each car being attributable to imported parts, this was not easy, Mr Wilken said.

Car industry confident credit squeeze won't hurt too much

192

Star 11/5/88

By Stan Kennedy

The curbs put on the economy by the government last week will not have a major effect on the vehicle manufacturing industry in the short term, says Mr Nic Vermeulen, director, National Association of Automobile Manufacturers of SA (NAAMSA).

"Demand is so strong and there are substantial orders on hand. The restraints will have a dampening effect but there will not be a vicious downturn in the industry and employment levels are not likely to be affected. There will be only a modest decline in the sale of vehicles."

He says the private rental agreement system between dealers and individuals, which was so popular, has been stopped in its tracks. It was an attractive proposition for individuals, who did not have to pay general sales tax up front. The GST was included in the monthly rental.

"This form of sale was gaining great momentum as financial institutions had found a way around the legislation governing credit extension. Government has now closed the loophole, making it a hire purchase transaction and removing the incentive for this kind of sale," Mr Vermeulen says.

On the subject of an increase in vehicle prices reported on Monday by Toyota, Mr Vermeulen says this is nothing out of the ordinary. It is normal for manufacturers to adjust prices every quarter, particularly if the rand rate of exchange is having a deleterious effect.

Increases vary from company to company, depending on the trend set by the market leaders, he says, and it is common practice for others to follow suit.

Volkswagen is looking at the last week of this month to raise prices. No date has been fixed but the increase is expected to be about four percent, says Mr Nick Kruger, general manager, public affairs.

The government controls on rental agreements are not expected to affect the company in the medium term as about 70 percent of these kind of sales are made to fleet-owners. They could, however, makes their presence felt in the longer term as they work through the economy.

"While national sales in April were down 14,6 percent on March, I believe this is more a seasonal fluctuation. On top of that, March was extraordinarily high and we are still 24 percent up on the first four months of the year compared with the same period last year."

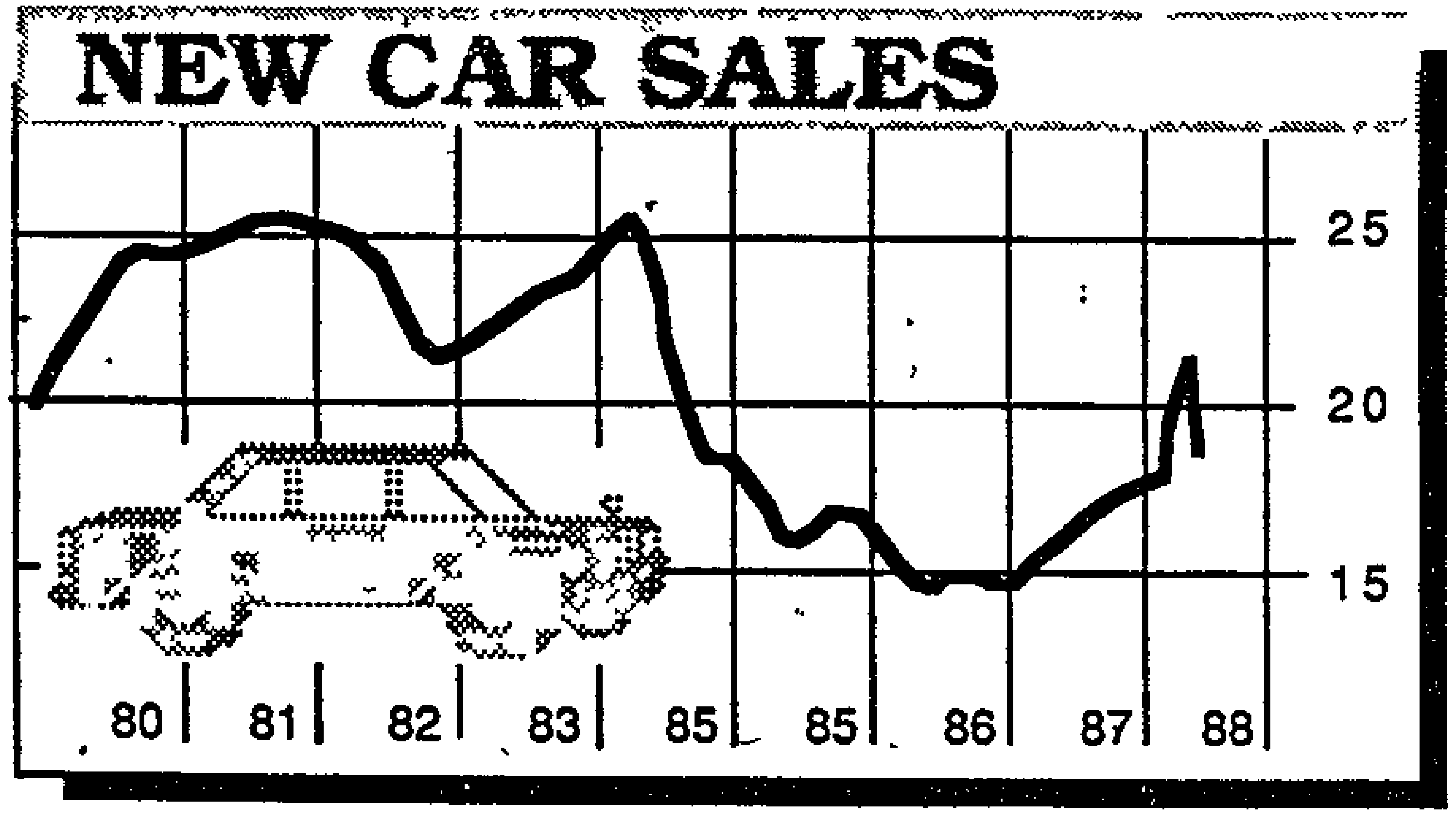
"As to a fall-off in demand, we will have to wait and evaluate the trend. Our first reaction is that the restrictions on private rentals is a warning to arrest the demand for credit rather than an attempt to stop this kind of sale," Mr Kruger says.

Mr Spencer Sterling, group managing director, Samcor, says: "It is difficult to quantify the effect of the government's restraints on credit.

"It is inevitable there will be some reduction of private buyers and a return to the ratio of what sales used to be — 70 percent fleet-owners and 30 percent private individuals. Under the rental agreement the ratio was 60 percent fleet-owners and 40 percent private buyers.

"There were massive vehicle price increases in 1984, 1985 and 1986 but last year the industry was able to constrain increases to about 12 percent.

"This year we hoped for a fairly stable rand against the yen but this is down from 72 yen to 55 yen. This is a substantial drop and we are looking for a total increase for the year of 18 to 20 percent," Mr Spence said.



The four 'lost' holidays

By Sven Lunsche

Car sales in April took a steep dive of almost 15 percent over March, but were still 15,8 percent up on the figures for April last year.

The decline of 14,6 percent was due largely to four "lost" holidays during the month, according to Naamsa.

The fewer selling days saw total sales down to 18 822 compared with 22 032 in March.

However the improved sales on the year ago figures is a clear indication that the market is still on an upward surge.

For the first four months of this year, sales at 77 192 were 23,8 percent up on the same period in 1987.

Sales of light commercial vehicles declined by 13 percent and those of heavy vehicles by five percent.

Apart from the holidays, other factors influencing the market were stock shortages, now being sharply felt by virtually all manufacturers, said Toyota vice-chairman Bert Wessels.

"Despite the slight seasonal decline, the industry as a whole is still unable to meet the demand for vehicles", added Peter Searle, MD of Volkswagen (SA).

The vehicle market, regarded as the most accurate barometer of the state of the economy, still faces further buffeting, however, and Mr Wessels said that the continued weakening of the rand against the yen, the Deutsche mark and the US dollar could also affect sales and prices.

Toyota was the top seller for the month, selling 4 343 vehicles, closely followed by Volkswagen with 4 288. Toyota also led the total industry sales league with 8 113 units.

GENERAL TYRE

192

Tyre shortage

Activities: *Manufacturers and distributors of new tyres, tubes and retreading materials*
Control: *FSI has ultimate control*
Chairman· *B Joffe*
Capital structure: *10,2m "A" ords of 10c each; 5,4m "B" ords of 10c each, 250 000 5,5% cum prefs of R2 each Market capitalisation R121,5m*
Share market: *Price 780c Yields. 6,2% on dividend, 18,2% on earnings, PE ratio, 5,5, cover, 3,0 12-month high, 1 300c, low, 650c Trading volume last quarter, 850 000 shares.*
Financial: *Year to December 31*

	'84	'85	'86	'87
Debt				
Short-term (Rm)	4,4	4,4	0,2	0,2
Long-term (Rm)	37,7	38,0	16,3	3,7
Debt equity ratio	0 41	0 39	0,13	0 01
Shareholders' interest	0,61	0,59	0,65	0,68
Int & leasing cover	3,7	2,2	4,9	8,7
Debt cover	0,44	0,41	1,5	8,5

Performance.	'84	'85	'86	'87
Return on cap (%)	14 4	10,6	16,2	18,7
Turnover (Rm)	182,9	211,3	265,9	330,7
Pre-int profit (Rm)	24,3	19,5	31,4	39,7
Pre-int margin (%)	11,0	9,1	11,8	12,0
Taxed profit (Rm)	10,9	8,2	16 9	22,1
Earnings (c) .	72,5	54	110,6	142,1
Dividends (c) ..	10	10	25	48
Net worth (c)	674	726	814	919

Like the whole W & A group, Gentyre reported higher profits for calendar 1987 and also a substantially improved balance sheet

EPS climbed by 28% to 142c, but dividends were increased by 92%, as the cover has been reduced to three times This is the level at which chairman Brian Joffe says he intends to keep it Cover reached as high as 7,3 times in 1984 and was still 4,4 times in 1986.

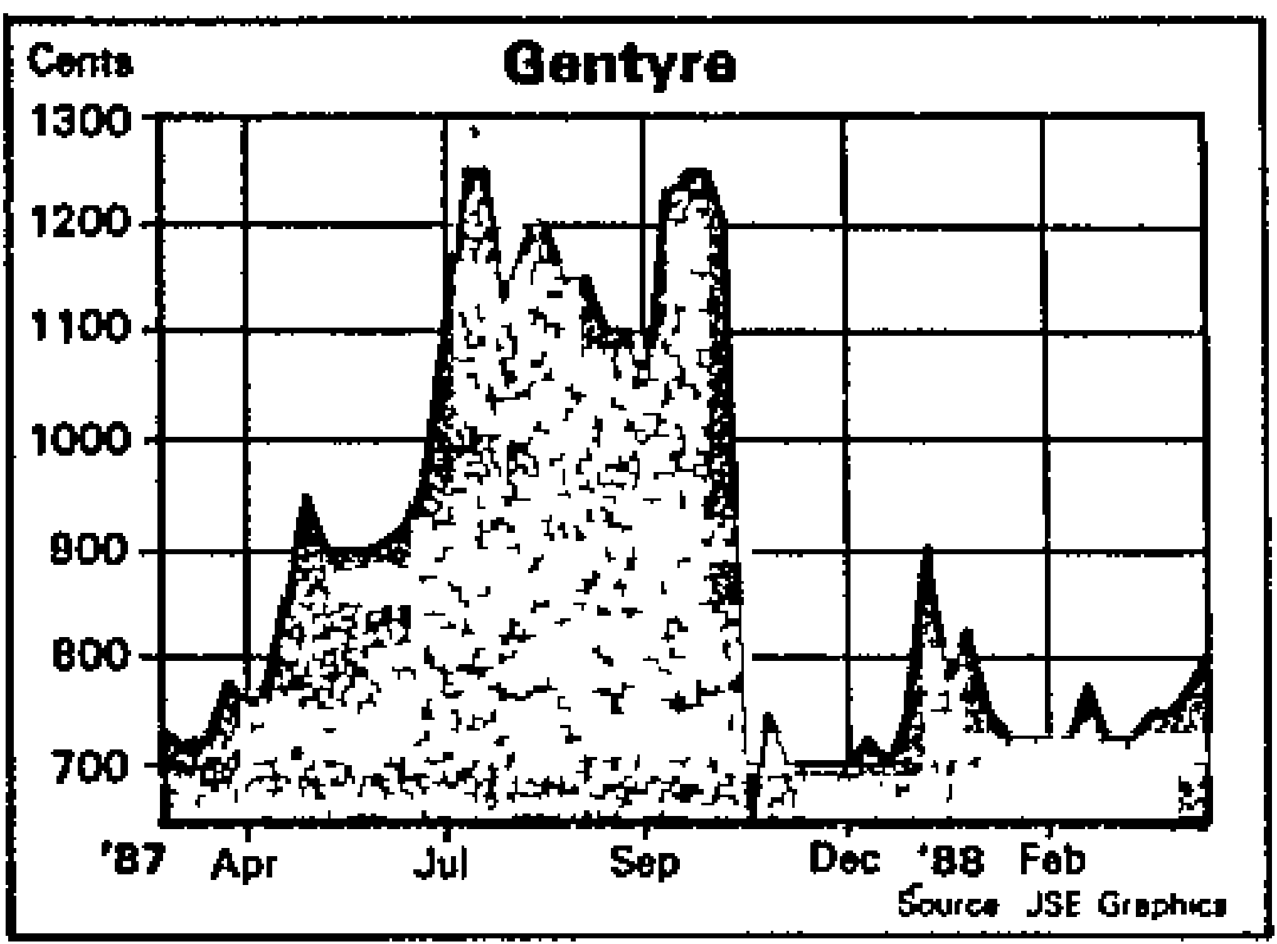
Cash flow improved sharply from R25,2m to R32,7m on a rise in taxed profit of 31% or R5,2m, helped by better stock turn and debtor collections in the industrial division The increased cash flow was used to reduce debt, which dropped from R16,5m to R3,9m and the company also had R1,9m in cash at the year-end Consequently the balance sheet ratios improved sharply, with debt cover leaping from 1,5 times to 8,5 times and debt.equity falling from 0,13 to 0,01.

It was not all plain sailing, though Despite the market improvement, in which Joffe says the tyre division shared, price pressure continued and he repeats his previous statements that operating margins are inadequate to support the capital intensive nature of the industry Only a minimal price increase was introduced last year, but, as manufacturing capacity became strained, an immediate start was made on a three year project to expand capacity

Further rationalisation took place in the industrial division and a majority shareholding in High Pressure Hose services was acquired The industrial products section has signed a know-how agreement with an acknowledged leader in conveyor belt technology and the entry into this market will thus be with a proven product

With the benefit of this agreement and the shortage of tyres in the country, Gentyre should maintain its 1987 growth this year There seems little reason why the share should be rated so much lower than the rest of the motor sector, which has an average dividend yield of 4,5% against Gentyre's 6,2%.

Pat Kenney



Source JSE Graphics

13/5/88

15/5/88 FM (92)

MOTOR INDUSTRY

Changing values

Vehicle manufacturers have serious misgivings about government plans to introduce a new local content programme based on values and foreign exchange allowances

Present programmes are based on vehicle mass The new system, under investigation by the Board of Trade and Industry (BTI), would set a value-based, forex target Manufacturers who fail to meet the target would be liable for extra excise duties, but those within the target area could earn export subsidies

Manufacturers can use export earnings to offset import spending and contribute to the overall forex usage target

Vehicle and component manufacturers have been helping the BTI collect information for its investigation However, the National Association of Automobile Manufacturers (Naamsa) says its co-operation does not signify acceptance of the programme

On the contrary, it identifies "potentially serious problem areas." For the first time, it has publicly spelled out its objections to the programme

It says any changes in the method of measuring and accounting for local content must not disturb the industry's competitive status quo It doesn't want unnecessary disruption of current excise duty and rebate levels and warns that a value-based local content formula — in which foreign exchange allocations are determined on a company-by-company basis — is likely to disturb the industry's competitive balance

While accepting that there are distortions in mass-based regulations, Naamsa is against simply replacing them with value-based distortions Current regulations favour local manufacture of high mass-low value components The proposed new formula would switch the emphasis to high value-low mass

Distortions arising from this "could change the structure of the South African local component manufacturing and new motor vehicle manufacturing industries "

A value-based formula would also make it difficult to plan ahead, by having to take account of foreign exchange fluctuations or a weakening rand, says Naamsa

"Production planning problems will increase due to variables such as fluctuating exchange rates, differing inflation rates in source countries (not necessarily reflected in exchange rate adjustments) and the impact of these two constantly changing factors on long-term local content planning "

Another potential problem is the manipulation of values of imported components Naamsa says any formula must address the question of under-invoicing or transfer pricing

The forex-value proposal, in its present form, includes exports as an integral part of the programme The danger here, says Naamsa, is that not all manufacturers have the same scope for exports Some have the advantage of long-term, high volume component orders from their principals overseas

Naamsa says the existing competitive balance between South African manufacturers could be upset unless exports are treated separately.

A further Naamsa objection to the proposed formula is the cost and administrative headaches that such a changeover would cause manufacturers

Accepting government's desire for an eventual reduction in foreign exchange spending and an increase in earnings, Naamsa contends that the same ends could be achieved by modifying current local content formula This could include adjusting the current average weighted minimum of local content and making allowance for export value needs

Naamsa summarises its objections thus· "By simply changing the basis of measuring local content from the current mass to a value or foreign exchange usage system would do nothing to improve the industry's balance of trade

"On the contrary, a changeover to a foreign exchange basis of measuring and accounting for local content in South African-produced motor vehicles may create more problems for the industry than it will ever solve." ■

Carmakers oppose local content plan

B/day 13/5/88

MICK COLLINS

192

THE motor manufacturing industry has come out in opposition to government's plans to introduce a new local content programme based on value and foreign exchange allowances.

The industry's representative body, the National Automobile Manufacturers Association of SA (Naamsa), has now publicly put its weight behind members' objections to the new scheme which would see the scrapping of the current "mass" system

In its annual report released last week, Naamsa says the change from the current mass value to a value of foreign exchange usage system would do nothing to improve the industry's balance of trade.

"On the contrary, a change over to a foreign exchange basis of measuring and accounting for local content in South African produced motor vehicles may create more problems for the industry than it will solve."

Government's Board of Trade and Industry (BTI) is currently investigating the introduction of the "forex formula" which would put local content on a value-based footing.

Under the scheme, manufacturers who failed to meet the targets set under the BTI rules would be penalised and required to pay extra excise duty while those who fell within target would earn export subsidies

Producers could then use export earnings to offset import spending and contribute to the forex target.

Although Naamsa has assisted the BTI to collect statistics for its investigation, it says this does not signify acceptance of the programme.

In its report, Naamsa identifies potentially serious problems and says any changes must not disturb the industry's competitive balance.

"A further problem area is the likelihood of mass-based distortions being replaced by value-based distortions and the consequent disruption of established (local) component suppliers due to expected major changes in the economics of local manufacture."

It envisages more problems from the expected inflationary effect of an excise duty on imports resulting from a further deterioration in the value of the rand or forex fluctuations

15/5/88 S Times (192)

Volkswagen closes the gap on Toyota

By Don Robertson

TOYOTA and Volkswagen headed the list of new-car sales in April. The market was hit by continued stock shortages and a shorter trading time.

The four holidays are blamed for the fall in April sales of 14,5% compared with March — 22 032 to 18 822 However, sales are well up on last year at 77 192 against 62 349 — a 23,8% increase

Most manufacturers suffered a sales decline of about 20%, but Toyota lost only 11,2% and Volkswagen 9,4%. Toyota maintained its top position over Volkswagen, but by only 55 units

Toyota increased its market share to 23,1% with sales of 4 343 from 22,2% in March, while Volkswagen lifted its share to 22,8% with sales of 4 288 from 21,7%.

Back at work

Top car-seller cars was Volkswagen's Golf-Jetta range with 3 954 units, followed by the Toyota Corolla on 2 913. The Corolla is being phased out ahead of a model launch later this year

The only manufacturer to increase sales was Mercedes-Benz It lifted sales to 2 227 in April from 2 115 in March, giving it an 11,8% share of the market compared with 9,6%

Its plant is back in full production after a 10-week strike, and backlogs are being made up

Third-best seller was Samcor — 3 081 units— with its Ford and Mazda ranges But its sales were 10,4% below those of March. Ford took 9,7% of the market and Mazda 6,6%

Delta's Kadett-Monza range was third best with sales of 1 626 for 8,6% of the market Nissan, with 2 021 units, had 10,7% of sales. BMW sold 1 231 units for a 6,5% market share

In the light commercial (LCV) sector, Toyota was the only manufacturer to increase sales. They rose to 3 390 from 3 308 in March to give it 39,1% market share.

Next came Samcor with 1 694 and Nissan 1 693.

Total sales for April were 8 672 compared with 9 977 in March and a year to date figure of 36 323 against 28 254.

Medium commercial sales for April were 430 compared with 462 Sales for the first four months were 1 724 against 1 495. Heavy commercial sales were 768 compared with 811 for a running total of 2 826 against 2 447.

Nico Vermuelen, director of the National Association of Automobile Manufacturers of SA (Naamsa), says there is strong replacement demand and there are large orders. Vehicle sales should remain buoyant in the short term

However, moves by the Government to reduce consumer credit could lower demand

The industry has asked the Government to clarify the local content programme. The Government has hinted that a "forex formula" might be considered to replace the weight formula for local content.

Potential

Chris Murray, managing director of Pilkington Shatterprufe Glass says that "an industry as important as this deserves better. How can the vehicle manufacturers and component suppliers, who have been through an incredibly difficult time, be expected to plan without any firm long-term local content programme?"

K/5/88 (192) S Times

Motor-makers' adspend soars

ADVERTISING expenditure by the motor industry soared to R62,5-million last year from R51-million in 1986 in line with the rise in new-vehicle sales.

The figure excludes GST which added another R7,5-million and expenditure on various sponsorships, such as motor racing and cricket, which runs into millions. It also excludes used-car advertising, which could bring the total to more than R100-million.

Figures compiled by MRA Adindex show that all manufacturers lifted their advertising last year.

By Don Robertson

Topping the list was best-seller Toyota, which spent R19-million last year on advertising compared with R14,2-million in the previous year With total sales of 88 341, adspend on each vehicle was R216

Biggest spender in unit terms was Mercedes-Benz which, with an advertising budget of R6-million compared with R4,9-million, and total sales of 21 609 cars and trucks, effectively spent R280 on each vehicle sold

Samcor, with its wider range of Ford, Mazda and Mitsubishi vehicles, spent R14,4-million in 1987 compared with R14,6-million — R228 on each vehicle sold

The most effective advertsing budget was that of Delta Motor Corporation which spent only R37 a vehicle. Its total advertsing bill was R1-million Sales wer 29 349 units.

Nissan, with a higher adspend of R9,7-million against R6,7-million and sales of 40 951, spent R238 on each vehicle sold.

Volkswagen lifted its adspend to R9,4-million last year from R7,9-million in 1986, on R198 on each vehicle on total sales of 47 237 units.

BMW had an adspend of R2,7-million against R2,4-million on sales of 16 113 — equivalent to R169 on each vehicle tration of 33 percent

Motor trade profit figure shows rise

192

The net profit of the motor trade in 1987 showed an improvement of 126 percent over that of the previous year, says Central Statistical Services Star 18/5/88

It said in Pretoria yesterday income tax paid in 1987 increased by 88,2 percent, compared with 1986

The total capital expenditure on new assets was slightly less (-13,5 percent) in 1987 than in 1986 due to a decrease in the amount spent on new non-residential buildings, while that spent on equipment and vehicles in 1987 was respectively 23,5 percent and 6,9 percent higher, compared with 1986.

The National Association of Automobile Manufacturers of SA (Naamsa) said the motor trade figures should be seen in perspective because 1986 had been the weakest the industry had known for a number of years

Executive director Nico Vermuelen said the increase had been from an extremely low base and that although 1987 was a definite improvment for the industry as a whole, it still was only at those levels seen in 1981 in money terms And in volume terms, it was probably lower, he said

He expected some improvement in the current year, although not as great as 1987 because the base was larger and consumer expenditure was expected to decline later this year. — Sapa.

Deale & Huth puts on sprint with 79 % increase in earnings

Star 19/5/88

192

Malcolm Fothergill

DCM-listed bicycle manufacturer, wholesaler and retailer, Deale & Huth, has reported a 49 percent increase in turnover in the year to February, along with a 79 percent rise in attributable earnings, 41 percent above forecast

It has declared a maiden dividend of 2c a share

Attributable income was R450 000. Up 79 percent were earnings per share to 4,9c Interest and finance charges paid remained static at R23 000 Group audited results show operating income up 67 percent to R803 000

Chairman Basil Cohen says immediate prospects are promising, thanks to an ever-growing market Growth in 1989 he expects to be more than satisfactory

"However, this doesn't mean there are easy pickings in the bicycle business," he warns

"The retail sector has become highly competitive and there's competition from the supermarket and furniture chains, which account for large numbers of bicycles sold

"Although we operate in the more specialised sector of the market, which doesn't conflict with the mass market served by the chains, our sector is not as big as it might appear to outsiders"

Among changes introduced over the year was a restructuring into decentralised operating divisions, including a new retail outlet in Sandton

Various agencies acquired included Shimano, the world's largest maker of components, for whom Deale & Huth is now the sole distributor in South Africa

Another development likely to influence the bottom line is the installation of a sophisticated computer system, begun in the second half of last year, and which should be fully operational in 1989

Business Report

VW to launch luxury Audi Turbo in SA

Cape Times 20/5/88

192

Own Correspondent

JOHANNESBURG — After months of speculation, Volkswagen SA yesterday announced it is to launch the luxury Audi Turbo on the local market within the next two months

Industry sources said the Turbo would have a similar body styling to the Audi 500 SE but would be even more luxurious

The price of the new vehicle is expected to be about R60 000 compared with the Audi 500's R45 000

VW MD Peter Searle confirmed that plans were underway to introduce the luxury model The vehicle is considered VW's flagship model in Europe

Searle said "More and more South Africans motorists are realizing that the Audi range is a worthy competitor in the luxury car market. Long waiting lists at our dealer showrooms bear testimony to this new awakening

"That is why we decided to extend the Audi range in SA with the inclusion of the Turbo."

Audi's share of the luxury car market for the first quarter of 1988 was 13% — 2% up on the same period last year Sales went from 486 for the first quarter of 1987, to 795 for the same period this year — a jump of 61% compared with a total luxury market increase of 40%

The Audi 500 range held third place in the large luxury car sector for the first quarter, behind the Mercedes Benz W123 series and the BMW 3-series

FM. 20/5/88 (192)

MOTOR DEALERS

Going straight

Forget "Italian War Heroes" and "Cultural Gems of Australia " By popular acclaim, a leading challenger for the title of the world's slimmest volume must be "The Car Dealer's Book of Ethics "

But now dealers are trying to cast off their reputation for dishonesty (**see cover leader**). A training programme launched this week aims to persuade dealers of the advantages of keeping their customers happy

The popular image of a motor dealer is that of a shady character operating on the fringes of the law Dealers don't deny such people exist, but insist they're a tiny percentage who muddy the water for the rest of the trade

Nevertheless, customer relations is an integral part of the training programme devised by motor industry consultancy Sewells

MD Bob Young says the main aim of the Principal Circle programme is to make dealers more professional and ultimately more profitable To do both, means keeping customers happy

"We will be putting a lot of emphasis into customer care," he says "I don't believe the dishonest image of most dealers is justified, but they can all benefit from learning more about how to look after their customers "

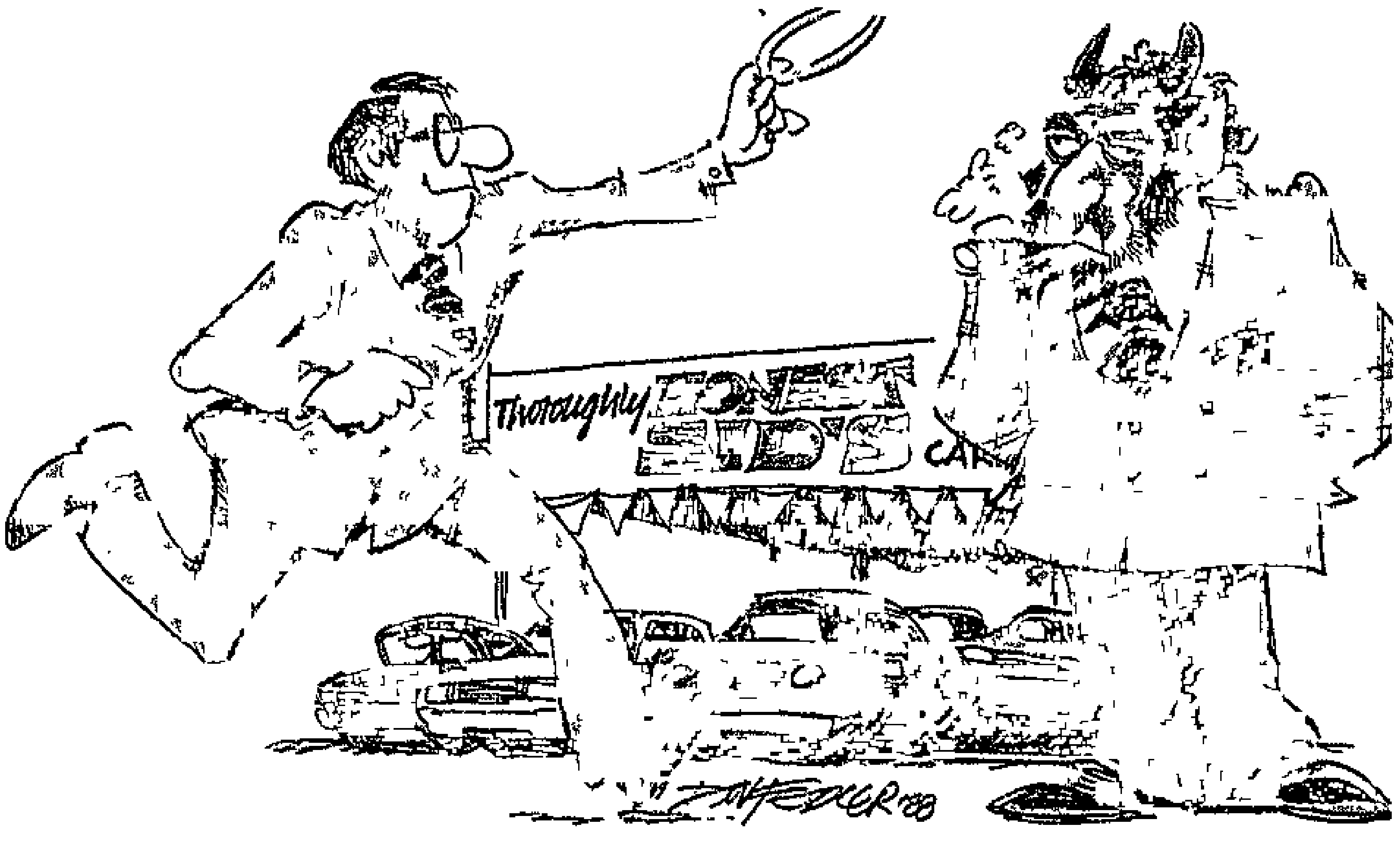
The first stage of the programme is to involve the 1 800 dealer principals doing business with Sewell's parent, Wesbank. Included in these dealerships are about 500 used car operations Later, other dealerships will join the programme.

"The majority of dealers are very keen to change and adapt," says Young He says the course will try to create "a better, more proficient businessman "

He describes the programme as "arms-length consulting " Magazines, seminars, informal meetings, clinics and marketing conventions will be used to pass on business ideas and ways of increasing profits "We want to tell dealers they can't afford to be an island, to be cut off from what makes them more professional," says Young

He insists South African car dealers are no worse than their counterparts overseas "We are on a par We are not setting out with this programme to make poor dealers average, but to make capable dealers better "

Whether the poor/shady dealers will find it to their advantage to be involved in such a scheme remains to be seen Somehow, we doubt it ■



Average car will cost R75 000 by 1998 — if . .

DURBAN — Within 10 years the average family car will cost R75 000 and the number of vehicles on the road will be halved if political and trade conditions become much worse.

According to the managing director of Wesco Investments and a director of Toyota South Africa, Mrs Elizabeth Bradley, this scenario is unlikely, but the motor industry cannot expect conditions "normalising" to predictable market forces dictating manufacturing and sales trends.

She said the industry would probably waver between the two extremes, "neither flourishing nor grinding to a halt" DD 20/5/88 (192)

Mrs Bradley said that South Africa could build a vehicle from local parts only but said they would be petrol-guzzlers, as sophisticated fuel-saving technology could not be imported.

Although functional, they would be unattractive and increasingly dated in appearance, since the low demand would not allow model changes.

"They will also be very expensive, probably at least two or three times the current price of a comparable vehicle".

Mrs Bradley said the number of licensed vehicles would shrink to about 2,2 million within 10 years and no more than three of the existing 10 manufacturers would survive.

"Perhaps if we all, South Africans and our trading partners, understood and could visualise clearly how far-reaching the economic consequences of present political and social decisions will be, we would be better equipped and motivated to take some very tough and brave decisions," she said. — Sapa

Schus Nissan tips improved business

Cape Times 21/5/88

192

Financial Editor

CAPE Town company Schus Nissan will not need a rights issue to carry on business and the balance sheet will be healthier by the end of the current financial year, new chairman Leendert Dekker said at the annual general meeting last night

He said he hoped earnings would be higher than the 15c a share forecast for the year to February, 1989

Dekker was replying to questions by the chairman of the Shareholders Association of SA, Issy Goldberg

The annual general meeting was followed by another, at which shareholders approved the restructuring of the company, now controlled by a group of Pretoria businessmen headed by Dekker

They also agreed to the sale and lease-back of the company's main asset, its premises at Parow, with the option to repurchase

At the close of this meeting, Dekker announced that the company would be re-listed on the Johannesburg Stock Exchange on June 2 It was suspended in February while the sale of shares was finalized and the restructuring approved

One shareholder, Douglas de Jager, complained at the special meeting that he had not been given an opportunity to buy A and B cumulative preference shares, which have been bought by the consortium and converted into ordinary shares of no par value

De Jager, saying that this would dilute earnings by increasing the number of ordinary shares, said all shareholders should have been offered a chance to buy some

Dekker, disclosing that De Jager had been among several would-be buyers who had negotiated for control of the company, accused him of "sour grapes"

Goldberg told other shareholders that "if the consortium had not injected money into the shares, they would have been worth nothing"

But, Goldberg said, the balance sheet, which showed liabilities were almost equal to assets, was still not very healthy

Dekker said the directors were "busy with the restructuring of the balance sheet Next year it will be different"

Dorbyl EPS up a healthy 60 percent

192

Star 24/5/88

By Magnus Heystek

An upturn in the light engineering industry is reflected in the bottom-line profits of Dorbyl Limited with earnings per share in the six months to end-March 1988 soaring by 60 percent from 48,1c to 76,9c a share

But, says Dorbyl, subsidiaries in the heavy manufacturing industry are still troubled by insufficient demand which was a drain on profits

According to the interim report published today turnover in the six months to end-March rose from R784,3 million to R921,8 million while the operating income increased by 36 percent to R47,2 million With no significant increase in borrowings net interest remained virtually static at R10,8 million, (1987 R10,3 million). The tax bill soared from R6,2 million to R9,4 million which left income after taxation up from R17,9 million to R26,9 million, which indicate an improvement in margins

Earnings attributable to shareholders rose from R15,3 million to R24,5 million which amounted to an EPS of 76,9c a share (48,1c)

The interim dividend has been increased from 16c to 19c a share while the dividend cover has been increased from 3 to four, reflecting a cautious approach by management.

Comments Dorbyl on the results The improvements have been achieved largely o the subsidiaries operating in the ligth engineering and trading sectors, where economic improvements have had a favourable impact The heavy manufacturing subsidiaries continue to be affected by poor demand Earnings for the full year, however, are expected to show an improvement on last year”

192

Relisting expected after Schus takeover

Star 23/5/88

By Tom Hood

CAPE TOWN — The takeover of Schus, the 75-year-old Cape motor dealers, by a consortium of three Pretoria businessmen, has been approved by shareholders at a special meeting

One dissenting voice was that of Mr Douglas de Jager, chief executive of Lenco Holdings, which owns several industrial companies — he was one of 16 unsuccessful bidders for Schus

He said he had no objection to a proposed restructuring of the company's share capital but he objected to the way it was done

The new owners gained control by paying R935 000 to buy shares owned by Mr Richard Benson, a Cape businessman who was compelled by a court order to sell to settle a claim by the Receiver of Revenue

The company hopes to pay its first dividend in five years and achieve a five-fold increase in profits, said the new chairman, Mr Leendert Dekker, a former chief executive of Armscor

A shareholder who asked if a shortage of vehicles would cut profits was told " It's better to have no stock than no customers "

Schus's Parow building is to be sold at an R800 000 profit and leased back, it was reported

The company's shares, suspended on February 3, are expected to be relisted on June 8 according to Mr Dekker

192

Motor-trade retailers' revenues reflect upsurge

GERALD REILLY

PRETORIA — Total trading revenue of retailers in motor vehicles and accessories in February reflected the strong upsurge in the industry say economists.

Central Statistical Services says revenue increased by 28,1%, to R5,66m in the three months to end-February, compared with December to March the year before.

February revenue alone increased by 29,9% compared with February last year.

CSS says the increases are due to exceptionally large increases in the income from sales of new motor cars and commercial vehicles.

Income from new car sales for January and February increased by 42,2% compared with the two months in 1987.

Sales of new commercial vehicles increased by a huge 78,8%. Increased income from the sale of used vehicles showed a similar trend.

CSS also said yesterday the expected value of wholesale trade sales, excluding diamonds, for April showed a seasonally adjusted increase of 2,8%, compared with March.

The increase compared with April last year was 19,2%. At constant 1980 prices, the increase was 6,3%.

In the three months to April, wholesale trade sales at current prices increased by 19,4% to R19,158m compared with the same period last year.

CSS says total retail sales for the three months to end-May are expected to increase by 21,9% to R11,485m, compared with March to May last year.

Simchowitz scuttles Joffe's Aurochs plans

Star 25/5/84

(192)

By Magnus Heystek,
Finance Editor

Mr Manny Simchowitz, former controlling shareholder of Waicor until he sold out to the FS Group last year, is believed to be responsible for scuttling Mr Brian Joffe's bid to build up Aurochs into a major trading organisation

Earlier this week it was announced that the proposed deal involving property-owning company Aurochs had been cancelled. due to what some analysts described as a "dog-in-the-manger-attitude" on the part of the minority shareholders in AAF Investment Company, a London-based company with an indirect stake in Aurochs.

It has now come to light that Mr Simchowitz controls 11 percent of AAF Finance and previously was a chairman of this Waicor-controlled company.

Brian Joffe — "I see no sense in it"

London sources indicated that Mr Simchowitz has thrown a spoke in the wheel of Mr Joffe's plans

"I have no idea why he (Mr Simchowitz) would have wanted to block the deal, " Mr Joffe said last night, confirming market suspicions that Mr Simchowitz was behind the blockage "I have not communicated with him recently and do not see any sense in it"

At the weekend it was announced that minority shareholders in AAF, basing their actions on takeover regulations pertaining to the London stock exchange, indicated that they intended blocking the deal

According to LSE rules the consent of minority shareholders in AAF Finance (a subsidiary of Waicor) was a prerequisite for the deal to go through

Mr Joffe was chief executive of W&A for nearly seven years and was primarily responsible for the deal in which Mr Simchowitz received about R100 million for his controlling stake in Waicor, the ultimate holding company

"We had a good working relationship and I was very surprised to hear that he was going to block the proposed take-over of Aurochs," Mr Joffe added

"I have no idea why the deal is being blocked as it makes no sense I was paying a premium of R400 000 on the book-value of Aurochs, which was considered sufficient by the other shareholders

"Since then I've had numerous offers from other companies, some of them on the Development Capital Market, to involve themselves in a similar deal, " Mr Joffe said last night

"I might still even consider setting up a new company and getting a front-door listing," he added

Mr Joffe was adamant that he would not be returning to W&A and was committed to "doing his own thing", as he put it

"I'm looking to start up a trading organisation which is not too labour or capital intensive Hopefully, some announcements will be made in due course"

killed in a separate accident on
West road yesterday.

Cape Tms 28/5/85 192

Restraint order granted

GRAHAMSTOWN. — Mercedes-Benz ~~of South~~ Africa was granted an interdict in the Grahamstown Supreme Court yesterday morning restraining the National Union of Metalworkers (NUM) of South Africa from organizing or holding unauthorized meetings at the company's East London factory

(192) BDay 30/5/88

Average life cycle of cars jumps to 11 years

Motor-vehicle-parts industry looks strong

MICK COLLINS

THE motor-vehicle-parts business — now worth almost R3bn a year — was poised for strong growth in the decade ahead, industry spokesmen said.

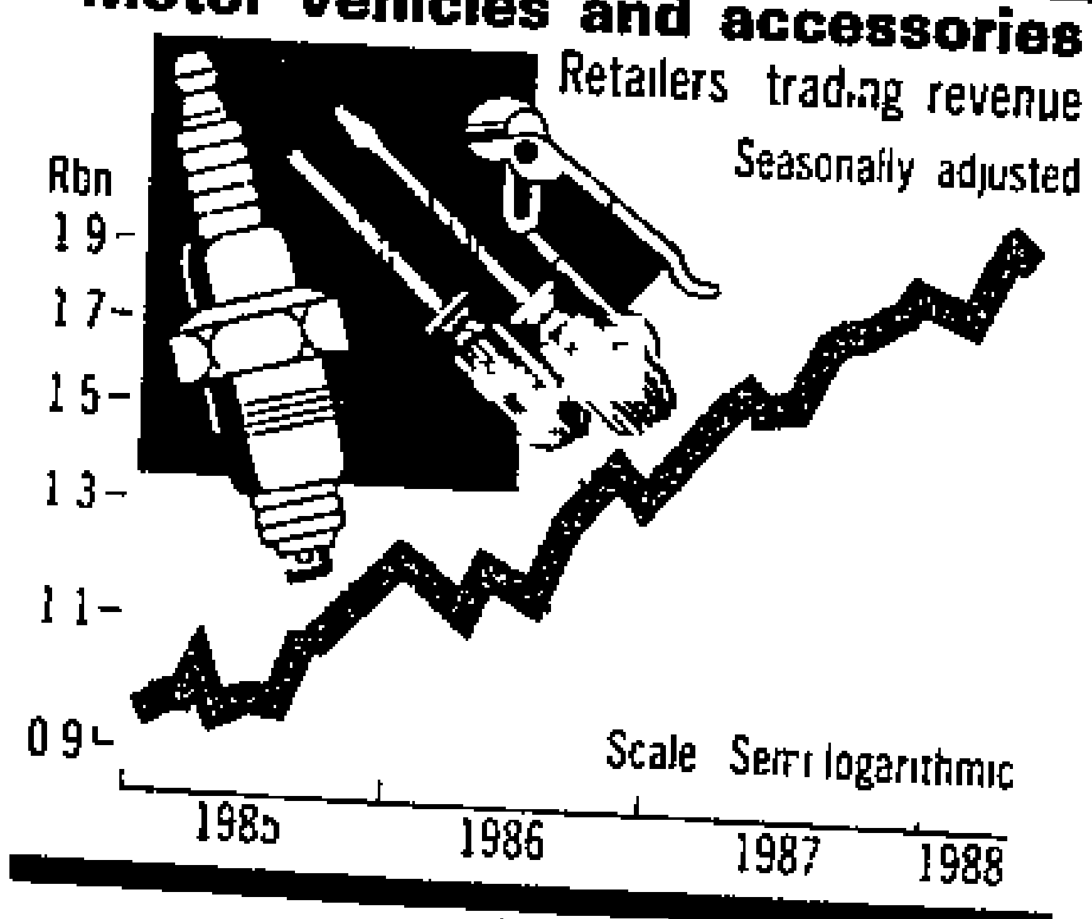
On a strong upward trend, the industry has grown by 22% a year in inflationary terms and 8% in real terms This is from a turnover base of R1,5bn in 1984 to R2,8bn in 1987.

Industry sources said escalating car prices coupled with a burgeoning black market, had seen the life cycle of the average SA car jumping to 11 years, compared with four years in Japan and six in Europe.

McCarthy group chairman Brian McCarthy said the replacement value at current prices of the 4,2-million vehicles now on the roads was about R73bn.

Commenting on the group's acquisition of a 33% stake in major-parts dealer Midas, McCarthy said it was this scenario for real growth in the industry that had prompted the move.

He said: "This is considerably higher than most developed countries and is one of the keys to the growth of the parts business in SA."


Motor vehicles and accessories

Retailers trading revenue

Seasonally adjusted

Source CSS Graphic JOHN McCANN

The Central Statistical Service (CSS) said although the expected total trading revenue of retailers in motor vehicles and accessories for April 1988 reflected a seasonally adjusted decrease of 4,9%, compared with that for March 1988, it was 21,6% higher than that for April 1987.

Trading revenue for the three months to April 1988 was 27,6% (R5,99bn) higher than that for the corresponding period in 1987, when total trading revenue was recorded at R4,7bn.

McCarthy said the market expectation was based on the extension of the vehicle-replacement cycle, a factor he believed would be prevalent in SA "for a long time.

"I am confident in the decade ahead the parts business will continue to show positive growth — at a considerably higher rate than the real growth rate of the country."

Referring to foreign trends, McCarthy said the shorter overseas periods would be extended in SA well beyond the life cycle of the average car in its source country.

"This is because in a market that is likely to move sideways, manufacturers here will not be able to afford the enormous investments necessary to re-tool for new models."

The cost of re-tooling to a motor manufacturer to produce a medium-sized car was about R100m.

"In fact, it is highly probable the SA manufacturer may well at times decide to jump a particular model and extend the life of the existing model"

This extension of model life was another factor which extended the replacement cycle of a car, because many people only changed with new model introduction.

New regulations could boost vehicle prices

Fewer models likely on local car market

Star 30/5/88

192

Jaap Boekkooi

NEW requirements forcing South African car manufacturers to increase local content are imminent and are expected to reduce the number of car models on the local market to a mere seven, according to top sources in the industry.

Models expected to be squeezed out of the South African market are all German — the Audi, the Opel Rekord and certain Mercedes Benz or BMW lines

Previous Government insistence on a 66 percent minimum local content forced car makes such as Volvo, Rambler, Fiat, Alfa Romeo, Holden, Renault and Peugeot out of the local market, leaving 10 basic models and 165 current variants

Sources in the industry say that, after an investigation of several years, the Board of Trade is likely to recommend that minimum local content of vehicles be increased from 66 to 70 or even 72 percent as a measure to save foreign currency

Move would be welcomed

Mr Denzyl Vermooten, spokesman for the the National Association of Automotive Components and Allied Manufacturers said the R3 000 million-a-year component industry would welcome the move

"Our industry has all the technology and capacity to meet the new requirements," he said.

Unlike Mr Vermooten, some car manufacturers fear that increased local content in a small market — 0,7 percent of world car sales — tends to be more costly than importing knocked-down parts and say the move is likely to increase further prices of locally manufactured vehicles

This still depends on negotiations between the National Association of Automobile Manufacturers and the government on possible changes to the definition of "local content" which is determined by weight at present but might include content being converted to a measurement of value.

Motor vehicle prices ride up again this week

Star 1/6/88

192

Most motor vehicle prices are going up this week

After VW's increases of 4,5 to 5,5 per cent on Monday last week, Toyota, Samcor (Mazda, Ford and Mitsubishi) BMW and Delta (Opel and Isuzu) have announced similar quarterly increases with effect from today.

Nissan has not decided on the size or timing of its increase, but is likely to follow suit next week Mercedes-Benz put up its prices as recently as May 9 and is unlikely to move again immediately

The latest salvo of increases, fuelled by a renewed slide in the value of the rand, brings cumulative price rises in the past six months to around 13 to 14 per cent, and makes it increasingly likely that the sales boom of recent months will prove short-lived.

Among other things, the increases mean that South Africa's lowest-priced hatchbacks — the VW CitiGolf and the Opel Kadett Cub — now cost more than R17 000, while Toyota's most expensive locally manufactured model, the Cressida 2,8i Twincam, has broken through the R50 000 barrier

● See the New Car Price Guide in tomorrow's *Star Motoring* for all the new prices

Local content system to be changed

Govt acts to shield motor firms

(192)
B/day
2/6/88

HELOISE HENNING and CHRIS CAIRNCROSS

GOVERNMENT would change the local content programme for the manufacture of passenger cars and light commercial vehicles from a mass-based system to one based on value, Economic Affairs and Technology Deputy Minister Theo Alant said yesterday.

Motor chiefs said last night the objectives of the move were to

☐ Protect the balance of payments by conserving foreign exchange as the vehicle-manufacturing industry was the single largest foreign-exchange user;

☐ Put the industry in a better position after sanctions and promote local substitution;

☐ Turn the industry into being export-driven.

Government is keen to implement the system as soon as possible. It flows from Board of Trade and Industry (BTI) recommendations.

Alant called on the individual manufacturers to make submissions on their:

☐ Contribution to the balance of payments;

☐ The rationalisation and optimisation of the infrastructure for manufacture,

☐ The possible rationalisation of components and larger inter-model interchangeability;

☐ The development of local skills and increase employment opportunities;

☐ Price restraint;

☐ An increase in the quality of workmanship;

☐ A decrease in maintenance costs for the public

Naamsa president Spencer Sterling said while the changeover was complex and could be disruptive to the industry, it was nevertheless in agreement with government.

Sterling said. "Only time will tell if it will benefit the industry as such"

Disruption to the industry will be inevitable as its accounting and administration systems have been based on the mass-based local content system for almost three decades.

However, the industry has been aware for the past nine months of government's intention to change the system Naamsa has been instrumental in providing BTI with data on imports.

Sterling said. "We must be careful not to embark on incremental expenses which will have the opposite effect on the balance of payments

"The issue is finding a specific plan to regulate the industry and how to make inroads into the world market to make a positive contribution to the balance of payments If the motor industry wants to survive as a competitor we will have to find export markets to create an economy of scale."

Sanctions have also harmed imports Sterling said a switch locally to value-

● To Page 2 ⇨

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(192) B/day 2/6/88.

22/8/6/4

Govt acts to shield motor industry

⇦ ● From Page 1

based imports would "dovetail" to protect vehicle manufacturers

Alant said the BTI had concluded the so-called Phase V scheme based on mass had not achieved its purpose of either maintaining or increasing the local content at acceptable levels

It had also concluded that the use of foreign currency by the motor manufacturing industry had increased considerably during past years, and it had now become necessary to ensure this currency position did not become unmanageable.

The BTI had consequently recommended that local content, calculated on a value basis, and the export achievements of the industry would have to be addressed urgently.

Alant said the BTI had proposed that

☐ Exports should form an integral part of any local content programme and that direct exports by component manufacturers should also be taken into account,

☐ The influence of taxation and tax deductions in connection with motor cars and its influence on the motor industry should be investigated as well as the effect of any new local content programme on the number of models and variants offered

Union against union in bitter Benz battle

3-9/6/88

W/mail

By CHRIS MABUYA, East London

A BLOODY fight between rival unions broke out during a strike at Mercedes Benz in East London — and management has been accused of orchestrating the violence.

Tools, knives, stones and home-made weapons were used in the fight last week between pickets of the National Union of Metalworkers of South Africa (Numsa) and the South African Allied Workers' Union (Saawu). It involved some 400 workers which have left nine injured.

Numsa has accused Mercedes Benz of having "orchestrated" the fight by telling Saawu members that Numsa was going to attack them.

Company representative Delene MacFarlane dismissed the claims and said Numsa members had gone around the plant forcing workers to join a strike in solidarity with dismissed workers at two other companies where Numsa has been organising.

(192)

She said workers were demanding that Mercedes management intervene in these disputes. "We can't be expected to interfere with the business of other companies," she said.

Tension has been rising at the plant for some time, and on Wednesday last week a strike began. According to Numsa regional secretary Viwe Gxarisa, the Mercedes workers wanted their management to intervene in the dispute at Kromberg & Schubert, a firm which supplies Mercedes, and to investigate the safety of a harness supplied by the company.

He said a group of picketers had been delegated to alert workers that talks had started. They approached the truck assembly plant which is a traditional stronghold of Saawu.

Members of management had been seen talking to unidentified "people with blue overalls using gestures like they were giving instructions".

When the picketers entered the plant, "the lights were off and the only door which was opened was the main entrance. There were bolts and nuts and nails thrown all over the surface of the floor," said Gxarisa. "Our members were let in and an attack was launched on them with all types of weapons — swords, pangas, batons, knives and tools.

"Our members ran, some of them badly injured. When they got out, they tried to resist, picking up stones.

"No-one knew who was fighting who. It became clear to us that the whole disastrous strife was orchestrated by the company."

The day after the clash, Mercedes Benz obtained an urgent interdict from the Grahamstown Supreme Court restraining Numsa from holding meetings on the factory premises.

In evidence, the firm's industrial relations manager described the clash as "the ugliest scene we have ever seen It was a full-scale riot."

● Saawu promised a statement but had not released it by the time of going to press. — Elnews

7043/A

R18bn spent on import of motor parts

5/8/88 STimes

(192)

THE motor industry spent more than R18-billion on imported components last year and backs the Board of Trade and Industry (BTI), which says steps should be taken to reduce the amount.

Deputy Minister of Economic Affairs and Tehnology Theo Alant said this week that the Government was investigating a change in the local content programme from one based on weight to value. Manufacturers and component suppliers are happy about the prospect.

The aim is to protect the balance of payments, promote import substitution and encourage exports.

Because of the rand's virtual collapse, the cost of component imports has risen from R412-million in 1971 to more than R18-billion.

Phasing in

Details of the new local content scheme are expected in about two months and carmakers have been asked to help the BTI investigations.

Under the current system, 66% of a vehicle by weight must be made in SA, but because of the weak rand the 34% imported content makes up about 60% of the value

By Don Robertson

It is expected that when the new system is introduced exports by manufacturers will be taken into account when determining the value of local content

The system will have to be phased in, say manufacturers, because production arrangements will have to be altered.

They say that any new system should incorporate other changes, such as the production of common parts for various vehicles — engine blocks, radiators, seats and dashboards This would offer economies of scale

The BTI has suggested a rationalisation of the model range But manufacturers say it has has already taken place. The BTI, however, believes that market forces should play a role in this case.

Denzyl Vermooten, director of the National Association of Automotive Component and Allied Manufacturers (Naacam), says it is not known whether the new system will result in a higher local content. If it does, suppliers will be able to meet increased demand provided the system is introduced over a few years.

However, vehicle sales

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Dead stop at major vehicle plants

Star 7/6/88

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By Michael Chester

The output of South Africa's motor industry came to a standstill yesterday as all seven major assembly plants closed down.

The National Association of Automobile Manufacturers (Naamsa) confirmed that production would also be at a standstill at all plants today.

Naamsa executive director Mr Nico Vermeulen estimated that between 20 000 and 25 000 production workers were affected. Only administrative and salaried staff remained at work

Mr Vermeulen said the companies had agreed to shut down output because.

- Naamsa had earlier been advised that certain key outside component manufacturers feared that supplies would be disrupted.
- A protest by only 10 percent of assembly plant employees would make normal production impossible.

There were dramatic contrasts in the impact of the protest in Johannesburg and across the Reef.

FULL WORK FORCES

The Steel and Engineering Industries Federation (Seifa) reported that while certain big factories had been hit by 100 percent not reporting for work, others had a full labour force and operations were normal

Seifsa spokesman Mr Hendrik van der Heefer said the protest by workers in the industrial divisions run by Barlow Rand was almost 100 percent, but at the Highveld Steel Corporation works at Witbank, it was ignored.

There were stark contrasts by work forces at many other big companies

The Asea electrical division of Allied Technologies reported complete absenteeism at its Rosslyn plant, but no impact whatsoever at its Alberton plant

In the Haggie Rand group, there was a 60 percent turnout at Vanderbijlpark, but 95 percent of employees in Germiston joined the protest.

In Cape Town, about 70 percent of factory labour forces reported for work In Durban, about 80 percent of workers in the non-ferrous metals sector reported.

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Motor industry shut-down

HELOISE HENNING

B/day 7/6/88

SA'S seven motor manufacturers shut down production lines yesterday for three days, ahead of the protest, adopting a "no work, no pay and no confrontation" policy

Almost 25 000 Numsa workers are involved, excluding those in the components industry.

Industry spokesmen said because of the logistics of vehicle manufacturing, assembly lines came to a standstill if component supplies were disrupted. And when absenteeism exceeded 8% to 10%, the running of an assembly line became impracticable.

Most manufacturers were prepared for the situation because Numsa had informed employers of its stand.

The assemblers and component manufacturers had to co-ordinate their stand because of their interdependence. Some aim to resume production on Wednesday, while the majority will resume assembly operations on Thursday.

Star 7/6/88

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Saficon on the fast track

By Ann Crotty

The continuing boom in motor vehicle sales ensured that Saficon maintained the sterling pace evident at the half-way stage to turn in a 72,6 percent increase in earnings to 138,5c (80,27c) a share for the year to March

This performance was comfortably ahead of chairman Sydney Borsook's revised forecast of 111c

The strong demand for motor vehicles was reflected in the 50 percent surge in turnover to R878,9 million (R586,6 million)

Saficon's motor franchises, which include Mercedes-Benz, Audi, Volkswagen, Porsche and Jaguar, managed to increase their shares of the market against a background of shortages because of booming demand

Also helping to boost group results was the excellent performance reported by 37 percent-held Boumat, which is involved in the buildings materials industry

Net operating profit rose 65 percent to R41,9 million (R25,3 million), reflecting an increase in margins from 4,3 percent to 4,8 percent

A slight increace in the tax rate, from 47 percent to 49 percent, was more than made up for by a surge in income from associated companies from R2,1 million to R5 million This helped to boost attributable earnings 81 percent to R23,2 million (R12,8 million)

The improvement at earnings-per-share level was diluted by an increase in the weighted average number of shares in issue from 15,9 million to 16,7 million, but was still an excellent 73 percent, equivalent to 138,54c (80,27c)

A final dividend of 29c a share has been declared, bringing the total payout for the year to 40c, which is 74 percent up on the previous year's 23c

At the half-way stage Mr Borsook revised upwards his earlier full-year earnings forecast of 97c to 111c and was targeting a total dividend payment of 33c The latest results make his interim optimism look conservative

Mr Borsook says "Our business grew rapidly this past year, but the financial policies and objectives pursued by the group during the past 10 years have enabled us to grow within the framework of a sound financial structure There has been growth Not only has there been very little strain on the balance sheet, but Saficon is poised for further growth in the years ahead"

The balance sheet has grown, along with profit performance Total equity is up to R105 million from R85 million, while total assets rose to R221,9 million from R155 million.

The rapid pace of growth has led to an increase in gearing, up from 8 percent in financial 1987 to a still very comfortable 20 percent, which is well within management's target of 75 percent.

Saficon holding company, Saker's, reports earnings up at R14,7 million (R8,5 million), which translates into earnings of 153,5c (88,8c) a share Total dividend payment is 43c (25c)

Sowetan 7/6/88

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NO PRODUCTION AT AUTOMOBILE PLANTS

THE output of the entire South African motor industry came to a standstill yesterday as all seven major assembly plants closed down in response to stayaway threats to production track schedules.

The National Association of Automobile Manufacturers confirmed that production would also be at a standstill at all seven plants today. Certain producers had decided not to resume assembly tracks until tomorrow or Thursday.

NAAMSA executive director, Mr Nico Vermeulen, estimated that between 20 000 and 25 000 production workers were directly affected. Only salaried staffers and administrative employees remained at work.

The closures would halt production of all passenger cars and commercial vehicles.

The Steel and Engineering Industries Federation reported that while certain big factories had been hit by 100 percent stayaways, others had a full labour force at work and operations were normal.

Seifsa spokesman, Mr Hendrik van der Heefer, said the stayaway by workers in the industrial divisions run by Barlow Rand on the Reef was almost 100 percent yet at the Highveld Steel Corporation works at Witbank the stayaway had been totally ignored.

In Cape Town, about 70 percent of factory labour forces had ignored the stayaway and in Durban about 80 percent of workers in the non-ferrous metals sector had reported for work as normal.

Naamsa sales figures likely to be kept secret in future

Star 9/6/88

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Long a key tool of economic and industrial planners, the monthly data on sales of new vehicles supplied by the National Automobile Manufacturers Association of SA (Naamsa) have been sabotaged by sanctions fears

Following the refusal of the Delta Motor Corp (formerly General Motors SA) to supply Naamsa with its sales figures for May, motor industry leaders are locked in urgent discussions with Naamsa to decide whether sales figures by manufacturer and model can ever again be released for general consumption.

The current crisis arises from a debate, which Naamsa told Sapa last night, has been simmering among its members ever since the major world motor companies which supply the SA motor industry came under severe pressure from anti-apartheid groups to curtail their supplies to this country

Because the lobby to cut supplies has repeatedly quoted vehicle sales figures in making its case against the major motor companies, vehicle manufacturers have increasingly felt that the sales figures should in future be discontinued -- or dissociated from specific manufacturers or their models

Naamsa's Nico Vermeulen said last night that a decision about whether to release figures for May sales — excluding sales by the Delta motor group — would be reached "before the end of the week."

He noted that if the Naamsa sales data could no longer be released, it was possible that government's new vehicle registration figures could become the main source of information

"But the importance of Naamsa'a data cannot be overstated The figures are of key importance to all associated with the industry as well as to macro-economic planners.

"Without the figures, it becomes impossible, for instance, for both the main vehicle manufacturers and the motor components industry to plan and budget properly."

In announcing the decision to withhold its figures, Delta chairman Keith Butler-Wheelhouse, said "It is a decision which we take with considerable reluctance, particularly as Delta's market share has been rising steadily for some time

"Despite this, however, we are firm in our conviction that non-disclosure of detailed sales statistics is a strategic action necessary to protect the South African motor business" — Sapa.

Business Report

Naamsa: Sanctions fears

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CMt Times 9/6/88

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Key data on vehicle sales 'sabotaged'

JOHANNESBURG. — A key tool of economic and industrial planners, the monthly data on sales of new vehicles supplied by the National Automobile Manufacturers Association of SA (Naamsa) have been sabotaged by sanctions fears

Following the refusal of the Delta Motor Corp (formerly General Motors SA) to supply Naamsa with its sales figures for May, motor industry leaders are locked in urgent discussions to decide whether sales figures by manufacturer and model can ever again be released for general consumption.

The current crisis arises from a debate which Naamsa said had been simmering among its members ever since the major world motor companies which supply the SA motor industry came under severe pressure from anti-apartheid groups to curtail their supplies to this country

Because the lobby to cut supplies to the SA motor industry has repeatedly quoted SA vehicle sales figures in making its case against the major motor companies, SA vehicle manufacturers have increasingly felt that the sales figures should in future be discontinued — or dissociated from specific manufacturers or their models

Naamsa's Nico Vermeulen said tonight that a decision about whether to release figures for May sales — excluding sales by the Delta motor group — would be reached "before the end of the week . ."

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"But the importance of Naamsa'a data cannot be overstated The figures are of key importance to all associated with the industry as well as to macro-economic planners

"Without the figures, it becomes impossible, for instance, for both the main vehicle manufacturers and the motor components industry to plan and budget properly . . ."

The CE of Naamsa, Spencer Sterling, says the decision to withhold the data for the month of May was due to certain vehicle manufacturers being unwilling to release company figures, or producing data that was not entirely accurate. Notable amongst these was Delta Motor Corporation

Delta said yesterday that with effect from this month, it would cease submitting a detailed breakdown of monthly retail vehicle sales statistics to Naamsa

Announcing this decision, Delta chairman Keith Butler-Wheelhouse, said: "After careful consideration, we have decided to adopt this course of action It is a decision which we take with considerable reluctance, particularly as delta's market share has been rising steadily for some time

"Despite this, however, we are firm in our conviction that non-disclosure of detailed sales statistics is a strategic action necessary to protect the South African motor business in the current environment

"As a locally owned and controlled company, we must obviously place the interests of our business, the employees and South Africa first No business could be expected to divulge information which could be harmful to its future prosperity"

Butler-Wheelhouse added: "This is not an issue between Delta and Naamsa Delta Motor Corporation has no intention of severing its Naamsa membership and will in all other respects continue its active participation in this industry organization"

Sterling said that the sales figures due for release had been delayed indefinitely, and that urgent discussions were to be held to determine whether any data at all was to be released in future — Sapa

Car parts ring up a hefty forex bill

(192)

B/day 9/6/88.

HELOISE HENNING

IMPORTED car parts are SA's single largest user of foreign exchange, with a bill of R1,8bn-R2bn a year.

Industry spokesmen say while on average about 68% of the weight of passenger cars is sourced locally, the remaining 32% translates into between 50% to 60% of the cars' value

Government has indicated it is in favour of switching to a value-based local content programme from the mass-based system, to curb the use of foreign exchange for imports

The Board of Trade and Industry (BTI) is investigating how the current formula translates into foreign-exchange usage, or content by value

The country imports several simple components such as piston rings, some head lamp bulbs, thermostats, electronic ignitions and carburettors.

The National Association of Automobile Manufacturers of SA (Naamsa) gave this incomplete list of components imported by the industry

Carburettors and parts thereof, constant velocity joints, camshafts, crankshafts, electronic ignition, engine valves, electric and air horns, fuel-injection pumps and system componentry/electronic fuel-injection components (control units, sensors, fuel injectors), instrument clusters, instrumentation (speedometer, drive cables, rev counters) and instrumentation panels, also electronic dash instrumentation including on-board microcomputers and electronic engine management systems, locking mechanisms, moulded plastic dashboard and other hard-plastic moulded items such as some hub caps, steering column and window winders, master cylinders, steering boxed, steering shaft assembly, certain transmissions/gearbox assemblies, manual and automatic, piston rings, power-steering pumps, regulators, relays and sender units, thermostats, torque convertors and planetary gears, transmission axles and gearboxes, and windscreen wiper motors

One engineer said his company imported nuts and bolts because to switch the administration of receiving inventory would be more costly than the parts were worth

The Naamsa study was done some years ago under the mass-based local content programme Reasons given for the imports were that local substitution of those parts was unattractive because of manufacturing capacity constraints, technology was not locally available, excessively high costs relative to mass, and uneconomical production runs because of low volumes

The depreciation of the rand during the past four years had, however, swung the tables and local substitution of those parts could now be viable

The list of imported parts differs from one manufacturer to another, and from model to model

Delta mum on monthly sales figures

(92) Star

HELOISE HENNING 9/6/88

DELTA Motor Corporation has decided for strategic reasons not to report its monthly sales figures for publication by Naamsa

Delta chairman Keith Butler-Wheelhouse said it was Delta's conviction that non-disclosure of detailed sales statistics was necessary to protect the SA motor business

"As a locally owned and controlled company, we must obviously place the interests of our business, the employees and SA first"

Naamsa president Spencer Sterling said Naamsa had had no indication from other manufacturers that they were planning the same course of action

Naamsa's executive committee had considered the matter of non-disclosure and referred it to the statistics sub-committee The executive would take a decision later this month

Delta's non-disclosure this week meant Naamsa was not able to publish retail sales results for May as those would have been incomplete A decision would be taken tomorrow on whether truncated statistics would be released

New car sales hit by holidays

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STV 10/6/88

By Jeremy Sinek

Reported car sales for May fell from April's 18 822 to 16 256, a decline of 13,6 percent. However, these figures exclude Delta Motor Corporation which has announced it will no longer release its sales statistics.

The National Association of Automobile Manufacturers (Naamsa) said that Delta's figures had shown an expected decline which was in line with the rest of the industry. Since combined sales of the other makers fell 5,5 percent, that indicates total industry sales in the region of 17 800 — still 20 percent better than the May 1987 figure.

Not all makers declined in May. BMW sales rose 13,9 percent and Nissan sales were 6,7 percent higher than in April. Toyota sales stayed virtually static at 4 340 cars while VW remained a strong number two on 3 981, despite a 7,2 percent decline over April.

In the light truck and bus sector, even without Delta's sales, the figure of 8 069 was only 7,0 percent down on April's 8 672. Since every manufacturer except Toyota increased its sales in May, and Delta usually sells more than 1 000 light commercials per month, it is likely that total May sales were well up on April.

They would have been boosted by Nissan's launch of a new one-tonner bakkie range.

Naamsa attributed the car sales decline — for the second successive month since March's four-year high of 22 032 — in part to the number of public holidays in May. It also cited the effect of credit restrictions introduced last month, although with long delivery delays on many models it is unlikely that the restrictions have had much effect so soon.

Excluding Delta's May figures, new car sales for the period January to May were 93 448 compared with 77 161 for the same period last year, an increase of 21 percent. On the same basis, year-to-date light commercial sales are 24,8 percent higher.

Senior industry figures hinted some months ago that sanctions pressures on overseas suppliers might force the local industry to cease reporting monthly sales figures on a maker-by-maker basis.

The lead taken by Delta — which manufactures German Opel cars and Japanese Isuzu commercial vehicles — may well be followed by the remainder of the industry. Naamsa and its members are scheduled to reach a decision at a meeting on June 15.

QUALITY TYRES 142

Firm tread

Activities: *Tyre and tyre-related business with markets concentrated in and around the PWV area*

Control: *Directors hold 70,4%*

Chairman and Managing Director: *A D Hawes*

Capital structure: *5,1m ords of 5c each and 9,8m "A" ordinary shares of 5c each Market capitalisation R7m.*

Share market: *Price 138c Yields 5,8% on dividend, 14,1% on earnings; PE ratio, 7,1, cover, 2,4 12-month high, 230c, low, 110c. Trading volume last quarter, 205 000 shares*

Financial: *Year to February 29*

	'85	'86	'87
Debt			
Short-term (Rm)	3,4	1,7	1,0
Long-term (Rm)	0,6	0,5	2,2
Debt equity ratio	1,47	0,28	0,31
Shareholders' interest	0,24	0,51	0,55
Int & leasing cover	1,92	3,49	10,76
Debt cover	0,23	0,88	1,09

Performance:

	'85	'86	'87
Return on cap (%)	19,7	24,9	26,0
Turnover (Rm)	31,6	42,3	49,5
Pre-int profit (Rm)	2,2	3,9	5,0
Pre-int margin (%)	6,9	9,2	10,0
Taxed profit (Rm)	0,7	1,6	2,9
Earnings (c)	6,4	12,3	19,5
Dividends (c)	—	1,8	8,0
Net worth (c)	31,0	53,8	70,6

With passenger cars tending to be driven for longer than in the past, Quality Tyres seems assured of a market for its products, whether its customers drive new or used vehicles The balance sheet has strengthened over the past two years and performance ratios have also improved EPS rose by 205% over the period

The group continues to supply smaller convenience stores ("tyre partners") which are wholly owned, independent and well located Management plans to expand these, boosting the firm's largely organic growth. Two wholly owned stores have also been established to fill gaps in the marketing spread and others are to be opened in future

A significant development was the investment in earthmoving tyre retreading, to meet demand from the mining industry for lower-cost tyres Owing to the technology requirements, and the high entry cost, there are said to be few participants servicing this specialist sector This could mean that volumes will be high enough to reduce the payback of capital investment.

Chairman and MD Alec Hawes says the retreading facility in Benoni, the largest single facility in the country, is bedding down, but is not working to its full potential "However, management is satisfied that the expenditure devoted to this enterprise has been well invested and that commensurate profits will flow from some bold initiatives," he says.

Market penetration should add to the growth potential generated by the expanding pool of motor vehicles The high level of increase in after-tax earnings achieved over the past two years is not expected to be maintained but growth at a more moderate level should be achieved.

At 136c, standing on a seven times p e, the share offers good value. *Louis Venter*

FINANCIAL MAIL JUNE 10 1988

Motor industry faces upheaval

SATURDAY JUNE 11 1988

Argus 11/6/88 (192)

The Deputy Minister of Economic Affairs, Mr Theo Alant, announed on Thursday that a new export incentive scheme for the motor industry based on the value of the components or vehicles exported rather than the mass was to be introduced shortly. He said this was an "interim measure" pending the conclusion of the Board of Trade and Industry's investigation into the Phase VI development scheme for the motor industry. DEREK TOMMEY reports.

SOUTH Africa's motor industry is on the verge of major upheaval, aimed at reducing its net foreign spending and generating a stronger and more prosperous economy.

The cause of the upheaval is the Government's acceptance of a recommendation by the Board of Trade and Industry that the local content incentive programme should be "value-based" instead of "weight-based" as at present.

This means that the emphasis in future will be on making cars with a reduced foreign cost content instead of with an increased South African weight content

The change follows increasing criticism that the weight-based system was not fulfilling its intended role of creating a strong high value-added motor components industry

However, the recent deterioration of the country's trade surplus has also been a major factor in the decision

The current programme specifies that cars should have a 66-percent local content by weight, yet the local content by value still averages only about 45 percent. In some instances it is as low as 40 percent. This means in effect that more than half the money spent on a car leaves the country

It has taken the Government some time to act as it has been reluctant to upset the existing set-up in the motor industry It has been forced into action by the country's grave shortage of foreign exchange.

The motor industry is a major spender of foreign currency. Imports of motor components in 1986 (a time when the car market was depressed) cost R2,7-billion The current boom in the industry and the fall in the value of the rand will make this year's figure substantially higher. In fact, imports of car components are said to be the biggest single item in the country's import bill.

Faced with the pressing need to conserve foreign currency or run the risk of a possible shortage of essential foreign imports, the Government has had no alternative but to take a hard look at the industry.

Dr L P McCrystal, chairman of the Board of Trade and Industries, said the board was investigating several value-added systems

The emphasis in the new scheme would probably be on reduced foreign exchange usage rather than on using percentages

(Turn to page 3)

BUSINESS

Upheaval for motor trade

W/Argus 11/6/88 (192)

(Continued from page 1)

If this system were chosen, he added, a manufacturer's exports would be taken into account and would be a "positive element" in the foreign exchange formula

"We have no wish to disrupt the industry unduly, but foreign exchange savings and earnings would be a primary objective," said Dr McCrystal.

An increased local content by value did not necessarily mean South African cars would become technically inferior

"An all-South African car would have to be a very simple vehicle. Many of the sophisticated components are too expensive to manufacture for South Africa's small market That is why exports must come into the equation"

Dr McCrystal expressed the hope that the new scheme would lead to greater rationalisation in the industry and to fewer models It would lead to increased investment and employment and give the economy a shot in the arm

In the longer term he envisaged that the motor industry would become a major force in the economy, as it was in the United States.

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Avis gets into top gear

AVIS, the car rental and leasing group, has lifted sales to a record R100-million in the year to March and now claims 48% of the market Revenue last year rose by 50%

"With the improvement in the economy, business and leisure demand has increased significantly," says managing director, Glen van Heerden.

12/6/88 ST

Prospects for the current year are promising, says Mr Van Heerden and the company is spending R258-million on new cars for its rental and leasing fleets.

"Accidents, an escalating theft problem, the higher cost of cars and components and rising interest rates are all hurting us," says Mr Van Heerden

WORLD

US forced to cut its small car production

DEARBORN, Michigan — Increased US production of Japanese cars and nearly steady import levels will force the "Big Three" to make fewer small cars and probably close some plants, a new analysts' study shows

By 1990, overcrowding in the market will force General Motors to close its Chevrolet Cavalier-Pontiac Sunbird plant in Lordstown, Ohio, and Ford to close its Edison, New Jersey, Escort plant, according to the prediction by the Wharton Econometrics Forecasting Associates

GM, Ford and Chrysler also will have to reduce production of other small cars Ford of the Tempo-Topaz, GM of the Chevrolet Corsica-Beretta and the Pontiac Grand Am, and Chrysler of the Omni-Horizon, the K-car and its replacement, which will be introduced in 1989, and the LeBaron, the study predicted

Replaced

The "Big Three" would replace their own small cars with cars produced by their Japanese partners overseas and in US joint-venture assembly plants. All three already sell such cars under their own nameplates The cuts in "Big Three" production would nearly equal the increase in output by Japanese-owned US plants by 1990, it said

The study, by analyst Edward Sullivan, does not show Japanese car manufacturers reducing exports to the US as their American production increases — despite the likelihood that the dollar will remain weak against the Japanese yen at least through to 1993

"We firmly believe they brought those plants in here to avoid protectionism and to increase their market share . . to expand and penetrate the market," Sullivan said

Restrictions on Japanese imports to the US in the early Eighties and the Japanese government's voluntary continuation of them since limited Japanese car manufacturers to about 2,3-million car exports to this country each year

By 1990, nearly every major Japanese carmaker will have at least one US factory Honda and Toyota will have two each. Production at Japanese-owned US and Canadian plants will double from 730 000 cars in 1987 to 1,4-million by 1990, Sullivan predicted.

But Japanese imports will fall by only 100 000 units — or a reduction of 13 imports for every 100 US-produced Japanese cars, the study predicted.

The result will be a 600 000-car overall increase in Japanese sales in the US and an increase in their share of the US market, Sullivan's figures showed

Since 1986, the value of the yen against the dollar has doubled But while the dollar is expected to fall further through 1993, the decline will be much smaller than the plunge of 1986-1988. Meanwhile, Japanese carmakers already have adapted to the stronger yen by cutting costs and improving efficiency

Because of this, Sullivan said, the Japanese face very little price disadvantage and by 1990 would be able to cut prices slightly.

While Japanese imports will decline a little, the study showed imports from South Korea and other newly-industrialised countries increasing, boosting total car imports by about 50 000 in 1989 before a slight drop in 1990

The study predicts total 1988 US car and light truck sales, imported and domestic, at about 15,2-million, only slightly lower than "Big Three" projections of 15,3-million, 1989 total sales at 14,7-million and 1990 sales at 14,1-million — Sapa-AP.

VW to launch sports coupe

LONDON — Volkswagen will launch its most expensive model — a two-door sports coupe, called the Corrado — in August

It is expected to be priced at about £17 000 (about R68 000) when it is introduced to the UK market at the British International Motor Show in October.

The British version will be powered by a 1,8l 16-valve engine, but European markets will also have the option of a more powerful model using Volkswagen's new mechanically-driven supercharger

The German company has just celebrated the production of the 10-millionth Golf, 14 years after its original launch. It has been Europe's best-selling car for the past five years

BTI recommends rationalization

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Cape Times 14/6/88

Own Correspondent

JOHANNESBURG. — Further rationalizaton in the motor industry would improve the viability of vehicle manufacturers, the Board of Trade and Industry (BTI) concludes in a report tabled in Parliament yesterday

BTI says the key to recovery in the industry lies in greater throughput but SA has a limited market and exports are limited through licensing restrictions

The only way rationalization can be achieved is through withdrawals and/or mergers, and not through government intervention

Rationalization reduces capital expenditure and makes optimal use of current plant while moving towards an economy of scale, BTI argues

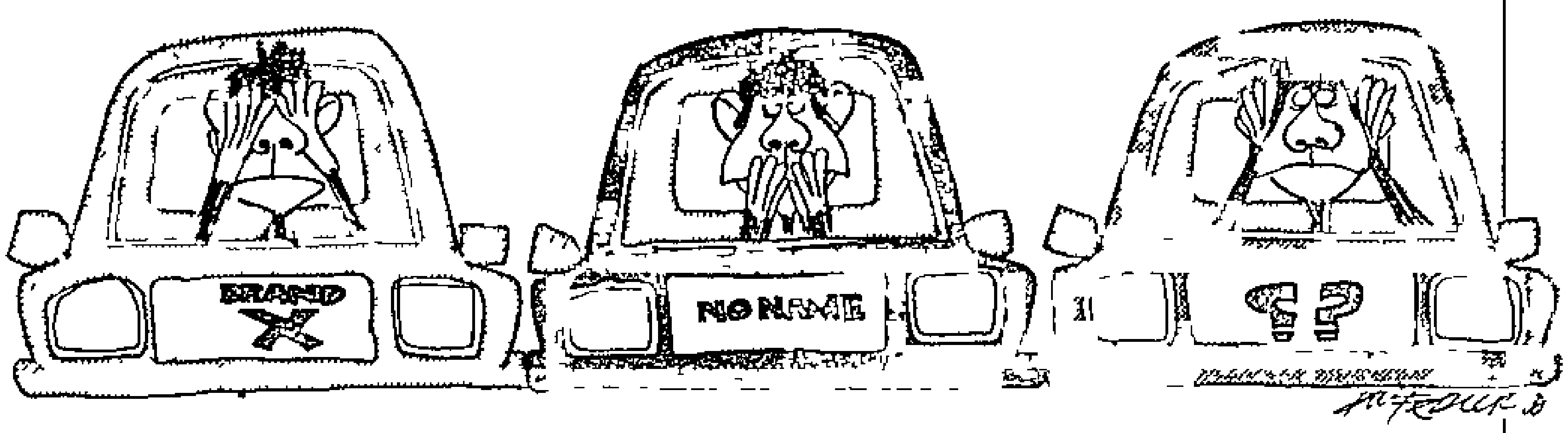
BTI proposes a changeover from the current mass-based local content programme to one based on value, which government has already adopted as policy.

The BTI has also recommended that import controls on used and reconditioned motor vehicle components should be lifted

MOTOR INDUSTRY

192

Gagging the motor-mouths



Can the motor industry keep a secret? It won't come naturally to an industry that, almost more than any other, uses hype and comparative sales as a marketing tool.

But if other manufacturers follow Delta's lead in suppressing sales information, it's something they're going to have to learn to do.

There are those who doubt they have the will

Each month, the National Association of Automobile Manufacturers (Naamsa) publishes what is probably the most detailed sales analysis of any South African industry In addition to giving overall sales of cars and commercial vehicles, it lists the performances of individual models, where they were sold, and whether they were bought by government or the private sector.

Naamsa members will decide shortly whether such statistics should continue to be available — or whether, like Delta, they should suppress them "for strategic reasons"

Says Naamsa director Nico Vermeulen. "There is general concern among a number of manufacturers about the comprehensiveness of the reporting on companies' sales performances The Delta decision forces the issue of whether we now revise the reporting format. We wouldn't be the first Other industrial sectors have stopped giving such details"

The "strategic" reasons are twofold Most important is the attempt to shield details from the prying eyes of sanctioneers This particularly applies to companies receiving supplies from Japan, where the government has asked manufacturers to restrain their trade with SA With sales rising, SA companies don't want to put more pressure on their Japanese principals Delta and SA, for instance, represent Isuzu's second-biggest market outside Japan

In the same vein, if their Japanese-sourced supplies were restricted, SA manufacturers wouldn't want to give any hint they were sourcing vehicles and components from other countries

"I think an element of sanctions-busting would be inherent in any industry decision to restrict details, because manufacturers don't want to jeopardise their alternative suppliers," says a motor industry insider

A possible second "strategic" reason behind non-disclosure of industry performance is more local Some manufacturers use Naamsa's monthly figures to make themselves appear more successful than they really are Pushing a few hundred sales back into the next month, or claiming orders as sales in order to record them a month early are common tricks to inflate an individual manufacturer's sales performance in a selected month

It's all part of a marketing game to impress the public with a manufacturer's apparent popularity and so boost future sales Although the practice isn't necessarily increasing, some companies have lost patience

"Fiddling of figures is common rather than rife," says an analyst "To someone with any knowledge, it shouldn't make a difference But it introduces short-term noise It's aimed at the consumer."

However, inflated monthly figures eventually even out figures pushing up one month's performance have to be taken off another month. Naamsa members are liable to audit by the association if their figures are too off-track Vermeulen admits certain complaints have been received but says they have all been settled without the need for an audit

There's little doubt some change to Naamsa's monthly reporting can be expected One possibility is that members will report confidentially and in full to Naamsa, which will then distribute edited details to outsiders That might be one way of persuading Delta to submit its figures, since without them, Naamsa's own data and forecasting base is weakened

However, any such agreement would leave Naamsa members free to publicise their own sales performances

"It's an unwritten rule that Naamsa companies have total freedom to do what they see fit," says Vermeulen

Toyota marketing director Brand Pretorius adds "We are certainly recommending that individual manufacturers retain the privilege of giving details of their sales performance if they so wish, as long as they don't divulge their competitors'"

Whether it stops there is another matter Volkswagen, for instance, may eventually overtake Toyota as SA's top car manufacturer Others may move up a position or two. Who'll believe them, without the figures to match? Leaked or otherwise, it's hard to see industry figures remaining totally confidential, particularly in so high-profile and competitive an industry

Whatever the final formula, there is general agreement that nothing should be allowed to jeopardise Naamsa's data base With more and more industries going "underground," economic planning can't afford the country's second biggest industry to join them, otherwise planning goes on in the dark.

Assocom economist Bill Lacey says although the motor industry's performance is only one of several economic indicators, it is an important one and its absence would diminish the overall picture

According to Econometrix forecaster Tony Twine "These Naamsa statistics are regarded as one of the finest industry statistics in the world If it loses them, then overnight, it could go from having one of the best data and information tools anywhere to having nothing much of anything

"If the information dries up, it will make the management of business — particularly in vehicle and components manufacturing — that much more difficult and we could do more damage to the local industry than sanctioneers could ever do By trying to protect ourselves, we could actually damage ourselves"

ANOTHER STEP

Details of the proposed foreign exchange-based local content programme for the SA motor industry have still to be thrashed out

The Board of Trade & Industry report, tabled in parliament this week, essentially gives background to what was already known — that government wants to move away from a mass-related formula it perceives as inefficient in terms of foreign spending

However, the report itself remains no more than a recommendation — and there is plenty of hard bargaining ahead with the motor industry, which has admitted misgivings with some proposals

Cape Times 17/6/88

Mercedes-Benz to stay in South Africa

192

Staff Reporter

MERCEDES-BENZ of South Africa (MBSA) will continue its operation in the country to maintain its commitment to the process of "peaceful and evolutionary" change, the company said yesterday.

Commenting on press reports referring to the possible withdrawal of the company, MBSA chairman Mr Sepp van Hüllen said: "Mercedes-Benz is fully committed to this process and to meet this commitment, it has to maintain its industrial operations in South Africa."

By withdrawing, the "positive contributions already made" by MBSA would "have been in vain and future contributions entirely lost", he said.

The company declined to answer questions arising from management board member Dr Manfred Gentz's statement earlier this week that the company may be forced to withdraw from SA if industrial unrest at its plants persisted, but confirmed that production at MBSA's East London manufacturing plant had been "recurringly" disrupted by industrial disputes since May 25.

Strike ends at Mercedes plant

Bus Times 18/6/88

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EAST LONDON. — An agreement between Mercedes-Benz SA (MBSA) and the National Union of Metal Workers of South Africa (Numsa) yesterday brought an end to the strike at the plant here.

A joint statement was released detailing the terms of the agreement.

MBSA has agreed to withdraw its application against the union at present before the Eastern Cape division of the Supreme Court.

The dispute concerning dismissals and suspensions, as well as the allegations made by MBSA in two Supreme Court applications, are to be referred to arbitration.

The arbitration panel is to consist of an umpire and two others, with the company and the union each nominating one arbiter.

The company and the union are to share the costs of the arbitration equally, and both will be allowed legal representation during the arbitration hearings.

Until the arbiters' award is made, MBSA has agreed to withdraw all disciplinary action against union members except in the case of two employees who have been suspended on full pay.

The parties have also agreed to "use their best endeavours to ensure that no acts of violence, intimidation or breaches of the Labour Relations Act occur".

The parties have agreed that the arbiters' award is binding, and will not affect any other issues not covered by the agreement, specifically existing grievance procedures. — Sapa

Rising market spawns many new car models

19/6/88 S Times

192

By Don Robertson

A NUMBER of motor manufacturers have taken the opportunity of a rising market to introduce new and revamped vehicles, particularly in the light commercial sector.

But at the same time, they must be concerned that earlier forecasts of cars sales of between 225 000 and 230 000 and light commercial vehicle (LCV) sales of between 106 000 and 110 000 might not be met

This is largely because of the Government's decision to increase the minimum deposit on new vehicle purchases and to ban private rental

But in spite of this, many more new cars are soon to be introduced, including the new Toyota Corolla and the new Honda Ballade

On the car side, Lindsay Saker, the largest Volkswagen and Audi dealer has introduced the imported Audi Quattro coupe — a snip at R127 000

The four-wheel-drive coupe is luxury itself and features a fully galvanised body It has an extremely spacious interior and includes as standard equipment, air-conditioning, power-steering, an anti-lock braking system, central door locking, push-button control for the rear differential locks, remote-control rear view mirrors, heating ducts to rear footwells and a heated rear window

Revamped

The 2,2*l* five-cylinder engine produces 100kW while maximum torque is 186Nm at 3 500rpm Top speed is 206km/h and the car accelerates to 100km/h in 8,9 secs

Fuel consumtpion is 8,5*l* a 100km at 120km/h and 12,3*l* in an urban cycle

In the light commercial sector, Toyota has revamped its successful Hilux four-wheel-drive range in the single and twin-cab versions

A new 2,2*l* now produces 70kW and substantial torque of 177Nm at 3 000rpm, which makes it ideal for the boat-owning and caravan-hauling fraternity

A feature of the new engine is superior intake porting and self-adjusting valves

The twin-cab vehicle has power-assisted steering as standard equipment Transmission is five-speed with control of the four-wheel-drive function by a single gear shift It has free wheeling hubs on the front

Last year, the market for four-wheel-drive vehicles was 8 900 of which bakkies made up 92% The Hilux, which was introduced in 1980, now has 49,1% of this market and is chasing a 60% share this year with expected sales of about 6 000 units

In a recent road test, 30 motoring journalists took the bakkies through 500 arduous kilometers of the Namib desert and all the vehicles came through with flying colours

Arduous

Samcor's MMI marketing arm has given the 323 passenger range a fresh look The front end has been redesigned and the bonnet line has been lowered by 10mm This is matched by slimmer headlamps, restyled front fenders and bumpers

There are still seven models in the range — four sedans and three hatchbacks but all are fitted with new B-type engine which, although they offer the same power output, they have improved torque characteristics

The camshafts of the 1,3*l*, 1,5*l* and 1,6*l* fuel injection engines are now belt driven and have maintenance free hydraulic valve clearance adjusters, electronic idling control and a dual induction system

Nissan has launched eight new models in its one-tonner, hard body range — one 1,6*l*, two 1,8*l*, three 2,4*l* and two 2,5*l* in the short and long wheelbase versions to meet commercial and recreational needs

After nine years, the 720 range captured a large slice of the competitive LCV market and with the new range it will be able to compete against newer models

Apart from the 4X4 version on the 2,4*l* model, the company also offers a factory-fitted differential lock option on all two-wheel-drive versions

19/6/88 STimes (192)

Mercedes puts the brakes on a withdrawal

By Don Robertson

MERCEDES-BENZ SA has no intention of withdrawing from SA and has all but resolved the differences with the unions at its East London plant.

In a statement this week, managing director of the Mercedes-Benz SA, Sepp van Hullen confirmed that the company will not abandon its R300-million investment

He says that if Mercedes were to withdraw, the positive contributions already made to offer equal rights to all people in a peaceful and evolutionary process, would have been in vain and future contributions entirely lost

To meet these objectives, Mercedes has to maintain its operations in SA

Comments by Manfred Gentz, board member of parent company Daimler-Benz in Germany on Tuesday, represent no change to this philosophy, says Mr Van Hullen

And the dispute between management and the unions appears to have calmed

Resolved

Gavin Hartford, a secretary for the National Union of Metal Workers (Numsa) told Business Times that the major problems had been largely resolved on Thursday.

In an out of court settlement, it was agreed that the two sides would go to arbitration and that three workers and one shop steward, who were to be held in contempt for organising meetings in contravention of an interdict granted to Mercedes, would be allowed to return to work. Two other workers are under suspension on full pay until the matter is resolved by the arbiters

The principle arbiter has been agreed to and each side will appoint one representative It is not known when the hearings will begin

Mercedes, with a turnover last year of R1,2-billion, has had continuous disruption of opertions at its East London plant In contrast, Delta, Volkswagen and Samcor's engine plant at Struandale, which are also part of the wage-negotiating Industrial Council have been relatively free of work stoppages

In July last year, Mercedes experienced a four-day stoppage

However, on August 6, the entire workforce of 2 600 walked out and stayed out The problem this time was wage-related

During the nine week stoppage, Mercedes made considerable concessions in an effort to get workers back on the floor

In terms of the Industrial Council agreement, minimum wages in July were to be lifted from R3,50 an hour to R3,70 an hour Numsa asked for R5 an hour

After considerable dispute, Mercedes agreed to increase its offer to R4 an hour and eventually to R4,04 an hour, equivalent to a minimum of R752 a month This compared with the minimum of R572 in January

The company also agreed to compensate workers for a reduction in the working week from 44 hours to 43 hours, offered a one-month wage bonus and raised leave to 21 days It was to reconsider wages again in January and July this year

When workers finaly returned to work on October 2, it was estimated that the company had lost production of 4 600 vehicles worth about R300-million and that the workers had lost R5-million in wages

Dispute

However, the dispute broke out again on October 6 and most of the work force was dismissed The company began re-employing soon after

Trouble erupted again on March 26 following the dismal of a worker at a component supplier and, in clashes between Numsa and the SA Allied Workers Union (Saawu), nine people were injured

Mercedes obtained an interdict to restrain the workers from holding meetings on the property and dismissed or suspended a number of workers

Since the three-day work stoppage which started on June 6, the plant has not returned to full production

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Church Square sites offered

THE Reserve Bank is selling three valuable sites in Pretoria's historic Church Square area for redevelopment.

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19/6/88

S Times 192

Asseng boosts production of car components

By Don Robertson

TO meet the rapidly growing demand for locally manufactured motor components, Associated Engineering (Asseng) has introduced three shifts on some of its production lines at its Roodepoort and Pinetown factories.

And if firm orders are received, the company plans to spend between R20-million and R30-million to expand its facilities over the next four years

Asseng manufactures engine parts, but 15% of its sales are to the industrial market through the Glacier industrial division A number of small acquisitions are planned for this division.

But although production has more than doubled, the backlog has not been made up and the company has been forced to import components from Japan and Europe to meet demand

In spite of this, John Koen executive director of A E Engine Parts which markets and distributes Asseng pistons, sleeves, bearings, valves and rings, says the backlog will not be met until August

Mr Koen says the reason for the increase in demand is because cars are now being kept on the roads for longer periods — from 10 years a few years ago to between 13 years to 14 years because of the high price of new cars — and because the demand from vehicle manufacturers has also increased

About 75% of A E Engine Parts are sold into the aftermarket, with about 10% sold to manufacturers.

This, coupled with a major marketing exercise which gained market share from imported products, left A E Engine Parts in short supply.

19/6/88 S Times

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Nissan seeks greater market share

By Don Robertson

WITH its three new models now firmly in place, Nissan expects to substantially increase its market share this year.

Newly appointed managing director of Nissan Marketing, Stephanus Loubser says sales of the new Skyline and Sentra are expected to grab a 14% share of the market this year compared with 12% in the five months to May and 9,7% in 1987.

Sales of the new One Tonner Hardbody in the light commercial vehicle sector should reach 24% compared with 22,5% in the first five months of this year and 20,3% in 1987

From January to May, total sales of cars rose by 23,4%, while Nissan's sales rose by 99,3% Light commercials increased by 28,3% and Nissan's sales moved up 28,7%

Total heavy truck sales rose by 18,8% and Nissan's by 60,2%

Mr Loubser's appointment as managing director of Nissan Marketing follows a management restructure which saw the company split into three divisions — marketing, manufacturing and Nissan, the holding company

Peter Whitfield remains chairman of Nissan, while John Newbury becomes chief executive and chairman of both subsidiaries Don Fyfe becomes managing director of the manufacturing division

To get closer to the coal face, the marketing division is to be moved to Sandton in October from its present offices in Rosslyn, near Pretoria

Heavy

Referring to the market, Mr Loubser says the bottom line of Government's planned change in the local content programme for vehicles will be an increase in the use of locally manufactured components

And manufacturers are generally in agreement with these moves, understanding the heavy burden their component imports place on the balance of payments.

It is estimated that component imports last year amounted to R3,6-billion

However, there is some confusion in the industry as to whether the increase will be based on weight or value, he says.

Last week the industry had further discussions with the Department of Mineral and Energy Affairs in an effort to resolve these problems

Mr Loubser says that if if local content is increased on the basis of weight, an increase from the current 66% to 72% or 73% would not create too many problems for the industry, but if moved higher than this, manufacturers would be faced with substantial capital expenditure requirements

Most manufacturers are well above the minimum 66% requirement, with some reaching as high as 85%

If, however, local content is based on foreign exchange considerations, many manufacturers may be forced to manufacture engines locally, rather than import them.

Should this method be used, car markers would require that exports be taken into consideration when establishing foreign exchange factors.

Threat

The threat of sanctions is also a worrying factor, says Mr Loubser Should matters worsen, technological developments could be lost and although most manufacturers could produce engines, there are no producers locally of fuel injection systems.

Contrary to other manufacturers, Nissan believes it can keep price rises to about 15% this year in spite of the continuing slide in the value of the rand

A factor of higher prices is a determination by manufacturers to extend the life of models from about four to six years

He believes, however, that shortages are likely to continue for some time as it is difficult to meet demand with the appropriate model mix

Hudaco looks for major acquisition

(192) Bday 20/6/88

LIZ ROUSE

HUDACO Industries achieved a strong profit advance in the first half of the year and, with 1987's acquisitions now fully integrated, is looking for a major strategic acquisition

Earnings for the six months to May increased 42% to 33,4c a share (23,6c a share) while the interim dividend has been raised 50% to 15c (10c).

All three divisions — Deutz Dieselpower, bearings and power transmission — contributed to a 33% rise in turnover to R119,96m (R90,43m) with operating profit up 22% to R11,2m (R9,17m)

The group incurred net finance costs of R1,1m compared with R83 000 finance revenue in the 1987 half-year. The tax rate was 44%.

Hudaco's continued earnings growth, coupled with strong cash generation in the past six months, resulted in borrowings being cut substantially to R9,5m at the end of May from R20m at the end of December 1987.

The group is now in trim shape after integration of acquisitions, including restructuring of the power-transmission division through the disposal of both Terraquip and the Frencorp listed shell to Duros.

Stock turnaround has improved — stocks are down at R34,3m (R47,2m at the end of December) — and management's handling of the restructuring augurs well for an acquisition.

More growth

Hudaco directors say in the interim report that further earnings growth is expected in the second half of the year, which is traditionally better than the first half

The shares have lifted off their low and are currently trading at 490c. On interim results and prospects the stock should be considered a hold or a buy.

Mercedes and Numsa act to end conflict

(92) 20/6/88 B/Day

ALAN FINE

MERCEDES BENZ and the National Union of Metalworkers of SA (Numsa) have hammered out an agreement aimed at ending labour conflict at the company's East London plant

The disruptions — which Mercedes said were precipitated by union activity, while the union has cited inept management as the cause — prompted Daimler Benz to threaten the possible closure of its SA operations

In terms of the agreement, Mercedes is to withdraw all disciplinary actions (including the dismissal of several shop stewards) — apart from the suspension on full pay of two employees — pending arbitration In addition, the company is to withdraw an interdict application now before the Eastern Cape Division of the Supreme Court

The two parties agreed to use their "best endeavours" to ensure that no violence, intimidation and breaches of the Labour Relations Act and agreements between them occur

Numsa is to notify its members of the agreement and call on those on strike to return to work immediately. The union's two senior officials in the eastern Cape are to be available at all times to intervene should any stoppage or dispute arise.

KEY MARKET

US govt 'subversion' is blamed

Star 2/16/88

192

By Neil Lurssen
The Star Bureau

WASHINGTON — The Ford Motor Company's equity contribution of $61 million (R137 million) to help finance a SA car manufacturing company and US government "subversion" have weakened the impact of American economic sanctions against South Africa, a new report says

The report is to be released today by Senator Paul Simon, a former Democratic Party presidential candidate, and Congressman Charles Rangel, both leaders of the pro-sanctions movement.

The argument over the success or failure of the 1986 anti-SA sanctions has become a key issue in the debate over whether new and tougher measures should be imposed this year

Opponents say new sanctions should not be imposed because of the failure of the old ones.

Supporters say the Ford Company's equity move has reduced the effects of the 1986 Bill and that the embargo should be tightened and toughened

● See Page 7.

Midas optimistic on future growth

Star 22/4/88 (192)

By Sven Forssman

Motor parts distributor Midas expects to increase earnings substantially in the year to February 1989, after a 76 percent rise in the past financial year.

Chairman Mr Derek Riley says in the annual report he is optimistic about the growth of the motor parts industry

"Small cars are in great demand and now represent about 60 percent of the market This augurs well for the parts replacement industry as smaller cars require more replacement parts," he said

"I anticipate that both private and fleet buyers will continue to extend the lives of their vehicles thereby increasing the demand for replacement parts"

In the 1987/88 financial year Midas lifted earnings to 61,2c a share from 34,7c the previous year, enabling a near doubling — from 11c to 20c — of the dividend paid to shareholders

The balance sheet shows that gearing remains low at 12 percent, with interest cover up to 18,2

Chief executive Mr Georg von Loeper says the group will again show positive growth this year, with both expansion from within and potential acquisitions set to add to and support the existing business activities.

Von Loeper said Midas' five main operating divisions all exceeded expectations in the year under review and are set to contribute to the group's growth this year.

Genuine Parts, in its first year as a Midas subsidiary, reflected the synergistic benefits resulting from the merging of the McCarthy Distributors' operations with those previously acquired from Alfa Romeo

Plans are under way to widen the range of products available from this division, a development already enhanced by the purchase last year of the assets of Ace Accessories

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Benz dispute heads for arbitration

PRODUCTION returned to normal at the Mercedes-Benz plant in East London this week after a last-minute agreement staved off further Supreme Court action.

In an out-of-court settlement hammered out last Friday, the company agreed to drop its court action aimed at preventing the National Union of Metalworkers of South Africa (Numsa) from holding unauthorised meetings in the factory.

In turn the union agreed to call on its members to return to work. The dispute was referred to arbitration.

The agreement ends a month of conflict which included bloody clashes between workers and threats of the company to pull out of the country.

The dispute started last month when Numsa called on workers to strike in sympathy with strikers at two other local companies.

When Numsa pickets called workers to a meeting at the plant to discuss the issue, a bloody clash between them and supporters of the South African Allied Workers' Union (Saawu) left nine workers injured.

Numsa accused company officials of orchestrating the clash, and of inciting the Saawu members to ambush them.

Mercedes-Benz South Africa (MBSA) denied the allegations and in turn accused Numsa of forcing workers to strike.

The company obtained an urgent interdict against Numsa, preventing the union from holding meetings at the factory.

In terms of the settlement this action now falls away.

In a joint press statement MBSA and Numsa announced that the matter would be referred to arbitration, which would include referees from both parties.

MBSA agreed to drop disciplinary actions against workers, including all 20 shop stewards, with the exception of two unnamed employees who were suspended on full pay pending the outcome of the arbitration.

Last year a nine-week strike over minimum wage levels cost the company an estimated R300-million

The company refused to comment on the cost of the latest dispute.

However, additional pressure to end the conflict came late this week when a member of the management board of the West German parent company Daimler Benz AG called the situation "almost unmanageable" and said they were considering withdrawing from South Africa.

The German Metalworkers Union is believed to have pressured local management into an agreement. — *ELNEWS*

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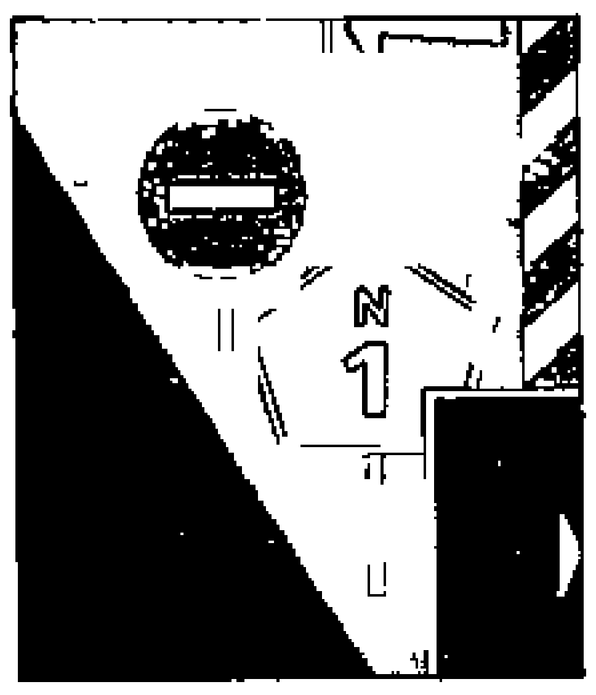
THE MOTOR INDUSTRY

Will the wheels come off?

Government keeps changing the rules of the motor game. The industry has always been subject to structural distortions: now local content is to be by way of value, not mass. This has reluctantly been accepted — but what is needed is far greater clarity on how the system will work. Then the motor men can plan.



Like the father of 20 children who was afraid to ask his wife "What's new?" when he arrived home from work each evening, the South African motor industry has cause for nervousness

The ground beneath its feet is shifting so remorselessly that every day seems to bring new challenges In the last few weeks alone, interest and HP deposit rates have risen, government has taken the brakes off perks tax on company cars and blocked the private rental market, and the weak rand has forced manufacturers to raise the ceiling in predicting price rises this year

Those are just the minor problems Far more serious are international efforts to choke off vehicle supplies to SA, and attempts to persuade foreign manufacturers to reconsider their presence here

Add to those the fact that government wants to change the industry's face through a new local content programme in direct opposition to its forerunners, and you have all the ingredients for confusion

That, essentially, is the current state of the South African motor industry Just as it is picking up the pieces after years of depression, the rules have all changed And worse — despite a return to profit after years of red ink, there is a growing realisation that the recent recovery in sales won't be maintained Although some forecasters remain optimistic, a growing number are lowering their sights Instead of the 300 000 units of a few years ago, car sales may be locked into the 200 000 range until well into the Nineties

Even the future of the Board of Trade and Industry's (BTI) grand plan for the motor industry — a foreign exchange-related local content programme — is uncertain There is no doubt such a programme will be implemented, but what it will contain is anybody's guess

The BTI's report into manufacture of cars and light commercial vehicles is long on problems and general cures, but short on specific remedies Those will come only after further discussions with the National Association of Automobile Manufacturers (Naamsa) and the National Association of Automobile Component and Allied Manufacturers (Naacam)

However, any further talk is likely to concern only the small print, since the two industry bodies have been invited only to discuss the scheme's administration Naacam and Naamsa want the BTI to make up its mind as soon as possible, so they can resume realistic planning for the future

Naacam director Denzyl Vermooten would like the BTI to announce its decision next month and implement the first stage of the programme from January 1989 He says the industry needs a 10-year plan for companies to make investments

"We have principals waiting overseas to invest millions of rands," he says "All they need to go ahead is a clear picture of what the future holds You can't have committed long-term planning without a long-term programme We're running out of time We believe we've discussed it enough Government has acknowledged there is an element of urgency and we hope the refinement of the programme will be done in the shortest possible time"

Naamsa president and Samcor MD Spencer Stirling agrees "It's clear the government won't allow much time before making a decision"

Government's reasons for a value-related local content programme are well documented Under the existing formula, each manufacturer must achieve a minimum average 66% local content by mass, across the range of its products

But the emphasis on mass has encouraged manufacturers to order high mass/low value components from local companies, while importing low mass/high value components The result industry-wide, 66% by mass translates to little more than 40% by value And even that 40% is misleading Before the rand weakened and increased import costs, the figure was closer to 50%

Despite more local manufacture and increased exports, the gap between imports and exports has widened In the 10 years to 1985, the difference between imports and exports of vehicles and components rose from R714m to R1,84bn In 1985, exports were worth R220m and imports R2,06bn

The BTI report on cars and light commercial vehicles manufacture states "It is clear the present local content scheme, based on mass, has not succeeded in maintaining or improving local content on a value basis"

While precise details of the new scheme are not yet available, a broad picture exists of what government intends Like its predecessor, the new programme will contain a duty and rebate structure, with penalties for companies failing to achieve the minimum level, and rewards — perhaps including export incentives — to those exceeding it

BTI guidelines recommend each manufacturer should be set a foreign exchange usage target, based on the value of vehicles sold Such a target would take account of both forex spending and export earnings — the greater the exports, the more available for spending

Naamsa and Naacam, predictably, have different opinions of the proposals Naamsa, which favours adapting the existing mass-based formula, and raised several objections to the BTI's plans, is resigned to the changes, if not happy with them

They also differ on what happens next Naacam believes the new local content programme will be extended automatically to trucks and buses, while Naamsa believes that sector requires a different policy

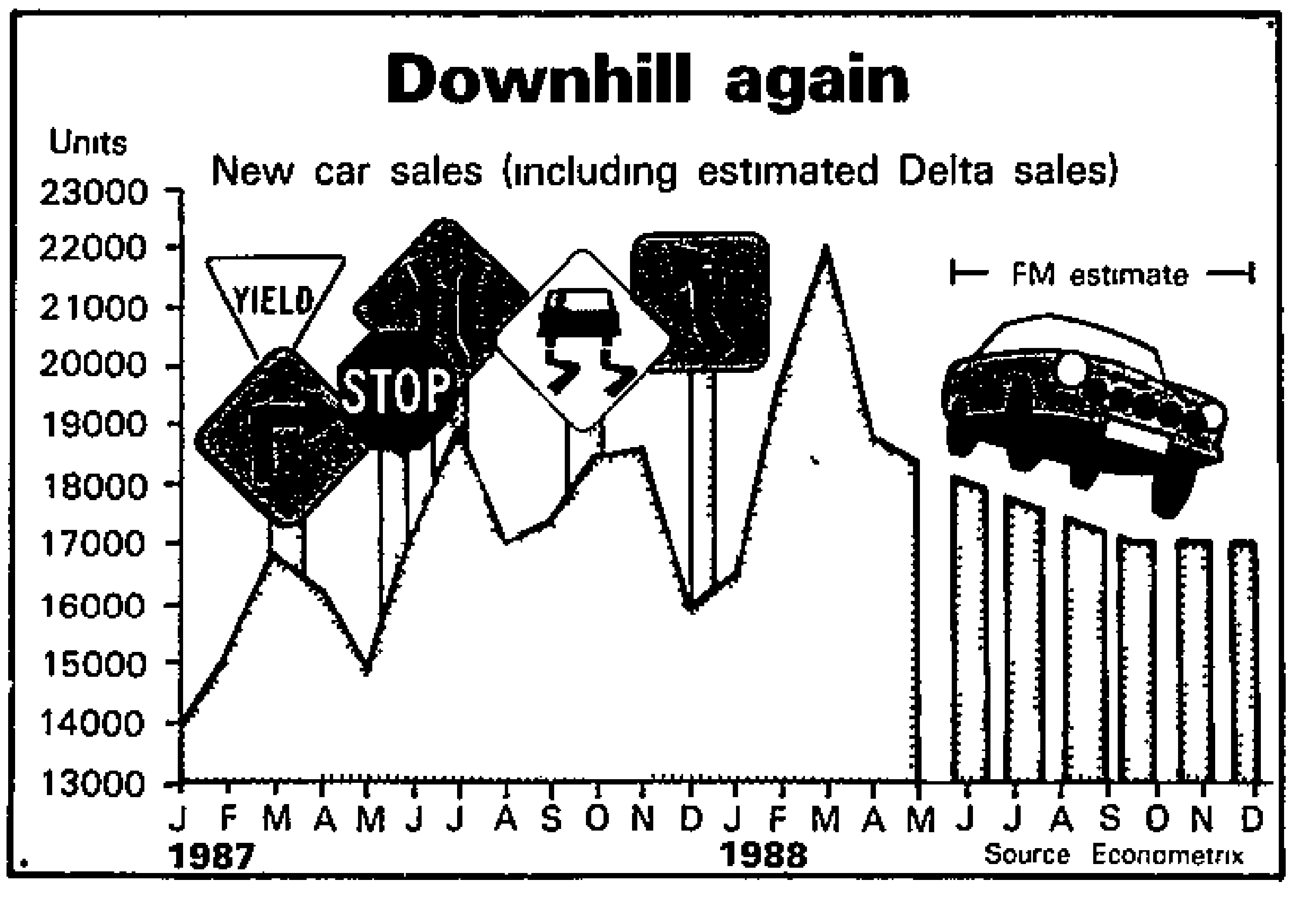
Among Naamsa's objections to the impending cars formula is the argument that the allowance for export earnings in the revised formula would discriminate against companies — particularly Japanese — without the benefit of large component orders from overseas principals It added that import values could be manipulated While admitting distortions in the current system, Naamsa warned that the proposed programme could simply replace them with different distortions

Naamsa director Nico Vermeulen says the misgivings remain valid, but adds "There's no point in raising them further, since the decision to go for value appears an irrevocable one"

Vermooten is more cheerful. He insists the new programme can be introduced with the minimum of inconvenience He estimates the current 40% local content by value can be raised to 50% almost immediately, and thereafter in easy stages to allow the industry to adapt

To move from 40% to 50%, he says, means simply making better use of what the components industry already has to

Downhill again

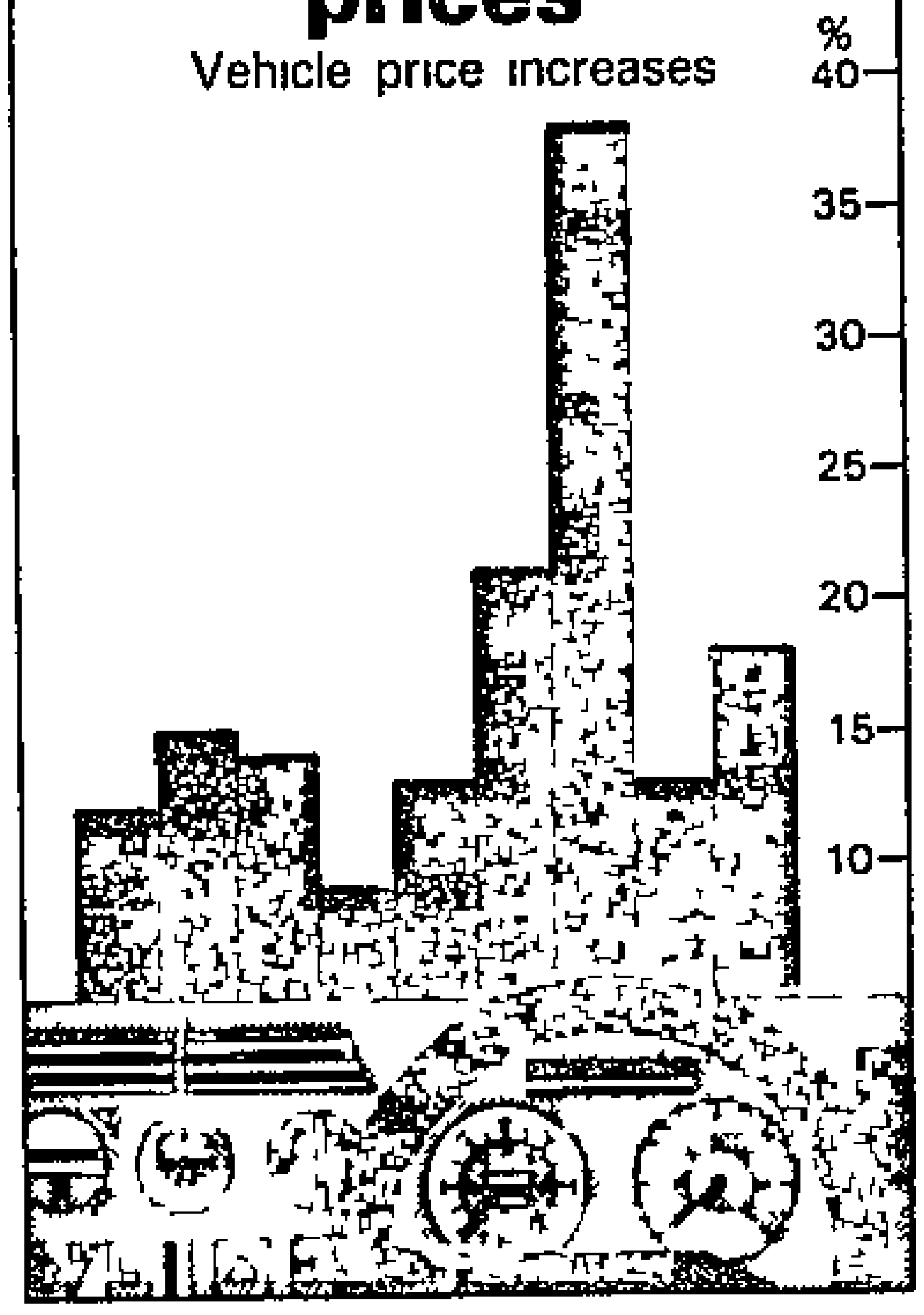


Source Econometrix

(192) (88)

Driving up prices

Vehicle price increases



offer With greater standardisation of car components, it is inefficient for some manufacturers to import a component, while others buy the identical item locally He argues that the South African components industry has the equipment to manufacture nearly every part of a car

To some degree, that's true But only the ultra-patriotic would go along with Sanlam chief Fred du Plessis, who said last week that SA is in a "good position to manufacture its own cars with 100% local content "

In theory, yes, local industry has the ability and know-how to build its own cars In practice, such cars would be out-of-date almost before they left the factory Vehicle technology is changing at such a rate that unless SA is prepared, like Eastern Europe, to rely on dated designs, it must have access to foreign research and development. (It could be argued that as an African country, we may well in the end have to be satisfied with an ox-wagon with a petrol engine)

And even some long-established vehicle technology hasn't been perfected in SA Although Vermooten believes SA could "by and large" produce its own car, problem areas still include carburettors, fuel injection, power-steering, front-drive engines and certain other features that SA's sophisticated motorists have become accustomed to

The industry is also hampered by low production volumes and high unit costs Where foreign manufacturers spew out components by the million, the South African industry is looking at car sales this year of little more than 200 000 — with no prospect of big increases in the next few years

The solution — and one which government is known to favour — is mass production of particular components by single suppliers. As Vermooten says, many component makers have the capacity to churn out more than they do Commonality among components would make it a relatively straightforward exercise to source them all from a single supplier — with resultant economies of scale.

But that leads up a dangerous avenue By relying on one supplier, the entire industry is in trouble if that supplier runs into difficulties One has to look no further than Atlantis Diesel Engine (ADE), SA's only manufacturer of truck and bus engines, to see what can happen Through no fault of its own, ADE can't keep up with increased demand for its engines But because it has been designated by government as the only supplier, truck-makers have hundreds of unfilled orders because they can't get engines

Government is unlikely to designate individual suppliers of other components — the market will be left to do that — but the same dangers exist with a supply monopoly. Nevertheless, vehicle and component manufacturers accept that is the way the industry will go

"There could be a danger if we use one manufacturer for the same components," admits Vermooten "But one is often forced by circumstances to pool resources It may not always be in the best interests to rely on one supplier, but you sometimes have to sacrifice something in order to achieve something else "

Vermeulen points to overseas co-operation and says component standardisation has been growing in SA "The fewer manufacturers of a product, the less the competition," he says "But we are a pretty small volume supplier and run into diseconomies of scale You have to weigh greater efficiencies and economies of scale against reduced competition "

If there is scope for rationalisation in the components industry, the BTI believes the same to be true of the vehicle manufacturing sector Its report argues that there are too many manufacturers for the market.

Of that, there's no doubt — but there's little chance of the situation changing

Several companies have been forced out of SA in the past few years, but the majors that remain — Toyota, Volkswagen, Samcor, Nissan, Delta, Mercedes-Benz and BMW — all look healthy enough Despite threatening noises from Germany over union activity, industry insiders expect Mercedes to stay They say disinvestment would devastate the region around East London And despite lower figures from company headquarters, it would mean leaving a plant with an estimated replacement value of over R500m — with no likely takers

A Mercedes withdrawal would have broader repercussions — ADE uses technology sourced mainly from Daimler-Benz, Mercedes' German parent

The Germans would find it difficult to take their cars, but leave behind their technology

And it's doubtful if the South African government would allow its transport industry to be effectively destroyed without a fight

Other manufacturers also look secure Despite efforts to strangle supplies from Japanese principals, Toyota, Nissan, Samcor and Delta are all busy with counter-strategies to ensure continuity Indeed, Delta's battle with Naamsa over disclosure of sales (see *Business*) is understood to be linked to its sanctions-busting efforts It wants no figures disclosed that could give a hint of the volume of supplies reaching SA. Other companies have similar strategies in mind, if not already in progress

VW and BMW, meanwhile — along with Samcor's Ford and Delta's Opel — have access to European parts and technology and are certain to benefit from their Japanese rivals' problems

Indeed, Toyota concedes it may soon lose its leadership in the car market

The industry considers political and restructuring pressures far more of a threat to the industry than domestic economic ones. Vermeulen says of recent measures "Interest rates are up, but the impact on monthly repayments is minimal

"As for HP deposits the minimum may have risen from 10% to 12%, but not long ago it was 20% And private rentals accounted for only 3% of the car market So overall, the impact of these measures won't be severe "

With the vehicles on SA's roads holding a replacement value of up to R90bn, and the whole lot being replaced, on average, every nine to 10 years, he is confident sales demand will be maintained

Twine is less convinced He believes car sales are on the slide again "The second half of the year won't be as buoyant as the first, so we're looking at total car sales for the year of maybe 210 000 I believe the motor industry is locked into a channel between 180 000 and 220 000 Unless we get some very definite changes to the way the economy is managed and unless we get investment-led growth, we will be at 180 000-220 000 for ever And even the 180 000 is under threat "

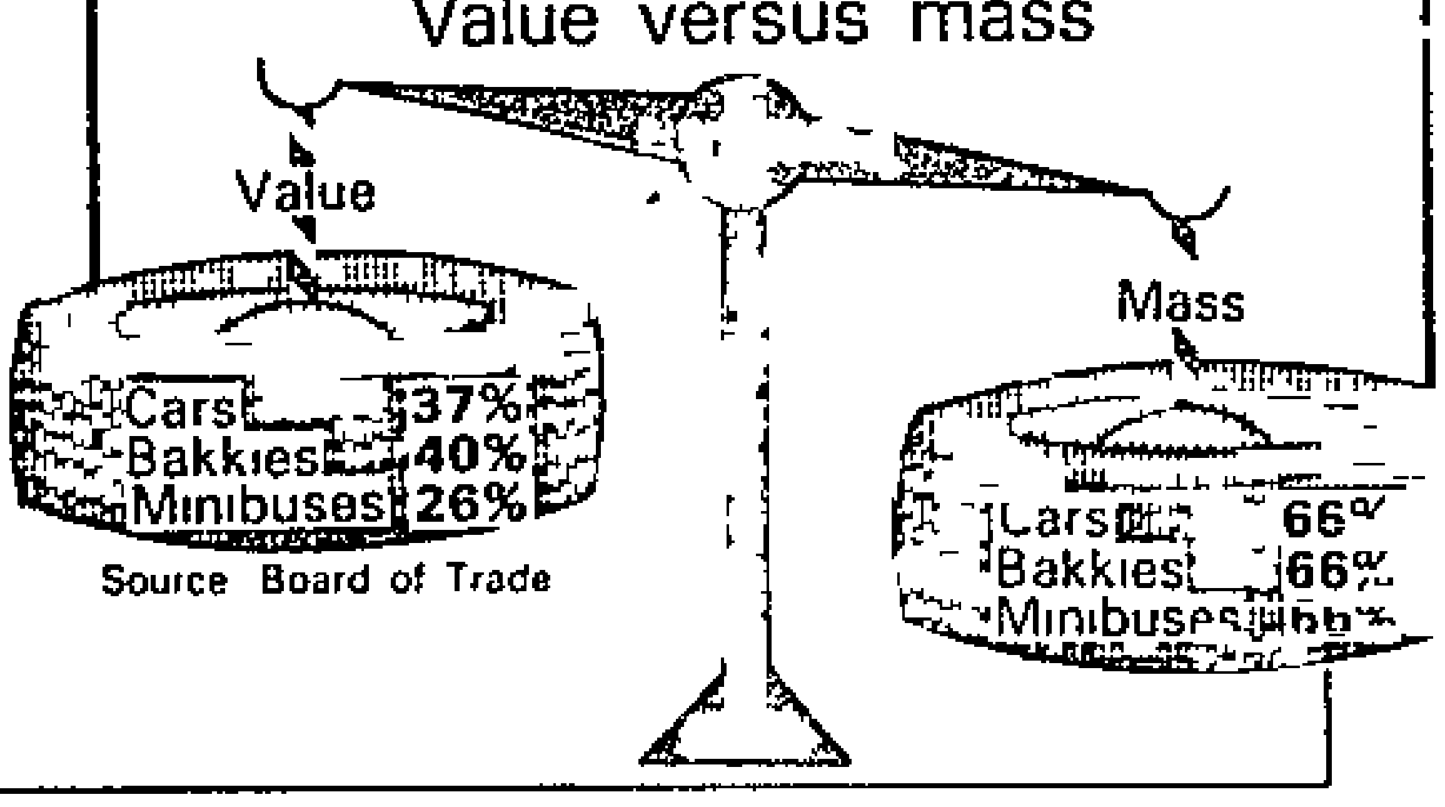
He explains "Vehicle sales are a function of discretionary spending power, which is highly geared to disposable incomes The writing was always on the wall for 1988 Those who forecast markets of 240 000 cars were never on The seal was set on that when government froze public-sector wages and the Finance Minister introduced a Budget with fiscal drag implicit in it "

While average wages this year will rise by about 14%, that is cancelled out by inflation. But, Twine adds, Barend du Plessis also announced plans to collect 16,3% additional taxation "So real personal disposable incomes must shrink, which means discretionary spending will shrink and car sales won't grow as well as some expected The economy will buy cars only at the rate it can afford to do so At this rate, the days of 300 000 will never be seen again "

Vermeulen says "We are looking at

Content values lagging

Value versus mass

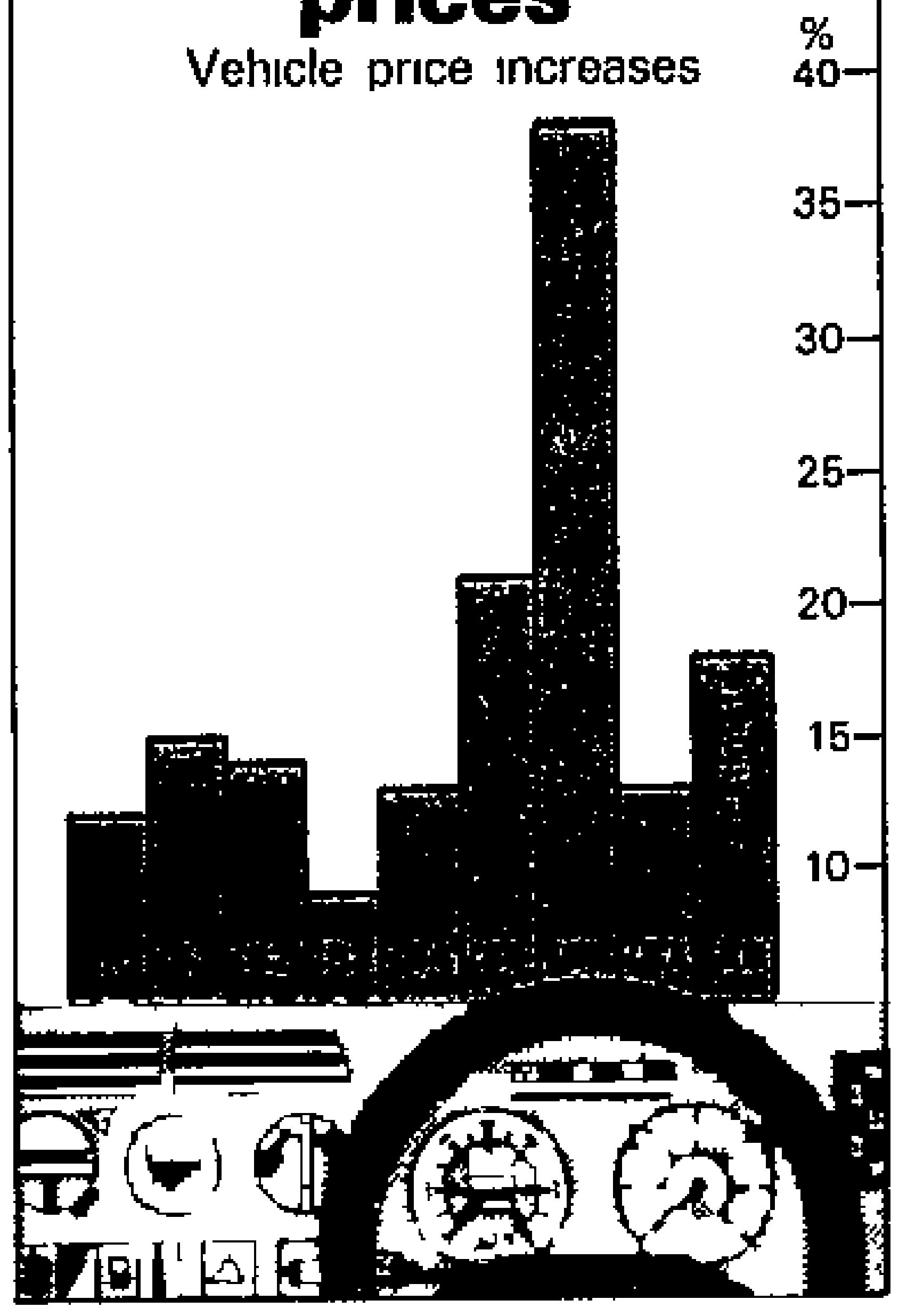


Source Board of Trade

(192)(30)

Driving up prices

Vehicle price increases



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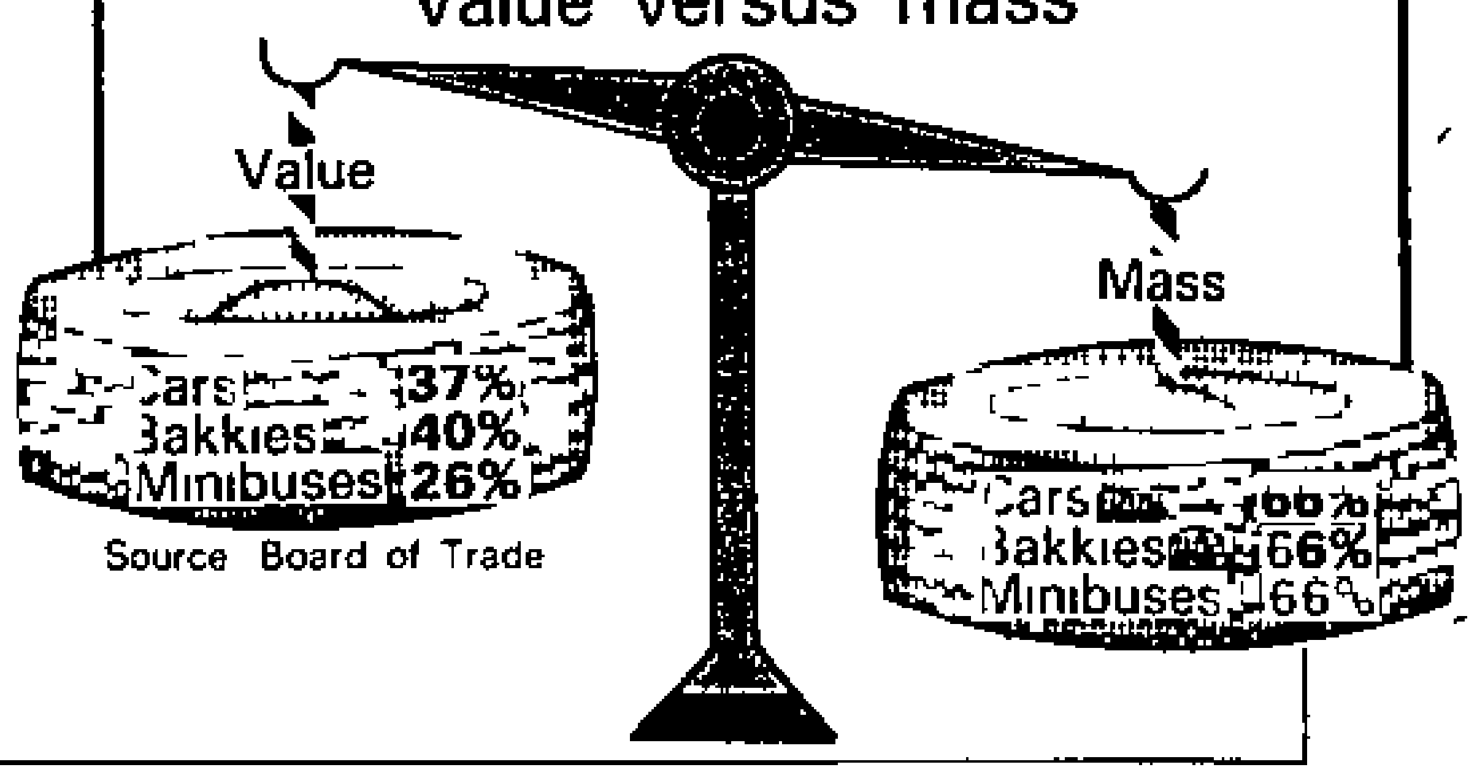


Source Board of Trade

CAR SALES FIGURES 192

Silence is golden

Vehicle manufacturers have reached deadlock in their attempts to devise a new formula for reporting industry sales.

Delta CE Keith Butler-Wheelhouse remains the odd man out — after other CEs agreed last week on a new formula that will give less information to outsiders

Delta threw the system into confusion when it refused to contribute May sales figures to the National Association of Automobile Manufacturers (Naamsa).

Butler-Wheelhouse cited "strategic reasons" for his company's decision SA and Delta are the second biggest foreign customer for Japanese Isuzu commercial vehicles

Japanese manufacturers are under pressure from their government to restrict vehicle supplies to SA It is assumed that Delta's decision to withhold sales figures is intended to mask the size of its business with Isuzu and hide the scope of any sanctions-busting exercises to source parts outside Japan

Naamsa seeks a compromise that will enable members to contribute their sales to the association's data base Vehicle sales are considered one of the best economic indicators available, and Naamsa's monthly figures are among the most detailed of their kind anywhere in the world.

In order to protect its own data and forecasting ability, Naamsa is prepared to consider a deal that will offer only general figures for outside consumption

With the exception of Delta, other motor industry CEs have agreed that Naamsa should publish only monthly industry totals in each sector — cars, light, medium and heavy commercials. But even that goes beyond Delta's original demand that Naamsa release only one figure — a total sales figure for all vehicles

Butler-Wheelhouse missed last week's talks with the other CEs. He is overseas and is not expected to decide on the compromise until he returns next month. Now another manufacturer has warned that if Delta withholds its figures, it will do the same.

Naamsa president Spencer Stirling says. "We don't know if we can persuade Delta to compromise. Previously, they said one aggregate figure was the most they could agree on. But that would be meaningless. The industry's sales performance is very important

"However, Naamsa can't dictate to its members. If Delta says no information, that's it. If that is its final decision, others could follow " ■

FM 24/6/88

Big car blues as SA drivers swing toward saving money

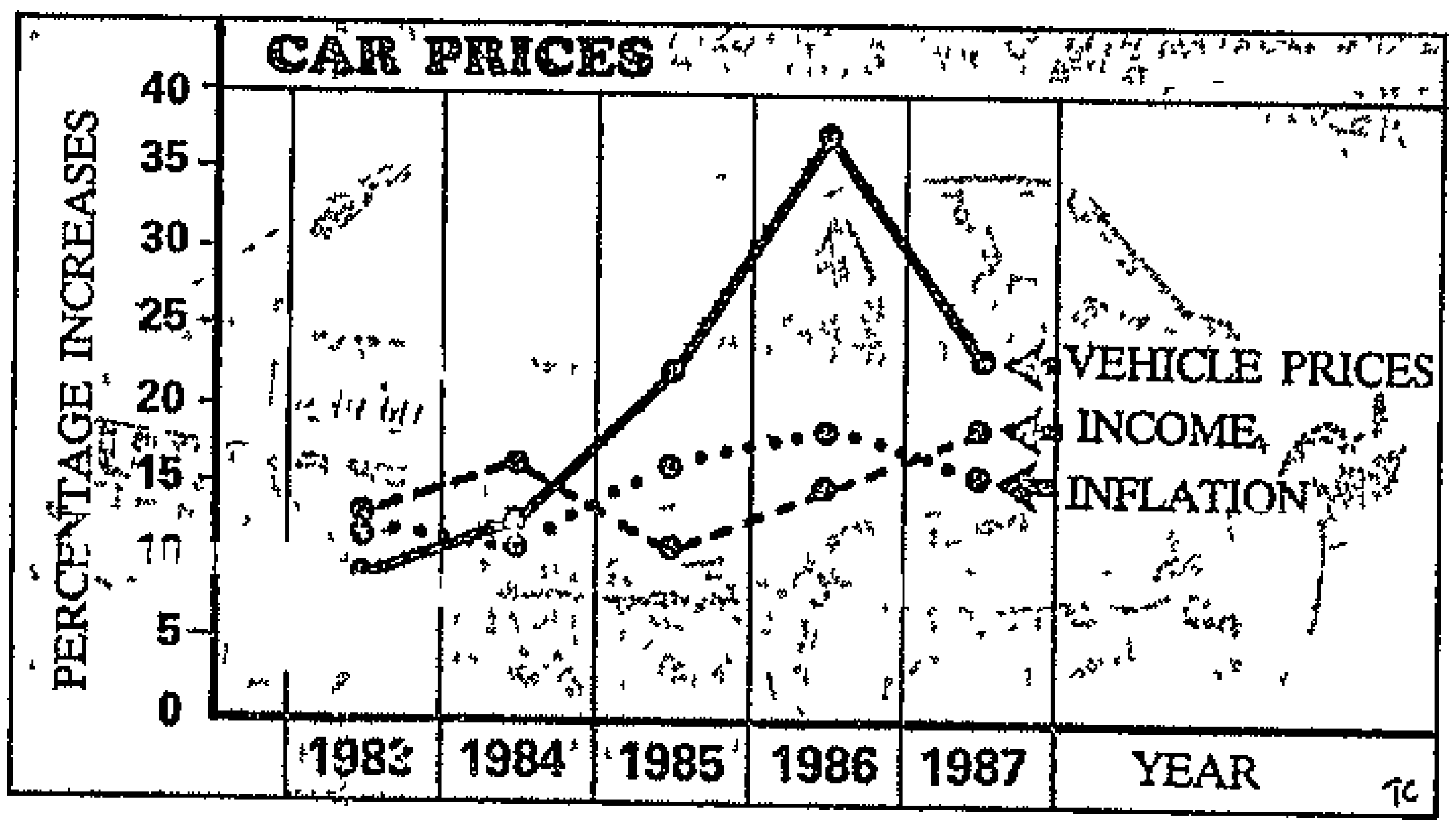
Cape Times 25/6/88 (192)

STEEPLY rising vehicle prices, leaving few cars on the market under R20 000 and with average prices rising at a higher rate than that of average incomes and well above the inflation rate, have forced a dramatic, European-trend swing away from big and medium-sized cars to the smaller models in SA.

And forecasts in the industry are that car-owners will tend — as they are now having to do in neighbouring Zimbabwe — to hold on to their vehicles much longer than they used to

Brian Kantor, Professor of Economics at UCT, said yesterday car prices had risen above wages and salaries in 1985/6 and had tended to level out last year

And although car prices would increase with further weakening of the rand, this proportionate levelling-out with other commodity increases was likely to continue



HOW CAR PRICES TOOK OFF . . . The graph depicts how car price increases soared in relation to increases in workers' pay-packets and the Consumer Price Index (inflation-rate) in 1985 and 1986, after the rand collapsed Last year there was a proportionate levelling-out of car prices with increases in the other sectors It is said this trend should continue at least to the end of the year

WHILE overall vehicle sales are up on last year, high car prices are forcing significant changes in buying patterns. South Africans are switching to smaller cars and more than ever to used cars And the private buyer has diminished in importance in the car market. ROGER WILLIAMS reports.

Cash crisis puts a premium on used-car deals

Sales dropped

It was inevitable, he added, that the present trend would cause SA's "car population" to become older

Where South Africa has been a traditionally big-car country, a Top of the Times survey this week shows that in the past few years big-car sales have dropped from 25% of all car sales to less than 10%

Brand Pretorius, marketing director of Toyota SA, said from Johannesburg that because of high prices the private car market had diminished appreciably in importance, from 50% to 30% of total sales

"The whole composition of the car market is changing," he added, "with small cars in the ascendancy and with fleet buyers accounting for the highest proportion (70%) of vehicle sales "

If the consensus was that the rand would continue to decline, said Pretorius, "then it is inevitable that car-prices will continue to rise — although we are doing our best to keep them down

"We still import almost all the sophisticated high-tech components needed in car assembly in this country and adverse exchange rates have pushed up the prices of imports enormously

"We are now having to pay R10 700 for a Japanese component that not so long ago cost us R2 800 "

The increases — and Ronnie Kruger of Volkswagen SA at Uitenhage said while the industry was trying to keep prices down, another 7% rise could be expected before December — have also caused a doubling of used-car prices in two years and a big swing from new-car to used-car purchases resulting in a shortage of used stock

Kruger made the point that many former big-car owners were now looking at the top end of the small-car market and going for the type of small model that offered the comfort and sophistication of the bigger cars but which were cheaper and more economical

Average price

Koos Brand of Market Cars in Cape Town said the used-car market, the expansion of which was a direct spin-off of inflation, had become more sophisticated, with a large proportion of former new-car buyers moving to the used-car market and looking "very knowledgeably" for best value for money

The average price of new cars is now regarded in the trade as around R25 000 and one leading used-car dealer said R15 000 was regarded by his company as an average price for a used car

The first car to cost more than R10 000 was put on the market in SA in 1972 That car is now selling at R130 000 — and cars at the top of the price range are going at more than R300 000

Where one of the cheapest cars on the market, the Nissan Pulsar 1500, was priced at R13 700 one year ago, the current price is just under R17 000

A used-car dealer pointed out that today one would have to pay around R12 000 for a car with 80 000 km on the clock

Present rate

He added that in some cases the private seller today received more than he originally paid for his car

With forecasts of a continued weakening of the rand — which with ad-

☐ To Page 17

Numsa and Mercedes agree to arbitration

[redacted]

C Press

192

[redacted]

24/6/88

CP Correspondent

PRODUCTION returned to normal at the Mercedes Benz plant in East London this week after a last-minute agreement staved off further Supreme Court action

In an out of court settlement hammered out last Friday, the company agreed to drop its Supreme Court action aimed at preventing the National Union of Metalworkers of South Africa from holding unauthorised meetings in the factory In turn the union agreed to call on its members to return to work The dispute was referred for arbitration

Union sources said they regarded the settlement as a victory which prevented possible escalation of conflict at the plant

The agreement ends a bitter month of conflict which included bloody clashes between workers, and threats of the company pulling out of the country

The dispute started last month when Numsa called on workers to strike in sympathy with strikers at two other local companies

When Numsa members went around the plant to call workers to a meeting to discuss the issue, a bloody clash developed between them and supporters of the South African Allied Workers' Union Nine workers were injured

Numsa accused company officials of orchestrating the clash and of having incited the Saawu members to ambush them. Management denied the allegations and in turn accused Numsa of forcing workers to strike.

The company obtained an urgent Supreme Court interdict preventing the union from holding meetings at the factory The union had until Thursday to respond, and four shop stewards were ordered to show cause why they should not be jailed for breaking the interdict

In terms of the settlement this action falls away.

In a joint statement, the company and Numsa said the matter would be referred to arbitration by referees from both parties. The company agreed to drop disciplinary action against workers, with the exception of two unnamed employees suspended on full pay pending the outcome of the arbitration.

Both parties also agreed to try to prevent further violence and breaches of labour regulations at the factory. Numsa further agreed to have a senior official availalble to intervene as soon as possible in any further disputes.

The settlement permits Numsa to continue to organise at the factory.

Nissan to keep car figures secret

(192) 8/day 7/7/88

HELOISE HENNING

NISSAN yesterday joined Delta Motor Corporation in declining to disclose its monthly car sales figures to the National Association of Automobile Manufacturers of SA (Naamsa).

The decision, announced by Nissan spokesman John Elford, has put the release of Naamsa's monthly statistics — up to now considered a reliable economic indicator — in further jeopardy.

From last month Delta Motor Corporation withheld its sales figures.

Although both firms remained silent on the reasons behind the move, industry sources believed the action was decided on because of pressure from Japanese suppliers.

Earlier this year the Japanese Foreign Ministry called on companies doing business with SA to restrain exports and not exceed those of last year. In 1987 Japan was SA's biggest trading partner exporting a total of R8,5bn.

Report back

Meanwhile, the Naamsa statistics sub-committee has reported on the matter to the executive committee which is consulting manufacturers before the figures are released this month A Naamsa spokesman said the figures were likely to be released at the end of next week.

Toyota SA group MD Bert Wessels said his company would continue to supply overall sales figures but without a breakdown of models sold

"We have agreed that we must be careful in disclosing details because of the sensational use of the information by overseas media"

Naamsa's recently published May figures did not identify vehicle makes, but only gave a breakdown of different motor car and truck manufacturers' sales of passenger cars, light and heavy commercial vehicles according to mass.

CAPE TIMES 7/3/88

Naamsa figures hit by defection

192

Own Correspondent

JOHANNESBURG. — A new defection among car manufacturers has put Naamsa's release of monthly car sales figures in further jeopardy, with Nissan's decision to no longer issue publishable sales statistics to Naamsa.

The decision was disclosed by Nissan spokesman Mr John Elford yesterday. From last month Delta Motor Corporation withheld its sales figures.

Although the firms are mum on the reason for their action, it is believed this action was decided on because of pressure from Japanese suppliers The Japanese Foreign Ministry called on exporters to South Africa to restrain their exports to not exceed those of last year.

Japan was South Africa's biggest trade partner in 1987, exporting a total of R8,5 billion.

(192) STimes 10/7/88

DIAGONAL STREET by JULIE WALKER

Toyota still in fast lane

TOYOTA'S share price has crashed from R140 in September last year to R55 a week ago But buying time is nigh

The group is owned largely by the Wessels family The chief executive of 16 years, Colin Adcock, retired at the end of June and was succeeded by Bert Wessels He is no novice, having been in the business for 20 years

The major divisions are manufacturing, headed by Ralph Broadly, and marketing, which is directed by Brand Pretorius Mr Pretorius explains the position in which Toyota finds itself

SA CONTENT

The Government is to change the law regarding the local content of motor vehicles from one based on weight to value The current mix for a passenger vehicle is 66% by weight, which approximates 50% of value

"Motor manufacturers could face heavy capital expenditure to establish the means of producing components locally," says Mr Pretorius

Toyota does not make gearboxes, fuel-injection systems or other electronic elements

Toyota shares have been sold down on the JSE because the Japanese Department of Trade set out guidelines for companies doing business in SA They suggest that shipments be limited to 1987 levels — Toyota's was about 88 000 units

Nevertheless, Mr Pretorius expects sales in the year to December 1988 to exceed last year's by 5% or 7% This seems conservative because generally volumes were up by 20% in the first half of this year and it would take an alarming decline to reduce the annual total growth to 5%

An alternative way of limiting trade with SA would be for Japan to insist on the equivalent dollar value of components As the rand depreciates this would mean a reduced allocation of units

But the outlook is not all gloom and doom Mr Pretorius says Toyota Japan in conjunction with Toyota SA will use the most efficient import pattern

VICIOUS

The component industry is gearing its efforts towards manufacturing more sophisticated high-tech parts It is aware of both potential trade restrictions and of the Government's move to value-based local content

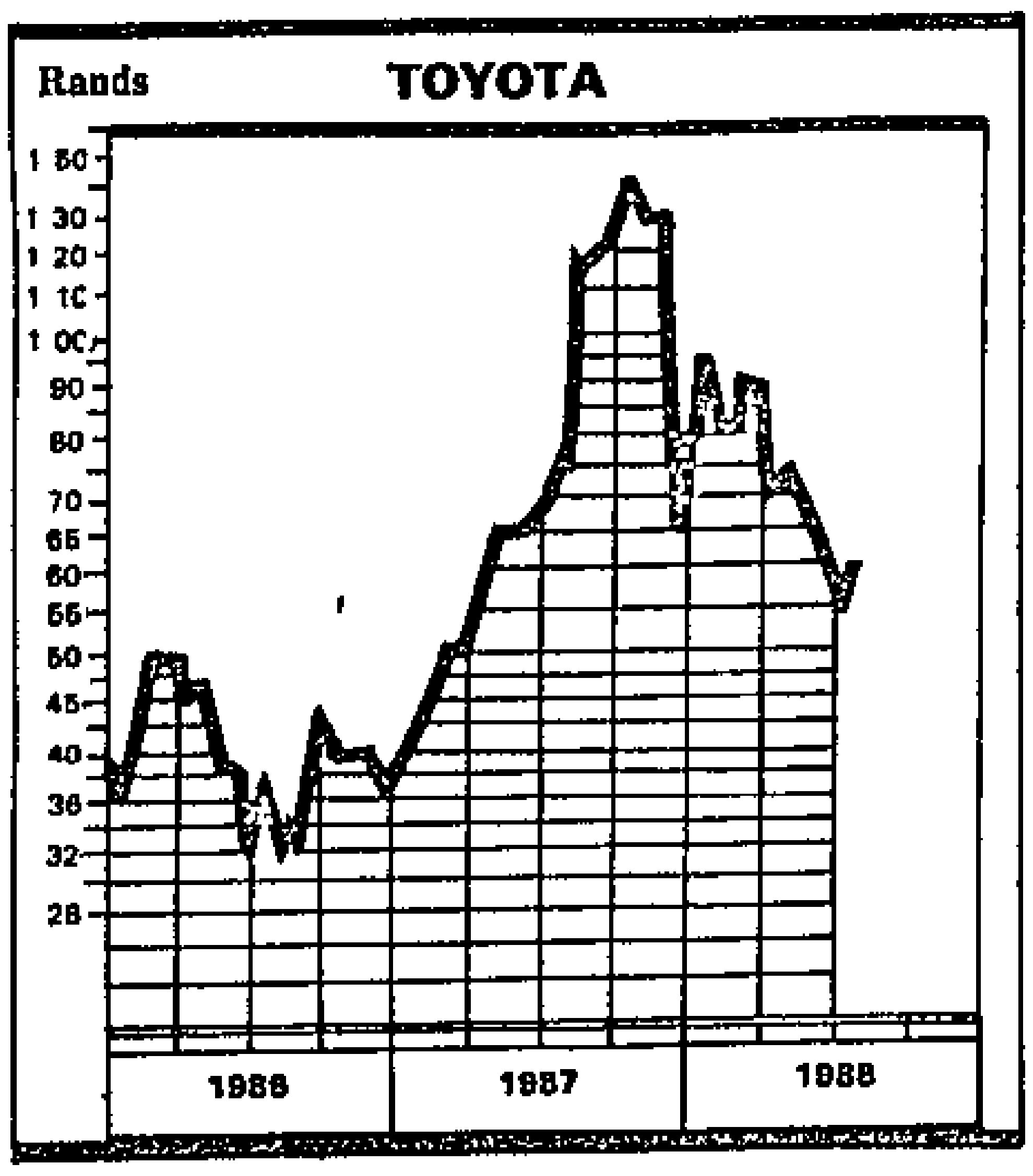
Mr Pretorius says Toyota makes Hilux and Hiace engines, but estimates the cost of a plant for car engines at above R50-million

"Although we are in favour of import replacement, it is not always cost effective Then we are faced with a dilemma the cost of vehicles could be raised it undermines the affordability, sales volumes drop and the price a unit rises further It is a vicious circle"

It is important to strike a balance. In 1981 total SA vehicle sales reached a peak of 301 000, and management can be forgiven for enlarging production facilities in expectation of growth

Unfortunately, last year's sales were 200 000, this year they may be 220 000 In line with the rest of the industry, Toyota has underused facilities

Mr Pretorius says "Our planning for the next five years has been done conservatively, but we are confident that we can fund our own growth"



The group is lean and conscious about overheads Demand for vehicles ensures a quick stock turnover In other words, Toyota can sell all the cars it can make

Restricted volume does have its advantages — costs a unit for incentives, advertising and marketing can be lowered

The management is experienced in the vehicle business, the dealer network numbers 330 outlets, and the Toyota name is well accepted

Toyota's gearing is a reasonable 37%, but the millstone is that it will pay more tax this year because assessed foreign-currency losses incurred in 1985 will be used up In its 27 years Toyota has never had an operating loss

Last year's earnings of 2 056c a share were four times the previous year's The dividend of 300c is well covered because of capital demands and because it is calculated as though earnings were fully taxed The net asset value exceeds R100 a share

If the group follows the capital intensive import replacement programe and succeeds, it will do well If the plans do not come off, shareholders may be asked for money in capital raising rights issues

Although earnings growth may not be startling this year, investors can hope for a dividend of 400c At the current R60 a share the historic PE ratio is only 3 times The downside looks limited and the shares are already better bid in the market

For us

Saficon aiming for a turnover of R1 billion

Star 11/7/89

192

Saficon is aiming for turnover of R1 billion and earnings per share of 169c in its current financial year, says chairman Sidney Borsook in the annual report for the year to March

The turnover represents a 24 percent rise on 1988's R878,9 million The EPS target is 22 percent better than 1988's 138,5c.

Given these figures and Saficon's policy of retaining at least 70 percent of earnings, a dividend of 49c a share can be expected

For the 12 months to March 1989, holding company Saker's Finance expects to achieve earnings of 182c (153,5c) and a dividend of 53c (43c)

Saficon is one of the few listed companies that details its forecasts, both the absolute projections and the assumptions used to make them

Mr Borsook says of fiscal 1988 "Total equity, which includes the automatically convertible debentures, passed the R100 million mark

"I feel that the financial policies and objectives pursued by the group in the past decade have enabled Saficon to grow within the framework of a sound financial structure"

All companies in the group performed well and, with minor exceptions, exceeded sales and profit budgets

"Earnings and dividends of 138,5c and 40c are much higher than forecast and are 72,6 percent and 73,9 percent higher than in the previous year." —Sapa

Star 12/7/78

Car sales may be kept secret

192

The days of the regular monthly car sales scoreboard appear to be over

Following last month's decision by Delta Motor Corporation not to release its May sales figures, at least one other car maker is reliably believed to have followed suit And June's Naamsa sales figures, which would normally have been released by now, have been delayed pending industry discussions

The most likely outcome of Naamsa's deliberations is that figures will be confined to overall industry sales in each of the four categories — passenger cars, plus, light, medium and heavy truck and buses A breakdown of sales by model and makers, however, would no longer be released

Motor trade restricts info

(92) 13/7/88

GERALD REILLY B/Day

PRETORIA — Following the recent decisions by Delta and Nissan to withhold specific monthly sales figures, The National Association of Automobile Manufacturers (Naamsa) said yesterday it would, in future, publish only total monthly sales figures in the established industry categories.

Naamsa president, Spencer Sterling said only total and broad category sales figures would be made public, as this was the only basis on which all motor manufacturers agreed. The decision to exclude manufacturer figures followed "intensive" negotiations between motor makers, he said.

He confirmed that Delta had agreed to provide data on this basis after discussions with Naamsa last week.

Delta earlier refused to provide sales data in what was seen as a move to avoid embarrassment to overseas suppliers threatened with possible sanctions for dealing with an SA company.

Last week another manufacturer, Nissan SA, joined Delta in declining to disclose comprehensive figures.

It was decided, too, that publication of Naamsa's statistical booklet which provides details of individual member's sales would be suspended for now.

Sterling said the association regretted that for the time being it would not be possible to make available more detailed sales data.

From January 1989, however, fuller disclosure of industry and individual manufacturers' sales was likely to be resumed

Access to the more detailed sales information was likely to be restricted to Naamsa member companies and organisations directly associated with the motor industry.

192

Companies should uphold decisions

Seifsa says no to bargaining over some demands

ALAN FINE

A SEIFSA document circulated to members last week and acquired yesterday by Business Day strongly advises metal sector firms not to enter into company-level bargaining with unions on demands already rejected by Seifsa at the Industrial Council.

The circular, dated July 20, anticipated pressure by International Metalworkers' Federation unions for in-house bargaining on the demands Last Thursday saw the first of several strikes aimed at such negotiations

The document warned that company level bargaining would "seriously undermine the national negotiating strategy and could, moreover, commit such companies to a long-term obligation" to bargain at this level.

It, and an earlier circular, anticipated disruptive actions including selective strikes, overtime bans and go-slows Since July 1 there has been no council agreement.

It advised employers to follow various guidelines.

The document also urged employers to continue to attempt to get written individual undertakings from employees that in return for implementation of the final Seifsa offer they will participate in strike action

Meanwhile workers at three metal sector firms yesterday returned to work while those at another two embarked on strike action, according to information supplied by Seifsa and the National Union of Metalworkers of SA.

Seifsa director Brian Angus said the three plants returned to normal without the companies having made any new concessions to employees, while strike action began at another. He declined to name them.

Numsa spokesman Peter Daantjie said action also began at Dorbyl Palaborwa Angus was unable to confirm this Numsa and Seifsa have confirmed strikes at Femco, Brits and the East Rand firms of Denver Metal, Tilley-MacMill (T-M) and National Bolts where, according to Numsa, three separate plants are affected.

Negotiations are underway at some of these firms

The IMF negotiating team is due to meet today to plan overall strategy. Unionists have said the strikes were not centrally co-ordinated

Naamsa ends breakdown of vehicle sales

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By Sven Lünsche

The National Association of Automobile Manufacturers (Naamsa) will henceforth only publish total industry sales in the wake of a decision by Delta and Toyota not to release detailed sales statistics

President Spencer Sterling said yesterday Naamsa would only publish total monthly sales in four categories cars, light commercials, medium commercials and heavy commercials . Star 13/7/88

"Full details of individual members' sales by model variant and licensing districts will be suspended for the time being," he said

However, with effect from next January fuller disclosure of industry and individual manufacturer sales was likely to be resumed But access to more detailed sales information was likely to be restricted to Naamsa members and to organisations directly associated with vehicle manufacturing

"In the meantime, vehicle manufacturers will continue to update their in-house sales data bases in order that once the industry is ready to resume disclosure of detailed sales statistics, back-processing of the data base can be undertaken," Mr Sterling said

June car sales figures will be released today

Minister Richard Hove was understood to have been receiving

sensation here and may have a wider impact on African public

B/Day 14/7/88

Some concessions made by Seifsa

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ALAN FINE

SEIFSA yesterday made several concessions to non-wage, union demands at a meeting called to resolve the wage dispute involving four International Metalworkers' Federation (IMF) unions.

Local IMF secretary Brian Fredericks said the unions would report these developments to members at general meetings over the next two weeks.

However, Seifsa reiterated it was not in a position to make a further offer on wages. Fredericks said the unions were open to continuing negotiations on the issue.

On other matters, Seifsa agreed to a review of public holidays in the industry with all affected unions in an attempt to reach agreement on the most widely acceptable holidays.

It agreed to recommend to members that, where practicable, companies should continue to pursue a policy of equal opportunity.

Should any alleged discrimination be found to exist, the affected parties should consult with one another to consider methods of removing it.

Seifsa said it would be prepared to discuss proposals for an internal dispute procedure once the Labour Relations Amendment Bill became law, and agreed to the appointment of a committee to investigate the question of paternity leave.

Radical changes for SA car makers

Radical changes are in store for the South African motor industry — over and above this decade's rationalisation shake-outs that have already seen the number of manufacturers shrink from 10 to seven while nameplates like Peugeot, Renault, Daihatsu, Alfa Romeo, Leyland, Rover, Fiat, Chrysler and many others have disappeared from the price lists.

The spectre of sanctions, a drastic change in local content requirements and new government objectives for further rationalisation are going to see further mergers and withdrawals and an increase in collaboration between vehicle makers, according to Samcor group managing director Mr Spencer Sterling.

Star 14/7/88 (192)

Increase in sharing

Apart from further reductions in the number of makes and models, he foresees a substantial increase in component sharing.

"That will have a retarding effect on the forces for merger and withdrawal, but ultimately there will be a combination of all three "

One of the most promising avenues for component sharing is in engines where Samcor itself would have a key role to play Its Ford division already has the most comprehensive engine plant in the country.

If any car maker wanted to set up a new engine plant from scratch, the cost in imported tooling would be prohibitive But because Ford's plant is already in place and paid for, it can produce engines more cheaply than imported units

Already plans are advanced for Ford's presently Mazda-based small cars to get "true blue" Ford engines from the PE plant

Ford engineers are presently modernising the venerable 3,0 litre V6 Essex engine and at least one other local manufacturer has unofficially expressed interest in buying that motor as an alternative to its expensive imported engines.

At present, Delta and BMW import all their passenger car engines. So does Toyota, with the exception of the 1,8 Cressida motor, which is based on the locally made Hilux bakkie engine Volkswagen makes four-cylinder engines locally, as does Nissan, which also made sixes until the debut of the New Era Skylines, in which imported units have replaced the old former local ones

Mercedes makes four and six-cylinder engines for its M-B cars but the Honda engines are fully imported apart from some hang-on parts

One recent development of significance is Volkswagen's announcement of a R40 million plant for making its own tooling, which, says VW, could also supply other local manufacturers.

South African car makers rely on Japanese and European imports for about 70 percent of the machinery needed for each model change at a cost of between R50 million and R100 million at a time

In terms of the forthcoming change from a mass-based to a value-based local content system, industry sources see plastics, electronics and aluminium components as offering the best scope for increased localisation, given the important proviso that it be achieved through existing infrastructure without the need for new and expensive imported tooling.

"We'd be looking at aluminium alloys and plastics because we have the existing industries, though they're not presently allied to the motor industry," said Mr Sterling.

Electronics

"We also have a fast-developing electronics industry and I envisage they would turn their attention to the motor industry "

Apart from tooling costs, another factor that influences the viability of local production is whether overseas companies would allow local production of their products

However, if sanctions really started to bite, it's not inconceivable that South Africa would consider itself no longer bound by international patent and licensing norms

While the choice of new cars on the market is sure to become narrower, the behind-the-scenes adaptation and lateral thinking in the motor industry is likely to have its own kind of fascination

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Mercedes silent on work deal

Cape Times 20/7/88

Own Correspondent

EAST LONDON. — Mercedes-Benz has declined to comment on a new code of practice which will give its employees the same rights as West German workers employed by Daimler benz.

Mr Franz Steinkuehler, chairman of the West German Engineering Workers' Union, IG Metall, said that the code had been drawn up to protect black South African workers against the government's race laws.

The code also protected striking workers from being imprisoned or having their salaries withheld, Mr Steinkuehler said.

The public relations officer for Mercedes-Benz, Mrs Delene Macfarlane, said yesterday the code was part of a recognition agreement being negotiated with the National Union of Metalworkers of South Africa (Numsa), and as such regarded as an "internal issue."

The regional secretary of Numsa in East London, Mr Viwe Gxarisa, said the union would comment after a meeting with the Mercedes Benz management next week.

Nissan 'fastest growing SA car manufacturer'

(192)

HELOISE HENNING

B/Day 20/7/88

DESPITE the moratorium by the National Association of Automobile Manufacturers of SA (Naamsa) on the publication of motor trade figures, Nissan SA says it has become the fastest-growing motor manufacturer.

Nissan, which followed Delta Motor Corporation in not releasing its sales figures, says it improved market share by 3,1% in the first five months compared with its performance for the same period last year

Naamsa's figures in May were released without the sales of Delta Nissan bases its analysis on those figures and, in terms of units sold, it is rated third in the market, preceded by Volkswagen and topped by Toyota

Nissan says the only other motor manufacturer to improve its market penetration in the same period was Volkswagen, which grew by 0,6%

Compared with other manufacturers, Nissan's performance in the five months to May represents a 4,3% gain in total market share to 15,9%.

A 3% decline in market share in the five months was felt by Mercedes-Benz and 2,1% by Samcor, says Nissan

Nissan MD Stephanus Loubser says his company should improve its share of the passenger car market by 2% to 14% within the next five months with the launch of new models Passenger vehicle sales had nearly doubled between January and May, he says.

According to Naamsa figures of total sales in June, the passenger car market shrank by about 6%.

Gentyre merging two tyre facilities

Star 23/7/88

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ANN CROTTY

FSI subsidiary, Gentyre, is rationalising its tyre distribution facilities with the merger of its two wholly owned trading companies, Uniroyal Tyre and General Tyre

The merger is to take effect from July 26

The two distribution companies are part of Gentyre's tyre division and currently operate dual facilities The merger should therefore result in significant savings to the extent that it seems strange that it was not undertaken at an earlier stage

Mr Tony Versfeld, MD of the tyre division, says there were commercial reasons for not merging earlier and that these reasons had fallen away

General Tyre is by far the larger of the two companies, controlling an estimated 24 percent of the tyre market, compared with Uniroyal's estimated 2 percent

After the restructuring, all the business will be conducted under the name of the General Tyre & Rubber Company (SA) (Pty) A company statement says "Every effort has been made to ensure that there will be as little disruption as possible to long-standing customers and users over the transition period"

The size and the backing

ONE of IC Nissan's specialty areas is in the business of Nissan fleets Says MD Hugh O'Mahoney "We've got the size and the backing to give customers complete professional reassurance

"We are a subsidiary of the R200m-a-year (turnover) Industrial & Commercial Holdings (ICH) group, which has been quoted on the Johannesburg Stock Exchange since 1945

"ICH is one of SA's biggest industrial and commercial companies with a long list of associated and subsidiary companies, which include many major companies in the motor industry

"The backing and support of ICH financial expertise, together with the experienced team of motor executives managing the IC Nissan group, are the reasons why we are a driving force in the motor industry on the Reef today"

O'Mahoney makes the additional point that with four fully equipped branches dealing in all aspects of the trade — all of which are in close contact with one another — the company can offer a good spread of service to fleet owners

Express delivery vehicles move parts anywhere fast, thus maximising operators' running efficiency and minimising downtime

In addition, IC Nissan's hand-picked service managers have between them some 82 years' experience Its workshops are equipped with the latest electronic diagnostic and testing equipment, as well as Nissan "special tools" Every technician attends Nissan SA's technical training courses on a regular basis to ensure quality workmanship

IC Nissan also guarantees fleet owners that a representative will be with them within an hour of their calls — whether the call is for trade-in valuations, new vehicle quotations or a presentation on full maintenance leasing

The company also has demonstrators covering the full Nissan range

Its services include offering fleet operators who have their own workshops free technical training, while special tools can be loaned to these operators at no extra cost

THE MAN AT THE HELM

THE man who heads the IC Nissan group is Hugh O'Mahoney, who was born in the former Rhodesia in 1948 He attended Milton High School in Bulawayo

He was then awarded a bursary from Messina Transvaal Development Company, and went to the University of Natal in Durban Here he obtained a Batchelor of Economics degree, and joined Nissan SA in 1969

O'Mahoney joined the company's marketing department, which suited him very well The manner in which he conducted the official opening of the new Braamfontein motor show is ample evidence of the fact that he is every inch a marketing man

In 1975 O'Mahoney moved from the manufacturer Nissan to the dealership and retail side of the business by joining John Newbury (currently managing director of Nissan SA) at Datnis in East London Datnis also had a branch at King William's Town, and O'Mahoney helped to open branches at Queenstown, Uitenhage, Port Elizabeth and Durban

Fleet finance scheme

AS part of its customer service to Nissan fleet operators, IC Nissan offers innovative finance schemes For example, many fleet owners prefer to operate their fleets on a guaranteed re-purchase or "buy-back" scheme

For example, this could mean that a contract is entered into between the fleet owner and IC Nissan, in terms of which IC Nissan undertakes to re-purchase a Nissan Sentra 1500 for 80% of the net selling price after 12 months or 25 000km

This, of course, is just one of many possibilities Each scheme is tailormade for each fleet owner, and percentage buy-back figures are negotiated according to usage, time periods and kilometre requirements of each vehicle involved

There are a lot of advantages to these schemes including

- Fixed depreciation costs,
- Reduced maintenance costs,
- Improved staff morale,
- Improved company image

For it is reassuring to know that, with inflation running at a real level of close to 20%, there are some costs that a fleet owner can fix now IC Nissan offers maintenance contracts that include servicing and maintenance — and could even include tyre and battery replacement

Full maintenance leasing (FML), or contract hire, is a relatively recent development on the South African automotive scene, but it has long been big business in the United States and Europe

Perks tax, and variations of it, has been in existence in these countries for many years Essentially, what FML amounts to is that you hire the vehicle for one, two or three years

Ownership and financing are in the hands of IC Nissan, and the fleet owner simply pays one fixed monthly figure which includes leasing, licensing, insurance, registration, number plates and maintenance costs,

In addition, IC Nissan can offer computer services that allow fleet operators to budget for the future by allowing them to compare running costs against an average, or to compare running costs against competition

Nissan SA produces computerised costs analyses on a quarterly basis These costs cover the full range of Nissan vehicles The data input is from a number of major Nissan fleets With this information to hand, fleet owners can compare running costs against an average

IC Nissan has financing experts and tax consultants who will tailor a fleet finance package to meet a specific fleet operator's needs, whether it be for suspensive sale or residual value leasing — perhaps to tie in with buy back

These people keep abreast of all Government and motor industry negotiations, as wel as changes in tax legislation so they are in a position to give up-to-date advice This advice is free of charge to Nissan fleet operators associated with IC Nissan

In addition, IC Nissan conducts tours of Nissan South Africa in Rosslyn at regular intervals These include a tour of the assembly plant, the engine plant and Steelmobile IC Nissan fleet owners are welcome to join these tours

Putting the fun back into motoring. Stuntman Ian Soames and his way-out Nissan bakkie, mounted on top of a huge chassis fitted with giant balloon tyres and a massive V8 engine at the official opening in Braamfontein

AWARDS FOR GOOD DRIVING

IC NISSAN has instituted a programme to award safe driving The main objective of the programme is to encourage the company's drivers to drive defensively, thus minimising the frequency and cost of accidents

But a subsidiary motive behind the implementation of the programme is to foster pride in the work of its drivers

Each calendar year constitutes a safe driving award year, aiming at getting the driver to complete the year without a preventable accident But if the driver is involved in a preventable accident, he or she immediately loses the chance of gaining a credit in that year

In addition, all previously earned credits fall away and he must then drive for another full year without a preventable accident to get back on the roster

Safe drivers enjoy a financial reward for their defensive driving achievements Drivers credited with one completed year of accident-free driving are paid R100, those with credit for two consecutive years R150, and those with credit for three consecutive years R200

In addition, all drivers credited with preventable accident-free driving ranging from one completed year through to eight consecutive completed years are awarded chrome badges, while those with nine or 10 completed consecutive calendar years get gold-plated badges

COMPUTER SYSTEM

A REVOLUTIONARY new computer system handling finance, insurance and all optional extras for any vehicle in the Nissan range — including used cars — has been installed at IC Nissan by Wesbank

In an era where there are so many different ways to finance the purchase of vehicles, this facility can calculate in seconds what would take hours otherwise

The system also calculates how much comprehensive insurance you will need, asks you whether you wish to pay for the insurance up-front or monthly, adds in licence registration fee and cost of number plates

In effect, it builds a deal around a customer tailored to his income and ability to meet the repayments on the vehicle It also asks a customer whether he wants group life cover for the price of the vehicle in the event of his death

Approval for the deal can be given in 15 minutes As soon as the deal has been agreed upon between the Wesbank representative and the customer, the computer printer prints out a completed application for finance form, containing all the relevant particulars All the customer has to do is sign it

IC Nissan chief executive Hugh O'Mahoney says a complete deal, including a demonstration drive, financing and insurance can be completed within 30 minutes

Another aspect to the computer, of course, is that it saves endless paperwork In addition, the customer is dealing face-to-face with bank personnel and this tends to make him or her feel more comfortable

The system is also designed to protect customers from allowing themselves to be talked into deals that they may well not be able to afford

"We had both that bakkie Soanes' equally way-out V8 Jeep on display for a week afterwards At our official opening we featured a six-car crush performed by Soames in the Wildcat V8 bakkie, plus some spectacular wheelies in the Jeep

"We're trying to create a carnival-type atmosphere here a motor show rather than a motor showroom And, of course, it's all in the open air You can stroll in and out at any time of the day or night I'm going to continue to feature exotic or classic cars For example, I might feature a vintage Rolls Royce to draw the attention There are always exciting things happening here

"Cars turn people on — but with prices having gone through the roof in recent years, a lot of the fun has gone out of motoring We want to put it back

"We have toys to keep children happy here while their parents are browsing, and you can get refreshments In fact, just about everything except a full-blown meal is available"

Including the forecourt staff, there are 65 staffers at the new IC Nissan in Braamfontein (a total of 160 people work for all the branches of IC Nissan)

O'Mahoney says that it is the aim to turn over around R25m a year at the Braamfontein facility

The facility also features a three-storey building which has become the new headquarters of the IC Nissan group

'IC' stands for 'intensive care'

WHILE the IC in IC Nissan actually represents the name of IC Nissan's holding company — Industrial- & Commercial Holdings — go-getting chief executive Hugh O'Mahoney prefers to tell his customers that it stands for "intensive care"

In fact, IC Nissan has a special Customer Care Programme that arose out of a perceived need to improve the image of motor dealers

According to O'Mahoney, "the reason for the establishment of this programme came out of a survey conducted by Nissan South Africa on many Nissan owners The result of Nissan's survey showed how many customers were totally frustrated with the apathetic approach and lack of genuine interest displayed by some Nissan dealers

"Nissan will continue to survey new vehicle customers with a detailed report-back to dealers"

The aim of the programme is to achieve a 100% rating from IC Nissan customers in every department of the business In order to achieve this goal, each and every member of staff — from receptionists through to the salespeople, accountants, credit controllers, managers, technicians, drivers, tea girls and cleaners — all of which deal with customers — must act in a completely professional way

A customer care officer — who is not actually employed by IC Nissan and who is therefore not likely to be overly biased in favour the company — has been appointed as a consultant She receives all the information from the branches on a weekly basis Follow-up telephone calls are made to every customer whether he be a new vehicle owner, used vehicle owner, parts customer or service customer

Issues monitored by the programme include personal appearance, telephone manners, housekeeping, politeness, helpfulness and good manners Staffers are encouraged to treat customers as they would treat guests in their own home When personal follow-up calls are made, a special questionnaire is used Once filled in, these are then forwarded to the particular branch manager for action

Any member of staff who is specifically mentioned by a customer as having given "intensive care" receives a personal letter from O'Mahoney, together with a gift voucher Salespersons are rated individually

A monthly report summarising all the scores off the questionnaires for each department of each branch is then forwarded to the branch manager and the MD In this way management can monitor every person's performance

It is also company policy at IC Nissan for every staff member to have a consumer complaint pad on his or her desk This is filled in in duplicate, with one copy going to the department head and the other to the branch manager concerned

Says O'Mahoney "In this way it is hoped that we will rectify any mistakes that have been made before they blow up into major confrontations The programme has been devised to ensure that IC of IC Nissan really does mean 'intensive care,' and that the company will be the leader in setting new standards in the retail motor industry for total customer satisfaction"

Nissan SA's CE John Newbury

IC Nissan's MD Hugh O'Mahoney

(92) B/day 28/7/88

Written by JOHN ORPEN

When three does go into one . . .

◇Corporate Profile◇

I.C. NISSAN

Business Day

UST what is IC Nissan and how did it come into being?

Originally the R200m-a-year Industrial & Commercial Holdings group had, among a lot of other motor retail outlets, three Datsun dealers These were Express Datsun in Newtown, Johannesburg, South Rand Datsun in Rifle Range Road south of the city, and East Rand Datsun in Springs

Then, in 1983, Datsun South Africa changed its name to Nissan South Africa in order to get into step with the Nissan empire and name worldwide This meant that all existing Datsun dealers had to do a re-think about their own titles The Industrial & Commercial Holdings (ICH) group decided to give a common name to its three Datsun outlets, and all three became IC Nissan

With the recent grand opening of its brand-new Braamfontein facility, the Newtown branch has been closed

But ICH owned ground at Wembley south of Johannesburg near the old ice rink and, because the servicing facility at Braamfontein is so rudimentary, it was decided to build a new workshop on the Wembley ground This opened its doors for business a few weeks ago

It was subsequently decided that, as the company had the necessary management skills and some spare capacity, it should open a sales division at Wembley as well

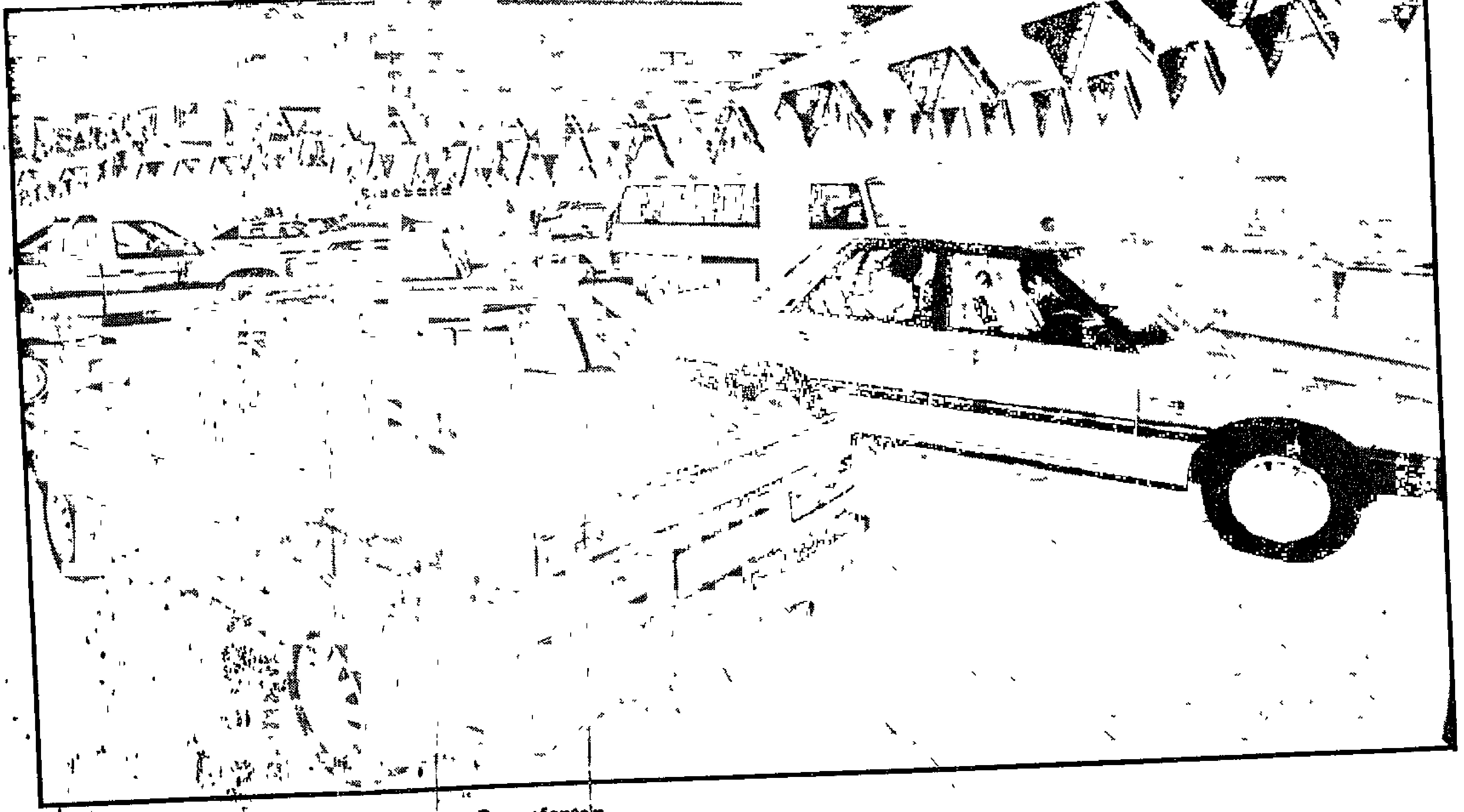
Today IC Nissan consists of four retail outlets instead of the previous three CE Hugh O'Mahoney says that today IC Nissan ranks among the "Big Five" as far as Nissan dealers in South Africa are concerned

Around 200 new Nissan vehicles are sold through the four branches each month, with sales of used vehicles extending to about 150 In money terms, turnover at IC Nissan will be approximately R60m in 1988 .

The Springs facility has the franchise for Nissan heavy trucks as well as cars But the company is not just involved in sales of vehicles, but in the whole spectrum of the retail motor trade covering servicing and parts

O'Mahoney says although the servicing facility at Braamfontein is very small, customers can leave their cars there and IC Nissan drivers will then ferry the cars to Wembley He points out that most of the other big motor dealers in Johannesburg have their showrooms in town, but their servicing facilities further south in Motortown where land for office and business use is not at quite such a premium as in the CBD.

On the parts side, O'Mahoney says most spares sold are body-parts going to panelbeaters After that, the biggest off-take is absorbed by IC Nissan's own workshops, followed by sales to other garages, and even DIY Nissan owners



IC Nissan's spanking new parkade in Braamfontein

PUTTING THE FUN BACK. . .

IC NISSAN's new R2,5m facility in Braamfontein is unique among motor retail outlets, in that it is open for public viewing 24 hours a day The showroom can accommodate as many as a 100 new and used cars

IC Nissan in Braamfontein consists of a two-storey parkade boasting "wall-to-wall" cars, including the entire Nissan range of 25 new cars — plus a number of exotic Nissans that are not generally seen in SA

The two cars on display at the moment are the futuristic Nissan CUE-X and the sensational mid-engined 4

Says CE Hugh O'Mahoney "We want to put the fun back into motoring — that's why at our official opening in Braamfontein we used stuntman Ian Soanes and his way-out Nissan bakkie, mounted on top of a huge chassis fitted with giant balloon tyres and a massive V8 engine

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B/day

07/7/88

Toyota's taxed profits up by 37%

CHERILYN IRETON

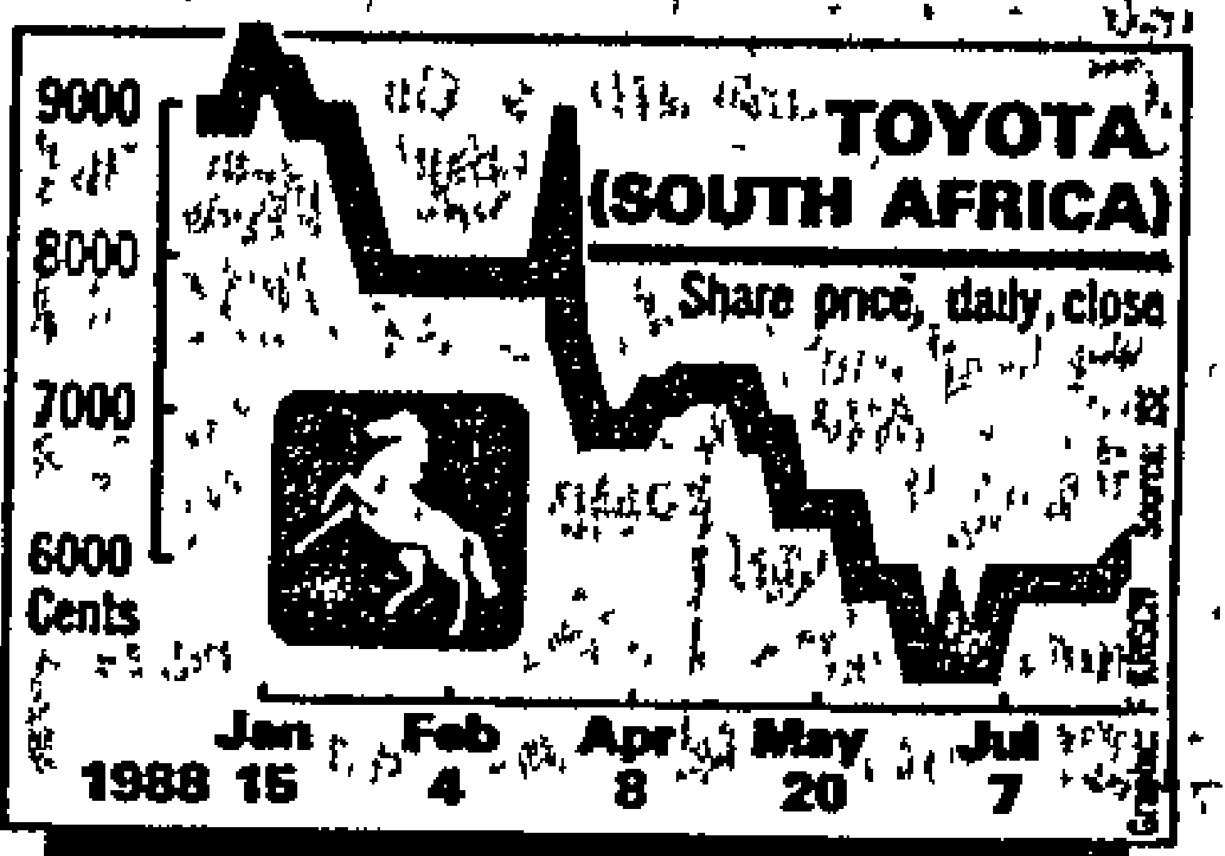
TOYOTA SA steered its way to a 37% increase in taxed profits for the six months to end-June after increased sales and slightly higher margins.

With vehicle sales up 21,3%, Toyota achieved attributable profits of R44,9m, which translate into earnings of 1 103,67c a share against 806,95c the previous year.

The board, which is anticipating a 10% growth in the vehicle market for the full year, has declared an interim dividend of 138c (120c) a share. This suggests the group is retaining earnings to fund a major new investment which may be announced later this month.

Turnover surpassed the R1bn mark, despite a marginal loss of market share.

"A significant feature of the market was the inability of virtually all the manufacturers to satify in full the demand for new vehicles. Toyota experienced a supply shortage and as a result market share was 27,8% compared with 28,4% for the same period last year," said Vice-Chairman Bert Wessels in his comment on the results.



Operating profit as a percentage of turnover rose marginally to 5,7% from 5% at the previous half-way stage.

Wessels said the past nine months had seen a steady deterioration in the exchange rate of the rand against the yen. Consequently, the planned price increases had had to be reviewed to compensate partly for the cost escalation.

Toyota shares rose by 100c to 6 300c on the JSE yesterday.

Mercedes probe does not affect SA units

(192) B/day 27/7/88

Own Correspondent

EAST LONDON — An investigation into alleged sudden-acceleration problems in some German-built Mercedes-Benz cars in the US does not affect units made in SA

Mercedes-Benz SA gave this assurance yesterday after being asked to comment on reports that the US government's car safety agency had launched the probe after complaints by a consumer group.

The agency said the investigation involved about 215 000 cars made between 1984-88 with petrol engines and automatic transmissions.

A consumer watchdog group, the Centre for Auto Safety, said it had received 164 reports of sudden acceleration in Mercedes-Benz cars resulting in 125 accidents, 46 injuries and one death.

Mercedes-Benz SA said the problem was confined to the US. "We have received no instructions from Daimler-Benz of West Germany to alter our SA cars," the company's PRO said.

She added that Daimler-Benz had investigated all cases of alleged unintended acceleration reported to it. No electrical, electronic nor mechanical problems or defects had been found.

Mercedez-Benz of North America and Daimler-Benz are co-operating in the investigation

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Toyota assigns R87-m to import substitution plan

(192)

S/Ev. 28/7/88

By Sven Lunsche

Toyota SA Manufacturing is to spend R87 million in a three-pronged programme of import substitution, which will create about 1 000 new jobs and save R120 million in foreign exchange

"This is purely a programme for import substitution and does not take into account other capital expenditure," Ralph Broadley, MD of Toyota SA Manufacturing, said yesterday

He said the depreciation of the rand against the yen necessitated the programme, but undoubtedly it would also help in the face of cutbacks by its Japanese supplier

Toyota in Japan said last week that it had begun to cut back on its vehicle exports to South Africa, starting with a year-on-year decrease in June A spokesman said the company planned to continue reducing such exports because of the growing criticism of Japan's trade with South Africa

The local programme involves expenditure of R35 million on the replacement of original equipment components, a R11 million spending package for the in-plant manufacture of after-market assemblies and a R41 million toolroom built at the company's Prospecton factory, near Durban

Mr Broadley said the programme would be completed within two years

Toyota's profit up

Star 2.7.78

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The upsurge in new cars sales earlier strongly boosted Toyota's profits

Turnover in the six months ended June surged by 42,1 percent to R1 179 million, and operating income rose 62,0 percent to R67,7 million

However, a 22,6 percent rise in tax, as a result of the tax rate jumping from 22,6 percent to 34 percent, restricted the rise in post-tax profits to 36,8 percent — from 806,95c to 1103,67c a share

The interim dividend has been raised by 15 percent to 138c a share

Toyota expects to repeat its sales and profit figures in the second half

Driven to productivity

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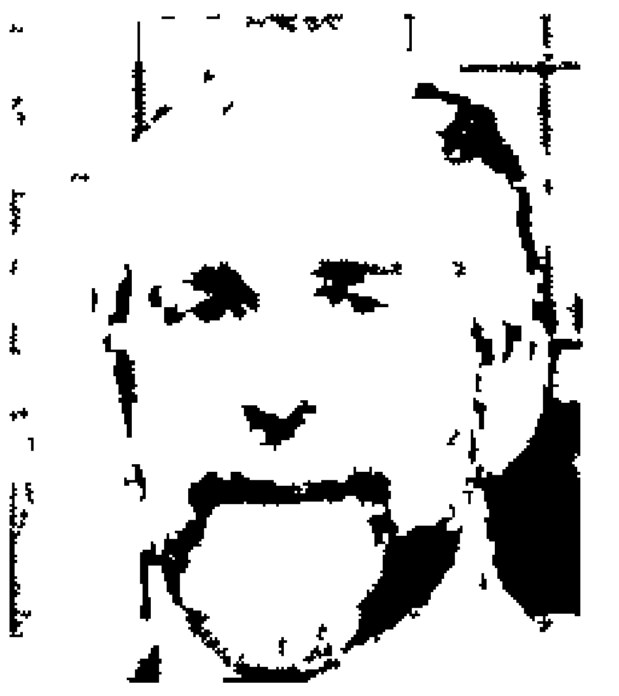

Toyota CEO Bert Wessels recently addressed the SA Institute for Organisation and Methods. This is an edited version of his comments.

The motor industry is working very hard at increasing local content of vehicles but this will not come cheaply

I foresee additional capital investment in excess of R100m at Toyota SA — just towards increased local content over the next two years This tends to excite the media and the public — understandably, people are very pleased to hear about increased job opportunities

But as manufacturers we should primarily be concerned over the viability of such investments and, equally important, whether we will find enough engineers and technicians And what about worker productivity?

All responsible people realise that for political and socio-economic reasons, it is vital to create more jobs in SA This is often recommended at the expense of productivity But if you create work at the expense of productivity, the relief is only temporary

Every manufacturer should make productivity his first priority — even if this demands a certain level of automation or is at the expense of a few jobs Only then will he be competitive, ensuring the demand for his goods

Artificial job creation may seem like altruistic redistribution of the country's wealth, but subsequent wage increases forced by the unions will invariably lead to poor productivity Both the company and the country will become poorer in the process

Japan, which heavily automated its factories and ruthlessly pursues productivity, still has enlightened employers Jobs are created at a tremendous pace, especially in the service industries Employees are highly trained and contribute much to the increase in the perceived value of products

As a matter of policy, every local manufacturer should continuously ask himself how he can cut costs through improved productivity There may be opportunities for creating more jobs on the marketing and service side, provided these services add perceived value to the product well in excess of the additional cost input

What gives me hope is that there is a lot of scope for industrialisation in SA Statistics suggest that the number of South Africans employed in industry is very low — only 15% of the total population In West Germany and Japan the figure is 25%-31%

Even Argentina, which has a very similar composition to SA, employs 20% of its population in industry One wonders whether the underutilisation of this most important potential source of job creation may be partly due to the negative attitude of South Africans towards the industrial environment

Where does SA stand in relation to productivity? Over the past 10 years, the average increase in productivity in SA was 1,6%, compared with Japan, where productivity increased by 3% a year over the same period

Over ~~the past~~ eight to 10 years at Toyota SA, workers' involvement in production decision-making has had a major effect on our productivity and quality levels

The key to the success of our company perhaps lies in the fact that all levels of management must be totally committed and trained in the philosophies and objectives of Japanese production systems Much time is spent on training workers in the use of productivity tools and methods, teaching them to become more analytical and critical of their job environment

They are trained to become thinking people, questioning established work patterns. Workers are trained in problem-solving and in the numerical evaluation of a problem

Workers look for a large number of alternative solutions and make a final selection through careful evaluation

The worker group which has dealt with the problem makes a presentation to top management and systematically explains its observations, analysis and recommended solution

The most important thing to do if you want to improve productivity in your organisation is to ensure that your management is not blinded by its own brilliance and unable to see the needs and aspirations of the people on the shop floor

I am not so naive as to believe elimination of shop-floor problems will cure all the problems of concern to management, but we have found that if employees clearly understand their job and the company's objectives *and* see a common goal, the results can often be quite surprising

ADE wants more local content

192

By Derek Tommey

Assemblers are keen to increase the local content of vehicles, says Mr Hartmut Beckurts, MD of ADE

A number of factors are behind the move One is that imports of vehicles and components cost R3 billion in foreign exchange a year and is a major drain on reserves

Another is the recent contraints placed by Japanese car companies on exports to South Africa and the possible change in the measurement of local content

4/8/88 Sow

Mr Beckurts says ADE, with its unique infrastructure, is well-placed to handle certain petrol engine components

Volkswagen to start a trust fund

5/8/88

192

Sowetan

Volkswagen South Africa, one of the major car manufacturers in South Africa, this week announced that it would soon establish a community trust in order to promote the development of the communities from which it drew its workforce.

The announcement was made at a Press briefing on the company's new policies in Port Elizabeth earlier this week

A spokesman for Volkswagen said the trust — which would be run jointly with management, trade unions and trustees — would place its emphasis on education and development of leadership skills

He said he hoped that the trust would result in lasting development of the communities involved and would work towards the development of a non-racial, democratic society based on the principles of freedom of association

He said the trust would be aimed primarily at long-term projects which would allow the community to achieve control of their own lives.

"Volkswagen of South Africa is determined to be part of a new South Africa and believes that in a small way it is helping to make this happen," the spokesman said

The company said it recognised people as its most important resource It said far more attention was now being given to factors such as training and recognition

"Already, many managers are spontaneously requesting training and development programmes, instead of waiting for the impetus to come from our human resources division," the company said.

The company, which also announced its new marketing strategy, said it managed to achieve a market share of about 20,4 percent in the first half of this year This was despite severe stock shortages, it said

It said the customer service index had also shown a dramatic improvement — from a rating of 71 percent satisfaction to over 80 percent

W/C Argus 6/8/88 192

The day VW read The Book

WEEKEND Argus writer OWEN COETZER was in Uitenhage this week. This is his report on how the company slammed on the brakes and took a look at itself, how a book provided the clue, teamwork the spirit and honesty the motivation towards reversing its fortunes.

THAT'S when Managing Director Peter Searle read The Book

"People just stopped buying our products The market reacted to the mistakes we had made in the 1979-81 period. They just simply stopped buying We slumped" he says

"Then . .Tom Peters and Bob Waterman published *In Search of Excellence.*

"I read it" he says simply, "and one paragraph, more than anything else in the world helped to guide us out of the morass of a product-driven organisation that did not really care for people, to what we are today

"This is the paragraph *What set the excellent companies apart? It came down at this An overwhelming respect for the customer — service, courtesy, quality; a bone-deep belief in people with an expectation that each and every one would contribute creatively, the empowering of champions to unleash a continuous array of new products, services and process improvements, and a determination to fight off bureaucracy by staying in face-to-face contact with customers and employees, rather than retreating behind office doors, committees, memos and layers of staff'*

'Excellent companies are brilliant on just a few basics Behaving with courtesy towards customers, providing a continuous array of innovative products and services, and, above all, gaining the commitment, ingenuity and energy of all employers' "

Searle cried *HALT!*

"I CALL it guts!" He had to shout above the clatter of what was a natch for a set for Wagner's *Rheingold* A sort of programmed cacophony A clatter the *Nieblungen* would have given their hair for, but fashioning a different sort of gold Jettas, Golfs, Kombis, Audis

He had come over to say hello, with an easy, assured smile

"How long have you been here?" I asked

"A long time I was the guy who discovered the Beetle," he joked He was there, too, when the wheels almost came off

So what happened?

"Well, I guess we were losing money. We didn't really know There was unhappiness There seemed to be no direction as far as the workers were concerned, and I was a worker, Guys had grievances, with no-one to turn to

"The unions wanted to come in and involve more people Management seemed unwilling, or reluctant They were the bosses, and often enough what they said went Gospel, you know.

"I mean, some of the workers thought management took home the money they were working for. There was a lack of trust

"Suddenly it all changed

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to be able to market a modern up-to-date product

"We looked forward to an amazingly successful decade in the 80s The future really looked good Everyone was making money and the Golf was a great success "

But was it? The answer was No

"Suddenly, we found we were not in such great shape after all! The changeover from Beetle to Golf technology and our pursuit of production volume at all cost led to a real lack of quality and reliability

"We had become arrogant We had a 'take it or leave it' attitude to customers Loyal customers We also dictated to our dealers

"The public reacted. We started to lose, badly The total passenger car market declined by some 10 percent The market share literally crashed from 21 percent to 10,6

"The sum total of all these problems resulted in an all-time low in the level of customer and dealer trust and confidence"

PART of VW's 'family' — workmen fit rear axles on the Jetta-Golf line.

He explains "Tom Peters helped us to identify where we had been going wrong Management identified some of the ways in which we could reverse this trend and re-establish ourselves"

An understatement What it actually required was a complete and utter turnaround A gigantic shakeup of every single department, including management.

WARRILOW· "What happened in 1983 was a critical analysis of our performance over the preceding few years

"In retrospect it was fairly easy to see where we had gone wrong What was far more difficult to develop was a plan that the whole organisation would find acceptable"

So, they embarked on what they call their "Mission".

Says Warrilow "We were on the right track. What we needed was that special something to carry the concepts we had just worked out, and give impetus to the programme"

The special something was a "mission statement" — a task that involved every single department, written and re-written over and over again — that spelled out the corporate purpose, the goals and the values so that everyone in and connected with the organisation could immediately see "what we stood for and where we were going".

SEARLE· "Consensus was vital. The whole exercise was the subject of intense debate with wide participation before we achieved it"

WARRILOW "We established what the company stood for, and then we defined the image we wanted the consumer to have in, say, three to five years' time.

"The single-minded objective of the programme was to assist in the re-establishment of trust and confidence by recapturing the values of the past

"Remember, we had lost the single-minded approach to marketing that we had back in the days of the Beetle. Now we were about to set about regaining it"

SEARLE "We HAD to regain the customer's confidence and support. Our roots lie in the VW Beetle. People who bought Beetles bought peace of mind They flashed their lights at each other. They were part of the VW family

"Now we have gone back to our roots we are working to give that peace of mind again. But we realise it is a journey, not a destination"

WARRILOW "The message we wanted to put across was· Volkswagen were Volkswagen again, and you could trust them. So we developed this statement· Isn't that what you'd expect from Volkswsagen

"It doesn't promise the world. It isn't glib or smart It simply says that the company still has some very real values that the consumer can depand on"

■ To prove it, their share of the passenger car market for the first half of this year is now 22 per cent

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"The top guys did a big turn around. I know that happened because we're all — and that means everyone here — involved. Everyone knows what's happening now.

"We've got permanent shop stewards, seven in all We belong to unions

"The union-management relations go back a long way But the relationship has grown from one with a lot of conflict in the early 1980s to one of negotiation, involvement and mutual understanding

"We talk There are bulletins, progress reports. We know where we stand, and what to do if we're unhappy. And who to go to. Look over there — there's a picture up there. That's the guy responsible for this section If you have problems, he's the guy to speak to. He'll sort it out.

"And we know what we're told is honest No one's hiding anything from us any more

"And" he flashed that smile "*that* took guts".

MARKETING Manager Clive Warrilow puts it this way:

"Boom time was 1980-81. We chased the market. In the early '70s, we had 15 percent share of it all. By 1979 we had gone to 20 per cent — and better.

"VW ruled Our production had increased, so had our sales and profits We had moved from making Beetles to Golfs — we were delighted

July vehicle sales rebound by 17,9%

PL

Cape Times 10/8/88

Own Correspondent

JOHANNESBURG — Car sales in July rebounded by 17,9% compared with June to total 20 018 after a drop off in that market by 5,7% in June and the industry reports expects the bouyancy to continue for the rest of the year

Sales of light commercial vehicles reached a peak of 10 220 from heights four years previously and together with heavy commercial vehicles manufacturers report demand outstripping supply

Total market sales for July improved by 10% to 31 504 units from 28 629 in July 1987, according to the monthly statistics released by the National Automobile Association of SA (Naamsa)

Industry scources attribute the vehicle market's health to pent-up demand now being unleashed by corporates early in their July financial year beginnings despite the 1% increase in prime rate in that month.

The strength of rental and corporate fleet purchases is being experienced in all sectors of the economy from mining, engineering, retail and a bouyant black taxi market Lead-times have increased with manufacturers constrained by their production capacity

Manufacturers during July caught up the June days lost to strikes and were able to deliver larger stocks to dealers Passenger vehicle sales in June fell by 5,7% compared with May

Volkswagen's public relations manager Ronnie Kruger says the pent-up demand should be satisfied within the current year VW estimates the total passenger car market will be 230 000 in 1988.

Toyota marketing MD Brand Pretorius says demand for private car sales is relatively low, with the emphasis on fleet renewals, while vehicle sales director Henk Maree says lead times on for the 15/16-seater micro-busses — used for taxis — and light delivery vehicles are upto six weeks

Demand for heavy commercial vehicles, apart from buses, continues to outstrip supply In July 783 units were sold compared with 775 in June. Lead times to customers in this category range from six to nine months. Demand in 1988 has picked up by 20% compared with 1987

Toyota confident of profit rise

BDay

19/10/88

(192)

HELOISE HENNING

TOYOTA is confident it will raise profits this year despite the ceiling on the export of components from Japan and a deteriorating rand, said marketing MD Brand Pretorius

Projected turnover for the year of R2,5bn can be achieved only with vehicle price increases The budgeted amount of R600m on imports for the second half of the year has already been eroded by a 15% deterioration in the rand/yen exchange rate to push up that account by R133m Toyota also expects to be taxed at a higher rate this year.

The company is performing at 12% above the same period last year and by financial year-end this should level out to an improvement of about 8%

Marketing efficiency is being optimised with every marketing rand critically evaluated for maximum value, Pretorius said

He said despite the 5,7% net profit improvement in the half-year results shareholders were aware of the company's need to fund its own growth from within Significant improvements at plant level — automation and productivity — have been achieved and a programme of ambitious savings has been followed by every divisional head

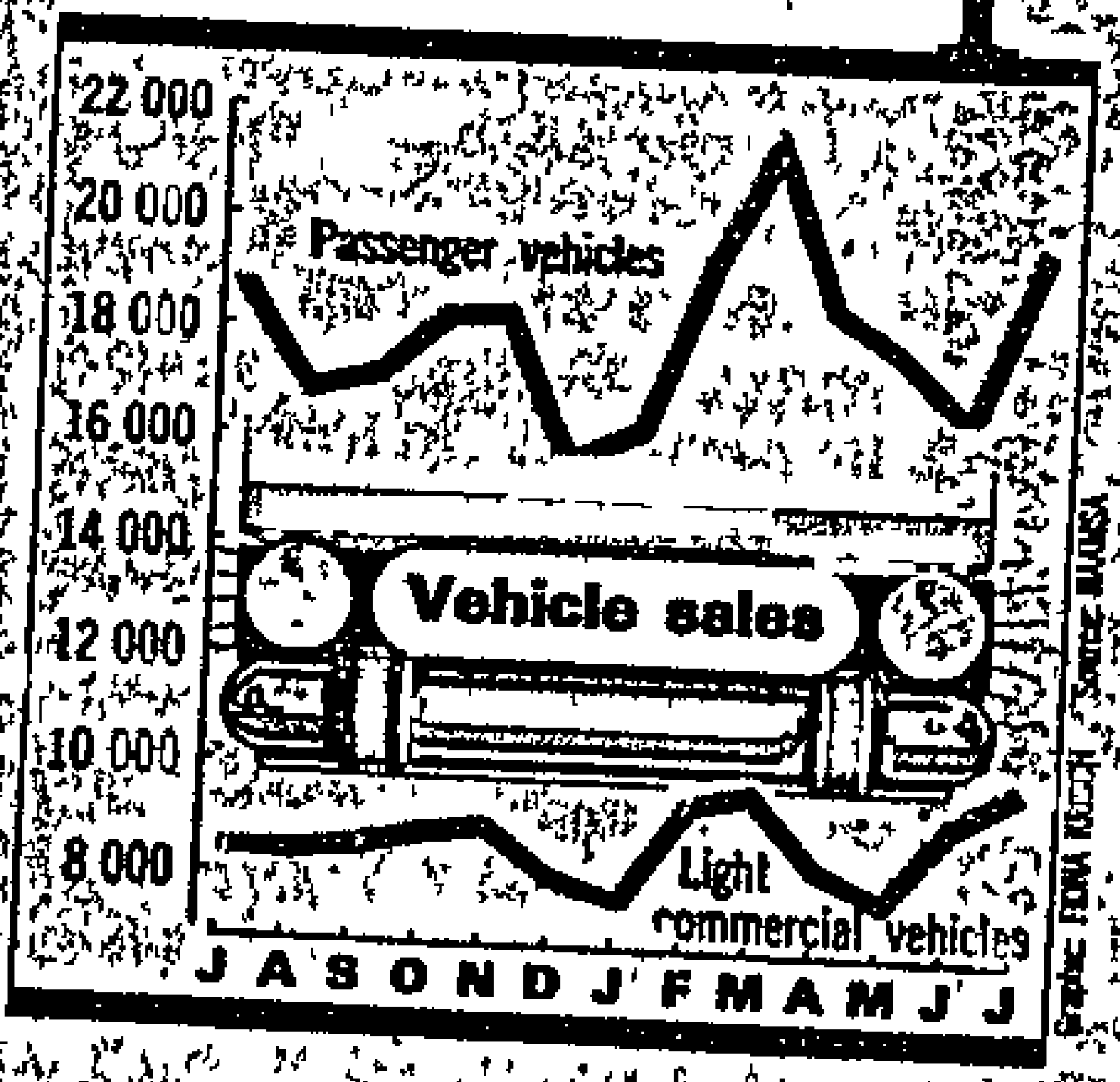
The company is also holding lower stocks and this impacts on tight turnover levels

The manufacturer's Japanese supplier was quick to react to demands from the Japanese government to put a ceiling on supplies to SA but Toyota optimised model makes that contribute substantially to profits

New car sales take 17,9% leap

10/8/88 B/Day

HELOISE HENNING



JULY car sales rebounded by 17,9% to total 20 018 units after a 5,7% drop in June. The industry expects the bouyancy to continue for the rest of the year.

Sales of light commercial vehicles reached a high of 10 220 and together with the heavy commercial sector, manufacturers report demand outstriping supply.

Light commercial sales last peaked in June 1984when 13 161 units were sold. July sales have more than doubled since January 1986 when 5 406 units were sold.

Total market sales for July — cars, trucks and light commercials — improved by 10% to 31 504 units from 28 629 in July 1987, according to statistics released by the National Automobile Association of SA (Naamsa).

Industry sources attribute the market strength to pent-up demand from the corporate sector early in the financial year. This is despite the 1% increase in prime rate.

Strong fleet buying from the rental and corporate sectors, coupled with a buoyant black taxi market, are seeing delivery lead times increasing with manufacturers reporting production capacity constraints.

During the month, manufacturers caught up the June days lost to strikes and were able to deliver larger stocks to dealers.

Volkswagen's public relations manager Ronnie Kruger says demand should be satisfied within the current year. VW estimates the total passenger car market will be 230 000 in 1988.

Toyota marketing MD Brand Pretorius says private sector demand is relatively low, with the emphasis on fleet renewals, while vehicle sales director Henk Maree says lead times for 15/16-seater micro-buses — used for taxis — and light delivery vehicles are up to six weeks.

Demand for heavy commercial vehicles, apart from buses, continues to outstrip supply. In July 783 units were sold compared with 775 in June.

Delivery lead times in this category range from six to nine months. Demand

● To Page 2 ⇨

New car sales take 17,9% leap in July

10/8/88 B/Day

⇦ ● From Page 1

in 1988 has picked up by 20% compared with 1987.

Mecedes Benz management board member (responsible for commerical vehicles sales and marketing) Adolf Moosbauer says the market is not booming but merely reflecting the economic upturn Companies are now replacing older vehicles

"Despite longer assembly lines and training more people, suppliers cannot react faster to the market's over-reaction to the upturn"

Moosbauer says manufacturers expect the pressure to be relieved by next year. "All suppliers have seen their order books develop quickly, but it is difficult to say how soon this will dwindle"

12/8/88 FM 192

MOTOR INDUSTRY

Too much to lose

Japanese vehicle manufacturers can't lightly step away from SA They have too much to lose

Toyota SA, for example, is the second-biggest assembler of Toyota vehicles outside Japan, after the United States. It is tops when it comes to the range of vehicles produced and enjoys the biggest Toyota share of any market outside Japan Its 4 200-strong work force is the second biggest outside Japan, again behind the US

Just as Delta Motor Corporation is Isuzu's second-biggest foreign market, so other Japanese vehicle assemblers in SA are also important outlets for their Japanese suppliers

Exactly how important, becomes clear from the 1988 edition of *The Automobile Industry Japan and Toyota* published by the Toyota Motor Corporation.

Toyota SA, with production capacity of nearly 90 000 vehicles, is less than a quarter the size of Toyota's US operation — but nearly twice as big as the next operation, Canada, with 50 000 capacity. It dwarfs production in South America, Europe, Australia and Far East markets outside Japan.

In Africa, the only other 1987 Toyota production came from Kenya (2 400 vehicles), Zimbabwe (200) and Zambia (50)

Overall, Japanese companies exported 148 000 vehicles to the African continent in 1987, with most destined for SA

The figures explain why Japanese vehicle manufacturers have been among the first to respond to their government's urgings for business to reduce trade with SA By being seen to act quickly and voluntarily, they hope they will be less liable to be singled out for stronger pressure later.

Even among rival manufacturers, the level of compliance with government requests varies widely. Motor industry sources say Honda and Toyota in Japan are dealing far more strictly with SA than Nissan, Mazda and others.

The US, source of most of the sanctions pressure on Japan, is a particularly important market for Honda and Toyota, who are acting to protect their investments there. Toyota, for example, is currently setting up a second dealer network for a new luxury car about to be launched in the US, the Lexus

If the price is reduced sales in the smaller SA market, local manufacturers will have to accept it. The recent SA motor industry decision to withhold detailed sales figures will temporarily hide the shrinking Japanese market share. Toyota doesn't deny its own share has dropped markedly this year because of supply problems from Japan.

So it will have gained limited benefit from July's sales figures, released this week, showing a recovery on June's disappointing performance.

The National Association of Automobile Manufacturers credits strong demand from the corporate fleet and car rental sectors for pushing July new car sales to 20 018 — an 18% improvement on June.

Demand for new vehicles, particularly commercial vehicles, continues to outstrip supply and waiting lists are likely to remain a feature of the market for some time. ■

FARM COMMODITIES

Back to the futures

Maize and soya futures prices have again begun moving up, bolstered by a return of the North American heatwave, after the recent shake-out of speculators on the Chicago grain exchange

Holcom Broker's head trader on the international commodity desk, Lindsay Williams,

Motor-makers stepping up local content

14/8/88 STimes (192)

By Don Robertson

THE threat of sanctions curtailing vehicle supplies has forced several manufacturers to take the "made in South Africa" route.

Toyota and Volkswagen will spend R130-million between them to make parts and Nissan hopes to increase local content to 90% Delta plans to make the Suzuki minibus

When fully operational in about two years, the facilities at Toyota and Volkswagen will save an estimated R200-million in foreign currency annually and more could be earned from exports

Low profile

Keeping a traditional low profile, Nissan will not disclose what savings may be achieved

Both Volkswagen and Toyota will import the tooling equipment from Italy

Toyota's expenditure comes on top of the R100-million which will be spent on tooling for the new Corolla and the R41-million capex forecast for next year

Ralph Broadley, managing director of Toyota SA Manufacturing, says the expenditure is for import substitution only because the yen has appreciated strongly against the rand

The programme will create 1 000 jobs and will save about R120-million in foreign currency

The emphasis of Volkswagen's expansion will be the production of body panels for the new Golf and Jetta ranges to be launched in the 1990s The company will also employ an additional 1 000 workers.

CKD boxes

VW hopes to save about R40-million in foreign currency for the introduction of each new model

Toyota will spend R25-million on the production of original equipment components which normally come from Japan in completely knocked down (CKD) form The money will be allocated to component suppliers and should save about R80-million in foreign currency annually Products to be made include plastic components, headrest assemblies, clutch discs, air-cleaner assemblies and oil filters

Another R10-million will be spent on the manufacture of returnable CKD boxes which are now made in Japan These will be sent to Japan to be loaded with components It is possible that the boxes will be made in-house

Computer

The second prong of Toyota's programme is an R11-million in-plant manufacturing facility for the production of after-market components This includes the production of components for models that have been run out in SA and Japan These are imported at a premium because they are more costly to make — dies have to be brought back and production is at lower levels than for original equipment.

This will save and earn about R11-million annually in import replacement and exports

Incentive

The third aspect is a R41-million toolroom at the company's Prospecton plant near Durban It will make press dies for body panels The plant is expected to save about R30-million a year in foreign currency

When the computer-operated toolroom is fully operational, it will employ about 320 people who will work three shifts

Brand Pretorius, managing director of Toyota Marketing, says that because of the rand's fall, his company's import bill will rise from about R600-million last year to about R733-million in 1988.

Vehicle prices will have to be raised if the company is to remain profitable

The decision to go ahead with the new facilities comes ahead of a plan to change the local content programme from one based on weight to one on value Local content is likely to increase, but manufacturers will be given an incentive to export components

Ralph Broadley . . . 1 000 more jobs on way

Details of this value-based export scheme are expected to be promulgated this month, says the Board of Trade and Industry (BTI)

Motor-makers get R4 a kilogram for SA-made components which are exported It is deducted from the duty paid on imports

The present scheme has been successful Exports of motor parts increased from about R30-million in 1985 to almost R200-million in 1987, says Theo Alant, Deputy Minister of Economic Affairs and Technology

Temporary

Although the existing system favours high-weight, low-value products, the new one will encourage high-value products, says Nico Vermeulen, executive director of National Association of Automobile Manufacturers of SA (Naamsa)

Naamsa welcomes the new scheme because it will continue to help the industry's export effort

The BTI says that the new export scheme should be regarded as an interim measure pending the conclusion of its investigation into the Phase VI local content programme same period last year.

CAPE TIMES 15/4/88

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Strikes periodically close motor assembly plants

JOHANNESBURG. — Strikes at motor components manufacturers have forced at least two motor assembly plants to shut down production lines periodically over the last 10 days.

A Samcor spokesman said the company's Pretoria plant had been shut down twice early in April. He would not say which parts were unavailable, but a union spokesman said he thought it was a product of a company affected by the main metal industry strike.

A Delta spokesman said a wage strike at Hella had caused a shortage of wiring looms and the vehicle assembly plant been forced to close early last Monday and Wednesday and for the full day on Tuesday.

The Hella strike, now resolved, was not part of the Seifsa dispute.

20% rise in new car prices seen

Cape Times 17/8/88

192

Financial Staff

STOCKPILING in readiness for the possible toughening of sanctions might be one of the reasons for the fall in SA's balance of payments (BoP), Dudley Saville, joint MD of the McCarthy group, said yesterday

In a statement issued yesterday Saville — who forecasts a 20% rise in new car prices — suggested that the BoP situation in recent months did not truly reflect the level of economic activity

"SA's continued and growing isolation is fuelling fears of further sanctions and more concern about the outlook for the rand

"This has resulted in commerce and industry building up inventories of imported goods for strategic reasons Therefore, taking recent import figures as a barometer of economic activity may not portray a realistic picture"

Latest package

Saville said the motor industry was relieved that the latest package of government measures did not contain any further steps to cut down on the granting of credit for passenger cars

"The higher interest rates and tightening of instalment credit introduced in May, coupled with higher car prices brought about by the weak rand, will inevitably curtail demand and no further measures are necessary"

He said the higher level of car sales in recent months was misleading since dealers were still servicing long order books built up earlier in the year

"Once those orders are fulfilled, passenger car sales will decline"

Saville said the higher import duties and surcharges would inevitably cause vehicle prices to rise more than had been foreseen.

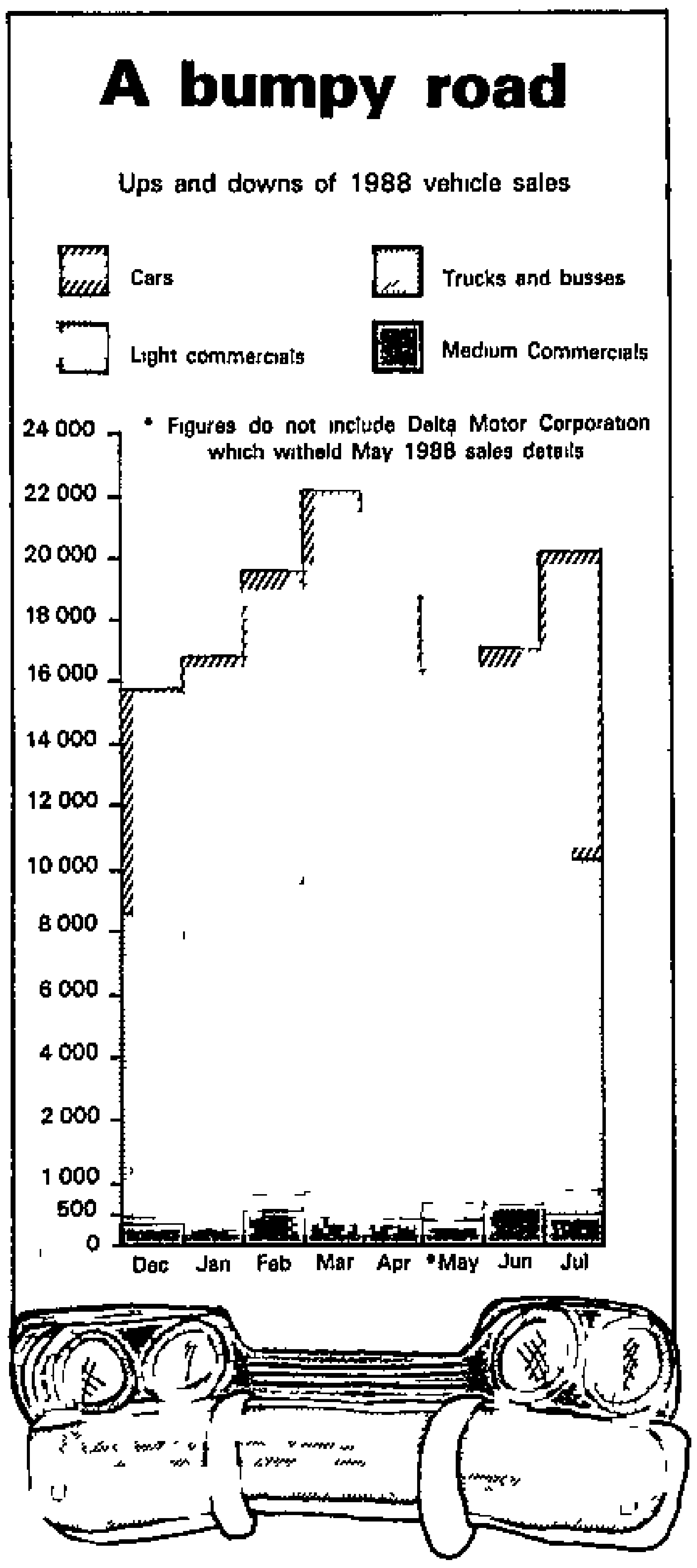
Price rises of the order of 15% had been projected for 1988, but he believed that it was now likely that the increase would be at least 20%

"These new broadly imposed tax impositions, compounded by the fall in the rand, must inevitably lead to a sharp rise in inflation"

19V

CAR PRICES

Driving up costs



A bumpy road

Ups and downs of 1988 vehicle sales

Planning to buy a new car before prices go up again? You're too late Four more manufacturers have raised their prices this week to almost complete the latest round of increases

Two weeks after Toyota and Mercedes Benz increased their prices, Samcor, Nissan, Volkswagen and Delta have all followed suit. That just leaves BMW, which plans its next increase on September 1.

With at least one more general price increase expected before the end of the year — and perhaps two — manufacturers are well on target to achieve the 18%-20% overall increases predicted for 1989 For some models, the latest increases are the fifth this year

Prices of some vehicles have already risen by as much as 14% in 1988. With four-and-a-half months of the year to go, the 20% for those vehicles looks well within reach At the same time, other ranges have risen by no more than 10% as individual manufacturers are trying to balance out increases between ranges

Motor industry officials say the rand remains weak against the Deutschemark and Japanese yen — the critical currencies for vehicle prices — so the signs point towards further increases this year.

Most manufacturers have pushed up prices this time round by an average 3%-4%. A similar hike is likely in early November, followed — in all likelihood — by another increase at the end of December. The industry traditionally likes to slip in an extra price rise at Christmas while everyone's away.

The level of increases will continue to be dictated, unofficially, by Toyota. As the market leader in vehicle sales, it is almost invariably the first to raise its prices. Competitors then pitch their prices accordingly.

On that basis, the introduction of Toyota's new Corolla range at the end of the year could raise a problem or two. Toyota may want to keep prices down but company sources stress no such decision has yet been made — competitors may be tempted to a one-off price rise beyond the normal 3%-4%. BMW did that this year, with the introduction of its Three Series facelift.

If that does happen — and the Toyota sources stress no such decision has been made yet — competitors may be tempted to raise their prices more than they might otherwise have done, particularly since manufacturers argue the competitiveness of the market forces them to accept lower margins and returns than they need.

This week's increases don't apply to all models of the manufacturers involved. VW, for instance, is putting up prices on the Golf, Jetta and Audi, but not on the Fox. Delta, while increasing prices on the Kadett and Monza, hasn't touched the Rekord.

Despite the increases, manufacturers remain confident sales won't be hit. July's recovery in vehicle sales (**see graph**) has convinced them the market remains essentially stable, particularly in view of the vehicle shortages that have existed for most of the year. Manufacturers are making up the backlog but they still have some way to go.

There is some concern at the effect on the market of the impending petrol price increase — particularly on fleet purchases — and continuing government attempts to dampen consumer spending Overall, though, industry officials continue to express optimism ■

FINANCIAL MAIL AUGUST 19 1988

Strike at car firm

Sowetan 26/8/88

192

PRODUCTION has been halted in sections of the Mercedes-Benz plant in East London as a result of strike action by members of the National Union of Metal Workers of South Africa.

The company said in a statement "illegal strike action by a relatively small number of employees continues".

According to the statement, the action folowed the refusal of Mercedes-Benz to accede to a request by Numsa to lift the suspension of a worker who had been suspended on full pay pending a disciplinary hearing.

Benz strike rages on

192

3/8/88

Sowetan

THE strike at the Mercedes-Benz plant in East London continued into its sixth day amid contradictory claims over the number of workers on strike

While the National Union of Metal Workers (Numsa) claimed the number of workers on strike had increased to about 2000, the company claimed that, despite intimidation, a large number of striking employees had returned to work

Mr Gxarisa said working employees had been given temporary identification cards on Thursday and only those with cards were allowed into the enclosed area at the plant on Friday

He said the union had not received any reports of intimidation or assault of employees by striking Numsa members

A company statement said on Friday striking employees had been prevented from entering the plant to prevent further cases of intimidation and assault, such as the burning of employees' clothes

A meeting was held between the union and management in an attempt to resolve the issue and both sides said they had put forward proposals for the other side to consider

The regional secretary of Numsa Mr Viwe Gxarisa said many more workers had joined the strike because of alleged police action taken against union members on Friday.

He alleged police had assaulted workers both at the plant and outside the South African Domestic Workers' Union offices, formerly the offices of Idasa, where they had attempted to meet

"We have firm proof that the company called the police in," he said

Strike at Merc's EL plant is ending

1/9/88

By Adele Baleta

(192)

At least 800 workers taking part in the eight-day-old strike at the Mercedes-Benz East London assembly plant were expected to return to work soon, a company spokesman said yesterday.

At least 1 200 National Union of Metalworkers of SA members went on strike initially to back a demand for the reinstatement of three workers who were suspended on full pay pending disciplinary hearings.

The spokesman said the workers were suspended after "alleged involvement in an incident involving gross misconduct".

She said at least 400 employees had returned to work and more were expected to return after the union's acceptance on Tuesday that the disciplinary hearings take place.

The union was preparing a written response in regard to the hearings, she added.

A union official refused to comment.

Total div up by 25%

Porter lifts income, turnover

Cape Times 3/9/86

192

By AUDREY D'ANGELO
Financial Editor

BRIAN Porter Motors lifted attributable income by 40% in the year to June 30 to R2,6m (R1,4m) and earnings a share to 100,1c (56,10c) before an extraordinary item and 92,41c after it.

But, because interest rates are on a rising trend, the directors have limited the rise in the total dividend for the year to 25% The final dividend is 14c (12c) a share, making a total of 25c (20c) for the year

Turnover rose by 27% to R208,1m (R163,8m). The fact that operating income has risen by a smaller percentage than this — by 24% to R5,2m (R4,1m) — suggests that margins have been contained.

The interest bill rose to R920 000 (R873 000) but the tax bill was down to R1,4m (R1,8m)

Net income after tax but before an extraordinary item was 89% higher at R2,8m (R1,4m) but the extraordinary item — the writing off of R214 000 for goodwill on acquisitions — brought this down to R2,6m

Retained income rose to R1,8m (R1,3m). The net asset value per share has risen to 604c (547c)

Executive chairman Brian Porter said there had been no dropping off in sales in recent weeks — in fact demand exceeded supply

"There is a fair shortage of new models The Japanese have put a limit on the number they will supply They have set it at the same figure for 1987 but there is talk of a further limitation.

"There is a shortage of good used cars too and demand is high We expect a high demand for them at Christmas."

Discussing the high prices of new cars, Porter said he did not expect the import surcharge to hit sales About 70% of new vehicle sales were to fleet owners

"There has been a lot of business expansion recently and that should mean they will need more transport"

But, Porter says, there are also individuals willing to pay high prices for new cars "We have had a very good year on our Jaguars, Porsches and BMWs And on the used car side we have sold a lot of Rolls Yorces and Mercedes The upper income market is still there and there is plenty of money around"

The group acquired a Toyota franchise at Somerset West and a Nissan franchise in Rondebosch during the year

It has also expanded its activities in the Transvaal with the acquisition of Randburg MMI.

Porter said it was looking at further small acquisitions which would complement existing operations

He also expects spare part sales, which are an important past of group business, to grow

Although Atlantis Diesel Engines (ADE) is now manufacturing petrol engines, Porter does not foresee a locally-made "people's car" replacing the variety of imported models available

"South Africans are highly individualistic about their cars and want a choice"

192

B/day 7/9/88.

Daimler threat to pullout 'is unlikely'

BRONWYN ADAMS

DAIMLER-BENZ was unlikely to threaten withdrawal from SA over the current three-week-old illegal strike at Mercedes' East London plant, Mercedes representative Delene MacFarlane said yesterday.

She said the issue of lack of order — which preceded Daimler's last withdrawal threat — had not arisen and production was still continuing.

Over the past 12 months Mercedes has experienced six major incidents of unrest, ranging from legal to illegal industrial action, leading to the loss of a total of 109 working days

Several causes have been recorded, ranging from wage disputes to inter-union violence

MacFarlane said Numsa had withdrawn its court application, due to be heard yesterday, to obtain an interdict forcing management to separate disciplinary cases involving two shop stewards from that of another union member

She said she was unclear as to exactly what application Numsa was making, but stated Mercedes would oppose any such application.

She said a new hearing was due to be convened tomorrow in the Grahamstown Supreme Court

The dispute arose when management and the union could not agree on the disciplinary measures to be followed in terms of three suspended employees.

Star 1/9/88 (792)

Union for court on car strike issue

By Adele Baleta

A strike by workers of the Mercedes Benz plant in East London entered its third week yesterday

The strikers are demanding the reinstatement of a worker suspended for "gross misconduct"

A National Union of Metalworkers of SA (Numsa) spokesman said a union application in the Grahamstown Supreme Court was expected to be heard later this week It seeks to have the company treat disciplinary hearings involving the suspension of three employees separately

Mr Viwe Gxarisa, Numsa regional secretary, said earlier that Mercedes Benz had proposed that hearings for three suspended workers be consolidated

He said the company had changed its original proposal saying that the hearings would be heard after arbitration

A management spokesman said the company had been informed that the court application would proceed on Thursday The company intended opposing the application

Numsa said 1 500 workers were on strike while management placed the figure at less than 900

Cape Times 7/9/88

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Merc strike in 12th day

EAST LONDON. — There were no meetings between the union and management of Mercedes-Benz of South Africa as the strike at thee company's car plant here entered its 12th day yesterday. The strike started over a National Union of Metal Workers of South Africa demand to have a suspended worker reinstated.

Seven top models to be scrapped in big car industry shake-up

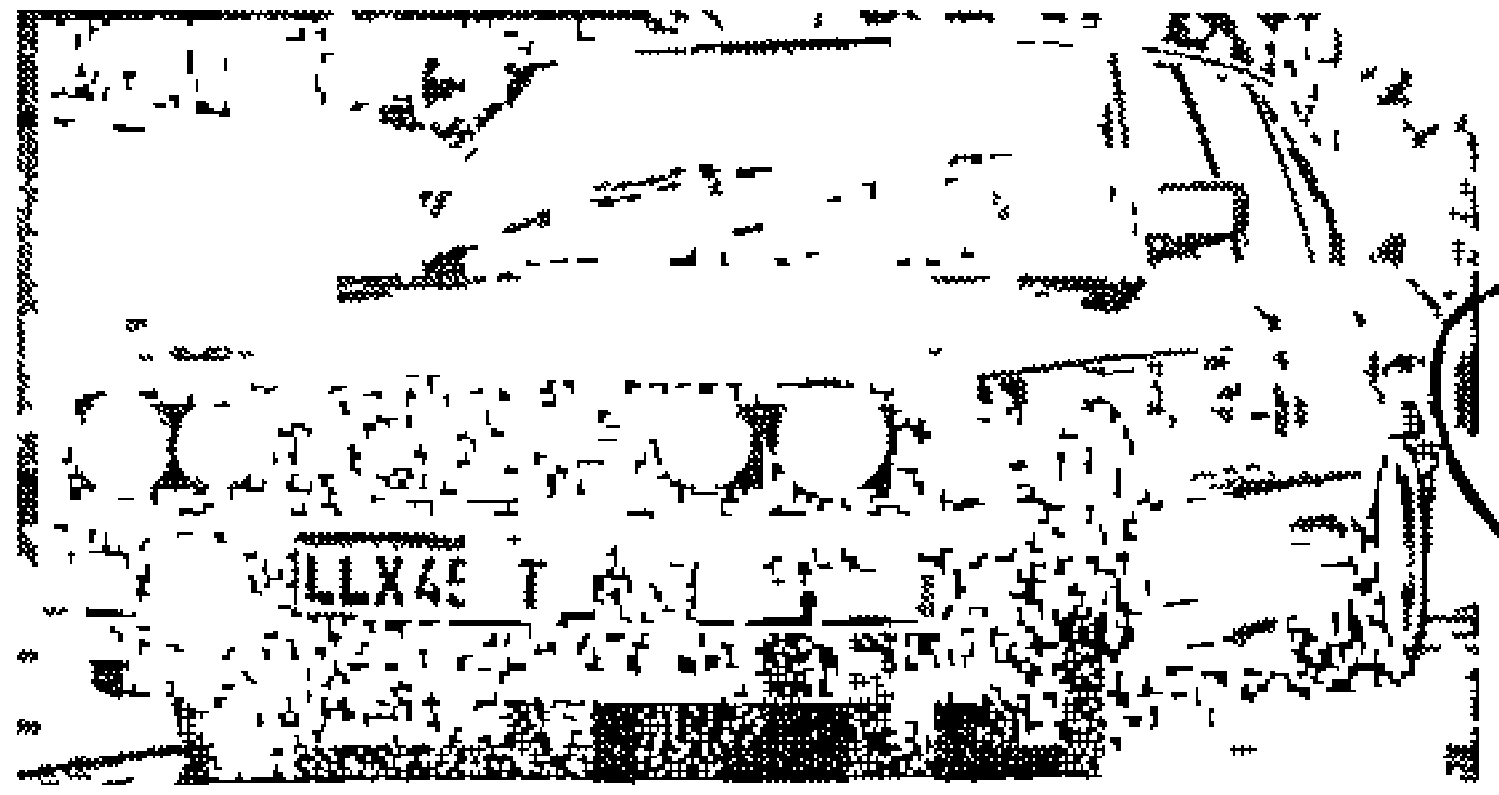
he Argus Correspondent

URBAN — South African otorists are to be dealt a unning blow as seven of the untry's most popular car and ht commercial vehicles are be discontinued

They will be replaced within e next few weeks by cometely new models, nearly all higher prices

At the same time, manufacers have gone on a newdel binge unprecedented in uth African motor manufacing history

It is goodbye to the Toyota Corolla sedan, Conquest hatchback and Avanti liftback, which have been consistent top sellers since they were launched four years ago, the very popular up-market Honda Ballade, the Mercedes-Benz 420SE, the BMW Five Series, and the rugged Isuzu range of light commercial vehicles



OUT: BMW Five series.

AK66S
8/9/88
192

Delta, which last month unveiled a new Rekord Berlina medium-class range, is to manufacture a 16-valve Opel Kadett 2ℓ early next year, BMW today launched a new 325iS super sedan, VW is to unveil a 1,8ℓ Citi Golf, a turbo-charged Audi luxury sedan is expected soon, and Ford will unveil new models next week

The new Corolla sedan and Conquest will be launched early next month Toyota has upgraded these models, and they will be bigger, more spacious and heavier

They will be powered by multi-valve engines of 1,3 and 1,6ℓ and be offered with four (possibly) and five-speed (definitely) manual transmissions with an automatic option

Mercedes, which manufactures Honda at its East London plant, is to replace the Ballade series with the latest Civic, which will be aimed even further upmarket The name Ballade will be retained Buyers can expect a 10 percent jump over current prices

The 420SE will be uprated to 5,6ℓ and will be launched early next year It will be more powerful, quicker off the mark, and faster than the model it replaces. While the 420SE sells for R132 000, the new 560SE can be expected to cost around R150 000 without GST It appears as a direct challenge to the BMW 750iL, which started production in South Africa this month

OUT Toyota Corolla sedan.

Delta is already tooling up for a new Isuzu bakkie range which will replace the current Samurai Warrior The launch is expected in March next year, and includes a new one-pickup, long and short wh base models, four-wheel-dr petrol and diesel and panel models.

Delta has already launche locally manufactered 16-sea minibus range and is ha pressed to meet demand

The new BMW 325iS Shad line will sell for R55 240, powered by a 2,5 6-cylin fuel-injected motor develop 126kW, have a top speed 217km/h and reach 100km from zero in 8,1 seconds

[redacted]

Mercedes-Benz strike continues

102 12/9/88 B/day

Own Correspondent

EAST LONDON — Members of the National Union of Metalworkers of SA (Numsa) have indicated they will continue the three-week-old strike at the Mercedes-Benz (MBSA) plant.

A Numsa application against MBSA failed on Thursday when it was struck off the roll in the Grahamstown Supreme Court.

Numsa regional secretary Viwe Gxarisa said on Friday the continuation of the strike depended on management as workers were not prepared to return to work on MBSA's preconditions.

Longer motor life vital

☐ Continued from previous age

Especially the ancillary sers suffer heavily, by not eing able to pass on to their onsumers in order to stay ompetitive

However, there are ways o compensate rising costs nd in fact to reduce transortation costs By making he most expensive asset, he truck or bus, last as long s economically possible he Recon-o-Merc concept f industrialised remanuacturing will help save imortant capital resources, ave foreign exchange by educing imports, and almost double the life of MB trucks and buses

Through remanufacturing quality vehicles, which were imported years ago with the then much stronger Rand, the following effect is achieved

☐ Not only does the user save capital but tax and time as well, while being guaranteed virtually new vehicle reliability Waiting time for new vehicles is avoided — remanufacturing may only takes 3-4 weeks For maximum savings Recon-o-Merc now also offers a holiday rebuild service, allowing truck operators to have their vehicles remanufactured, while they tan at the beach

☐ A large portion of the parts needed for remanufacturing are already produced in SA, as part of the local content programme More importantly, about two-thirds of the cost goes to labour intensive local reconditions This thus helps to increase local production and productivity, providing jobs and keeping money in the country

☐ Due to the exacting quality standards, banks are happy to finance this fully guaranteed product, should cashflow be of concern

Fleetlease takes on Stannic clients

FLEETLEASE Contracts, a full-maintenance lease (FML) company, has taken over the existing account portfolio of Stannic Fleetlease, entering the arena as likely leaders in the field

Fleetlease has been set up as an autonomous division of APA Network Consultants to provide full-service leasing to corporate and professional users

The company draws on expertise from APA, one of the largest fleet consultancies in the world, and about eight years of "hands on" experience in the SA marketplace

MD David Owens says that Stannic's decision to withdraw from this sector of the market and concentrate on its core business with manufacturers and retailers in the motor trade had opened the way for the agreement

All aspects of the day-to-day sales operation will land on the desk of sales and marketing director Jeff Delarue

He said "Our direct thrust into the market is to offer full-maintenance leasing in its entirety to commercial users of vehicles Our service is designed to take all the hassles out of fleet and transport management, releasing both funds and personnel skills for more productive use in a company

"To achieve this we are drawing on our international "big brother's" experience in a programme finely tuned over the past eight years in the local market

"The message will be carried by highly skilled and carefully chosen personnel who will also have a sympathetic ear for the smallest of problems These people form an essential part of our 'because we care' approach

"We also have a 'one-of-its-kind in the world' computerised maintenance system which enables us to closely assess vehicle operation in detail

Fleetlease is staffed by a field team of corporate-account managers who operate from Johannesburg, Durban and Cape Town

The company says it will offer its customers

☐ Specialist fleet management knowledge based on historial performance,

☐ Flexibility regarding the likes offleet sizes, vehicle types, kilometre usage and length of agreements,

☐ Complete supplier and manufacturer independence,

☐ Constant contract reviews to ensure client satisfaction, and

☐ Bulk purchasing power

Delarue said "The fleet market in SA is undergoing turbulent changes In fact the situation is a mirror image of that in the UK some 10 years ago

On a lesser scale these include facts such as

☐ Massive growth in the "company car" market which has a similar split in SA — roughly 80% fleet and 20% retail,

☐ Historic inflation in the UK exceeded recent and current SA levels,

☐ Volatile cost of funding,

☐ Extreme competition of vehicle choice,

"Other factors making FML attractive to companies include those which

☐ Have a bad track record of controlling transport cost,

☐ Have a major need to "fix costs" for budget purposes,

☐ Have a regionalised business which produces fluctuating standard of transport cost and control,

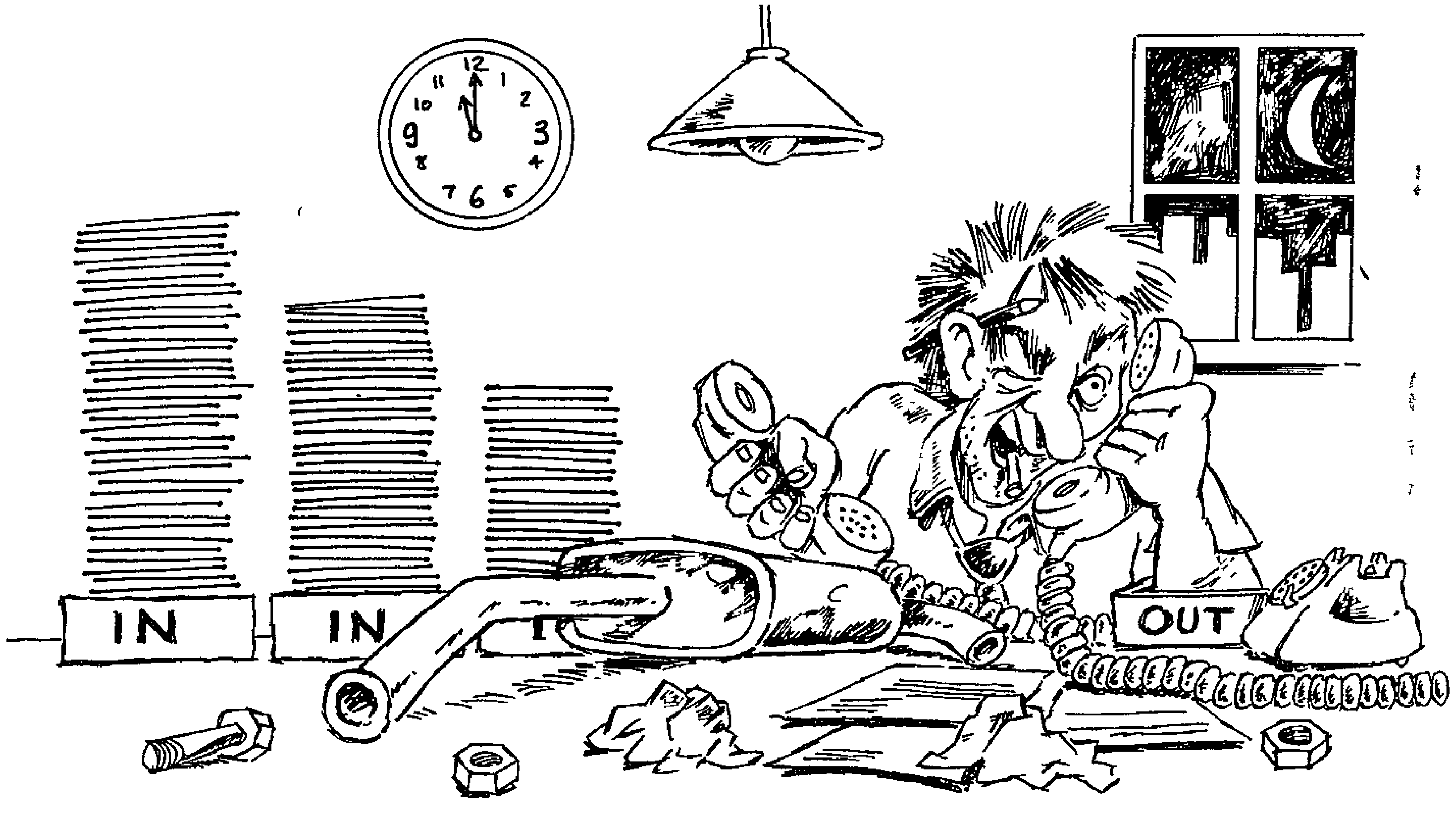
☐ Are not big enough to employ any transport management skills,

☐ Are just too busy to be involved in the time taken to purchase, operate and sell vehicles, and

☐ Are not big enough to obtain any benefits of fleet purchasing power

Owens concludes by reaffirming Fleetlease's policy "Fleetlease is in a strong position to build upon its heritage of excellence in full maintenance The only way in which it will achieve its growth targets is through a sustained standard of professionalism and quality service, a total customer orientation — this is our first step in caring"

☐ SEATING inside the new Isuzu relay is stronger and more comfortable than previously — an important consideration, particularly for owners using the 16-seater as a commuter



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☐ Historic inflation in the UK exceeded recent and current SA levels,

☐ Volatile cost of funding,

☐ Extreme competition of vehicle choice,

☐ A need in market for flexible "packages",

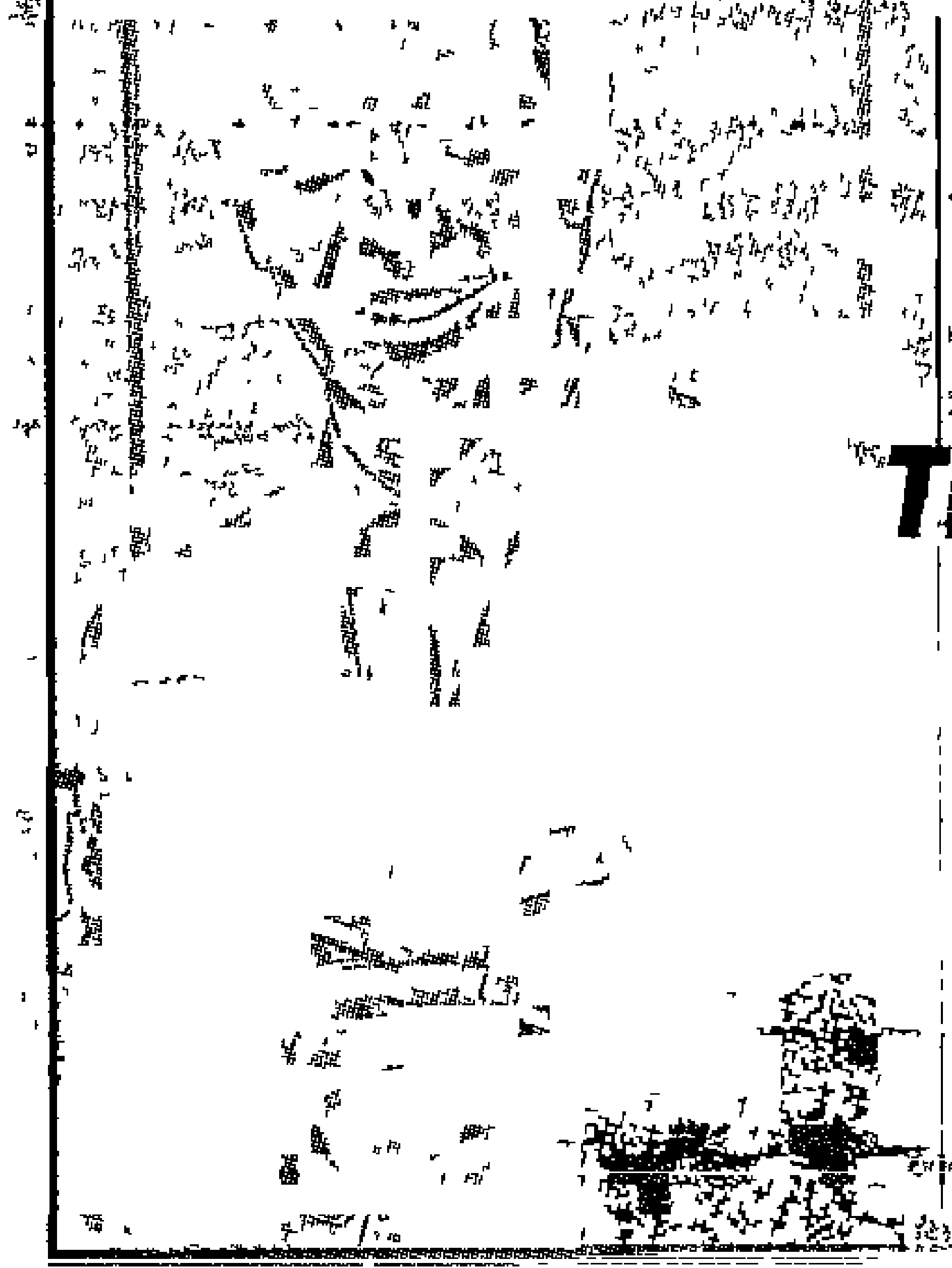
☐ Perks tax implications, and

☐ Similar fiscal policies regarding tax offsets and balance-sheet disclosure

Delarue said "With the additional factor present in SA of a shortage of transport management skills, particularly when combined with financial strengths, in the last twenty years FML has become a recognised option for company transport in the UK

"In the light of this we will move into the marketplace immediately to reassure existing clients as to their most pressing needs and provide necessary services.

"In terms of new business we see our product being of significant benefit to organisations in which fixed performance and returns on assets-employed ratios are key factors or those which have a strong cash flow but a low asset base



Equipped for largest share

SURE Group Holdings (Surego) has acquired the forklift division of Fleetrent (part of the McCarthy Industrial Holdings Group)

Surequip, which controls Forklift Hire within Suregro, acquired the 70 Fleetrent forklifts and has now some 400 forklifts in the hire fleet, reaffirming its position as the largest forklift hire operation in SA

The deal, which took effect on August 1, was announced by Suregro's joint managing director, Keith Blair, and Fleetrent managing director John Pearse Surequip takes over the forklift trucks, trailers, vehicles, spare parts and equipment, together with all supply contracts relating to the hire of the forklifts

The acquisition is in keeping with Surequip's strategy to increase the size of its forklift hire fleet and so enhance the medium- to long-term growth prospects of the materials-handling division

In a letter to customers, Pearse said Fleetrent, after careful consideration, came to the conclusion that while the company successfully specialised in truck rental, its service to forklift rental customers was not always what it should be

He said he was satisfied that Suregro would honour commitments to Fleetrent customers and provide the level of service to which they were entitled Blair said the Fleetrent customers would be offered the same high quality of service Forklift Hire clients enjoyed, backed by Surequip's professionalism and reliability

The acquisition of Fleetrent places Surequip in an ideal position to take advantage of any cutback in capital expenditure occasioned by a slow down in the economy and increases in the cost of imported forklifts, due to a deterioration in exchange rates and higher import charges

LOOKING

The prices of new and used forklifts are set to increase, which will result in users looking to hire rather than buy, and here, Surequip offers an all-round service including hire periods ranging from one day to five years, electric, internal combustion, gas and diesel and anything from one to 80 ton trucks

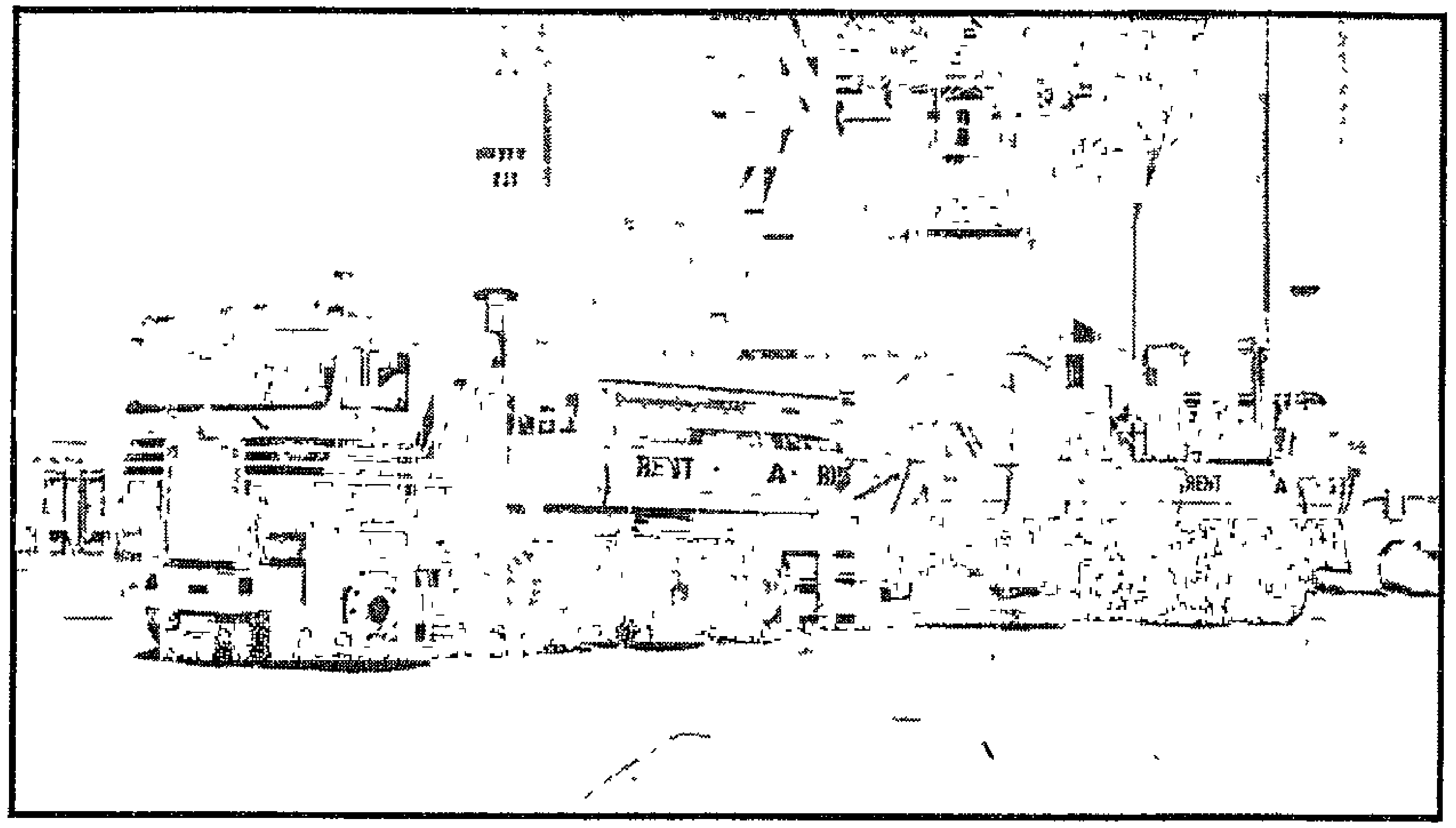
The announcement of the Fleetrent takeover comes soon after Surequip concluded two other forklift-related deals In June, the company secured the national distributorship of Watts forklift tyres which are being distributed through a newly created division of Surequip, Suretyre

The forklift tyre market is worth around R20m a year Watts is the brand leader in Europe with an annual turnover of R1bn Surequip is the largest purchaser of forklift tyres in the country

Blair said at the time the deal was in line with Suregro's plans to build up the hire, spares, service and tyres side of the materials-handling business, which would make the group less susceptible to adverse economic conditions

About 60% of the Fleetrent forklifts were Mitsubishis which was an added advantage, as the forklift hire fleet had a large majority of Mitsubishi forklifts Surequip is also the Cape distributor of Mitsubishi forklifts The group has recently invested R5m in parts stocks

Surequip was recently appointed national distributor of the materials-handling products of Aztec electronics, which is the exclusive agent for Proconnect French battery connectors, Sevcon thyrister drives, electric vehicle systems, forklifts spares and various wire guidance systems



☐ WORKHORSE PAR EXCELLENCE . . . a Kenworth truck for the Rent-a-Rig fleet

Call for one body to handle labour

A STRONG call for a single industrial council has been issued from both unions and employers to unite labour relations in the large, fragmented transport industry

Negotiations are at present conducted at plant level, and although some believe that this results in closer co-operation and understanding between employers and workers, others believe it hampers the industrial relations process

Apart from a general consensus between unions and management on one industrial council, views on the industrial relations atmosphere between the two are remarkably different

National Association of Automobile Manufacturers of SA (Naamsa) president Nico Vermeulen believes that, with one or two exceptions, labour relations within the industry are stable

"Conditions of employment in the transport and motoring sectors compare very favourably with other manufacturing industries Remuneration is by far the best on record

"Manpower relations remain stable and relatively quiet Where problems have occurred they have been handled by employees on a participative basis," he says

Cargo Carriers' Bill de la

The workers downed tools over the company's 'divide and rule' tactics and the hiring of a private detective to screen workers

The strike was the culmination of grievances, including opposition to the offer of a R5000 reward for workers to spy on each other

A spokesman claimed that "managment has accused workers of theft and has put out a pamphlet calling on workers to inform on each on any theft"

"Management offered a reward of R5 000 to any informer The union sees this as destructive divide and rule tactics," he said

Another area of griev-

other hand believes that the new arrangement should be welcomed, as railway workers will now fall under broad industrial relations laws

FODEN IS BACK ON SA ROADS

FODEN trucks are making a comeback in SA

Cargo Carriers have just bought two 6 x 4 Foden truck tractors from Sureparts, the truck and parts division of Cape Town-based Sure Group Holdings (Suregro), which is the Southern African distributor for Foden trucks

The vehicles will be used to pull maximum payloads in Cargo's bulk liquid transport operation between Durban and Johannesburg They will be based in Durban although Sureparts will be able to provide service facilities from either its Johannesburg or Durban branches, says Suregroup joint managing director, John Sanders

He says he believes Cargo picked Foden because Sureparts has a good service record and favourable pricing structure as well as energetic service teams in the main centres of the country

PRODUCTIVE

"They were very impressed by the lightness of the truck The tare comes in at just under eight tons compared to 10 tons plus for the opposition This allows the Foden vehicles to pull maximum payloads Cargo put all the specifications into their computer and came to the conclusion that running costs — bearing in mind the additional payload — compared favourable with anything else on the South African market"

"We are sure that when Cargo runs the Fodens alongside our competitors in their fleet the computer evaluations will be proved to be correct We too are looking forward to these results We're quite confident that productivity will be seen to be increased We know we've got a winner," he says

Sanders sees the deal as the start of a long-term relationship with Cargo

"Provided we look after them properly in terms of product support — and of course we will do so — we believe Cargo will look on Foden favourably as an alternative source of supply to German-sourced trucks", he says

Cargo's technical director, Mike Reid,says Cargo is always looking at the marketplace and the Fodens are "state of the art" British and American technology"

The lightness of the vehicles was a key factor in the decision to buy Fodens The Fodens, fully plated weigh under eight tons, while a German vehicle complying with the same specifications is over 11 tons With licence fees based on tare it is becoming extremely important to select the lightest possible trucks and trailers still capable of doing the job properly," he says

"We are very excited about this purchase We regard it as a major step forward and we will be monitoring the Fodens very closely," says Reid

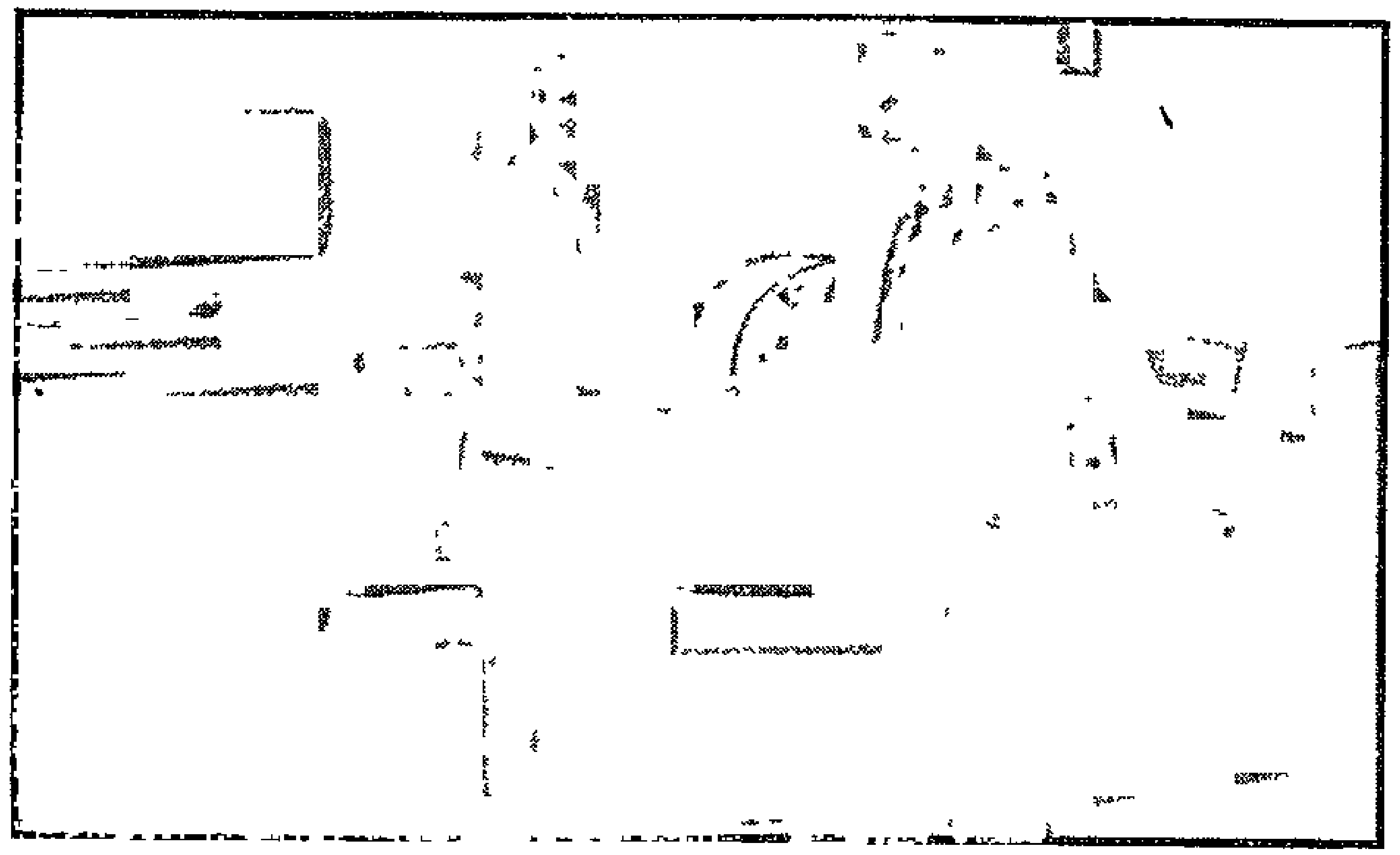
The trucks are currently being prepared to meet Cargo's own particular specifications and are expected to be in operation by early September

Sanders says that while Foden might cost more than other trucks avaialble on the maket, his trucks are viable alternative and give operators a better range of options than before

"Our thinking is along the lines of trying to seal a limited number of trucks through a specialised marketing operation coupled to total product support" he says

Sureparts re-lauched Foden trucks in SA in July this year So far eight vehicles have been sold and there are orders for 10 more The company is aiming to sell 50 to 80 trucks next year The vehicles are assembled at the Sureparts base in Cape Town They are all fitted with ADE 422T engines and future models will be powered by ADE'S top of the range 442 Ti engine A full spares service is available

Sanders says Foden trucks combine the truck technology of the US — where Foden trucks are sold under the Kenworth badge — and "good old-fashioned British workamanship"



☐ IKEY STRYDOM of Superparts in Johannesburg, hands over the keys of the Foden trucks to Cargo Carriers' group technical manager Mike Reeves

Longer motor life essential

WITH the cost of replacement vehicles moving up continuously and new vehicle technology and legal requirements becoming more sophisticated, the question of extending the economic life of existing vehicles has become a necessary part of every fleet manager's life

While it may not be economical for all operators to increase the average age of their fleet, the transport industry as a whole can ill afford the luxury of discarding valuable assets and wasting foreign exchange on over-sophisticated technology Besides, the labour market needs every possible job opportunity

It would be equally wrong however, to stop injecting new technology, where it is needed and economical So where is the ideal solution?

Ernst de Meynier, MD of Recon-O-Merc at Spartan, Kempton Park, says responsible fleet managers do not make a replacement decision without having considered the alternatives — remanufacturing his existing vehicles, or purchasing fully remanufactured and customised trucks or buses

"It is most interesting to see," he says, "that the big, blue chip companies were leading the field and still are Naturally these discerning managers would not make such decisions without careful deliberations regarding the financial, technical and operational consequences thereof

"Usually they take advantage of our computerised financial models and performance calculations, even before making recommendations to their boards Sometimes small operational sacrifices have to be made in order to achieve greatly improved cost-benefits"

For these executives a major consideration is the predictability of the financial, technical and operational aspects of remanufacturing a vehicle

De Meynier says his company uses a six-page vehicle assessment form to record the condition, the action agreed on with the customer and the firm cost of remanufacturing This document finally becomes the checklist to ensure that the client receives no less than what he asked for and what he was promised

Further to this detailed assessment and costing, a production time schedule is established for every job and integrated into the computerised production-plan for daily progress control It thus becomes possible to predict completion of every job, similar to a new vehicle assembly line, De Meynier says

Equally important, the production line approach facilitates specialist skills for the different operations.

users looking to hire rather than buy, and here, Surequip offers an all-round service including hire periods ranging from one day to five years, electric, internal combustion, gas and diesel and anything from one to 80 ton trucks

The announcement of the Fleetrent takeover comes soon after Surequip concluded two other forklift-related deals In June, the company secured the

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"Manpower relations remain stable and relatively quiet Where problems have occurred they have been handled by employees on a participative basis," he says

Cargo Carriers' Bill de la Harpe Beck says that relationships between the company and the unions are good

"We are pleased to note that the company has been able to operate with relatively few interruptions in its day-to-day activities," he says

A Unitrans spokesman says his company " has continued to enjoy stability in its labour force so far this year"

Transport and General Workers Union (TGWU) information officer Kally Forrest says the sector is "fraught with problems"

"We have to deal with low wages, massive overtime, no worker benefits, health and social problems associated with long distance travel and strikes all the time

"For example, real wages for transport workers have dropped 50% over the past 13 years We need increases of between 36% and 170% for wage rates to return to the real levels of 1987," she says

Earlier this year, the TGWU presented written submissions to the Wage Board which is considering a new determination for the 150 000 employees in the goods transport sector

Miss Forrest says the Wage Board has not yet presented its new wage levels

She believes a single industrial council will benefit all concerned

"An Industrial Council will provide some way of monitoring what is happening in the industry, as it is not policed properly by manpower inspectors," she says

Cargo carriers industrial relations manager Nic Pretorius agrees "One council will certainly make life easier, and would save a lot on administrative costs," he says

Recent strikes in the industry include the Johannesburg-based freight company, Ullman Brothers, and the transport section of the Rennies Group

Ullman Brothers last month fired 300 workers for

offer of a R5000 reward for workers to spy on each other

A spokesman claimed that "managment has accused workers of theft and has put out a pamphlet calling on workers to inform on each on any theft"

"Management offered a reward of R5 000 to any informer The union sees this as destructive divide and rule tactics," he said

Another area of grievance in the transport industry is at the SA Transport Services (Sats) When the Government implemented the wage freeze earlier this year, it impacted heavily on Sats workers

The Federal Council of Sats Trade Unions is now asking for a 17% increase backdated to April Negotiations have ended in deadlock as management has flatly refused to consider even a 1% increase

Council general secretary Abe Koekemoer notes that although management has conceded that workers have a valid case, "they claim they cannot afford even a 1% hike"

The situation at Sats is one of the most volatile in the industrial relation arena at the moment, with at least four stoppages involving 8 000 workers over the last two months

The SA Railways and Harbour Workers Union (Sarhwu), representing over 10 000 workers, is highly militant and has threatened strike action

A strike involving both Sarhwu and members of the Federation of Sats Unions could easily cripple the railways, harbours and airports

A Sarhwu spokesman notes that the wage freeze will mean an effective 15% drop in the value of workers' wages

"In 1984 we had a 9% increase, 1985 was a wage freeze, 1986 and 1987 saw 12,5% raises If one assumes that inflation averages at 16%, this means workers wages will have decreased by almost 40% over four years," he says

The recently announced conversion of Sats into a parastal operation, paving the way for eventual privatisation, has been welcomed by the Federal Council as being a new deal for the 200 000 workers, but Sarhwu is cautious

Education secretary Mike Roussos believes that workers could lose their jobs due to this move, even though the Government has assured Sats employees that no retrenchments will take place

An Industrial Council will provide some way of monitoring what is happening in the industry, as it is not policed properly by manpower inspectors

The pick of the bunch

☐ **Continued from previous page**

Starting from a single truck in 1971, Racy now has two arms — road transporter Hendlers and Diesel City, which rebuilds engines and other parts

Diesel City has franchise agreements for various manufacturers of components

Shares were pitched at 75c but they are now 47c — 5c off the low The dividend yield is 11% and the PE is low at 4,3 Its prospects look good, especially in the light of import surcharges recently imposed

Cargo Carriers also started from nothing by the late Desmond Bolton 32 years ago to grow into a trucking giant — one of the world's largest privately owned fleets.

It has 750 trucks and 1 500 trailers and is completely self-sufficient in terms of maintenance, depots, retreading tyres and training staff

Cargo shares came under market pressure before and after Bolton's death, but investor confidence has been restored by the appointent of Brian Puchert as MD

The shares are 30c above their June low of 200c It has yet to report final results.

Blue chips in the sector are Trencor and holding company Mobile Founded on the dusty roads of Springbok by the Jowell family, the group comprises transporters and trailer manufacturer Henred Fruehauf

Prospects for a sound performance in the year to June 1989 are reflected in Trencor's high market rating

Tightly held, the shares trade at 1 500c on a PE of 5,9 and a dividend yield of 3,3% Mobile is rated a little higher. There is a premium for control as well as small interests outside its 48% stake in Trencor

NEW GOODS FOR TRUCKS

THE expected expansion in the truck transport business has spawned the development of several new products, including a a special film on windscreens which repels water and an anti-dazzle rear-view mirror.

The "invisible windscreen wiper", called Rain-X and distributed by Capco, allows trucks to travel safely in a downpour at high speeds with excellent visibility

When the rain hits the windscreen, it beads up and rolls It requires only an intermittent use of the windscreen wipers to remove grime or mud

Rain-X has been extensively tested on aircraft windscreens

"One side of the screen was coated with the product for a series of tests in bad weather conditions The result was that the Rain-X coated side of the windscreen maintained optical clarity, while vision on the untreated side was obscured by the driving rain," said Capco MD Mervyn

The coating is a system of activated isomeric polymers which yield a hydrophobic monomolecular film The film is thermally stable, chemically inert and can withstand prolonged exposure to ultraviolet or infra-red light

For optimum beading and run-off, Rain-X should be re-applied monthly The coating is easy to apply

The Eclipse electronic anti-dazzle mirror reduces the stress of driving at night by reducing the effects of headlight reflection

The mirror responds automatically to headlight dazzle and dips from normal reflection to a safe and comfortable 4% When the hazard is passed the mirror reverts back to its orginal position When in the dipped position, rear vision

MERCEDES STRIKE

Set to roll again

The strike by members of the National Union of Metalworkers of SA (Numsa) at Mercedes-Benz SA (MBSA) in East London has entered its fourth week Judging by the trend of previous MBSA strikes, it could be in its final stages

At time of going to press, union officials and MBSA representatives were in conclave to resolve the strike, which has cost the company an estimated R50m in production and workers about R1m in wages. It started on August 22 when 500 Numsa members walked out, and has since swelled to a union estimate of more than 2 000 employees

MBSA public relations manager Delene MacFarlane says that in June an employee, Marshall Mrwetyana, was involved in an incident of gross misconduct and was suspended on full pay Two other employees, previously suspended on full pay pending arbitration for another case, were also involved in the Mrwetyana affair The company scheduled three disciplinary hearings to investigate the charges

Problems arose when Numsa asked the company to postpone the hearings so that they could be included in the arbitration Numsa also asked for Mrwetyana's case to be separated, and for him to be reinstated and subjected to a disciplinary inquiry. MBSA management refused

Numsa spokesman Les Cattledas says only white artisans and administration staff are working MacFarlane disputes that 2 000 workers are on strike, claiming the number is between 800 and 900, and that most Numsa members are at work. "Numsa claims that production has come to a halt. We know it has been maintained at reduced levels," she says

MBSA alleged from the start that the strike was illegal. This was confirmed when Justice Ludorf struck an urgent application by Numsa against the company off the roll in the Grahamstown Supreme Court on September 9, thereby declaring the strike illegal

MacFarlane says the strike will create a greater backlog of cars, and buyers could wait up to nine months Before the strike, buyers had to wait three to six months

Cattledas attributes MBSA's woes to bad industrial relations He says none of the strikes have been about conditions of employment, and most have been due to unfair treatment of workers

The strike follows the warning in June by West German management board member Manfred Gentz, after a four-week work stoppage, that Daimler-Benz could pull out of SA if worker violence and strikes continued

However, MacFarlane doubts that Daimler-Benz will threaten to withdraw again as the issue of lack of disclipline, which preceded the last threat, had not arisen again ■

FM 16/9/88

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Sowetan [illegible] ⑲②

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Strike over

THE four-week old Mercedes-Benz strike in East London is over, and an estimated 700 striking workers are expected to return to work today.

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Strike ends

EAST LONDON. — The four-week-old dispute at Mercedes Benz has ended after agreement was reached last week.

Workers returned to work on Monday.

The dispute was sparked off by the suspension of Marshall Mrwetyana on full pay on June 30 following a stabbing incident. Two shop stewards, Abraham du Plessis and Msitheli Nonyukela, were suspended a month earlier. Management's reason for the suspensions was "gross misconduct".

Border regional secretary of the National Union of Metal Workers South Africa (Numsa), Viwe Gxarisa, said agreement was reached on the basis that the three suspended workers be referred to the arbitration board scheduled for next week and that other allegations of misconduct be addressed later at the internal disciplinary hearing

There were conflicting reports on the situation at the plant during the dispute. Management said that about 700 Numsa members were involved in an "illegal strike". Numsa said 2 000 of the total plant workforce of 3 200 were involved prior to police intervention.

Thirty-seven Numsa members were arrested during the dispute and were charged with holding an illegal gathering. They appeared in court twice this month and were granted bail of R100 each The hearing was postponed until November 2.

1988

(192) B/Day 27/1/88

BMW aids upliftment

MANDY JEAN WOODS

SOCIAL responsibility was a purposeful contribution to political and economic reform, BMW chairman Walter Hasselkus said yesterday in Garankuwa

He announced a BMW-sponsored initiative in which the Garankuwa town council would set up its own social responsibility fund to undertake upliftment work in Bophuthatswana

"We want to see equal opportunities, equal rights and justice for all But as business people we are not going to achieve this by political rhetoric We have to do what we know is best, namely to stimulate economic growth," said Hasselkus

"Economic forces are creating *de facto* situations which politicans, reluctantly or willingly, have to ratify by means of changed or scrapped legislation," he said

CPress 25/9/88

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Merc's wheels turn again

CP Correspondent

THE four-week-old dispute at East London's Mercedes-Benz plant has ended following an agreement reached last week

Border regional secretary of the National Union of Metal Workers of South Africa, Viwe Gxarisa, said agreement was reached on the basis that the three suspended workers be referred to the pending arbitration and that other allegations of misconduct be addressed later at the internal disciplinary hearing Workers returned on Monday

The three – Msitheli Nonyukela, Abrahama du Plessis and Marshal Mrwetyana – remain suspended until arbitration this weekend

The recent dispute was sparked off by the suspension of Mrwetyana on full pay on June 30 His suspension followed a month after that of shop stewards Msitheli and Du Plessis Management said the three were suspended because of their "gross misconduct".

Gxarisa said Mrwetyana was stabbed by another worker while he was involved in an argument with an industrial relations manager

There had been conflicting reports during the course of the strike about the real situation at the plant

Management had claimed that some 700 Numsa members were involved in an "illegal strike"

Numsa said of the total workforce of about 3 200 at the Mercedes plant, 2 000 workers were involved in the strike

Police intervened in the dispute and 37 workers were arrested and charged with holding an "illegal" gathering They are on R100 bail and due to appear on November 1

When asked about a reported R75-million loss, the company's public relations officer, Delene MacFarlane said "Naturally the loss in terms of production was quite significant but is is not the policy of the company to release figures " – Elnews

Quality Tyres link-up has its attractions

(192)

Star 6/10/88

Diagonal Street

ANN CROTTY

Quality Tyres has enjoyed strong trade in recent weeks on the back of rumours of a link-up with Malbak's Supertread division The price has moved up from a low of 110c in August to yesterday's 165c. The next few days will show whether the old addage "buy on rumour, sell on fact", results in an easing in the price or whether enhanced prospects for the enlarged Quality lift the share higher.

The R23 million deal brings together three tyre retreading and distribution operations — Quality Tyres, Supertreads and Thomas Bande —to form a group with 57 outlets, 11 manufacturing centres and an annual turnover of almost R200 million.

The enlarged Quality will be a much closer second to the dominant player in the market — Trencor's tyre, retreading and distribution business which has about 140 outlets.

No cash will change hands as the deal, which more than doubles Quality's sales and value of assets, will be done on a share basis. Quality will acquire Supertreads for a consideration of R12 million to be paid through the issue of nine million Quality shares. This leg of the deal implies a price for Quality shares of about 133c.

The acquisition of Thomas Bande for R11 million is to be settled by the issue of eight million Quality shares.

The deal will add 17 million shares to Quality's15 million. The existing Quality management will hold 33 percent of the enlarged group, Malbak Motor Holdings 28 percent and the Thomas Bande family 24 percent.

Malbak executive director Denzil McGlashen says the shareholdings of the enlarged operation are in line with what each group brought to the party.

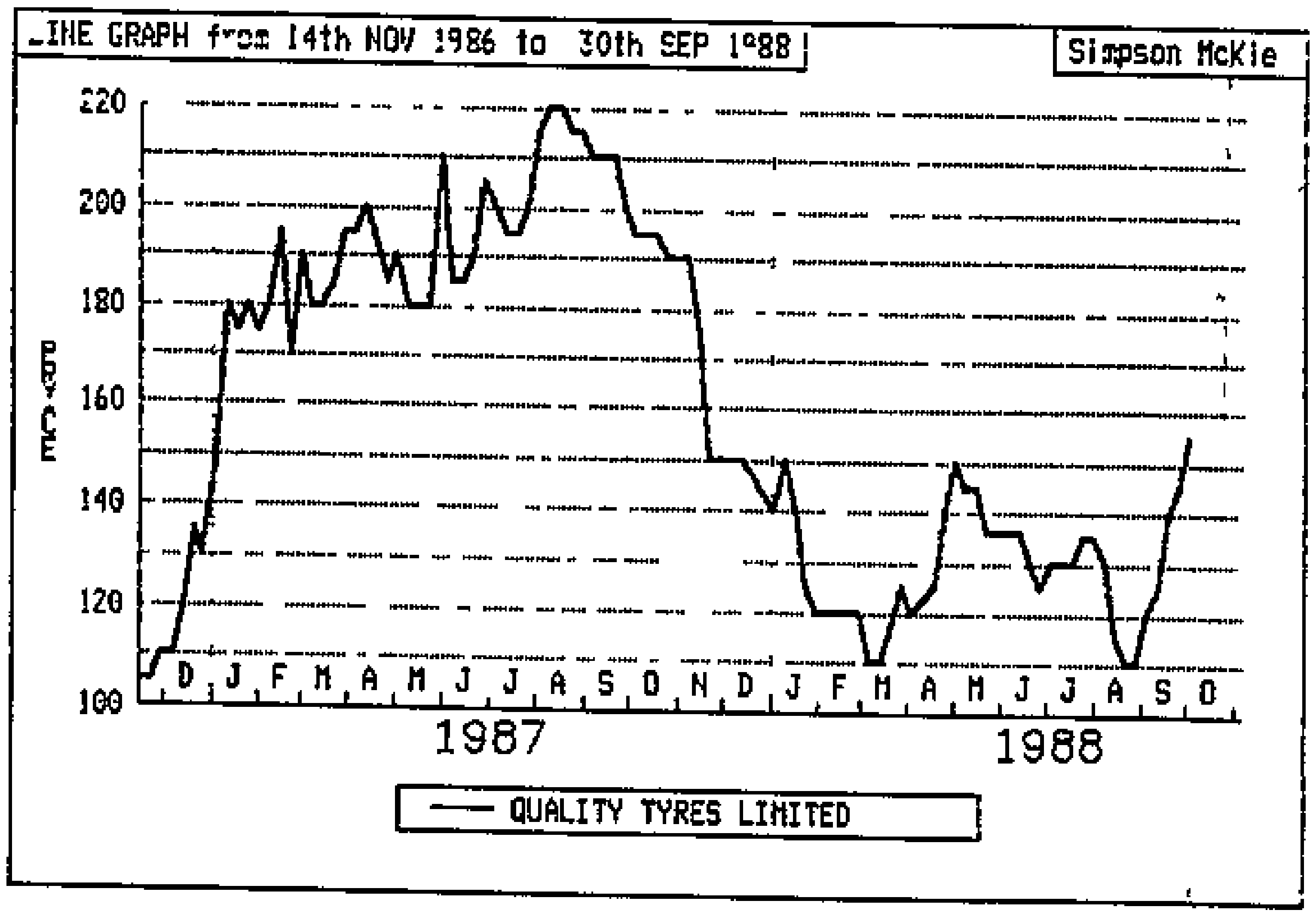
In the short term, net asset value and earnings per share will only be marginally improved, but management is expecting long-term benefits from the merger

Quality's chairman and MD Alex Hawes, who remains in the driving seat, is regarded as strong in marketing Supertreads' Terry Chapman will strenghten the operations side and the Thomas family bring considerable all-round experience.

For investors, the fact that Malbak is involved can only serve to enhance the group's rating.

In the tyre market, the Malbak and, in turn, Sankorp involvement may not be as well received. Fedvolks, which is also in the Sankorp camp, manufactures Firestones. This may lead to some concern that not all transactions between this major manufacturer and a major distributor are done at arm's length. It is a fear that both Firestone and Quality's competitors are likely to play up to the fullest

But Mr McGlashen is emphatic that just as Malbak's Supertread operation always dealt equally with all tyre manufacturers, so too will Quality.



(192) B/day 16/9/88

TRUCKS & TRANSPORT

Light vehicle sales query

MANUFACTURERS of light commercial vehicles and trucks recently estimated they would sell almost R3,5bn worth of units this year, but a number of negative factors could dampen this anticipated demand

Battered by a recession in 1985 and 1986, when they sold R1,83bn and R1,85bn worth of vehicles respectively, manufacturers recovered sharply last year when they sold a total of 96 346 light commercial vehicles and almost 12 000 medium and heavy commercial trucks for a combined value of R2 745m

This year they hoped to sell at least 105 000 light commercials and 13 800 trucks, from estimates based on sharply increased sales

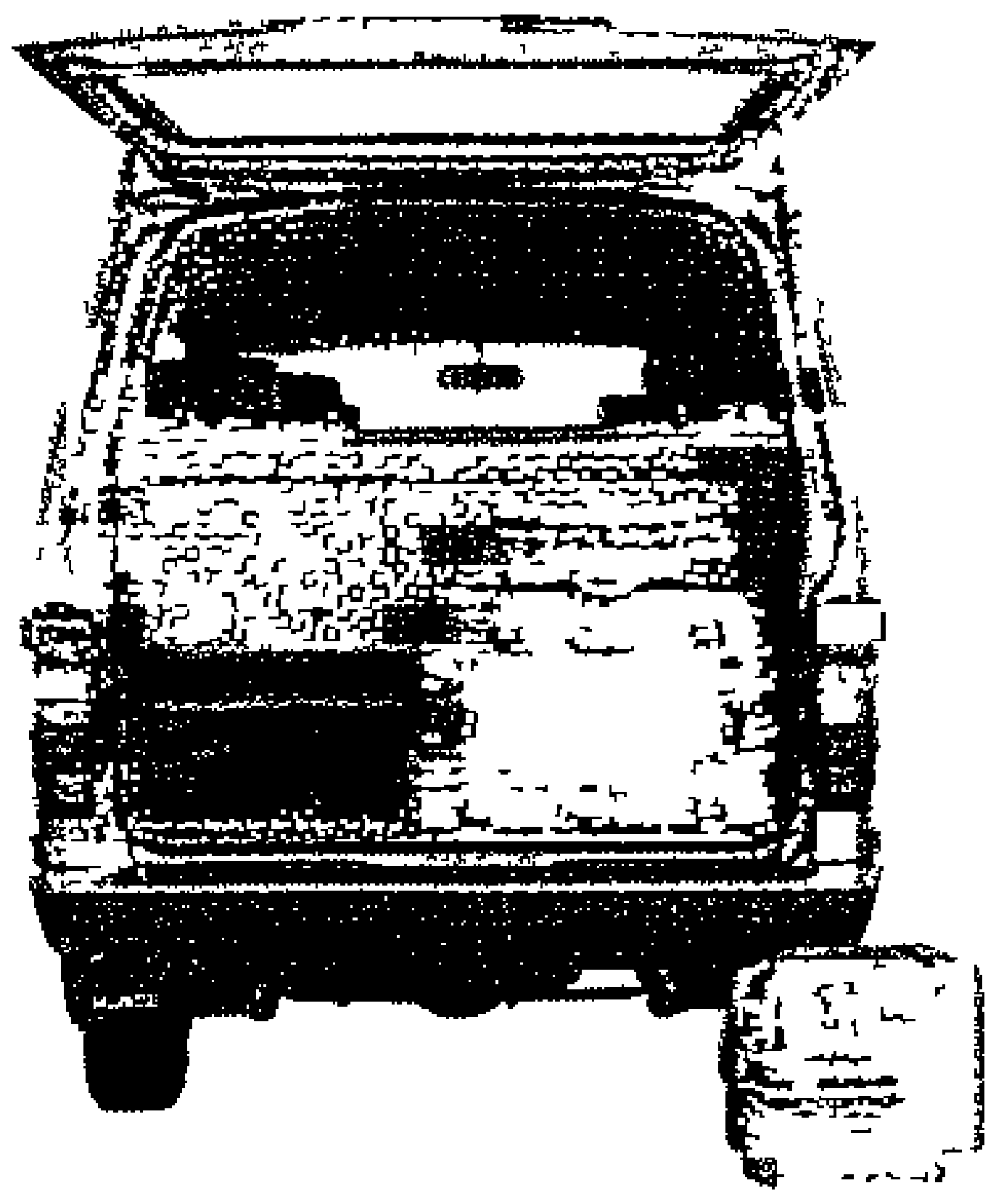
However, there are now several factors which have been exerting price pressures that could cause a slow-down in demand while that of the depreciating rand has always been present But recent official measures to reduce inflation (higher interest rates) and control the balance of payments (new surcharges), together with the uncertainty over international trade relations could very well dampen demand

At the same time, the industry is suffering from a shortage of stock and several manufacturers are struggling to fulfill orders

According to a recent survey, growth in light commercial vehicle and heavy truck sales will largely depend on replacement demand At current values, the replacement value of the national fleet of some 1,45-million commercial vehicles is estimated to be R29bn In normal circumstances the average rate of replacement is 9% every year, but because of the recent recession, this rate dropped to between 5% and 6%, suggesting a lot of vehicles need replacing

On top of it there is a lot of work in the pipeline if one considers the Mossel Bay gas project and the Lesotho Highland Water Project

This explains why, in spite of the threat of rising interest rates, banks report a steady demand for tailor-made financial packages



pressed to close the gap

Opponents who cannot use the technique say it threatens swimming as a spectator sport Swimmers meet less resistance under water and can maintain their starting momentum longer

But it has brought such spectacular rewards that Berkoff now expects seven of the top eight backstroke swimmers to keep the crowd guessing where and when they will first surface

In the US Olympic trials, Berkoff twice lowered the world 100 m record of Soviet world champion Igor Polianksy, to 54,91 seconds

He remains unabashed by East German disapproval

"I'm sure they protest against anything they didn't invent themselves", he said yesterday

underwater race, but I don t think tha will happen"

Harvard graduate Berkoff said that he "just went through the motions" in swimming till he was 15 or 16 He started the experiment with his college room-mate

"It slowly evolved, but we knew it was good It made me really tired when we first started doing it", he said.

Berkoff is unsure whether his chief rival Poliansky is likely to use the same technique.

He twice beat Poliansky at a short-course meeting in Bonn last March. "He's probably 30 or 40 pounds heavier and five or six inches taller, so that's an advantage strengthwise But my kick allows me to compensate", Berkoff said. — Sapa-Reuter

OLYMPIC BRIEFS

Edberg arrives

SEOUL— Tennis organisers breathed a sigh of relief when Swedish world No 3 Stefan Edberg, the Wimbledon champion, touched down in Seoul yesterday.

With compatriot Mats Wilander, the top-ranked player, and West German Boris Becker out of the Olympics because of injury, the men's tournament had begun to look threadbare

Norway's joy

LILLEHAMMER, Norway — People danced in the streets and were served free breakfast along Storgata, the main street, yesterday when the town was awarded the 1994 Winter Games.

Citizens waved flags and jumped in delight when President Juan Antonio Samaranche of the IOC announced in Seoul, that this sports and tourist resort had been chosen to host the games.

Recovering

SEOUL — The recovery of 7ft 2in Arvydas Sabonis, the Soviet Union's basketball superstar, apparently is going better than expected. His coach says he will play in all key games

Sabonis, a first-round draft choice of the NBA's Portland Trail Blazers two years ago, has not played competitively for 18 months because of an Achilles tendon injury.

Ben confident

CHIBA — 'Ben Johnson yesterday expressed supreme confidence that he would win the 100m after anchoring a Canadian team to victory in the sprint relay at a pre-Olympic meeting here.

Asked what he thought the winning time would be in the final, scheduled for September 24, Johnson said: "I can't say, but I will win".

Hi-tech yachts

PUSAN — Yachtsmen are using computers and satellites to plot strong currents, tides and wind at the Olympic regatta, team officials said yesterday.

LC programme: The pressure's on

TRANSITION from the mass-related local content (LC) programme to a foreign exchange target-based programme will put local motor component manufacturers and even distributors under pressure for some time

Pointing this out, National Association of Automobile Component and Allied Manufacturers (Naacam) vice-president Fred Keywood says the transition to greater local content will be tough initially despite greater co-operation between the various sectors of the motor industry

Although some component manufacturers have spare production capacity others, including big companies like Association Engineering of SA (Asseng), are simply unable to cope with demand

Now that a closing in ranks among these sectors has resulted in greater co-operation between Naacam and the National Association of Automobile Manufacturers of SA (Naamsa), greater progress will need to be made in the rationalisation of facilities for starters

"Human skills resources will be strained to the limit and the development and skills training in all sectors of the industry will be of prime importance"

Cape Town-based Keywood, MD of Gabriel SA, says the broad objective of the Board of Trade and Industry's (BTI) new LC programme is to address the problem of escalating import material costs in the automotive industry with the resultant spiral in vehicle costs

The weakness of the rand against major currencies has been particularly damaging where imports are based on a mass-related LC programme and has been a major constraint to industry growth since it peaked in 1981-82

"Government's apparant objective is to reduce foreign-sourced material imports by 50% over a specified period and Naacam understands and applauds the BTI proposal"

But, he says, Naacam had made several representations over the past 10 years to increase LC to 75% by 1987 "Had this been acceded to the transition we

The parts distribution sector will play a major role in the transition Their support by sourcing from local manufacturers will have a major bearing on the programme

The industry as a whole will need to focus criticaly on quality, service and competitive pricing to win over the SA consumer and create the confidence to purchase local parts

Keywood's reference to a closing in ranks of the various motor industry sectors in recent years has resulted in a move between Naacam and the parts distribution sector culminating in the recent ewstablishment of a parts distribution association

"This will lend to better understanding between the various sectors in distribution and will undoubtedly improve the availability and service levels of local manufacturers"

Turning to exports, Keywood notes Naacam is "extremely critical" of the fact that exports by SA component manufacturers have to be channelled through vehicle manufacturers and the export incentive shared

"Export opportunities would be far greater if component manufacturers could obtain the full benefit of the available export incentive," he says

☐ A CUSTOM-DESIGNED bus electrics system receives a final quality check at Conlog Automotive Division's Durban factory

Matchmaking wins as Tiger finds mate

IMPORT replacement has been achieved through SA's oldest manufacturer of alloy wheels, Tiger Wheels Holdings, teaming up with Continental Tyres to match special wheels with tyre sizes

Apart from the obvious foreign exchange, local industry and supply benefits, this latest development means motoring enthusiasts can now carry out "plus-one" and "plus-two" conversions to their cars with locally made Tiger-branded wheels and Continental-branded "60", "55" and "50-series" tyres

Tiger CE Eddie Keizan says this matching is a replacement for imported wheels and tyres, which cost much more

"In fact the Tiger/Continental combination, which gives greatly enhanced handling and appearance to the vehicle, can now be carried out at just over half of the cost of the fully imported equivalents," he says

The company is SA's major importer of specialised HPT passenger car and motorcycle tyres and an exporter of the product to 12 countries

Ultra-low-profile tyres (the "50" and "55" denotes the ratio expressed as a percentage between the height and width of the tyre) can only be fitted on large-diameter wheel rims so that the same rolling circumference is maintained

If this is not done, the road gearing of the car changes and performance is impaired But Keizen says the conversion gives definite and measurable handling improvements

The selection now available from the Tiger and Continental joint development allows this conversion to be made to most SA models

The joint project went ahead despite Tiger holding the sole SA franchise for imported high-performance Yokohama passenger car tyres — and Tiger has no problems with continuity of supply from that source

Keizen encourages the local development for several reasons Firstly, because it is important for SA to develop the expertise to produce these high-tech tyres — and because General Tyre is proving its capability in this regard

With Tiger's success in exporting wheels, there are obvious synergies in that high-performance tyres can be made locally and can form part of the package

In terms of this development, Tiger is also aware of the vagaries of forex fluctuations The availability of new local tyres gives it much more secure supply lines in sourcing products for its customers

Finally, the whole exercise has an added benefit As wheel designer and manufacturer, Tiger has been able to sit in with a tyre manufacturer throughout the development — which is something not quite as easy to achieve with overseas suppliers

Keizan says his company has tried for some time to encourage a local tyre company into this sort of development

"General had proved to be the only company with the right commitment, spirit of innovation and technical capability to accept this challenge," he adds

"I see the development as a breakthrough which will be welcomed by performance-conscious motorists This move makes it that much easier for them to get onto ultra-low-profile tyres — the latest in tyre technology is right on their doorstep"

Flood of cheap and 'bad' spares

DESPITE the low rand and increased import surcharges, local shortages of engine components has seen the continuation of a flood of cheap but sub-standard parts imports into SA in recent months

The shortage situation is compounded by the added requirements of original equipment, the upturn in new car sales and car owners hanging onto vehicles for longer each year as a result of high car prices

Local manufacturer AE Engine Parts (AE), the marketing and distribution arm of Associated Engineering (Asseng), acknowledges the shortages and, while noting that the imports are at temptingly low prices, a possibility exists of using them with disastrous results

AE CE John Koen says the shortage of pistons, sleeves, bearings, rings and valves in the more recent months has proved extremely tempting for importers in general

Unfortunately, substantial quantities of dubious-quality products have made their way into the SA market — a trend which seems likely to continue until the problems come home to roost

"AE Engine Parts strongly recommends end users only use known brand names and, where possible, insist on buying South African-made components to ensure technical back-up is readily available"

Koen also says marginal savings on unknown parts may turn out to be extremely expensive when such products prove to be faulty

"Unlike bolt-on components, engine components are not easy to replace and failure of such a component normally leads to damage of other engine components or the engine as a whole"

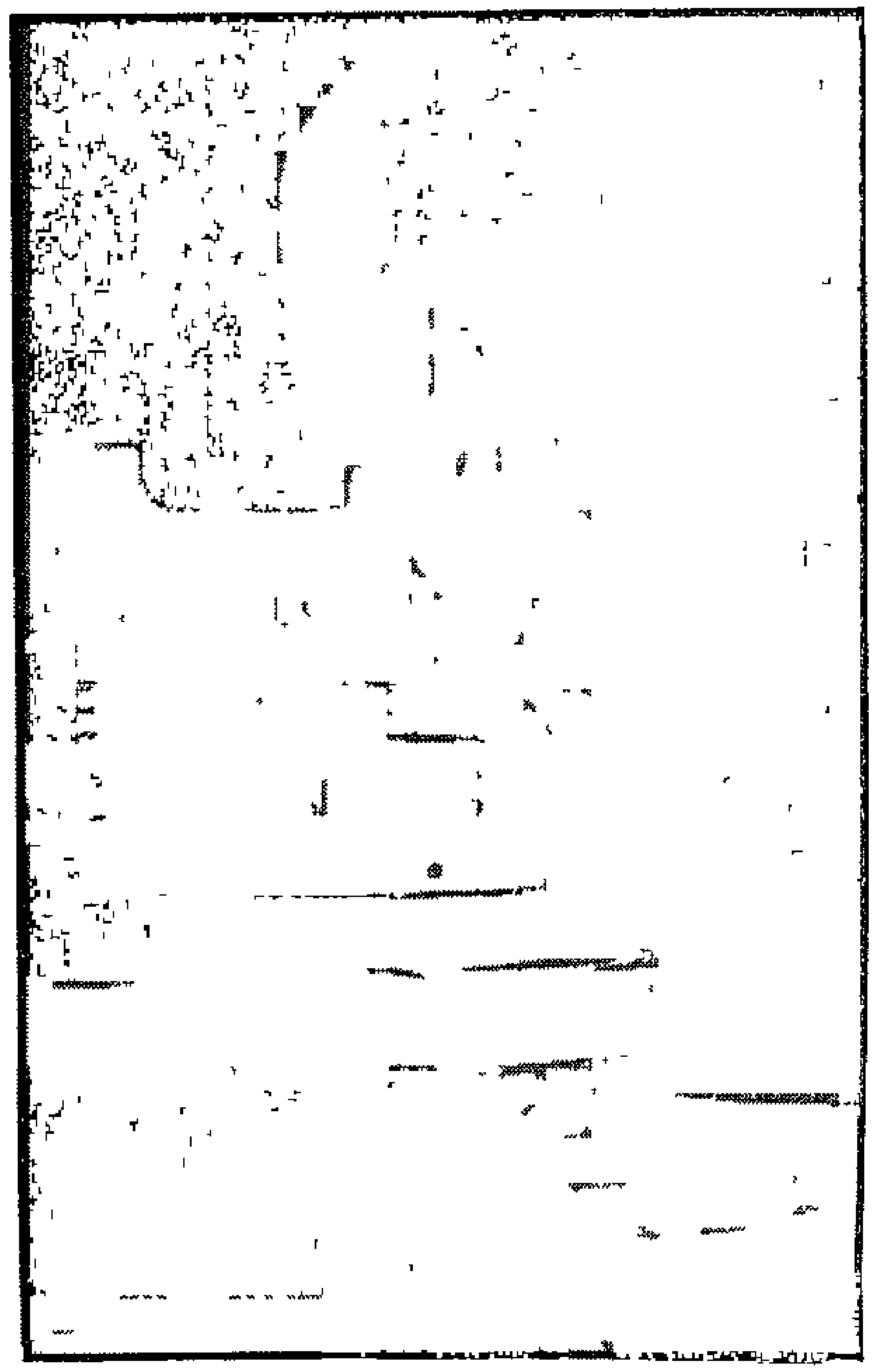
The situation of huge shortages of components comes after AE's tackling the market aggressively during this period and market share gains against imported product ranges

But on certain product lines even AE's output increases cannot not bridge the widening gap

Holding company Asseng is the only shell bearing and valve maker in SA and one of two automotive piston manufacturers It stands to benefit a great deal from the swing to the value-based local content programme

To meet future expected increases in demand for its engine components, Asseng, which exports 10% of present turnover, has initiated expansions in its manufacturing facilities which are presently being phased in

Increased demand for replacement parts will be ongoing, not merely confined to seasonal factors,



☐ THE SHORTAGE of pistons, sleeves, bearings, rings and valves in the more recent months has proved extremely tempting for importers in general

Local components are now accepted

MOTOR manufacturers are increasingly accepting the growing range of high quality SA technology for local research and development.

On the policy of providing SA technology for local models of the Mercedes-Benz range

The latter project re-would be a lot less painful that the one we now face"

WIRING UP THE FUTURE

WITH wiring among the highest cost components in a motor vehicle, the rapid advancement of electronic sophistication in vehicles is a boon for electrical-harness manufacturer Auto Cables

The company, part of the Femcotech group, is showing remarkable market penetration and recently opened a second factory at Mogwase Its other factory is at Brits

Changes in local content (LC) requirements of motor vehicles from mass to value requirements are expected to impact positively on Auto Cable, notes Femcotech MD James Greig

"The company is actively pursuing opportunities to manufacture many of the plastic connectors, clips and grommets locally"

Moreover, company management is up on adapting overseas drawings and documentation of vehicle harnesses to local specifications

With most cars needing up to 2km of wiring, harnesses are assembled manually by Auto Cable's 880-strong work force, with 660 at Brits and 220 at Mogwase

Auto Cables is the only supplier of harnesses to leading manufacturer Toyota and is also a major source for Mercedes/Honda and Nissan

Raw materials used by the company include copper wire, PVC coating and a variety of imported terminals and contactors

Greig has just returned from Japan where he has been exploring opportunities for the group and looking at latest developments, which include the use of multiplexing and fibre optics in only the top range of vehicles

He said SA industry is unlikely to progress in this direction in the forseeable future due to costs

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[illegible] to replace imports

A sample of proof comes from Control Logic's (Conlog) automotive electronics division which has been transformed from a Cinderella company to a leading high-tech process control and industrial electronics instrumentation company in recent years

Recognising the importance of import replacement and for more local content (LC) in vehicle manufacture, Conlog designers have dedicated more and more effort towards the SA motor industry's needs

Conlog's "solutions by design" has resulted in the production of some top quality and highly sophisticated products which are gaining acceptance among motor manufacturers

After making its mark with the production of the Speedocruise electronic speed control system widely used in buses, Conlog parent Anglo American Industrial Corporation saw fit to step up financial backing for essential re- [illegible] manager Paul Lambert says apart from Speedocruise the company's engineers have designed various tailor-made auto products to address specific problems for individual clients

"This is in keeping with the company's philosophy to provide solutions by design," he says

The division has been preparing for the past 18 months to meet the challenges of increased LC requirements of the motor industry and is now well placed to meet these challenges

"We have established excellent rapport with the manufacturers and can supply them with a steady source of locally designed and built components as both direct import replacements and innovative new products"

Importance of such products is evident through some recent innovations which include vehicle security systems and a modular electrical system for buses — now standard equipment for certain [illegible]ure of an entire dashboard and wiring harness "It is saving thousands of rands in maintenance costs and given standardisation of driver controls, which eliminates expensive driver re-training"

Lambert adds a number of spin-offs have resulted from this involvement with bus electronics They include battery balancers, battery management systems, 24v to 12v convertors, surge suppressors and other products allied to the heavy vehicle business

Vehicle security systems are a major runner and the company was awarded the VW contract for microprocessor-based systems for VW Jettas, Jumbo Golfs and Audis

"We are currently working on further custom-built security systems for leading vehicle manufacturers These will incorporate central locking and remote control facilities which Conlog has already introduced in its highly successful Scimitar consumer range of add-on vehicle security systems," Lambert adds

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SA needs to make a petrol engine

A PETROL-DRIVEN engine for SA's car manufacturing industry, such as Atlantis Diesel Engines' diesel unit — would be beneficial to local motor component and car manufacturers alike

This is the recommendation of local components distributor Associated Diesel Holdings (Adco), a listed company with more than 30 years strategic material handling experience

Adco chairman Ronnie Norwitz also notes that the manufacture of high-precision component parts involves huge investments in tooling and machinery

This would only be justified in the present economic climate by rationalising the number of engines to be manufactured and simplifying procedures involved

He says it would be considerably easier and more economical for components to be manufactured in volume with attendent cost benefits

"If such an SA car engine could be developed and universally standardised components manufactured, there is no doubt local industry would be able to handle volumes and produce all but the most intricate parts — such as fuel-injection systems"

In this case there is a definite possibility for import replacement and the consequential benefits of increased jobs and new industries created

But as far as the diesel-engine market is concerned, the picture is quite different

Particular reference is made to those vital proprietory lines not manufactured locally but which are severaly hamstringing manufacture at Atlantis Diesel Engines (ADE) — an engine programme otherwise well on its way to becoming a viable proposition

In choosing two diverse engines — Daimler Benz and Perkins to be used as prototypes and licensors — the ADE engine must contend with differently sourced proprietory lines

Daimler Benz uses Robert Bosch injection equipment plus both KKK and Garret AiResearch turbochargers Perkins uses CAV injection equipment and Garret AiResearch turbocharges

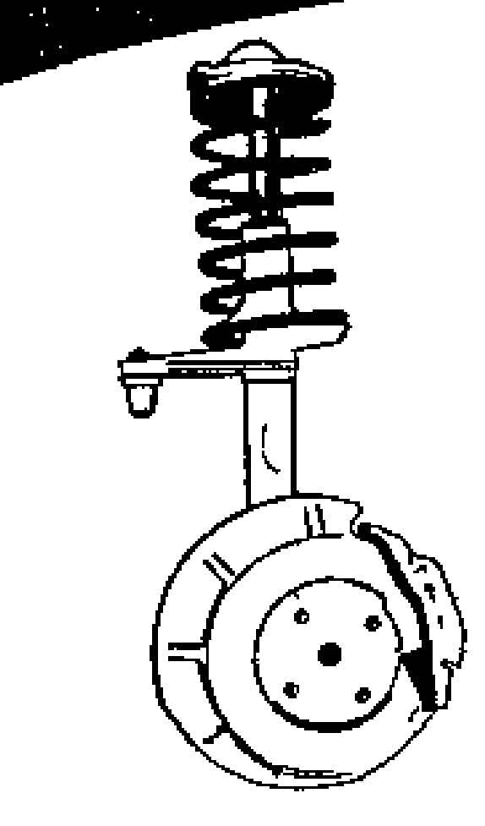
"However, the only fuel injection products which could viably be manufactured locally would be injector nozzles and injectors Here again there are diverse types

It seems clear that the local manufacture of certain diesel fuel-injection equipment is not viable Certain lines could be made locally and assembly is possible

But, he says, the continued imports of certain strategic items is unavoidable and Adco will remain totally committed to the continued supply of these products and would continue pursuing both objectives

"If the uninterrupted flow of the strategic diesel engine is to be maintained there is no alternative but to have a strategic stockpile of parts and equipment available at all times — both for original equipment and for the after-market

B/Day 7/10/88



MOTOR COMPONENTS

VW staunch in local content

AS ONE of the foremost exponents of increasing local content (LC) in the SA motor industry, Volkswagen SA (VWSA) has called for the rationalisation of local-component suppliers in order to improve quality and viability

Boasting LC-by-weight — in its entire range of vehicles — averages of more than 71% (minimum 66%), with the Citigolf at nearly 82%, VWSA is not stopping there and when its R40m toolroom project comes on stream in mid-1986 it will be the first local motor company capable of producing virtually all its tooling requirements in SA

The aim for increased self-sufficiency is in pattern with a strong VWSA LC drive some years ago when it went to great lengths to invite component suppliers to discuss what they felt capable of supplying

POOR QUALITY

At the time they knew the company would subject everything to high-quality control testing, and much has been achieved

However, says VWSA purchasing division head Brian Cremer, poor quality still remains a problem, noting that the company's local original-equipment suppliers number about 135

Still, and whatever the shortcomings of government's 66% LC programme, VWSA believes the present system has contributed to the development of a local component industry which is greatly reducing the degree to which vehicle manufacturers are dependent on oversees sources for their needs.

Pushing up LC further is restricted mainly by the relatively limited volumes involved, with resultant poor economies of scale, says Cremer

He believes SA component manufacturers produce a more varied range of parts than their counterparts anywhere else in the world and this in turn causes delivery and quality problems

With about 2 900 parts coming from local suppliers and about 7 000 from overseas, VWSA is attempting to encourage an increase in the number of local components produced, but it would also like certain rationalisation

"We would prefer to have fewer but stronger suppliers who are in a better position to make the investments required for producing components which meet our quality standards," he says

Due to capacity restrictions at its Uitenhage plant, the company is also moving tooling out, for certain parts, to local suppliers The advantage for them is VWSA pays for the tooling and any associated development costs

Unlike many other local motor manufacturers, VWSA does not invest in or own any SA component-manufacturing companies. However, its advisors are heavily involved at supplier level, offering technical expertise and advice to assist local suppliers to increase their quality standards

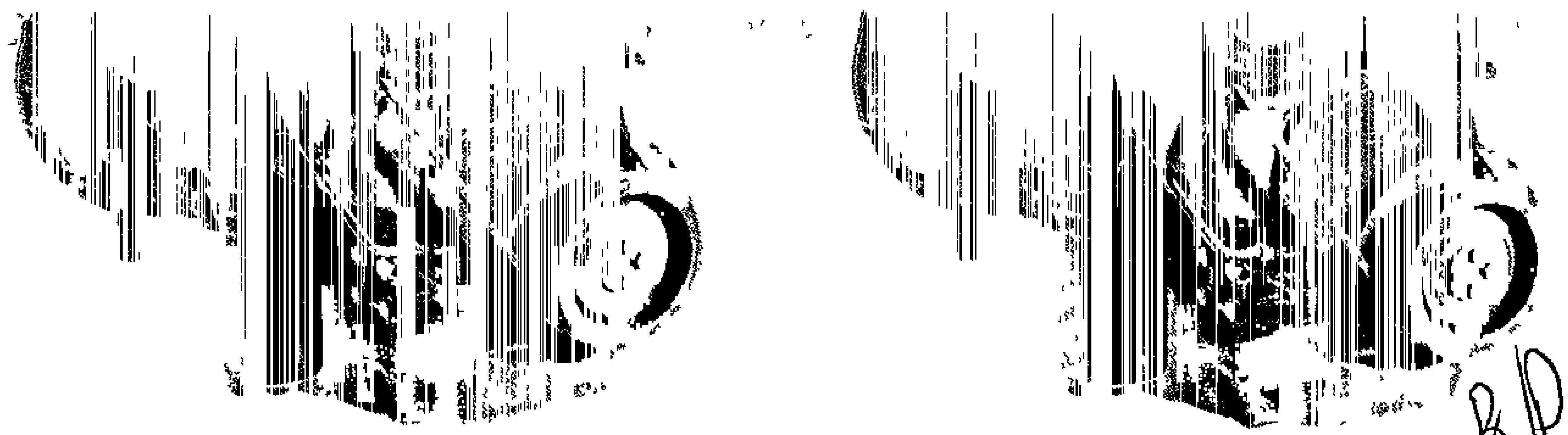
VWSA, which makes 4 340 parts in-house, including many smaller components which other vehicle manufacturers buy from outside, rates its suppliers according to the quality of the parts they deliver very critically

Its supplier-quality assurance department provides suppliers with constant feedback and, if necessary, assistance The efforts of those who perform well are rewarded too — the annual Supplier Awards see to hat VWSA itself is perceived as a customer

As supply and logistics director Fritz Freuholz puts it "If we expect our suppliers to meet certain standards surely we owe them the same courtesy in return?"

Results of this survey were revealed to major suppliers last week "They showed us that in many areas VWSA is not performing as well as we thought we were," said Freuholz

But these areas will receive attention because, as Freuholz says, the Eastern Cape motor manufacturer is aiming for a position of leadership in the industry



B Day 7/10/88

Telling the difference between these two engines could put R25 900 in your pocket.

Take a close look at these engines They look identical They've both got long-term and long mileage warranties And they're both good for at least two to three hundred thousand kilometres

But the one on the left has already done three hundred and fifty thousand kilometres, and is four years old And while a lot of transport operators would consider an engine in this condition a write off, the owner gave his to us to have a look at

Which we did And rebuilt it to the manufacturer's specifications – and mint condition

Cost of a new engine? R39 400* Amount paid for a Duratech remanufactured engine? R13 500 Which explains the R25 900 smile our customer was wearing when he collected his (almost) new engine

A smile that will carry on over unlimited kilometres for one year, which is what all our work is guaranteed for And although the guarantee might stop there, your engine won't Duratech rebuilt chassis, engines and major components have at least 80% of the life expectancy of new units Because one of the things that we at Duratech believe should never be replaced is quality, from start to finish

Evidence of this commitment to quality is the fact that Duratech is an approved agent for Mercedes-Benz, Toyota, M A N., A D E , Samcor, ASTAS, ZF and Bosch Diesel

And thanks to our back-up stock of quality remanufactured small components such as brake cams, flywheels, compressor sleeves, starters, cylinder heads and diesel pumps, we can get you back on the road as quickly as possible

The amount saved by remanufacturing rather than replacing is substantial And when you add up the savings in rebuilding an entire engine, chassis or vehicle, it amounts to thousands of rands

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Because the only replacing you should be doing is replacing heavy costs with profits

*Price of a new ADE 407 engine Price correct at time of going to press

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3 ☐ Please send me more information on your whole operation

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DURATECH

MAKING RELIABILITY AFFORDABLE

WAITING LISTS

However, poor quality remains a problem, Cremer assures us

"Parts which do not fit the bill for some reason can cause problems on the assembly line And with long waiting lists, the norm for most of the VW range, the company is anxious to avoid stoppages and delays "

While critical of its suppliers, VWSA is not prepared to rest on its laurels and has recently undertaken the pioneering step of commissioning its market research department to conduct a survey of suppliers to determine how

(192)

INDUSTRY UPDATE

MONETARY, economic and political pressures make the re-manufacture of major vehicle components a necessity and overcoming the constraints is what Duratech is all about

The company, which operates from workshops in Babalegi, Bophuthatswana, claims to be matching these requirements for engines, chassis and the re-manufacture of other major components

By employing factory-trained specialists and with a systemised approach, it attains standards befitting its franchises, namely Atlantis Diesel Engines, Mercedes-Benz, MAN, Toyota, Astas, Bosch Diesel, Samcor and ZF

Re-manufactured engines must be capable of giving 100% of the new-unit performance, while chassis must meet as least 80% of a new unit's life expectancy

Major savings are also generated through well-developed techniques of inspection and re-manufactore of capital-intensive components such as gearboxes, front and rear axles, steering boxes, cam shafts, drive shafts, injector pumps, radiators and brake valves

Sister company Durabuild specialises in bus and coach manufacturing and repairs, and is in the throes of completing its first monocoque 0305 Mercedes Benz chassis It is being built under licence from the company with the original equipment and jigs used in West Germany

Durabuild's monthly production is 35 rural and semi-luxury vehicles, 16 monocoque chassis and three luxury coaches

■ ■ ■

COMPONENTS designer and manufacturer Mototech expects an upsurge in its exports, which already account for a large part of total sales

The company exports to Europe and receives an increasing number of enquiries Using high-density polyethylene (HDPE) instead of steel, it makes engine protection components such as engine undercovers, fillers and wheel-arch lines which have been developed in conjunction with motor manufacturers

Advantages of using this material include

☐ Lower price — tooling costs of HDPE are about 10% of that of steel,

☐ The material is flexible enough to cope with the often uneven conditions of SA roads Steel bends and stays out of shape, and

☐ HDPE is much lighter than steel

■ ■ ■

SPEEDING up local motor industry parts-supply networks and thereby facilitating reductions in stock-holding costs is a growth area where couriers are coming more into the picture

Greater use of fast and reliable courier services is changing the way some industries do business, as orders can be delivered anywhere in SA within 24 hours

■ ■ ■

the components after-market comes with the development of the first motor fitment branch in Soweto

Mr Tyre — Mr Exhaust,, with 47 motor fitment branches countrywide, signed a franchise agreement last month to open up in January next year, as demand in Soweto was seen as strong

The motor fitment sector has grown 160% since 1984 but Mr Tyre — Mr Exhaust's growth is at 223% It attributes much of this to ever-increasing price rises for cars, giving rise to extended average length of ownership and a swing towards fitment centres

MD Peter Alterskye says that assisted by its all-women sales team for corporate accounts, it expects garages will specialise in major repairs and leave replacement work to fitment centres,

"Already a large portion of business is referrals from garages which cannot afford to tool-up the way we do"

■ ■ ■

CLAIMING a first in hydraulic tail-lifts, Towmaster truck division has developed a unit designed specifically for panel vans and "kombis" to facilitate loading and off-loading of goods

Made at Towmaster's factory in Germiston, the "kombi" lift was designed as a modification of the standard tail-lift it has made for bakkies and trucks — able to lift up to 500kg at the push of a button

More than 70% of delivery vehicles in the US have been fitted with some form of mechanised tail-lift in order to facilitate quicker loading and unloading plus improved turnaround time with reduced operator requirements

■ ■ ■

FRANCHISING is the secret behind JSE-listed Midas doubling its number of FastFit auto parts centres to 65 since last year

Franchisees pay an initial R2 000 which buys them 2 000 shares in the company and in turn means the level of personal commitment to the business is high Each outlet also contributes to a national advertising fund

The tendency is, however, to grant franchises to operations which are already in the fitment game and which have a good track record

Despite the boom in the automotive spares market, including the growth it offers the R118m-a-year fast-fitment sector, Fastfit CE Mike Lambrechs cautions that the next few years will be tough

■ ■ ■

STRIP STEEL supplies for smaller component sub-assemblies and accessories has levelled off and demand should remain constant for the next 15 months

That was the prediction of Strip Steel marketing director Dirk Uys, whose company works to tight specifications and draws all its raw material from

N F Die-Casting monitors trends

A SPIN-OFF for the motor component industry as a whole is not on the cards from expected changes to SA's local content (LC) programme, says NF Die-Casting (NFDC) commercial manager Trevor Volek

Investing significantly in strategic-capacity areas of the motor parts industry has paid off for some local component manufacturers, but a new local content programme on a value basis would benefit the high value-added component manufacturing sector

This would also be in the case where a form of import/foreign exchange (forex) restriction system is implemented

However, says Volek, while the industry is on the brink of an exciting phase of new manufacturing ventures, there are certain "retarding factors" to consider

Foremost is the local availability of state-of-the-art technology required to get certain manufacturing programmes off the ground

Volek says "Local industry needs to develop and import as much high technology as possible, and indeed as soon as possible, by whatever means available"

Capital investment required to set up manufacturing facilities is substantial, and for certain projects would probably require some form of joint-venture arrangement for funding and expertise

Lead times on grass-roots developments would also be a constraining factor he adds

"The industry is already suffering from severe technical and production skills shortages, and expansion of local production — especially in areas requiring a high degree of skills — would exacerbate the conditions"

Volek advocates a co-ordinated and concerted industry-wide recruitment and training programme to be launched as a matter of urgency

"Without some form of commonisation of certain components or indeed a co-ordinated approach by the original equipment manufacturers (OEMs) as to which new components will be contracted out locally at more or less co-inciding times, the risk of investing in under-utilised plant would not be a proposition for the supplier"

Industry sources say in the short-term the multiplicity of car models in SA is a problem because small batches are expensive to make Diversity of models will be part of the market for some years until local manufacturers have scaled down their ranges And this must happen particularly with a value-based local content programme

Owing to production-run sizes and overall local market volumes, therefore, the local unit costs of certain components would still be in excess of the overseas equivalent despite the low value of the rand

A component export programme, especially in conjunction with the OEMs whereby their overseas parents and associates would be the destination market, would certainly alleviate local cost pressures as well as act as a balance to plant utilisation, he says

Increased capital investment is in line with the developments taking place in the motor industry in respect of aluminium-based components and in accordance with much-spoken-of programmes aimed at boosting SA exports

The company has benefitted considerably lately and should do so increasingly as local demand and export potential for its product range increases

Meanwhile NFDC is already making excellent progress in the import replacement line Due to advances it will be able to take further advantage of market opportunities

For example, capital investment combined with continuing process development has resulted in the company currently being able to produce 27 000 roadwheels a month

"These were to the strictest quality standards demanded by leading local and European motor manufacturers," claims Volek

Plans are now under consideration to increase this capacity to about 40 000 roadwheels monthly with an expanded local and export penetration

Plans are being formulated for growth in the high-pressure casting and machining area of the business, particularly in the larger automotive component end of the market.

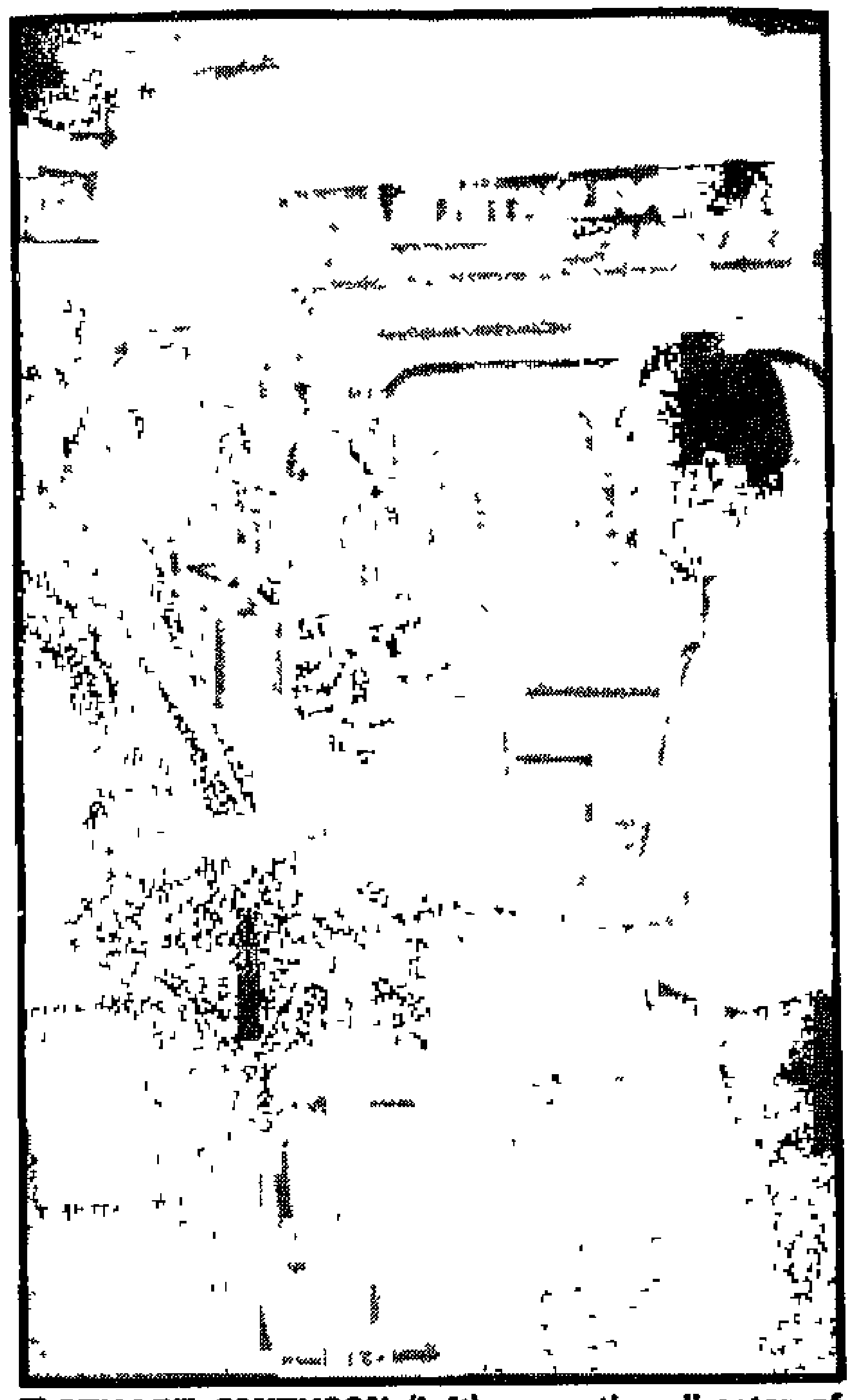
NFDC claims to be the largest producer of die-cast aluminium automotive components with about 58% of the market for low-pressure, light-weight alloy roadwheels for the original equipment market

Its Alrode factory also houses a paint plant Total employees number about 500

In the product sector which NFDC operates, aluminium die casting encompassing the supply of fully machined automotive components to OEMs is a capital intensive activity requiring a level of technology which is not that readily available

"With the expertise we have developed, we are well positioned to take advantage of the growth this industry will enjoy," Volek adds

☐ STEVE BALDWIN (left), GM of AIC Uitenhage, and PETER DICKASON, GM of PSM in Port Elizabeth, discuss the merits of a polyurethane-painted bumper.



☐ STUART SMITHSON (left), executive director of Salcast, and STEVE WYNNE, MD of Girlock, examine a brake caliper for the Honda Ballade. The Ballade is now being made locally.

Local brake calipers

IN a major policy change after a visit to SA, Honda Japan has permitted for the first time the local manufacture of brake calipers for its Honda Ballade cars

And the commissioning by Girlock of foremost automotive foundry Salcast to supply the castings for the manufacture of these critical safety components represents a notable triumph for the Benoni foundry

Girlock MD Steve Wynne says Honda Japan made their policy change only after checking and approving the high standards of local manufacturing facilities

"Salcast was commissioned to supply castings on account of their ability to provide castings of a consistently high metallurgical quality with excellent dimensional stability," says Wynne

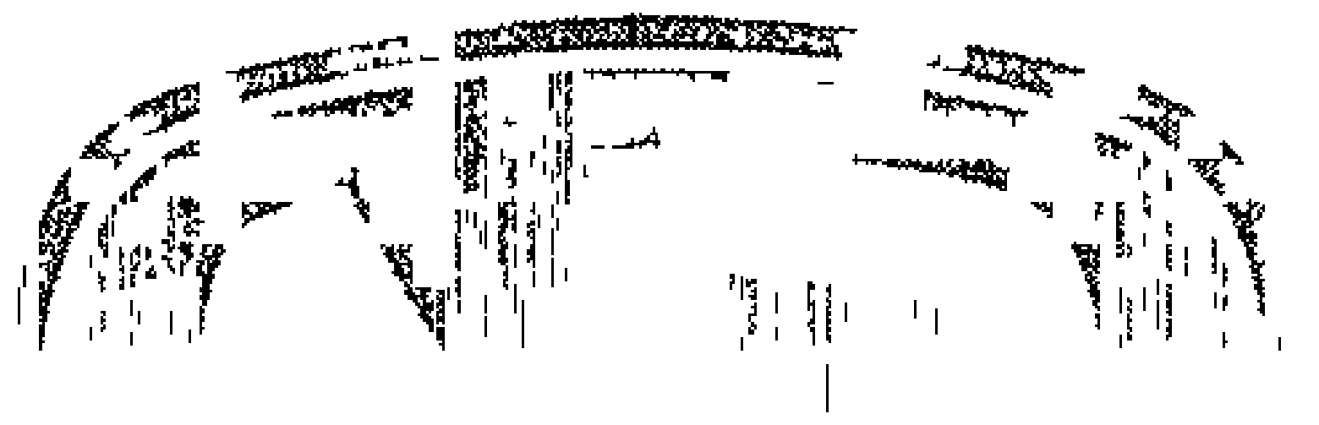
Salcast CE Stuart Smithson says his company's ability to provided castings to the fine tolerances required by Girlock and Honda was attributable to the installation of the George Fischer converter, a high pressure green sand automatic moulding line

The converter further enhances and improves the supply of top quality ductile iron, which along with grey and malleable iron is used by the company to make castings for valves, pumps, commercial vehicles, electricity transmission and general engineering

A recent technological breakthrough arising from the converter has been the successful development of austempered ductile iron which is expected to have a far-reaching impact on the foundry industry, says Smithson

BENEFITS

OF NEW,



B/day
7/10/88

several leading motor-manufacturer and spare-parts retail chains, his company has recently introduced a refinement by instituting a sophisticated computerised parcel and document tracking system

This produces instant accountability, or an early warning alert to any problem — it permits a parcel of components to be traced at any point in its journey

A key factor is the integral management information system which can provide a complete breakdown of deliveries in a month

■■■

FURTHER proof that constant price rises in new car sales are benefiting

steel by component makers was recorded since early last year But should deliveries of original equipment now decline, he expected that the slack would be taken up by higher production of motor spares

Uys said "This has been the trend for a number of years now, as replacement has grown from 40% to 60% of our market"

The brake and shock absorber manufacturers were biggest in replacement while tinplate for oil filters was also in constant demand

"The auto-component industry takes about one-third of our production Another third goes to the building industry and the remainder to household appliance, leisure and shoe industries," Uys concluded

Upsurge invites a Midas touch

DEMAND for motor components and accessories will continue to increase steadily in the local after-market, says Midas King retail development manager Theuns Prinsloo,

This is in line with several factors including the continuing upsurge in car ownership by blacks along with growing self-maintenance among both whites and blacks

The pattern has been noted by most of Midas King's 110 franchises in SA, Namibia and Swaziland, which supply quality and guaranteed "captive" parts

Prinsloo lists several reasons for the components demand upsurge They range from a steady increase in income levels among blacks to political and economic influences

DIY TRENDS

Even today a substantial number of whites have a tendency to buy cars which are becoming too expensive for them to maintain at service stations That such vehicle owners are "forced" to avoid garages has been reflected in increasing do-it-yourself (DIY) business

Unfavourable international political developments and mounting economic pressures are also encouraging DIY trends while changes in perks tax have already impacted favourably on the components market

Perks tax is influencing vehicle owners to conduct more DIY maintenance and repairs because companies find it better all-round to pay certain staff monthly travel allowances instead of providing them with company vehicles for business and personal use

However, the combination of mounting pressures on the economy and companies has also affected transport trading patterns to the extent that, among other things, motor vehicles are being kept increasingly longer in SA

Prinsloo says "The maintaining of more vehicles for longer periods has therefore given rise to the need for greater and more frequent maintenance and attention"

Unfortunately, he says, local manufacturers of components are not benefitting to the same extent as retailers from the upsurge — nor are they likely to in the forseeable future

This is because local manufacture of certain vehicle parts would not be profitable as the the capital intensity and smallness of the local market are to blame

Potential for SA-manufactured car-component exports to help offset the smallness of the local market is also questionable

"Because the desired economies of scale to justify certain local production are not attainable SA manufacturers will in any event find import replacement of many vehicle components hard going in what is a highly competitive international market," says Prinsloo

Here he draws attention to South Korea in particular — which has built industries that manufacture parts of good quality at rock-bottom prices

Today, South Korea is successfully exporting vehicle parts all over the world and often at the expense of established local manufacturers in Europe, the US and other countries

COMPETITIVE

Although sanctions remain a constant threat to SA's after-market, they are not expected to seriously disrupt current supplies in the near future, so this would appear to be a further deterrent against additional import replacement capacity in SA

Still, some sectors of the after-market will continue to become more competitive as most SA entrepreneurs have cottoned on to the increasing DIY trend

"While the wholesale market is nearly fully developed, it is the retail segment of the after-market that provides the greatest opportunities for further development," Prinsloo adds

Although sanctions remain a constant threat to SA's after-market, they are not expected to seriously disrupt current supplies in the near future, so this would appear to be a further deterrent against additional import replacement capacity in SA

PARTNERSHIP

TO meet growing demand to substitute imported vehicle components and optimise individual expertise, Port Elizabeth-based Pilkington Shatterproof Mouldings (PSM) and Auto Industrial Centre (AIC) of Uitenhage have established an informal partnership.

This joint venture will make it easier for local vehicle manufacturers to increase the local content of their products and comply with the pending value-based local content legislation, says PSM's Colin Hudson

In the volatile automotive industry, despite the relatively small market, frequent model and styling changes are demanded. This results in greater use of plastic products worldwide.

The latest trend has been to paint over black plastic components, such as vehicle bumpers, to match the duco of the car Painting also adds to the durability of the plastic part.

With AIC specialising in plastic painting and PSM expanding both its range and volumes of motor components, the "shacking up" of the two companies will provide benefits through to the consumer.

EXPAND

To meet requirements, PSM is in the process of doubling its floorspace at Neave to expand polyurethane components manufacture while the AIC's Uitenhage plant, a recent extension of that company's Durban operation, contains the most modern equipment for high performance industrial painting.

Both companies have worked independently with vehicle manufacturers to develop polyurethane and painted components.

PSM used extremely different grades of versatile polyurethane to make a wide range of small and large products, encompassing interior and exterior trim applications

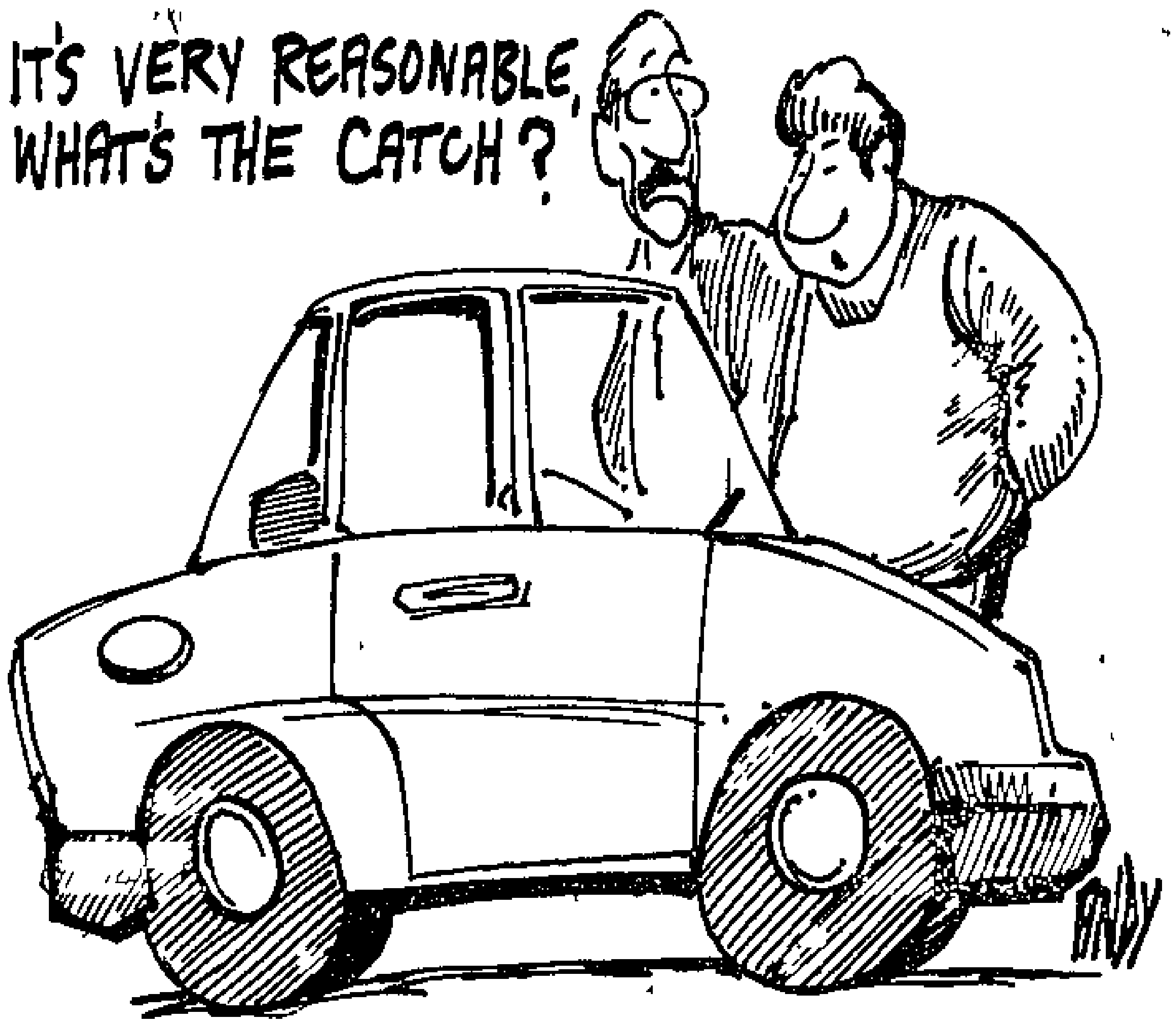
Its recent innovations include foam-filled bumpers, which contain embedded fixing brackets to ensure simpler mounting technique.

At the same time AIC has mastered the art of painting and baking these components to give a perfect colour match and high quality finish.

Consumer apathy powers car prices

Star 8/10/88 192

CHRIS MOERDYK



Many of South Africa's motor manufacturers have responded to the Consumer Council's announcement that it intends investigating the reason for rocketing car prices, by diving into a mountain of production cost statistics.

The idea it seems, is to clobber the consumer with sufficient data on how much it costs to build a car that the motorist will end up thanking his lucky stars he's able to get mobile for so little.

It won't work of course, because a lot of motorists are going to continue asking a lot of questions about why prices should be so high when so many manufacturers are making such colossal profits

Questions like these tend, however, to put motor manufacturers into uncomfortable positions Uncomfortable because of a natural reticence to become arrogant when answering questions from consumers

But what they would probably like to say is that South Africa is, after all, supposed to be a free enterprise society. Which means that manufacturers and retailers can ask whatever price they like. Like it or not, that's free enterprise for you.

However, what the manufacturers would *really* like to tell consumers is that if they are so hell-bent on finding out why car prices are so high they should look in their own backyards And they have a point

What? The consumer responsible for pushing up car prices? Rediculous!

Not really History alone certainly makes this argument plausible Take Nissan for example. About five or six years ago Nissan offered the consumer the cheapest cars in the country and came to within a hair's breath of going bust No-one, it seemed, wanted the cheapest car.

Now, Nissan is doing very nicely with vastly increased sales and a more than cosy chunk of the market. They don't sell the cheapest cars anymore

So, what if Toyota magnanimously decided, for example, to use some of that profit it has made to give the consumer a better deal? What would happen if it decided to lop R10 000 off the price of its top of the range Cressida?

Any number of marketers believe that for a while the cars would be snapped up, but once the discount euphoria had worn off — and it wouldn't take more than a few months or so — the consumer would forget the original intention and start wondering why Cressida's were so cheap Must be something radically wrong with them, they'd think. Then happily go out and buy a more expensive Nissan.

But surely, one might ask, consumers can't be that stupid? Well, perhaps not stupid, but South African consumers certainly have a reputation for apathy For simply accepting prices and price increases without complaint

Somehow one gets the impression that consumers believe that digging their heels in is unpatriotic That boycotting a brand because of its price, labels one as some kind of communist.

Strangely enough though, even in South Africa, consumers have the right not to buy a product for any reason they care to think of

Even corporate buyers who account for the bulk of top-of-the-range sales, are apathetic to price hikes Possibly more so, because of tax advantages and sophisticated leasing schemes that tend to ease that pain in the pocket

But, in mitigation of the consumer, perhaps they have become so indoctrinated by government price controls and price fixing by myriad private sector cartels, that they genuinely believe they have no option but to pay up

This being the case, maybe the Consumer Council would do better to answer all those complaints it has been getting about car prices — not by sailing into the motor industry head on — but by telling consumers that the best method of getting car prices down would simply be to stop buying cars for a while

Just long enough, however, for the manufacturers to be able to meet the challenge but not long enough for half of them to go broke

Cape Times
15/10/88 192

VW recalls 3 000 kombis

Own Correspondent

JOHANNESBURG — More than 3 000 minibuses produced by Volkswagen SA since February 1 have been called in for a suspension safety check.

The possibility that bolts on the lower inner wishbone of these vehicles had been insufficiently tightened was picked up during a routine quality-control test, said communications manager Mr Matt Gennrich

24/10/88

Local content 'deadlock'

B/Day

HELOISE HENNING

CAPE TOWN — Negotiations between motor manufacturers and the Board of Trade and Industry (BTI) over the new value-based local content programme have apparently reached deadlock

One motor manufacturing source described the new programme as "chaotic".

A wide range of industry representatives attended Friday's opening of a R25m extention to Atlantis Diesel Engines manufacturing plant where BTI director Stef Naudé announced the new system should be in place early next year

Mercedes-Benz's Hein te Poel said he expected the BTI would have to decide unilaterally on the implementation of the new system

Negotiations with various manufacturers had apparently failed because of the vested interests of the carmakers.

Te Poel said the manufacturers were in agreement that foreign exchange savings should be brought about to relieve the pressure on the balance of payments, but the negotiations had not yet set any parameters on foreign exchange usage.

A simple administrative formula that would encourage new investment in local manufacture was needed, he said

A Japanese carmaker who asked not to be named said it was a pity that the

● To Page 2

Car local content talks 'deadlocked'

24/10/88

● From Page 1

motor industry, which used 10% of total forex reserves, should become the whipping boy.

He said the deadlock had arisen because some cars contained around R45 000 in imported content, compared with R5 000 at the bottom end of the market.

Te Poel said the motor industry had suggested to BTI that the old mass-based system should run parallel to the new system for the first five years to minimise disturbance in the sector. He argued companies that exported and earned forex should be compensated rather than penalised on higher forex usage.

Most manufacturers said they were living through uncertain times.

● See Page 3

B/Day

(172)

There are two sets of clues, but the answers are the same

(192) B/Day 24/10/88.

BTI probing the tractor market

Motor industry must rationalise — Naude

HELOISE HENNING

ESCALATION in investment costs in tooling would force rationalisation within the motor industry, Trade and Industry director-general Stef Naudé said.

Speaking at the official opening of the R25m expansion to Atlantis Diesel Engines (ADE) manufacturing plant on Friday, Naudé said through standardisation greater economies of scale could be achieved

"Although there has been a significant reduction in the number of vehicle models available on the SA market, it seems as if there is consensus that further rationalisation and standardisation may improve the viability of vehicle manufacture in this country"

He said investigations were under way into the future rationalisation and standardisation of government's requirements in heavy vehicles.

A study was also being done into the possible rationalisation of tractor manufacturers with a view to reducing unit costs and affordability for farmers.

With an annual tractor market of only 5 000, Naudé said, rationalisation of the current 11 manufacturers could only be to the advantage of the market.

He said ADE was an example of such rationalisation

Naudé said the introduction of the local content programme based on value should begin in early 1989. The BTI investigation into the local content scheme was at an advanced stage.

He said the mass-based local content programme had contributed to an average mass of 1 014kg for cars produced in SA, compared with 750kg for Europe and 820kg for Japan

This disparity had to be urgently addressed

"Probably the most important cause for concern is that foreign exchange usage by the industry has risen dramatically," Naudé said

● NAUDÉ

The new programme posed several challenges to component manufacturers and opportunities for other manufacturers to diversify into component manufacturing, he said.

"The Board of Trade and Industry estimates usage for Phase V manufacture in 1990, assuming only a slight improvement in vehicle sales, will be close to R6bn. This compares with estimated foreign exchange usage for Phase V manufacture in 1988 of R3bn."

Even before the formal introduction of the new programme, Naudé said, there was evidence of the manufacture of several import replacements already taking place.

It provided an ideal opportunity for entry into component manufacturing and for diversification of products by current manufacturers

Naudé admitted the country had problems and noted that business's response was pessimistic.

"We must look beyond our problems to the opportunities to which we must respond, then SA has a great future," he said

☐ The new ADE extension will enable it to manufucture locally V-series engine blocks for trucks and industrial use

It will boost savings on foreign currency by stepping up local content by value and mass on V-engines to 70%.

ADE supplies 98% of truck engines used in the local market and 72% of tractor engines sold in SA

Motormen in mass protest

HELOISE HENNING

THE motor industry yesterday challenged the statement by Trade and Industry director-general Stef Naudé that the mass-based local content programme resulted in heavier cars.

Carmakers disputed figures that local cars were on average 200kg heavier than in Japan and Europe.

At most, they argued, there was a 20kg difference between models built in SA and comparable overseas units.

Industry spokesmen, angered by what they perceived to be an insinuation that heavier SA cars were a rip-off, said the market would not accommodate extra mass and higher fuel consumption.

Naamsa director Nico Vermeulen said the comparison was not specific

The model mixture in SA differed vastly from Europe and Japan where mini-cars made up 80% of the market.

A Board of Trade and Industry official conceded overseas statistics were aver-

● To Page 2

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25/10/88

Motormen say figures do not weigh up

● From Page 1

age weights that did not take into account model variances.

Naamsa president Spencer Sterling said he knew of no car manufactured in SA that weighed up to 200kg more than overseas counterparts

"I do not agree that the local content programme has resulted in a heavier car," he said.

Toyota Marketing MD Brand Pretorius said in SA cars were driven at high altitude, for longer distances, and exposed to hail and more dust.

Carmakers were unequivocal in saying the extra 10kg-20kg in SA cars was an advantage heavier body panels made the car more hail resistant, more noise insulation material was fitted and thicker PVC bottom coatings protected cars on dirt roads

Mercedes Benz management board member Hein te Poel said South Africans "love large cars"

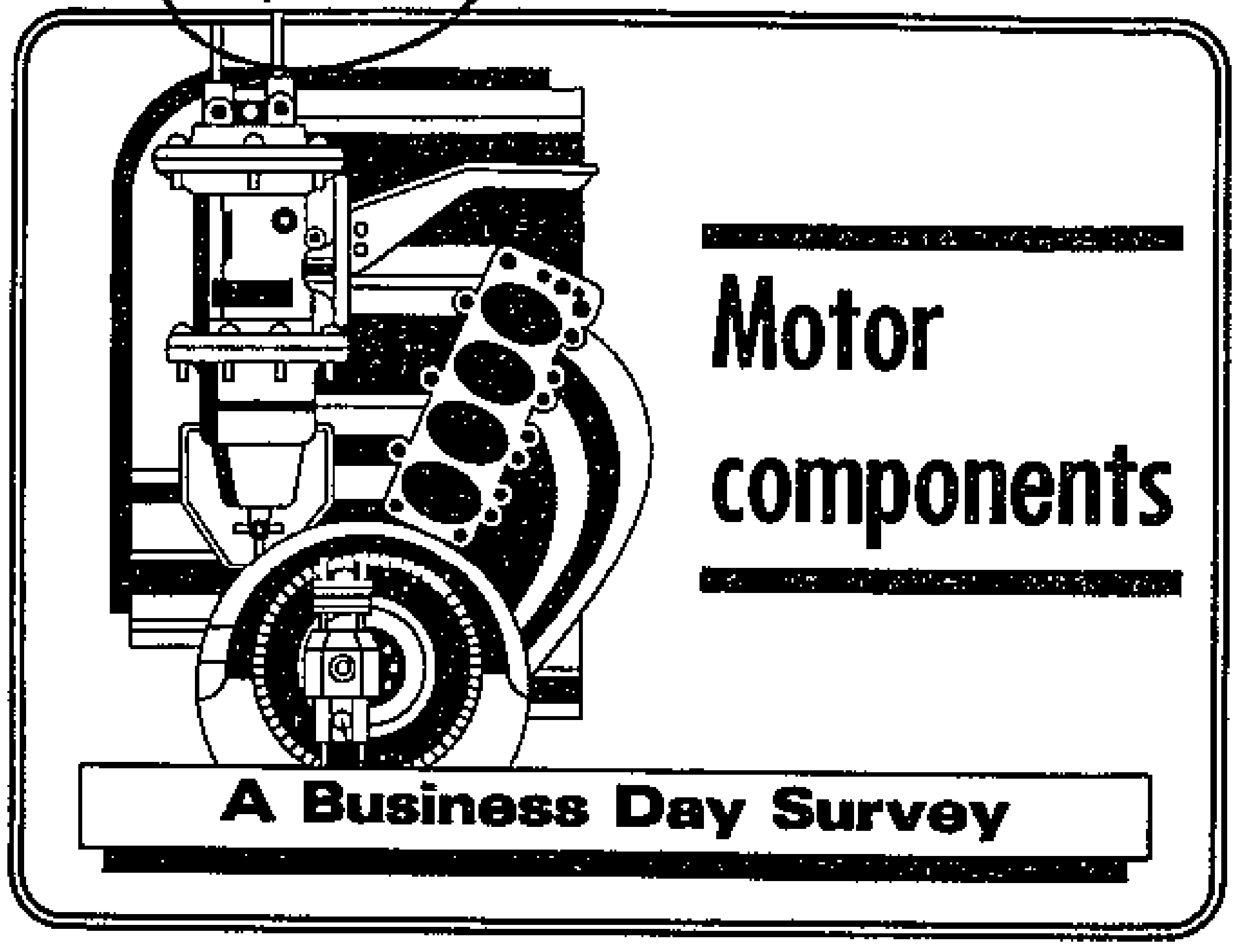
He added comparisons with US or Australian models would have presented a more equitable picture.

Written by LYNN CARLISLE

B/Day Oct. 1988

Local content centre stage

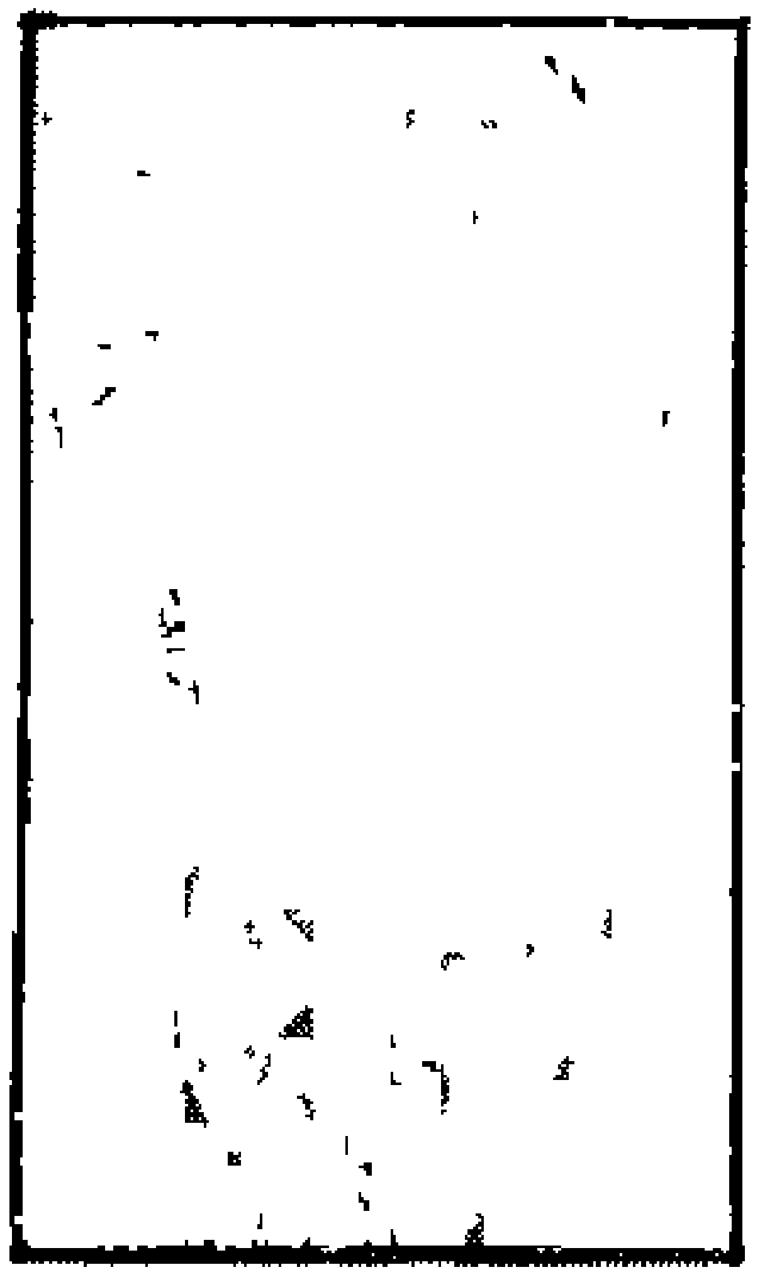
192



COMPONENT manufacturers are waiting with bated breath for major changes to local content (LC) legislation — a point of hot contention for years

This follows the further postponement at the request of motor manufacturers of a scheduled meeting between representatives of the Board of Trade and Industries (BTI) and of the motor and components industries

Naacam (National Association of Automobile Component and Allied Manufacturers) has been awaiting direction in this regard from government, but the third major party concerned, Naamsa (National Association of Automobile Manufacturers of SA), has asked for more time to study the BTI's latest proposals



☐ **LAWRENCE McCRYSTAL**

The postponed meeting, now due to take place in mid-November, will have a major bearing on legislation due to be promulgated mid-1989, and which will see the outdated 66% LC by mass (about 40% by value) change to LC based on value Complications still abound, but mounting economic (ie BoP), social and political pressures are causing SA to increase LC to at least 75% by volume or face greater uncertainty on component supplies, price increases and fewer job opportunities

Naacam executive director Denzyl Vermooten says his organisatiom has been kicking its heels for years Much water has passed under the bridge since the findings of two independent surveys, conducted in the last 10 years

While the findings, which strongly recommended LC be increased from 66% to at least 75%, were duly submitted to the BTI by Naacam, they were ignored to the detriment of growth opportunites in the component industry

Only in March this year did government through the BTI (BTI report No 2627) decide to replace current LC mass-related legislation and call for recommendations in line with a switch to greater LC based on value

In August, vehicle manufacturers asked for time to recompile a BTI document on foreign exchange proposals, but the former could not meet next week's deadline

BTI chairman Lawrence McCrystal says various options concerned with the desire to change from a volume to a value base are under consideration

These options, including how the new LC programme could work, were put to vehicle and component manufacturers earlier this year

"We are anxious to get into the home straight," says McCrystal, "but we can't get going until industry comes back to us"

He hopes, however, to introduce the new LC programme sometime in the first half of 1989, and expects its implication could affect general industry.

As motor manufacturers are major importers, substantial local manufacturing capacity could be involved — but he cautions certain components are unlikely to be made in SA as low volume requirements would make this uneconomic

Considering the longer term implications of proposed new legislation, Vermooten notes a great number of local production problems could be addressed when the programme is on stream

However, he says it would take up to five years for the full impact of new major changes to take effect

"Importation at present is very cost prohibitive and with the serious sanctions threat I regard the problem as having shifted from the micro- to the macro-economic area with BoP constraints being the major obstacle to overcome. The country just cannot afford to continue with such high levels of importation"

He says vital issues which must be addressed are to what extent do those concerned wish to conserve forex and over what period of time?

Vehicle manufacturers are not finding the proposals easy to digest and this is understandable, Vermooten suggests

"Consensus is difficult among them because we are talking about seven motor manufacturers in this country and who have varying classes of motor vehicles aimed at different segments of the market."

Vermooten reckons in the long run it would pay vehicle manufacturers and SA to rationalise further by reducing both the wide range of variously priced passenger cars and minibuses to much fewer than at present and to extend model lives.

"This would improve local manufacturing economies of scale and reduce tooling amortisation costs per unit and therefore costs through to the consumer, simplify availablity of the correct replacement components countrywide and provide other benefits all round"

'More LC would contain prices'

GROWTH in prices of new vehicles and vehicle maintenance bills would be contained with any major increase in local production of components arising from new local content (LC) legislation now under discussion

That it would benefit the whole economy is submitted by the National Association of Automotive Component and Allied Manufacturers (Naacam), whose 150 member companies represent about 80% of the investment of 400 component-related companies

Naacam says the combined total turnover this year of motor manufacturers and motor-related industries, which includes component suppliers, new and used car sales, spare parts sales and workshops, will be about R24bn

It bases its case on past performances of the CPI and new vehicle price increases — which have run amok since 1980

In support of further LC in vehicles, which would obviously include import replacement of certain components, Naacam executive director Denzyl Vermooten says that if the CPI is considered representative of local component manufacturers' productivity performance then price increases should have risen about 165% from 1980 to 1987

Since LC by value is put

☐ Continued on next page

A grim outlook for forex usage

192

B/Day

27/10/88

HELOISE HENNING

THE gap between forex usage and earnings by the motor industry had widened in spite of incentives to the industry in recent years, Board of Trade and Industry (BTI) CE Ruel Heyns said yesterday.

Speaking at the Plasmobile '88 Conference at Megawatt Park, Heyns said net forex usage for motor and component industries had increased by 22% from R412m in 1971 to about R1,8bn in 1981 By 1986 the usage had risen 78% to R2,3bn — representing 9% of total goods imported.

Assuming the current export incentives and trends continued, forex exports would amount to only R240m by 1990 while forex usage would amount to close to R6bn.

"Projections over the long term indicate that the foreign exchange problem will worsen rather than improve. It is in the interests of the country as a whole to provide answers to the problem."

He said the BTI had taken the view that motor manufacturers should be measured on their net foreign exchange usage in the soon-to-be-introduced value-based local content programme.

The board's standpoint was that manufacturers would be able to choose whether they wanted to increase local content by value or increase exports, or implement a combination of both.

Government had, with this in mind, appealed to industry to reason from a wider perspective than merely try to promote sectional interests of individual manufacturers

In an interview, Heyns said the jogging for alternatives being presented by industry was perceived to be an attempt to maintain competitiveness.

He did not think the suggestion to run the mass-based and value-based programmes parallel for old and new models respectively would be administratively possible.

Earlier he told the congress the board's analysis had shown the most economic usage for the current local content production (Phase V) was in the 40% to 50% range by mass — considerably lower than the 66% requirement in current legislation

To ensure competitiveness in the market, rationalisation would have to take place, but this should happen through market forces and not direct government intervention.

National Association of Automotive Component and Allied Manufacturers (Naacam) director Denzyl Vermooten said in an interview yesterday the component manufacturers expected their output to more than double in the next five to 10 years as a direct result of the new value-based programme

Mercedes plant hit by stoppage

(192) BDay 28/10/88

ALAN FINE

THE Mercedes Benz East London plant was hit this week by the latest in an ongoing series of work stoppages since the beginning of last year

National Union of Metalworkers of SA (Numsa) regional secretary Viwe Gxarise said the stoppage, over two disciplinary matters, was resolved yesterday afternoon after four days of lost production

He said the first case involved mutual accusations of drunkenness between an assembly line worker and a foreman. The worker had refused to take a breathalyser test unless the foreman did the same He had been dismissed

In another case a worker had been dismissed when, after a few hours in a new job, he had been found to be performing inadequately Management had failed to follow applicable procedures, he said

In talks between union representatives and management yesterday, it had been agreed to reinstate the second worker and to hold a disciplinary inquiry for the first.

Mercedes confirmed the stoppage, which it said followed a dispute over an incident of alleged misconduct and the interpretation of a lay-off agreement

MOTOR INDUSTRY (192)

Weight of evidence

Car assemblers are understandably miffed by Trade and Industry DG Stef Naude's assertion that the mass-based local content programme has contributed to SA cars being heavier than those overseas

His statement suggests government is preparing the ground to implement its new foreign exchange-based system against the (probably forlorn) wishes of certain assemblers

The motor industry is still awaiting details of the programme, due to be introduced early next year Although component-makers favour the change, which will increase the value of locally-produced components, some vehicle assemblers still hope for a watered-down version Talks between the Board of Trade and Industry (BTI) and representatives of the component and vehicle industries are due to resume next week after being stalled for two weeks.

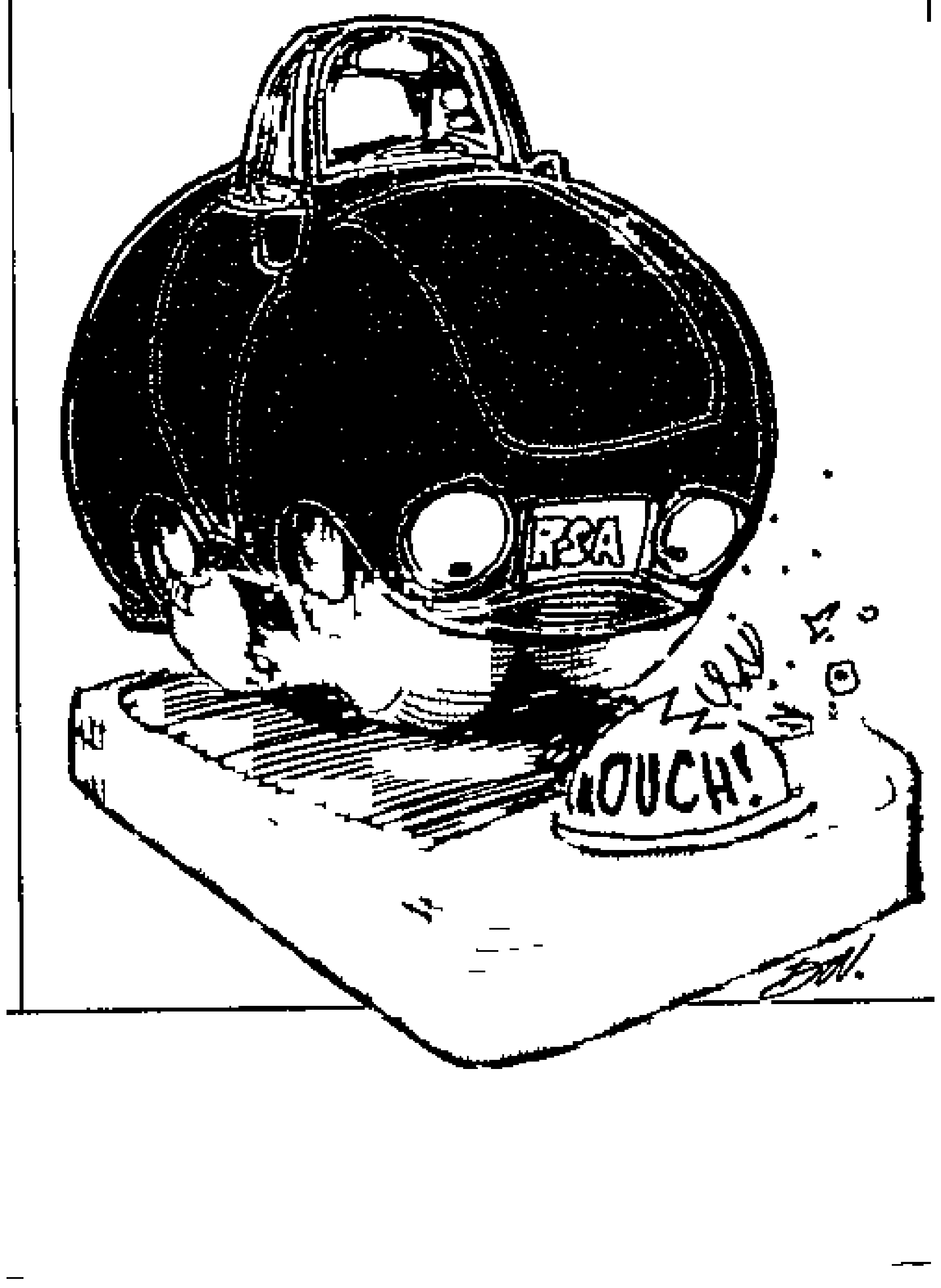
Naude's comments haven't helped assemblers' mood He asserts that the mass-based programme has contributed to SA cars weighing an average 1 014 kg, compared to 750 kg in Europe and 820 kg in Japan He adds that the disparity "must be urgently addressed"

How — since the comparison has little meaning? SA cars do weigh more on average, but not — as one newspaper headline suggested this week — because local cars are 200 kg overweight. It's simply that European and Japanese motorists drive smaller cars than South Africans Several small cars — a recent example was the Daihatsu Charade — have failed to find public favour here Like US motorists, South Africans like big cars

The fact that about three-quarters of SA cars are company-owned — while overseas, penny-conscious private buyers are drawn towards economy models — contributes to the difference, as do the greater distances travelled in SA

Local companies have been quick to counter that there is almost no weight difference between SA cars and their overseas equivalents Toyota Marketing MD Brand Pretorius says he is "amazed" at Naude's comments. A comparison between the SA and Japanese Corollas showed the local version to be 10 kg heavier — thanks entirely to modifications to meet local conditions.

Naude was not available for comment when the *FM* went to press. ■



FM 28/6/88

Hopes for end to Mercedes strike

MK645 28/10/88 163 [illegible] [illegible] 192

EAST LONDON. — Almost the entire workforce of 3 000 at the Mercedes Benz of South Africa (MBSA) plant in East London has been on strike for the past two days.

A spokesman for MBSA said yesterday production at the plant had been seriously affected.

However, settlement in the dispute which caused the strike was reached late yesterday

In a statement the company said production was expected to resume today, but a National Union of Metalworkers of South Africa (Numsa) spokesman in Port Elizabeth, Mr Les Kettledas, said a report-back meeting would be held with workers and it was difficult to predict whether or not workers would then return to work.

Disciplinary

Numsa's regional secretary, Mr Viwe Gxarisa, said the work stoppage was over two separate disciplinary matters.

The first was a case of mutual accusations of drunkenness between an assembly-line worker and a foreman.

The worker refused to take a breathalyser test unless the foreman did the same and he was dismissed

In the second case, a worker was dismissed after only a few hours in a new job because he was said to be performing inadequately.

Mr Gxarisa said management had failed to follow the strict procedures applicable to such circumstances

In a meeting between management and Numsa yesterday afternoon, it was agreed to reinstate the latter worker and hold an internal disciplinary inquiry for the former, he said

Poor performance

The statement issued by MBSA said the layoff procedure had been clarified. It said there had been a dispute over an alleged incident of misconduct and the interpretation of a layoff agreement

Later, however, the MBSA spokesman, Mrs Wendy Hoffman, said the strike followed the dismissal of a worker last week for "poor performance"

Mrs Hoffman said the strike was an illegal one and had taken place before an appeal lodged against the dismissal of the employee could be heard

She said the appeal was to have been arranged as soon as possible — Sapa.

Chissano visits Cuba again

Man molested seven schoolboys

Car-makers warned of skills crisis

192

B(809)

31/10/88

THE motor industry is facing a critical shortage of skilled workshop technicians which demands swift corrective action by the major motor manufacturers, says Nissan's service department GM Marinus Perlee.

Last year the industry took on a total of 1 115 apprentices, of which only about 120 wanted to train as workshop technicians, he says.

This is insufficient to meet the industry's needs and the problem is compounded by the fact that, historically, only 46% of the apprentice intake remains in the industry

Upgrading

"In fact, of the 120 workshop technicians entering the industry last year, 30 quickly left, believing that white-collar jobs offer better opportunities."

Perlee says Nissan is hoping to reverse this situation through upgrading and incentive programmes for dealer technicians and support for technical schools and colleges

"The average age of workshop technicians in dealerships throughout SA is high simply because in recent years not enough young people have been attracted to the industry.

"Nissan is now tapping both black and white technical colleges as well as the pool of national servicemen, specifically those who are doing their stints in transport maintenance and support units

"The high technology being built into motor vehicles these days means a high standard of technician is required with diagnostic as well as manual skills," says Perlee. — Sapa.

End to strike

Cpe Times 1/11/88

192

EAST LONDON — Production at the Mercedes Benz plant here resumed yesterday after a three-day virtual standstill at the plant last week, the company said

Almost the entire workforce of 3 000 went on strike on Wednesday last week after two employees were dismissed

One was dismissed for poor performance after only a few hours in a new job and the other for refusing to take a breathalyser test — Sapa

Nissan to build Fiat's mini-car in SA

(192)
BDay
1/11/88

HELOISE HENNING

NISSAN SA said yesterday it would start manufacturing the Fiat mini-car, Uno, which it hoped to put on the market during 1990

Nissan CE John Newbury said the deal was done with the approval of its Japanese partner after consultation with the SA government He expected mini-car sales would be about 10% of the passenger market in 1990 and was not being addressed by any SA carmaker.

Nissan hoped to reach first-time car buyers at a current price of R16 500, Newbury said The car's capacity specification had not yet been decided on, but would be below 1 500cc.

Former MD of Alfa Romeo SA, Vito Bianco, had been appointed to the Nissan Manufacturing board to handle the co-ordination of the project

The initial investment costs, depending on the soon-to-be-announced value-based local content programme, would be about R50m Fiat was not reinvesting in SA through the move, but would be entering into a licence agreement

Newbury said Uno's success, Europe's best seller, was the overriding consideration for choosing to market it, rather than the pressure on its Japanese partner to restrain exports to SA

After Fiat withdrew from SA in 1980, Nissan bought Fiat's assembly plant in Rosslyn where it manufactures heavy vehicles under licence to Iveco, a wholly-owned Fiat subsidiary.

Key Market Movements OCT 28 to OCT 31 REUTERS

Govt to axe motor export subsidy

BDay

2/11/88 **KAY TURVEY** 102

ECONOMIC Affairs and Technology Minister Danie Steyn yesterday warned the motor industry that its export subsidy is to be abolished in February next year.

Speaking at an engineering seminar in Johannesburg, Steyn said the incentive whereby motor exports were subsidised at 50c to every rand would be withdrawn to improve the viability of local vehicle manufacture.

He added the switch of the local content programme from a weight to a value basis would be implemented from March 1989.

Emphasising the need for SA to expand exports, Steyn said all manufacturers had to attain greater cost efficiencies.

Car trade told: 'Get on with it'

(92) Star 3/11/88

Own Correspondent

DURBAN — The Motor Industries' Federation (MIF) has told its 9 000 members "Get off your backsides and start producing what customers need."

In a hard-hitting interview at the federation's annual conference, executive director Mr Jannie van Huyssteen said it did not help to complain about the economic situation. Members had to take a positive view and grab new opportunities that were being provided, which would enable them to survive.

"Staggeringly high prices for new cars, which are to blame for poor sales, have created new opportunities, like the refurbishing of old cars, which could develop into a whole new industry of its own," he said.

"This would be in line with the truck-refurbishing industry which was already well established."

POLITICS BLAMED

Describing the plight of IMF members, including body builders, motor workshops and trailer manufacturers, as "victims of the system", he blamed politics for the current situation.

"But it's no use sitting back and saying that South Africa had got a problem and doing nothing about it. We've got to make the best of the situation and turn the problems into challenges.

"The man in the street can no longer afford to buy a new car every year, so old cars will have to be repaired and refurbished.

"Never before has the role of the motor trader been more important, nor has the entrepreneur faced such challenge, crisis and opportunity," said Mr van Huyssteen.

The conference will centre on a critical background of transformation in the motor industry after-market, when top motor men from all over the country will battle to find solutions to alleviate the pressing problems facing the industry.

(192) B/day 3/11/88

Rough ride at Mercedes

Last week the Mercedes Benz East London plant suffered its umpteenth work stoppage in the past 18 months. ALAN FINE spoke to MBSA chairman Sepp van Hullen about the causes of the problem and possible solutions.

SEPP van Hüllen says there are several factors behind the recent rough labour relations ride of Mercedes Benz of SA.

These include the reputation of Mercedes Benz as a wealthy multinational, the political pressures of SA, and the East London region in particular; the actions of an exceptionally aggressive, if small, group of employees, and sometimes inexperienced management reaction to this aggression

Numsa, the most representative union at the East London plant, attributes the problem to mismanagement Van Hüllen disagrees

He concedes clashes at the plant cause tension within management, but says workers ignore grievance procedures and "by doing it this way they push management into an adverserial mentality."

He notes the plant's labour relations problems began in 1985 and intensified last year The timing, he says, coincided with the change of name, from CDA to MBSA, when Stuttgart-based Daimler Benz (DB) became the majority shareholder

"Certain aspirations were created associated with the name Mercedes Benz. It was known as the strongest and richest company in Germany.

"A change in management culture also occurred for which management was not prepared No one noticed changes occurring

"You can call it coincidence, but it all came together at the same time," he says

Although the union has never directly raised the matter with top management, Van Hüllen says he is aware Numsa members have blamed much of the conflict on one particular member of the personnel department reputed to be an AWB member.

"This is not true We have investigated and have found no proof at all," he says. He attributes these feelings to the need by workers to find a scapegoat.

"This man is at the forefront of representing management, so he is blamed," he says

Van Hüllen feels strongly about what he calls "animalistic behaviour" by some He refers to incidents last week during the strike in which a female employee was assaulted.

He does not blame Numsa In fact, he says, a shop steward intervened to stop the assault In another incident, a security guard was killed

Van Hüllen adds he is aware of a politically-motivated group of employees who try to use every incident to cause a stoppage

"Certain members of our workforce want to get Mercedes out of SA, probably in opposition to the Numsa goal"

Van Hüllen has strong views on the homeland system as a cause of militancy

"I don't want to underestimate the very tough conditions under which our black employees have to live in the Ciskei They can't express any political aspirations They are in a political prison," he says

They have to express their political aspirations somewhere, he says, and this emerges at the workplace

"For this and other reasons I totally condemn this homeland concept," he says

Van Hüllen is reluctant to discuss in detail his plans to bring normality to the plant. But he and DB management agree there is no place for a "hardline" approach to the changing situation in the overall labour field in SA.

His wish is to develop, through talking and negotiation with the trade unions, a culture similar to that which applies in Germany and Europe generally

"In SA, unionists and management only communicate when they are near to, or involved in, a clash In Europe there is continuous communication, and the two sides do not see each other as the enemy The structure of SA makes this difficult," says Van Hüllen

"In SA, capitalism means apartheid and unions are the last structures able to publicly fight apartheid and express political aspirations," he says

He believes South African unionists like Fred Sauls and Les Kettledas of Numsa, and Frank Meintjies of Cosatu, who have many overseas contacts, have this broader understanding "But they have to worry about their credibility with grassroots membership which is led by others"

He notes some changes over the last year. He believes the initiative by German union IG Metall for local subsidiaries of German companies to adopt a set of collective bargaining standards similar to those applying at home is important

So, he says, are the talks between Saccola and the two trade union federations over labour legislation

"But there is still a lot to be done," he concludes

SUFFER THE CHILDREN

A multiracial crèche for employees of BMW SA's production plant in Rosslyn outside Pretoria has become a political issue — indeed, a race issue of a rather ugly nature. The Conservative Party (CP) contested the local elections in Akasia, where the crèche happens to be situated, and won. Rightwing councillor Louis Meynhardt, CP, allegedly threatened the company that he would "demolish" the building once elected.

Meynhardt, who was elected unopposed after former NP mayor Frank van der Tas had been disqualified on a technicality, has resigned from the CP since his alleged threatening phone calls to BMW. And two CP members, Johan Breytenbach, a former Nat councillor, and Pierre Conradie, have been to BMW to apologise for Meynhardt's behaviour.

Meynhardt's resignation has, however, nothing to do with the telephone calls. In an earlier statement he said he resigned to save the CP from embarrassment after a smear campaign against him. This was related to pending paternity and maintenance suits still to be heard in court.

Meynhardt this week denied that he had made the telephone calls to BMW. "It is not my policy or that of the CP to interfere with the domestic policies of BMW," says Meynhardt. He said the visit of Breytenbach and Conradie to BMW was to inquire about what had happened and not to apologise.

It is also alleged that Meynhardt threatened to return the official mayoral car — on loan from BMW SA. Akasia town clerk Jan du Preez admits that he knows about the matter but would not comment. It is understood that Du Preez has said he will take up the matter with CP leader Andries Treurnicht.

☐ Last Friday, after some delay, a group areas permit to house a mixed crèche was granted to BMW SA.

FINANCIAL MAIL NOVEMBER 4 1988

Motor spares prices drop

192

Sowetan

7/11/88

DELTA Motor Corporation, formerly known as General Motors South Africa, is to "drastically" reduce prices of its motor spares, the company announced recently.

Commenting on Delta's decision, Mr Jan Cronje, director of the South African Co-ordinating Consumer Council, said it was a praiseworthy step and expressed the hope that other motor manufacturers would follow suit.

Mr Cronje said the decrease in the price of spares would enable the consumer to keep a vehicle on the road for a longer period He appealed to motor repair services to pass on the decrease to the consumer and not to increase labour costs

"Delta, through this initiative, is making a large contribution towards the curbing of inflation It will put the South African consumer in a better negotiable position," Mr Cronje said

Van Hullen statement 'shocking'

(92) B/day

Own Correspondent

EAST LONDON — A statement by Mercedes-Benz SA (MBSA) chairman Sepp van Hullen that Ciskei was partly to blame for trouble at the company's plant was described as shocking by Ciskei's Foreign Affairs deputy director-general Headman Somtunzi.

Van Hullen had said that Ciskei was a "political prison", and Ciskeian MBSA employees could not express their political aspirations there, which was a reason why they did so at work

Somtunzi said Van Hullen was trying to cover up for problems at the plant by blaming Ciskei

He said "It is a shocking statement from a man who is chairman of a large company, and furthermore his view is unsubstantiated."

MBSA workers were fighting for improvements in their financial position and benefits such as overtime, so it was not clear how Van Hullen came to a conclusion that they were expressing their political aspirations

Somtunzi said "Blaming Ciskei is a feeble exuse. MBSA must sort out its own problems"

B/day 7/11/88

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FMAIL 11/11/88

MOTORING

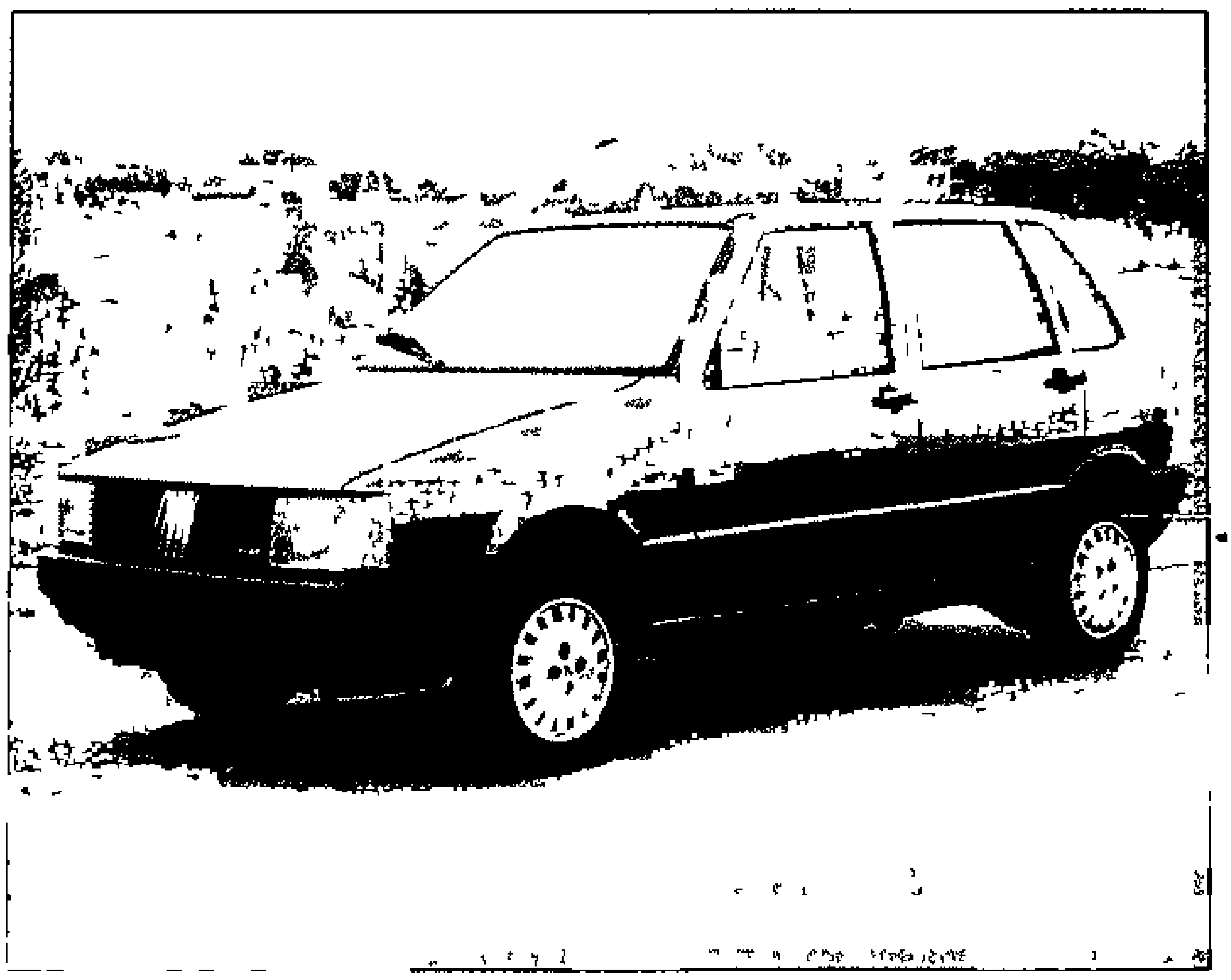
Nissan's plans

At last week's announcement of the introduction of SA's newest mini car, the Uno, Nissan SA's MD John Newbury gave a subtle hint of further interesting things to come.

The Fiat Uno has been one of Europe's top selling small cars for some five years, and though it will be produced under licence to Fiat, it will not be marketed here either as a Fiat or a Nissan — which presents Newbury and his team with an interesting marketing challenge.

In fact, a totally unknown company name was hauled to the fore during the introduction of the Uno Suddenly it's "Automakers Ltd," behind Nissan and Uno cars, and Samag and Nissan Diesel heavy vehicles

Though Automakers was registered in 1974, its sudden prominence has me believing that Nissan SA is more heavily involved with Fiat than it would like known.



Lightweight contender ... the Fiat Uno

Nissan SA retained contact with Fiat after its SA pullout seven years ago, through Fiat's Iveco — known here as Samag — heavy vehicles

"This move is all okay with Nissan in Japan," said Newbury, nevertheless admitting that Nissan is limiting deliveries of its car kits to SA, thanks to pressure from the USA

Are other local manufacturers of Japanese cars investigating European sourcing for future models?

If not, they are certainly all well on their way to introducing lightweight cars of their own, similar to the Uno

The Daihatsu Charade, Ford Fiesta, Mazda 101 and Peugeot 205 could be hot contenders in this area

Since the departure of Leyland's Mini, Daihatsu's Charade and the Renault 5, in the small car "A" segment of the local market, there has been a void which the Uno is intended to fill

"I believe the Uno will appeal to a vast section of the SA car market," says Newbury, "and in its locally available form it will be an economical, attractively priced small car suitable for the entry level buyer "

The timing of the launch could be an important factor, with regard to the price of the car

It is scheduled to roll on to local roads in the middle of 1990 By then, the Uno in Europe will probably be ready for replacement, Automakers could be considering the acquisition of existing tooling for the car.

This would cut production expenses considerably, Automakers anticipate that the launch price of R16 500 might well be held The Italian lightweight motor car's overall success in Europe is undeniable, where 2,8m units of the Uno have been sold in the past five years.

As the top-selling car in its category, the Uno logs monthly sales in Europe in excess of 40 000 units

Still in Rosslyn, Nissan SA — or is this Automakers? — recently outlined aspects of its new Business Class scheme to motorists. MD of Nissan SA Marketing, Stephanus Loubser, says this particular scheme offers an attractive option for the funding of motor vehicles used in business, and should also hold advantages for individuals who receive car allowances

"Its modular concept allows a great deal of freedom for the vehicle operator to tailor a package of specific requirements, with significant financial advantages," said Loubser, "particularly to the cash-driven business, where money which might otherwise be tied up in vehicle ownership will now be free for other uses "

Business Class comprises a Nissan vehicle financing plan, maintenance, insurance and motoring services plans.

"The Nissan motoring services plan represents a first for Nissan SA, in that it provides total protection for the motorist, in the form of comprehensive assistance in the event of a breakdown away from home," says Loubser.

This includes the costs of the tow-in, recovery of the vehicle, car rental and hotel accommodation

He stresses that each module is a self-standing element The motorist does not have to purchase all four

"The finance package can, for example, be combined with the motoring services plan without the maintenance plan or insurance plan," Loubser added

Based on a prime interest rate of 16% and a guaranteed buyback of 70%, a R25 000 car with full maintenance cover — all maintenance other than fuel and tyres paid for — full comprehensive insurance, and the protection of Nissan's motoring services plan, could cost R968 per month, including GST, according to Nissan *Doug Kemsley* nominal 1% tax is levied on capital remittances in a foreign exchange market free of restrictions on dealing in foreign currency and importing or exporting foreign capital

By South American standards, Uruguay has a respectable inflation rate — though not one other countries would be proud of. Until a hiccup this year due to a temporary attempt to fix the exchange rate on a predetermined basis, the pattern had been downward. 83% in 1985, 70% in 1986 and 57% last year. Chamber of Industries economist Andres Jung says it's likely to be 65% this year

There are at least two other worrying features of investing in a Uruguayan FTZ

The first is the security of the system of preferential tariffs applied by European importers of Third World products How secure this will be if the Europeans suspect abuses of certificates of origin, is not clear

And bilateral trade agreements between Uruguay and her giant neighbours Argentina and Brazil should not be considered a permanent feature of trade in the continent. Few things are permanent in South America. ■

(192) FinM 18/11/88

Japanese banking on change

The SA motor industry isn't the only one facing rationalisation pressures. Imminent changes in Japan will have major implications for SA and other customers

In the Seventies, when there were about a dozen Japanese car manufacturers, the country's Ministry of International Trade and Industry (Miti) devised a plan to cut their number to a handful Believing only large-scale carmakers would survive, officials wanted to force mergers to concentrate the industry into three main groups, based on Toyota, Nissan and Mitsubishi.

Nissan took over the tiny Prince Motors — but that was about as far as things went An industry revolt forced the ministry to drop its plan

This was lucky for Honda It was on the hit-list of companies to be rationalised Officials thought the motorcycle manufacturer, only then turning to small cars, was a no-hoper Honda survives — but so does the plan It was never thrown away, just shelved; now it is being dusted down again

A rash of shotgun mergers is unlikely Miti officials acknowledge their ministry has neither the power nor the inclination to force that. If anything, the agents of change this time will be Industrial Bank of Japan, banker to Nissan and Fuji Heavy Industries (the maker of Subaru vehicles), and Sumitomo Bank, banker to Mazda and a growing power in the Japanese car industry

Japan's remaining nine vehicle-makers will probably still be around in five years, at least in name But, by the mid-Nineties, the underlying structure of the Japanese car industry will be different

The sort of concentration the industry envisaged 15-20 years ago will have emerged through voluntary tie-ups and collaborative ventures for R&D, production and marketing — with only gentle nudges from the ministry and banks

The process has already begun as Japanese carmakers wrestle with rationalisations forced by increased overseas production, a domestic market at saturation point, and the need to get costs down and develop new technologies for a bigger share of an increasingly mature market at home and abroad

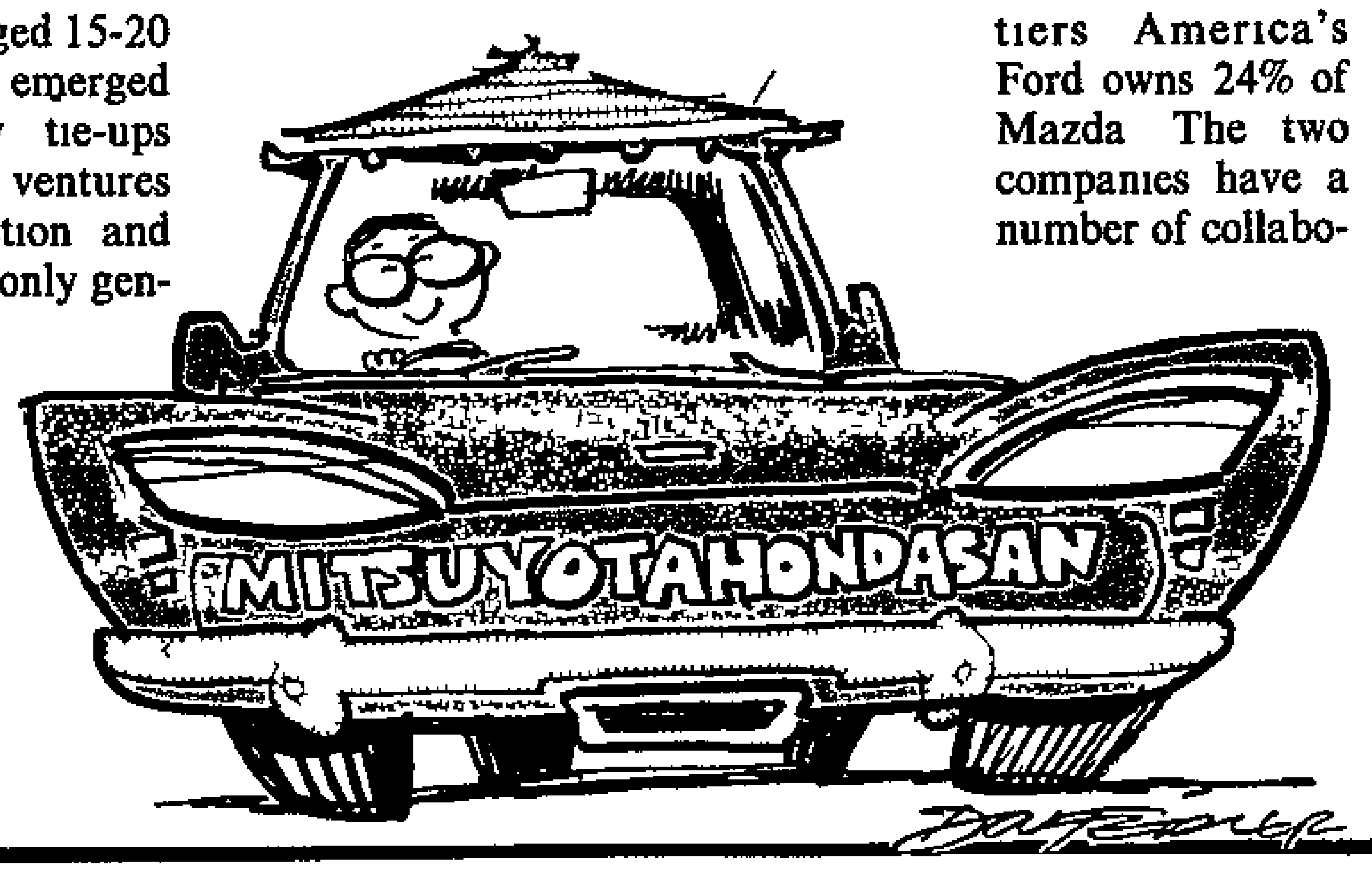
Toyota has taken a 15,1% stake in Daihatsu, which makes the small cars Japan's leading carmaker does not Nissan has a 6% stake in Fuji Heavy Fuji's Subaru has an American joint venture with Isuzu, the truckmaker with a small cross-shareholding with Suzuki, another maker of mini-cars

With the industry's profitability under severe pressure since the yen started to soar in 1985, small companies take less convincing of the need for big partners than they did 15-20 years ago

The awkward question is where to draw the line between what counts as a big company and a small one. Toyota, Nissan, Honda and Mitsubishi clearly fall into the big category, though in the minds of several Miti men, three is one too many survivors Honda may solve the problem for them by ending up as essentially an American company with some offshore production in Japan

Specialists such as mini-car makers Daihatsu and Suzuki, and Hino, the truckmaker in the Toyota camp, fall into the small category But what about Mazda, the fifth-ranked vehicle maker? With 5% of the domestic car market, it trails far behind the joint number-threes, Honda and Mitsubishi, both with 15%

Mazda's position is complicated because it is the most advanced among Japanese carmakers in the parallel trend of tie-ups across international frontiers America's Ford owns 24% of Mazda The two companies have a number of collaborative ventures — in Mexico and South Korea they are building Mazda-designed cars carrying Ford badges to be sold in the American market



Both Ford and all but perhaps the very top management at Mazda see Mazda becoming — for the Ford group around the Pacific Rim — the sort of company that Ford of Europe is in that continent It would be a semi-autonomous part of the Ford empire, designing, building and marketing its cars locally with only the broadest direction from Ford HQ in the US

In March, Mazda took over Ford's Japanese dealership If Mazda was to become Ford of Asia, Ford would want to raise its equity stake from 24% so it could increase the number of senior directors it could place in the company to ensure policy control. Ford now provides one managing director

Though Mazda says there is no imminent prospect of this, it is widely believed in the car industry that Miti wants Mazda under Nissan's wings instead Sumitomo Bank also likes the idea as a means of getting into Nissan

Miti officials and Sumitomo bankers dismiss the notion, but it won't die Conspiracy theorists point to the appointment of Norimasa Furuta, a former Miti official, as president of Mazda in place of Kenichi Yamamoto, unexpectedly kicked upstairs last December at the behest, they believe, of the bank

That leaves the top three executive positions at Mazda in the hands of two former Miti officials and a secondee from Sumitomo Bank

Even bigger conspiracy theorists can see the hazy outline of another plot They look at Ford's recent decision to co-operate with Nissan in developing a light van in the US (a deal brokered by Sumitomo Bank), and Mazda's tie-up with Suzuki to co-operate in building super-compact cars for the Japanese market — and wonder if someone in the depths of Miti or Sumitomo is not dreaming of a Nissan-Ford merger one day

The notion is not far-fetched Analysts are starting to suggest the concentration of the Japanese car industry will be just one step towards the same thing happening worldwide as the webs of domestic and international alliances being spun by Japanese carmakers become ever more inter-tangled ■

'Hard times ahead' for motor industry

BDay 192 21/11/88

GERALD REILLY

PRETORIA — A grim year for the motor industry with escalating prices, mainly because of a continuing weakening of the rand, has been forecast for 1989 by Motor Industries Federation director Jannie van Huyssteen

He was reacting to Central Statiscal Service (CSS) figures that showed "exceptionally" high revenue in the motor vehicle and accesories industries in August

Trading revenue in August, seasonally adjusted, was 16% higher than in July and 43,6% higher than in last August

Income from new vehicles sales showed a seasonally adjusted increase of 21% This was due to unusually high sales of vehicles, CSS said, ahead of the

● To Page 2 ⇨

'Hard times ahead' for motor industry

21/11/88 192 BDay

⇦ ● From Page 1

tougher HP conditions and the imposition of import surcharges

Van Huyssteen said conditions in August were abnormal However, a large part of the increase was due not to higher unit sales in the industry but to ever-escalating prices — "and I don't see this process slowing down It is likely to continue deep into the new year

"The continuing increase in the prices of new vehicles, however, would benefit the servicing and repairs sector of the industry Owners will stretch the lives of their vehicles to the limit We expect, too, a large percentage of commercial vehicles will be reconditioned to keep them on the road

"CSS figures also show in the three months to end August trading revenue in vehicles and accessories in 'actual values' increased by 31,8% to R6,740bn compared with the same three months last year"

Chris Baltsoucos (left) and Anthony Rudston have been appointed to the board of The Lion Match Co.

City Times 21/11/88

Motor industry faces labour shortage

192

By BRUCE WILLAN

THE motor Industry is facing a critical shortage of skilled workshop technicians which demands swift corrective action by the major motor manufacturers, according to Nissan's service department GM Marinus Parlee

Of the 1 115 apprentices entering the industry last year only 120 wanted to train as workshop technicians.

Perlee says this is insufficient to meet the industry's needs and the problem is compounded by the fact that historically, only 46% of the apprentice intake remains within the industry.

This is illustrated by the fact that of the 120 apprentices entering the course for workshop technicians last year, 30 decided to leave the trade believing white-collar jobs offer better opportunities.

In an effort to reverse this critical situation, Nissan is upgrading an introducing incentive schemes for dealer technicians and support for technical schools and colleges

Perlee adds that Nissan will provide training for apprentices at its Rosslyn factory

At present Nissan is tapping both black and white technical colleges as well as the pool of national servicemen

Chairman hits at homelands system

(90) B/day

Mercedes-Benz says it will stay in spite of strikes

ALAN FINE

MERCEDES-BENZ of SA (MBSA) would never pull out because of problems with strikes, chairman Sepp van Hüllen said yesterday.

And he launched an angry attack on the homeland system, describing the Ciskei in particular — where many MBSA employees live — as a "political prison".

In an interview with Business Day after another bout of industrial action at the firm's strike-prone East London plant last week, he said an apparent threat by Daimler-Benz (DB) during a strike in June to pull out had been misconstrued.

DB management board member Manfred Gentz had, in a general response to a journalist's question, merely said no unmanageable plant could continue to exist.

"There is no reason for MBSA to shut down because of strike action. We have to overcome these problems by means other than running away.

"We have the full support of DB to maintain business in SA. DB has never bowed to political pressures. It has maintained business in countries like Argentina, Iran and Brazil where pressures have been strong," he said.

He said MBSA was a business and would continue doing business Secondly, he said, the company had a social obligation to develop, together with unions, new understandings of, and new roles in, society.

"We believe only by talking and negotiating with properly elected and mandated representatives of the union can we resolve the situation. If there is necessary will on both sides, we can do it."

Van Hüllen attributed MBSA's operational problems to its reputation as a wealthy multinational; political pressures in the East London region; the aggressive actions of a small group of employees; and sometimes inexperienced management reaction to this aggression.

He said MBSA wages were relatively high and employees enjoyed all normal fringe benefits.

MOTOR INDUSTRY

Car-makers' local discontent

Vehicle manufacturers have finally accepted — some of them unwillingly — that there is nothing further they can do to prevent government from implementing its new foreign exchange-based local content programme for the industry.

As recently as two weeks ago, some industry officials still believed they could force fundamental changes to the programme Now they face a race against time to get ready for its implementation.

Government has stated that the programme must come into effect at the start of the new tax year on March 1 Manufacturers say that to meet the deadline, they must know final details before the industry breaks up for its annual holiday in mid-December.

However, Board of Trade and Industry (BTI) chairman Lawrence McCrystal tells the *FM* that the details won't be ready in time "I don't think it's achievable A lot of work still has to be done and it's highly unlikely the final proposals will be ready before Christmas "

He adds that they will probably be ready when the industry starts up again in January — leaving manufacturers about seven weeks to gear up for a fundamental change in the rules of local component manufacture.

McCrystal says it shouldn't be a major problem· manufacturers and the components industry know enough about the programme, even without the fine print, to start preparing for it

Spencer Stirling, Samcor MD and president of the National Association of Automobile Manufacturers (Naamsa), agrees — as long as the BTI allows the programme to be phased in and doesn't try to impose it at once

Stirling ... programme must be phased in

Local content regulations are currently based on weight They require each manufacturer to maintain a minimum 66% average local content across all its cars and light commercial vehicles

However, the weakened rand has led to imports contributing a disproportionate amount to the total vehicle bill Government figures show that motor industry imports of vehicle components account for a huge slice of the country's foreign exchange spending

By basing the new programme on foreign exchange values, government hopes to force local vehicle manufacturers to make more use of the country's under-utilised components manufacturing industry The programme will make allowance for export values, and allow these to be offset against the import bill

Components companies, naturally, are keen for the programme to proceed as quickly as possible The National Association of Automobile Component and Allied Manufacturers (Naacam), in its discussions with the BTI and Naamsa, has opposed car-makers' efforts to delay the programme.

Some car-makers have complained that by setting the March 1 implementation deadline, government is forcing the programme through before it is ready Rather than rush through flawed legislation that will have to be repaired later, companies argued the whole plan should be delayed.

Stirling confirms companies recently offered a counter-proposal that they would reduce export values in real terms by about 2,5% in 1989, if the BTI would delay the new programme for a year However, the proposal was dropped after individual meetings with the BTI.

Now it looks as if discussion is over, and when the BTI meets the industry again in January it will be with the final formula

"I don't know if they will give us another chance to comment, but I suspect we've been given all the opportunities we'll get," says Stirling. ■

SODA ASH PROJECT

Economic realities

AECI's joint R920m Sua Pan soda ash project with Anglo American, De Beers and the Botswana government and its partners, underscores the fact that economic realities can sometimes transcend politics

Botswana, a member of the Southern African Development Co-ordinating Conference (SADCC), formed to reduce economic dependence on SA, has given its blessing to the project The SA government will provide protection in the form of a 10% ad valorem duty on imported soda ash, in addition to laying on R200m in export credits

At least one Botswana official finds a simple form of logic in the apparent disparity between the country's political and economic positions.

"The project will make SA dependent on Botswana for soda ash," he notes wrily, rejecting the suggestion that in the process Botswana may be breaking an SADCC embargo discouraging business with SA

That about sums it up both Botswana and AECI will benefit from the project — the former from investment in infrastructure, training and job creation, future profits and the assurance of a market on its doorstep, the latter from the profit potential of a project that will make SA independent of overseas soda ash imports

Sander ... expansion depends on viability

SA currently imports about 260 000 t of soda ash at a cost of R130m (US$52m) a year By 1991, when the project comes on stream, SA will be locked into the supplies provided by Soda Ash Botswana The project will also meet the soda ash needs of Zimbabwe and Zambia (15 000 t pa)

With the project expected to deplete only 3% of available reserves over 20 years, the potential for future development is clearly vast But AECI MD Mike Sander says expansion will be considered once the plant is operational, and will depend on the practicality of export markets

Soda ash prices have been moving up over the past year — from about US$135/t-$140/t in 1987 to the current $200/t With Soda Ash Botswana aiming at a turnover of R150m/year in soda ash, and salt sales of R50m at current values, volume output (and the profitability of the plant) could well

S/Times 4/12/88 (192)

Motor industry gets ready for rough ride

By DON ROBERTSON

THE motor industry, after a mini boom lasting about a year, is again facing tough times.

Rapidly rising prices, higher interest rates, tighter hire-purchase requirements, a change in the local content programme and component supply restrictions will all have a marked effect on the industry next year

But pent-up demand, which has met with supply shortages, will keep volumes up for the rest of this year and should result in new-car sales of 225 000 and light commercial vehicle (LCV) sales of about 110 000

Better

Medium and heavy commercial sales will also be better than in 1987 when total sales amounted to about R9-billion

Of considerable significance to the industry is the continuing decline in the value of the rand against the yen and the mark

The rand has declined against the yen by 22% since the start of the year from 64 yen to the rand to 50 Component prices continue to rise by between 3% and 9% each quarter This has meant an increase in the imported component content of about 12% which, coupled with higher local component prices, will mean a rise in car prices of between 18% and 20% this year

Coupled with a 68% increase between 1986 and 1987, new cars have become unaffordable to most motorists

It was estimated that in 1981 the average price of a new car was about 63% of an average annual household income Today it is about 90%

As a result, motorists have been forced to buy down and switch to smaller cars At the start of this decade, small cars accounted for about 45% of new-car purchases, but now represent about 70%

It has also meant that about 70% of new cars are bought by fleet owners, rather than the private motorist

In the middle of this year, this figure had fallen to about 55% after the introduction of private rentals, which allowed the purchase of a car without a deposit However, government's action to outlaw this practice turned the tables again in favour of fleet buyers

Curbs

More efforts by the authorities to curb what had become a spending spree on consumer goods also hit the trade Interest rates moved up sharply, hire-purchase requirements were raised and a surcharge was placed on imported components

This dampened demand even further

Certain sectors of the industry were hit by the decision of parent companies in Japan to limit the supply of components to SA This followed pressure from the US for Japan to reduce its trade with SA

The effect was that component supplies will be held at the same value as in 1987 and will eventually reduce the potential for growth in sales of these vehicles

This sparked many manufacturers to increase their "made in SA" policies

Toyota and Volkswagen will spend R130-million between them to produce parts and Nissan hopes to increase the local content on some of its vehicles to 90% Delta is to produce the Isuzu minibus instead of importing it

Toyota's expenditure comes on top of the R100-million it has spent to introduce the new Corolla range and the R41-million capital expenditure planned for next year

When fully operational in about two years, the Toyota and Volkswagen facilities will save about R200-million annually and provide additional jobs for about 2 000 people

Another aspect which has raised the ire of the industry is the planned switch to a value-based local content from one based on weight Although all agree that the R3-billion spent by the industry on component imports last year must be trimmed, they insist the two systems run parallel for the first few years at least They fear that the planned switch in March next year will involve them in heavy capital expenditure

The industry has also been affected by stock shortages and waiting lists of up to two months are common, even in the large-volume models

Manufacturers have been reluctant to build up stocks, remembering the hiding they got in 1983 when the market turned and they were left with extensive stocks of vehicles in their own car parks

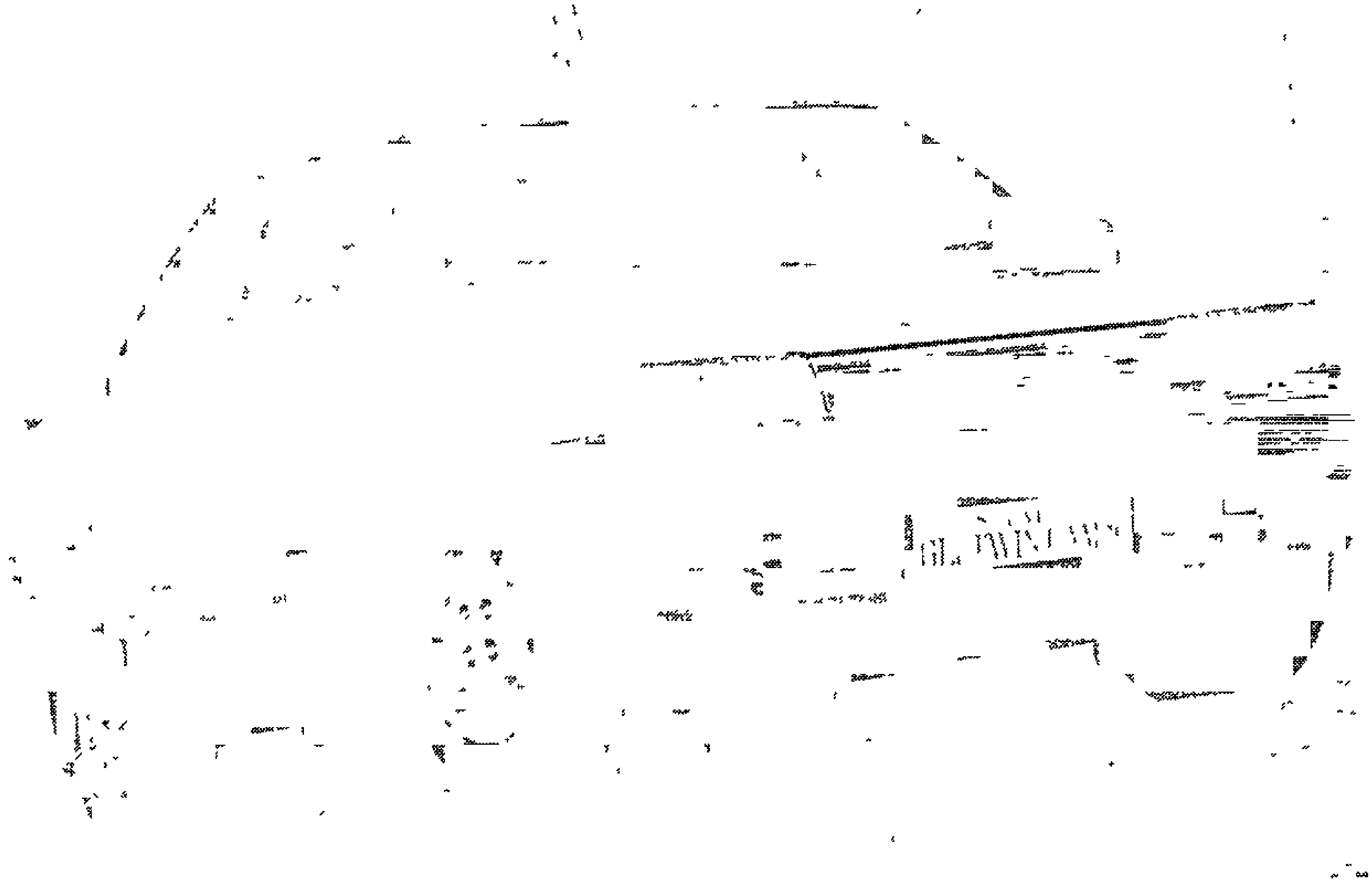
For this reason, manufacturers are looking to provide better after-sales sevice in an attempt to win sales

In the quarter to September, capacity use in the car sector was 88,8%, 75,1% in the LCV sector, 61,2% in MCVs and 66,9% in HCVs for a total of 73% in the four divisions This compares with 71,2% in the last quarter of 1987

Reduction

With these factors in mind, the industry has sharply reduced its estimates of sales for next year

Total vehicle sales for next year are projected at 327 550, compared with expectations of 349 100 for 1988 This is made up of 209 000 cars, 104 000 LCVs, 5 500 MCVs and 9 050 HCVs



Toyota's new Corolla range — capitalising on the switch to smaller cars

DIAGONAL STREET ●●●

Fleishmans revs up as cars age

S|Times 4/12/88 ⑲②

192

MOTOR spares and accessories chain Fleishmans could be due for a rerating after hovering close to its low.

The share price has dropped from 160c in January this year to hit 70c in August It is now 75c

OUTLETS

Listed in July last year, Fleishmans earned 19,2c a share by June 1988 to beat prospectus forecasts. The 8,5c-dividend yields 11,3%. On these facts alone Fleishmans looks cheap

At listing the company raised R14,7-million which boosted working capital Since then it has been busy The number of retail outlets has climbed from 24 to 36 — all opened from scratch — and Fleishmans bought Eddies Motor Spares in Pretoria Both moves fulfil prospectus ambitions

"The acquisition of Eddies was strategic for two reasons," says chairman Michael Katcs "It provides an entry to the black retail market, and it is the first group outlet to carry hard motor spares"

Classification of motor spares is somewhat arbitrary, but Mr Katcs' method is good enough for me Hards are components such as crank shafts and pistons, which are not normally the domain of the do-it-yourself enthusiast. Softs include spark plugs and oil filters Accessories are furry dashboard covers and the like

Fleishmans has hitherto been a cash-and-carry spares chain, but the purchase of Eddies could herald changes

A shift to motor spares DIY is evident Mr Katcs estimates that the business is worth a few billion rands a year "A recent survey showed that car owners who did not service their own vehicles felt guilty about it," he says

The number of black car owners has grown sharply, but many people cannot afford to pay for garage services, or prefer to maintain their vehicles themselves

HATS

The average life expectancy of a car has risen to 15 years from 11 only a short time ago Older vehicles tend to need replacement parts more frequently than do newer ones These factors augur well for motor spares businesses

Mr Katcs says the industry has not yet consolidated into clearly identifiable powers

"Fleishmans is not yet a dominant force But I am not stuck on sovereignty

"I can wear two hats — that of a manager with a job to do, and that of a shareholder We might make acquisitions, be acquired ourselves, or form an alliance with another group But these choices are not unique to Fleishmans, they are faced by the whole industry"

QUESTIONS

It looks an attractive industry, and those already in it are likely to be in the pound seats

Fleishmans should not be affected directly by climbing interest rates Smaller businesses which grant credit could suffer as terms drag on and bad debts rise "We are safe," says Mr Katcs

He regards as loaded trick questions those which raise the matters of imports and sanctions, saying "SA is import-reliant About 30% of our shelf products are imported, the balance being sourced locally But even a simple spark plug is assembled from imported components"

Why is the Fleishmans share price so low?

"The price is driven not by institutional or major shareholders, but by speculators," says Mr Katcs.

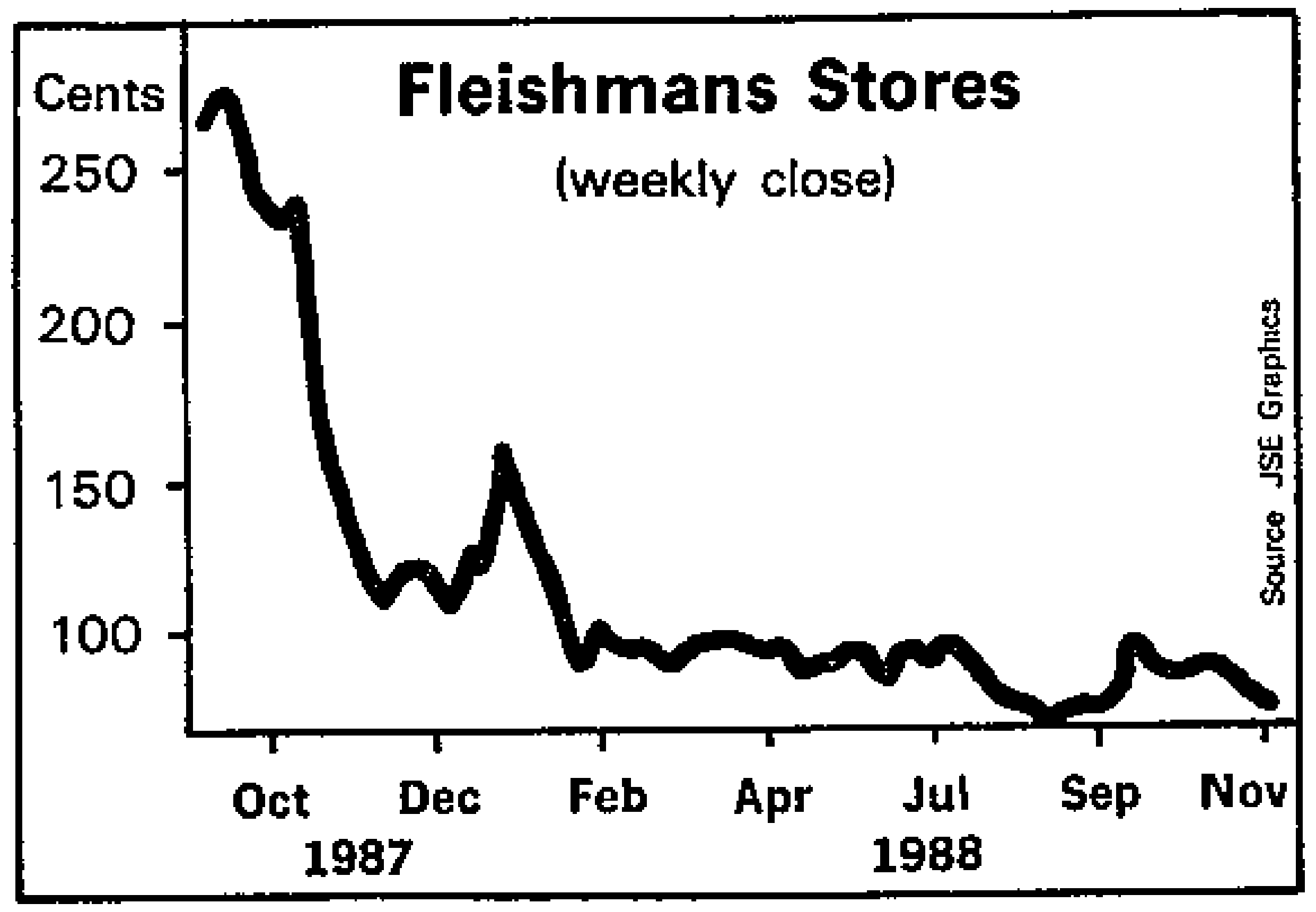
Financial results do not disclose turnover, but show a low rate of tax — only R493 000, or 10,3%, was paid on profits of R4,8-million Mr Katcs says the group has two companies, one of which pays tax and the other has assessed losses of R11,5-million

It probably will not take long — two or three years — until those losses are used and then earnings will be taxed at the top rate This could be a reason why the shares look underrated

Mr Katcs says an annual report has not been issued because auditors and others needed time to produce special warranties for Eddies "It was bought on a performance-related agreement," says Mr Katcs

What about borrowings? "Rising interests rates will not materially affect our profits because we are a cash generator, and the gearing will disappear quickly"

Mr Katcs maintains a low profile and information on Fleishmans is scarce If the market takes a shine to motor spares, it could run as franchiser Midas has recently Midas has almost doubled in price since March, and yields only 2,8% in dividend.



Source JSE Graphics

Necessity is the mother of invention

Star 8/12/88

01

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Moves in Japan to restrict trade in motor vehicles with South Africa should not be confused with divestment. Japanese companies do not own any factories in South Africa; their designs are built under licence by South African companies, and contain an imported Japanese content of 34 percent by mass, averaged across all sales.

Nonetheless, more than one in two passenger cars and the vast majority of commercial vehicles sold in South Africa could be affected by any restrictions — of last year's 201 000 passenger-car sales, more than 110 000 were Japanese.

The biggest manufacturers of Japanese marques in South Africa are Toyota, which sold 49 785 cars last year, and Samcor which sold 16 935 Mazda cars and a further 14 024 Fords based on Mazda designs. In addition, 19 527 Nissans were sold.

Almost 90 percent of 1987's 96 346 light-commercial vehicle sales were accounted for by Japanese nameplates Toyota, Nissan, Isuzu (manufactured by Delta Motor Corporation) and Samcor's Mazda and Mitsubishi brands

Pressure

Although sales to South Africa are tiny in the perspective of annual total Japanese vehicle production of more than 13 million (including approximately one million kits of components), it is unlikely that Japan would give up this or any other export market easily

The Yen/Dollar exchange rate has put exports to the crucial US market under pressure, while Japanese vehicle sales in many European countries are restricted by quotas.

The most likely outcome is that Japan would make some token "cosmetic" gestures. In the short term the greatest concern to the local companies must be the effect that current uncertainties will have on sales

In the longer term, if the worst did come to the worst, car makers could respond in three basic ways The quickest and most effective would be simply to re-source components. Instead of importing direct from Japan, they could be obtained from Japanese plants or joint-venture companies in other, more sympathetic countries like Taiwan and similar SE Asian countries with fledgling but fast-growing motor industries

In the longer term, local content could be increased still further, though that would increase costs. There are many parts which could be made here, but which up to now have not been financially viable because of the small volumes involved.

But the cost of tooling up for new parts could be offset by the third option open to car makers, which is to encourage rationalisation and interchange of components between local manufacturers

For example it is known that more than one SA car maker is interested in Ford's locally manufactured 3,0 litre V6 engine, which costs only a fraction of the imported motors used in most Japanese large cars

Samcor already has plans for early next year to fit local Ford engines under the bonnets of its Mazda-based small cars and commercials which currently have imported Mazda engines

Nissan and Toyota also make some of their engines locally, though these are mostly relatively low-tech designs used primarily in cheaper cars and in light commercials

The components most vulnerable to restrictions, which it would be most difficult to manufacture locally, are manual and automatic gearboxes, carburettors, and facias including instrumentation.

Advances

The principle obstacle to locally produced instruments is that to make the operation viable, many cars would have to share components — and consumer resistance to seeing Nissan dials in a Toyota, even without the name, is high

Steady advances at the Atlantis Diesel Engine plant in the Cape make the local gearbox a possibility, if not a probability; Volkswagen SA claims the CitiGolf is the nearest to being the completely South African car, as only the instruments and cylinder head are imported — to hack an old TV phrase, "We've got the technology, we can build 'em".

Rhodesia

Or is South Africa to go the way of the erstwhile Rhodesia, where there were no new cars being imported or built and the entire motor industry was geared to making parts to keeping an increasingly aged national fleet on its wheels?

During sanctions, incredible inventiveness kept cars going no matter what — but then, the Colonials didn't have our curious "thow-away" attitude and disposable society Their cars weren't over-revved and abused, but they were kept clean and regularly serviced And very few ended up as mangled wrecks in scrapyards

Necessity is the mother of invention — but let's hope it doesn't get to that

192 FMM 9/12/88

MOTOR INDUSTRY

Japanese keep up pressure

Japanese vehicle manufacturers are tightening their squeeze on exports to SA

Under pressure from the powerful Ministry of International Trade & Industry (Miti), Japanese companies have agreed to restrict the yen value of exports next year to 1987 levels

Local industry officials say exports could be held at the same level for years to come The Japanese government is anxious for companies to maintain a no-growth trend over a prolonged period, to rebut international criticism of Japan's position as SA's leading trading partner

Spencer Stirling, Samcor MD and president of the National Association of Automobile Manufacturers (Naamsa), says "It's a misconception to think these restrictions will go away soon We are looking at a medium- to long-term situation "

However, SA vehicle assemblers say they can overcome Japanese action — either through greater local content or by finding alternative supply routes

Delta's André van Rooyen, whose company assembles Japanese-designed Isuzu commercial vehicles, says Delta is reducing dependence on Japan by "accelerating localisation of imported content and re-sourcing certain components from other overseas countries."

Other companies are doing the same, even if they aren't as open about it Taiwan is among a number of Asian countries which can supply the components SA needs Many Japanese industries have licence agreements in these countries. Tokyo is aware of this, but considers exports from these countries to be outside its influence, and restricts itself to limiting "direct" exports from Japan to SA

Brand Pretorius . . .
the industry's adapting

The SA motor industry has two other factors in its favour — Japan's low inflation rate and an expected decline in vehicle sales during 1989

Nissan marketing MD Stephanus Loubser says negligible Japanese inflation means that values next year, in real terms, will be only slightly less than 1987 And a predicted 10% fall in vehicle sales in 1989 will ease the pressure on assemblers who failed to keep pace with demand in 1988

Unexpectedly strong demand, coupled with limits on Japanese supplies, hamstrung several companies

Toyota was one of the worst sufferers from this year's unexpected restrictions Like other companies, it has come to terms with the situation and adapted Marketing MD Brand Pretorius says, with the smaler market, the company expects to meet demand in 1989

He adds that Toyota's model range has become more flexible, and the company will concentrate more on models with low foreign exchange value and high local content.

As Samcor's Stirling says, SA companies will have to keep finding ways of beating restrictions This week's UN General Assembly condemnation of Japan for its trading links with SA is likely to strengthen Tokyo's resolve to become a less visible trading partner

Prime Minister Noboru Takeshita immediately said Japan would continue efforts to limit SA trade, but argued his country was being picked on unfairly

Japanese officials say the apparent rise in trade is in US$ terms only, and reflects the fall of the dollar against the yen.

Japanese Ambassador to the UN Hideo Kagami says that, in yen terms, Japanese trade declined every year between 1984 and 1987 ■

FUEL PRICE FMML 9/12/88

Fuel's gold

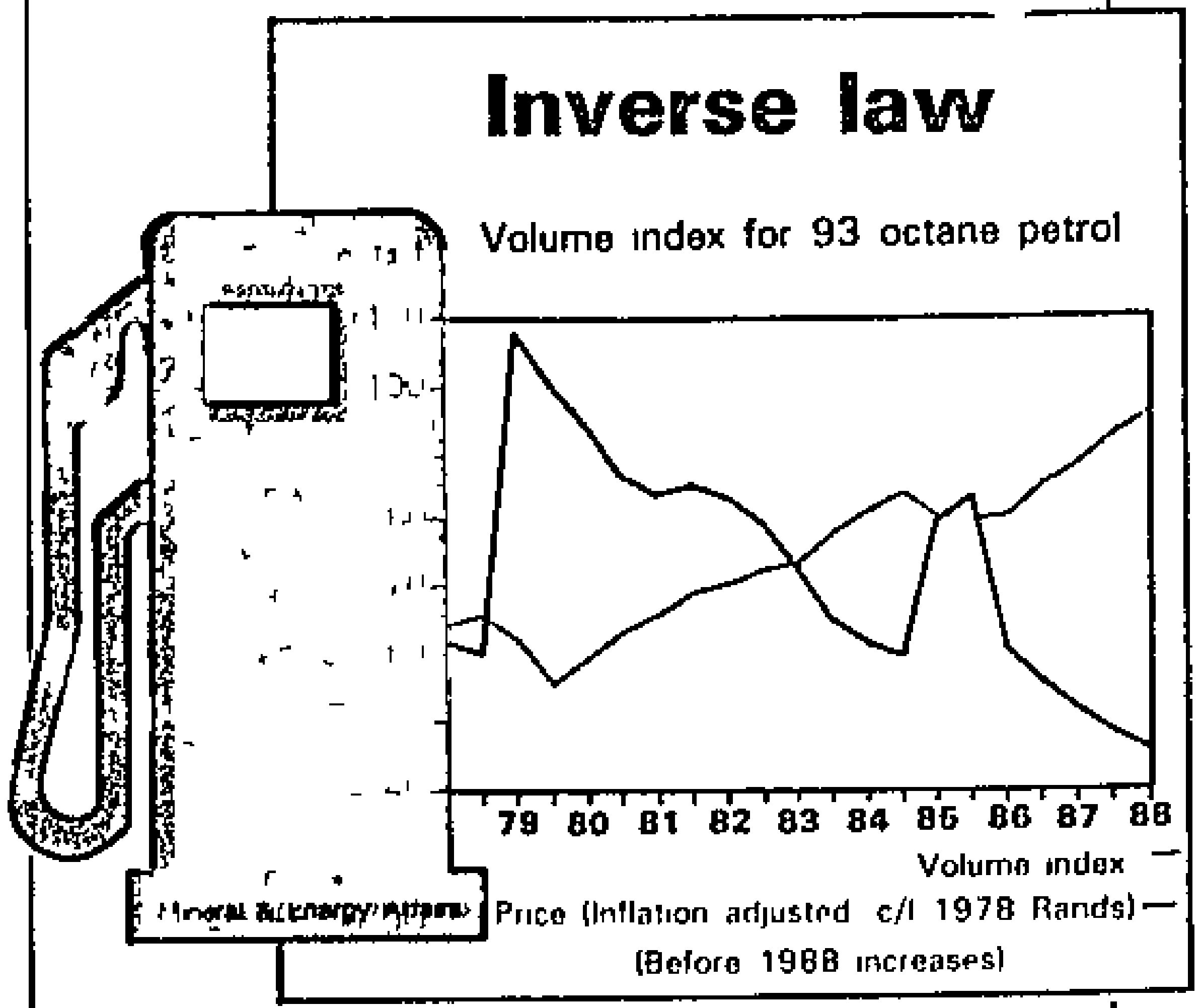
Motorists, a traditional target for governments in search of extra pocket money, have been singled out again

Government's omnivorous need for additional revenue has produced a painful increase of 10c/*l* in the prices of petrol and diesel, effective from January 16

A joint statement by Finance Minister Barend du Plessis and Economic Affairs & Technology Minister Danie Steyn, says 9c of the increase will go towards an additional levy on all domestic fuel sales, and 1c towards an increase in rail and pipeline tariffs

Government estimates the fuel levy will generate an extra R260m revenue in the current fiscal year, and R1 300m in 1989-1990 Although the principal reason is to raise revenue, a subsidiary aim appears to be to curb growing imports of crude oil and so assist the balance of payments

As Sasol (which produces somewhere under 50% of SA's liquid fuel needs) operates at full capacity at all times, any increase in fuel consumption leads to a disproportionate rise in imports



Inverse law

Volume index for 93 octane petrol

When fuel prices were raised earlier this year, fuel consumption had been rising under the influence of a rapidly reducing real rand price and rising personal incomes (see **chart 1**) It would appear this trend has not been more than dented by the earlier price increase

UCT economics professor Brian Kantor acknowledges that most governments find taxes on petrol an attractive source of revenue, the only exceptions being the US and various oil-producing countries

The marginal cost of collecting additional fuel tax revenue is low, and the tax is not subject to evasion Because the price elasticity of demand for petrol is low at present price levels, an increased levy is a good revenue raiser — and will not cause a major falling off in demand

Another factor Kantor agrees has influenced government in taxing petrol more heavily, is that it is almost the only effective way of gathering revenue from the burgeoning black taxi industry Collections of income tax and GST from black taxis are not very effective, nor can their effectiveness easily be improved

Kantor estimates an approximate 10% increase in fuel prices will induce a 1% in-

Naamsa: Vehicle sales up 2,3%

CM-Times 9/12/88 192

HANNESBURG — Naamsa has announced that car sales in November were only marginally higher than those in October

Sales during the month were only 2,3% higher at 20 896 compared to 20 422 in October

January to November sales showed an increase of 16% moving from 184 857 to 214 304, a rise of 16%

Light commercial vehicle sales fell from 10 095 to 9 861 for the period October to November Total sales for the year were up 18,7% at 104 545 (88 024)

Medium commercial vehicle sales decreased from 532 in October to 472 in November but the January to November figure was up 20% at 5 324

Heavy vehicles sales were up by 29% to 8 809

Overall, vehicles sales increased by just over to 17% to 332 982 (last year 284 107) — Sapa

Car costs cripple us - and worse to come

192

Money Matters

Magnus Heystek

Star 10/12/88

MOST motor-mad South Africans don't really know what their cars cost them. They think in terms of monthly repayments and are inclined to forget "hidden" costs like insurance, tyres and general maintenance.

The latest petrol price rise comes as yet another blow to the private motorist, who in recent years has seen the price of new cars rise massively.

This results from high local inflation and the sharply depreciating value of the rand against the Japanese yen and West German mark, the two countries supplying most our motoring needs.

Most car prices have doubled in just over three years, while a car's running costs have increased by 50 to 95 percent, depending on the car's size and original price.

Most new-car purchases today are by companies or by people assisted by their employers. Car dealers estimate that only about 15 percent of new cars are bought by private individuals

With the outlook for the rand unhealthy, the cost of a new car is bound to rise further — placing a new car beyond the reach of Mr Average.

According to the Automobile Association, total running costs of a small car have risen by more than 50 percent from 38,8c/km in 1985 to 59c/km. This calculation was made before the latest petrol price was announced — so expect this figure to rise in the New Year

For a medium car, the cost per kilometer rose 70 percent, from 64,8c to 110,5c. However, the owner of a luxury car has seen his cost per kilometer over the same period rise from 63,1c to 123,1c — a leap of 95 percent. (See table).

	1985	1986	1987	1988	1989
Honda 150	40,3	51,8	53,2	57,1	60,9
Merc W123	63,1	88,7	96,5	107,5	123,1
Audi SEO	64,8	83,1	98,7	101,5	110,5
Golf CSL	38,8	48,9	50,2	55,2	59,0

The cost of motoring (cents per kilometre)

However, if you still intend buying a medium-sized 1800 cc sedan, think what it will cost each month *Company Motoring* magazine calculated in August (before prime rate went up and before the petrol price announcement) that a R25 502 car (GST included) would cost you between R645 and R738 a month, depending on the type of transaction (full maintenance leasing R738, Finrent R645 and rental R722).

Then add maintenance and tyre costs of R101 a month in the first year, R157 a month in the second and R258 in the third year Insurance sets you back anything from R2 626 a year if you live near the coast to R4 250 in high-risk Johannesburg

Taking average consumption at nine litres every 100 km and an average of 30 000 km travelled each year, the total monthly cost of your car comes to a staggering R1 481 a month in the case of full maintenance leasing, R1 388 a month under Finrent and R1 465 a month with rental

13/12/88
B/Day

Spareco looks to boost from newcomers

192

By Don Robertson

THE acquisition earlier of three auto spare outlets should push Spareco's turnover to an annualised R89-million and earnings to 80c a share in the year to June.

Earnings are expected to improve significantly in the following year

Spareco came to the market on November 9 through the reverse takeover of Eurefin for R36,2-million

The acquisitions will increase the size of Spareco and it could soon rival other spare-part operators such as Midas and Fleishmans

Attraction

Moores Multimotor Parts, Hycar and Jimmy's Auto Spares were bought for R7,3-million cash and the issue of 2-million Spareco shares at 50c each — the curent price

However, the company's bank balance remains strong and with R5-million in cash it is looking for other acquisitions The issue of the 2-million shares will not dilute earnings

Chief executive Errol Wucherfennig says the increased buying power and other benefits will have an immediate effect on margins

The company will also benefit from the recently granted ADE spares distributorship

One of the attractions of R24-million-a-year Moores Multimotor is the company's computer system which was developed at a cost of R6,5-million The system will be introduced in all 23 Spareco outlets

Each product is entered into the system on the day it arrives and is tracked all the way through the various channels until it is sold The cost, recommended retail price and gross profit on each sale are captured by the computer All products are automatically re-ordered when an item is sold

The system has allowed Moores to improve stock turn ratios to six times a year and has reduced shrinkage

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B/day 13/12/88

Japanese motor manufacturers putting brake on exports to SA

TOKYO — The final count of Japan's vehicle exports to SA this year is expected to be below that of 1987

It is also expected to fall further from next year

Exports by Toyota this year are expected to drop from last year's 91 100 vehicles including 71 800 kits That figure was up from 77 075 in 1986 including 63 520 sets

Nissan will have exported 43 746 units by the end of the year, including 22 637 kits, up from 31 235 last year including 13 640 kits

Motor industry sources said Toyota was likely to cut exports further next year Nissan's spokesman said his company's shipments this year were unlikely to fall in volume but would fall in value from a year earlier

On December 5, the UN voted 123-12 to draft a resolution supporting sanctions against SA

It also called on Japan to exercise greater voluntary restraint in trading with Pretoria

Other Japanese motormakers exporting to SA said they would continue to reduce shipments next year after reducing them this year and last

Honda exported 50 built-up cars and 10 800 kits to SA last year compared with 25 cars and 10 900 kits in 1986

The final tally this year is expected to be lower in volume and value

Shipments by Isuzu will be about 11 000 units this year compared with 12 339, including 2 731 built-up vehicles, last year

Mazda exported 8 830 vehicles and 32 360 kits last year compared with 5 080 vehicles and 29 860 kits in 1986

Exports by Mitsubishi will fall by 20% this year from last year when, a company spokesman said, it exported 5 300 vehicles, including 4 100 kits, up from 4 400, including 3 100 kits, in 1986

Japan's vehicle exports — complete units and kits — to SA account for 20,1% of its trade with Pretoria They rose in value to $373,81m last year from $278,87m in 1986

Vehicle exports to SA totalled $281,11m in the first 10 months of this year — Reuter.

Ford develops new exhaust catalyst

Platinum price drops $45

Cape Times
16/12/88

192

LONDON — The price of platinum fell nearly $45 an ounce yesterday after Ford Motor Co of the US said it had developed a catalyst as effective as platinum and cheaper in the control of exhaust emissions

Platinum prices have strengthened because of expectations of its increasing use in controlling exhaust emissions

"The Ford news had the longs running for cover," one London dealer said referring to players who had amassed, or built up long positions, in platinum

Platinum was fixed at $579,50 an ounce, down sharply from its morning settlement price of $599,75 It then fell further to close at $555, its lowest since the start of November

A precious metals analyst at Shearson Lehman Hutton, Neil Buxton, said "The market is still digesting the news and its implications but the news is not good for platinum."

Platinum use in exhaust fumes control currently takes up some 30% of all industrial demand, industry analysts said

Gold was also at its lowest since the start of November, closing at $415,70/$416,20 an ounce, compared with its $420/$420,50 finish yesterday

Silver closed at $6,10/$6,12 an ounce, a two-week low and compared with Wednesday's finish of $6,16/$6,18.

Silver has been depressed recently by fundamental oversupply, dealers said

● In Zurich, platinum ended sharply lower in lively trading after Ford annoucned the platinum-free catalytic breakthrough

Platinum dragged other metals lower, dealers said

Platinum plunged to $565/$571 from $591,50 $593,50 at the previous close

Gold slid to $415,25/$416,25 from $419,90 $420,40, while silver shed $0,5 to $6,11/$13

Good physical demand for gold between $416 and $418 and short-covering helped gold close above its low at $414,50

"Unless we can hold on to $415, we are set to test support at $412 or even head down to $400," one senior trader for a major Swiss bank said.

● In New York, gold dropped sharply to close at $412,50/$413 against Wednesday's close of $421,25 — Reuter

Car device set to hit platinum

Citizen 17/12/88

By TOM HOOD
Business Editor

SOUTH AFRICA stands to lose hundreds of millions of rands in export earnings by the discovery of a substitute for platinum in car exhaust anti-pollution systems.

About R1,5-billion of platinum a year is used worldwide in car converters, the bulk of it coming from mines in the Transvaal.

Ford chairman Donald Petersen told the Pittsburgh High Technology Council this week that his company had developed an inexpensive catalytic converter that was as effective as platinum-based catalysts

If the cheaper alternative proves successful in tests with 35 000 Ford cars next year and its use spreads, platinum producers will face a serious drop in demand

The automobile industry took 35 percent of world production last year — even ahead of the jewellery's industry's 30 percent

The automotive use of platinum was expected to jump in 1989 as the European Community began a phasing in of catalytic converters.

If the industry continued to use the catalysts, European demand was expected to double to 499 000 ounces

Rustenburg Platinum Mines is trying to determine if there is "anything of substance" in the new Ford autocatalyst, said Barry Davison, managing director of the world's biggest platinum producer.

Rusplat received R2,3-billion from sales in the year to August 31 and paid almost R600-million in taxes.

BMW's long-term commitment

192

Star 19/12/88

Finance Staff

CAPE TOWN — BMW South Africa intends to remain an important player in this country and "we have a long-term plan and strategy that we are working our way through," says Dr Walter Hasselkus, management board chairman of BMWSA

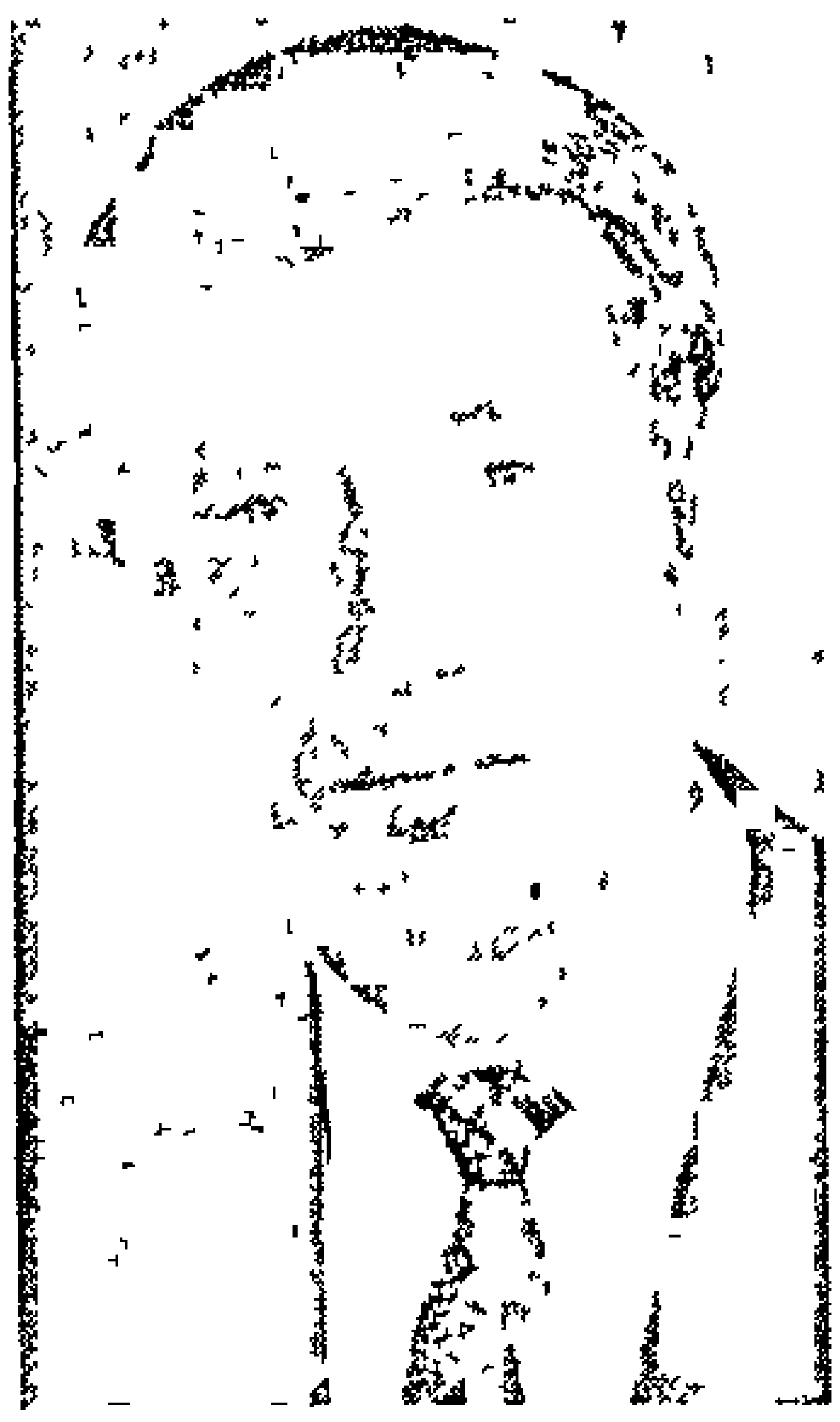
He told *Leadership* magazine that whatever the political outcome in South Africa might be, a skilled labour force would be necessary to maintain and develop the economy

He said a recent independent survey among the company's workforce showed that more than 70 percent were against disinvestment

BMW head office in Munich had accepted in principle the local company's recommendation that it keep with whatever new models were being introduced there and that BMW make the necessary investment in South Africa

Leadership says the problem for BMWSA arguably, is that it has to live with basic engineering and marketing decisions that are made in Munich

The perception there was that following a clear trend in the US, "Yuppies" in Europe will continue to spurn traditional life-styles involving children and large mortgages and spend increasing amounts of their incomes on other expensive pleasures



BMW's MD Dr Walter Hasselkus

But what is right for Europe is not necessarily so for South Africa In this instance it was probably not, for declining prosperity among whites had forced them to buy down in recent years

What had been true for individuals might become true, too, of companies providing cars for their executives

An indication of BMWSA's confidence in the local components industry was that it had formed a project team to investigate the feasibility of having about 10 of the components in the electronic engine management system made locally

Mr Kurt Wunderow director of logistics and supply said the basis of the local content programme introduced in the Sixties to help advance the country's industrialisation was likely to be radically altered

The programme had been successful, but the circumstances within which the programme operated were no longer what they once were

The present programme gave a rebate on excise duty provided that 66 percent of the vehicle's total weight was made locally

Basing local content on value rather than weight was rejected when the programme was devised

But today sophisticatded light weight components comprised a steadily rising proportion of total cost

The local content programme provided little incentive to manufacture these types of components locally and the import bill of the motor industry had risen from one billion rand to R3,5 billion in recent years, syphoning off valuable foreign exchange

BMWSA had contracts with close to 150 local suppliers who together supplied the company with well over 3 000 different items

Mr Dieter Wache, head of development engineering at the Rosslyn plant said each year the department received about 100 000 items of technical information from Munich

Of these some 6 000 were to do with existing models, and most of those required new parts to be made

He noted that South African buyers demanded unusually powerful engines in their cars, the BMW745i and 333i models were unique to this country

BMWSA is represented by 120 retail outlets or dealerships and their number had remained static throughout the Eighties The 10 biggest dealers accounted for about 70 percent of all parts and accessories business

Head of marketing Mr John Jessup said that at the company's present size each dealer should be safely viable

Mr Jessup said an efficient dealer selling about 15 cars a month could pay himself a salary of R100 000 or more and still make perhaps 25 percent before tax on the R500 000 to R1 million he had invested in his business

He said, however, when the market turned down the picture changed quite dramatically and costs against income could become very severe

INDUSTRY

MGS 19/12/88 192

'BMW SA here to stay'

Business Staff

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Dealers hade to be efficient in summer, storing fat for the winter But this would not be possible were BMW to expand its dealership network when the market was booming

COMMODITIES

ARGUS 20/12/88 (192)

Platinum scare 'storm in a teacup'

From DEREK TOMMEY

JOHANNESBURG — Platinum companies are annoyed with the Ford Motor Company and what is seen by some as the irresponsible way it announced last Thursday that it had developed an inexpensive autocatalyst that did not use platinum.

The feeling in the industry is that Ford made the development appear much more important than it actually is and, as a result, caused the platinum and share market to overreact.

Analysts said last night that the affair was a storm in a teacup and that within a few weeks most people would probably have forgetten the Ford announcement.

In making it, Ford chairman, Mr Donald Petersen, said the autocatalyst was as effective as platinum-based catalysts and would meet exhaust emission standards.

A mining official said Mr Petersen was obviously not aware of the implications of what he was saying.

According to market sources, which have their own way of finding things out, this could be true

Platinum immediately dropped $80 to $510 an ounce before recovering to $520

When the Johannesburg Stock Exchange opened for business yesterday after a three-day break, platinum shares received a hammering and several shed more than 16 percent

However, all platinum shares closed above their lows

But several industry analysts have considerable doubt about whether the new autocatalyst will be efficient as Mr Petersen has implied

Johnson Matthey, which has been working with Ford in the development of the catalyst, was apparently as surprised as anyone by the announcement.

It hurriedly issued its own statement, saying that the new catalyst would take some time to develop and that it would not have a significant impact on platinum sales

Johnson Matthey officials said their latest platinum market survey, in which they reported a shortage of 400 000 to 500 000 ounces, was prepared in the full knowledge of development of the Ford catalyst

In the light of the Johnson Matthey survey, analysts have been pointing out that the continued high and growing demand for platinum at a time when supplies are increasing only slightly could lead to a major increase in price

From available evidence Ford's catalyst will continue to use the platinum group metals — platinum, palladium and rhodium

Metallurgists say if the new catalyst is going to be cheaper than the existing one, it means that it will have to use more of the cheaper palladium

But catalysts using palladium are poisoned by the presence of any lead in petrol and, because of this, there has been a move away from using palladium

While the industry does not rule out the possibility that Ford may have found a way to reduce palladium's susceptibility to lead poisoning, it is felt that such development has some way to go before being proven

Industry sources point out that palladium is a by-product of platinum mining and that its supply would be limited to the amount of platinum being mined

If platinum production were to decline, so would palladium production and the benefits of its lower price would be lost

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In these far-right days, some white workers go left

In an era when white working class politics moves steadily right, an irony has been the growing willingness of whites to join black unions. MZIMKULU MALUNGA reports

SOME white workers — particularly in the motor assembly and retail sectors — are bucking the rightward trend in white politics.

In October, more than 200 white, coloured and African workers downed tools at the Volkswagen plant in Uitenhage after a dispute with management over wages.

A representative of the National Union of Metalworkers of South Africa (Numsa) at Volkswagen said the week-long strike had involved only skilled workers.

He said most of the white workers who had joined the strike were members of a prominent affiliate of the all-white SA Confederation of Labour, the Yster en Staal Unie.

According to the Numsa representative, over 100 white workers in the plant have joined Numsa "and we also have one white part-time shop steward".

In the retail sector, the Commercial, Catering and Allied Workers Union (Ccawusa) has received numerous applications from white workers wanting to join.

Ccawusa officials said more interest was shown in areas where bargaining had been successful. "Whites are impressed by our negotiating power. In particular, they get worried when they see non-union members facing retrenchment without representation," said a union official.

He added, however, that most of the union's white members were inactive — they did not attend meetings and did not want management to know about their union membership. "They want the material benefits of membership, but are suspicious of black trade unions, which they regard as radical organisations."

The representative said the passivity of Ccawusa's white members made it difficult for the union to gain access to them. However, there were moves to try and accommodate them, as well as a conscious organising drive across the colour line.

The *Weekly Mail* spoke to a 24-year-old Afrikaans woman, Mrs W, who is a Ccawusa member at Checkers in the Western Transvaal town of Klerksdorp. She asked not to be named for fear of victimisation.

Mrs W said that that on her arrival at the company, she had thought Ccawusa was meant only for black workers "But they just accepted me when I told them that I wanted to join.

"My main reason for joining the union was that I wanted to have somebody who would fight for me in the workplace," she said.

"Now that I've joined the union, I get an increase every year."

Politics were not a factor in Mrs W's decision to join Ccawusa, but another white member of the union in Johannesburg, 30-year-old Mrs A, said she was driven to unionism by her dislike of racial discrimination

"I didn't like the way black workers were treated in the workplace," she said, adding that management at her place of work had tried on several occasions to discourage her union involvement.

Mrs A said she also enjoyed the protection the union gave her. "It is advantageous in the sense that if management wants to get rid of me, they can't."

Asked how her black colleagues had responded to her application, she laughed and said: "They know I am a comrade anyway."

Mrs A agreed there was some reluctance among white workers to join black trade unions

"When they have problems they think of joining, but once their problems are sorted out, they back off."

At its national congress in October last year, the South African Railways and Harbour Workers Union (Sarhwu) resolved to encourage white workers to join the union, and to promote interaction between black members and their white colleagues.

A Sarwhu representative said the union had white members in Johannesburg and Cape Town, but said he could not give figures.

He believed that most of them had joined "purely for economic reasons".

The general secretary of the National Council of Trade Unions (Nactu), Phiroshaw Camay, said the federation had white members in the food, electrical, metal and building industries.

Ford tones down convertor claims

Argus 26/12/88

192

[illegible]

The Argus Foreign Service

NEW YORK. — In the face of sharp world reaction to its announcement that it had developed a process that would eliminate platinum from the exhaust systems of cars, the Ford Motor Company has toned down its initial claims

The weekend announcement that Ford's research engineers had perfected an alternative system to the present catalytic converters that are mandated for use in all US-built cars and in those in most other countries led to a rapid fall in the price of platinum on world markets and to a plunge in the value of platinum shares, particularly on the Johannesburg Stock Exchange

South African exports of the rare metal were considered likely to be most hard hit by the development

But yesterday a spokesman for Ford said the reaction was exaggerated if not over-blown

PILOT PROJECT

"The fact is that we have achieved a laboratory success in developing a system that will ultimately, we think, supersede the present exhaust catalysts which are dependent on platinum," he said.

"But it is at this stage purely a pilot project, in which we have introduced just under 50 000 units in California, and will be examining the results.

"There is no question of Ford — or anyone else — introducing the system in current car models So far as we are concerned platinum remains king, if only because every federal and state antipollution law of which we are familiar mandates the use of the present catalytic systems in all cars in the US"

The spokesman said the company was surprised at the strong world reaction to its announcement, and added that he thought the fluctuation in the price of platinum in the wake of the announcement was due more to the actions of "platinum speculators" than to any genuine concern at the effect of Ford's new project

"Perhaps it is simply a fear of the unknown," he added